MANUFACTURING - MOTOR INDUSTRY

1996 -
JANUARY - JULY

PHOTOCOPIES

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Car duty is seen as unwork

Edward West BD 5/1/96

(192)

LUXURY car manufacturers have ridiculed government attempts to slap a new ad valorem duty on the industry as "a screw-up"

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

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

The duty for a Toyota Camry amounted to 2,29% of while the rate for a loc duced Mercedes was about

Mercedes-Benz SA spok Herman de Bruyn said "Ev will have a different ad va value Another vehicle make us they would have to inst new mainframe computer work out these values"

BMW SA spokesman Ch Fick dubbed the new duty screw-up": "Nobody has told whether to use the formula on imported vehicles with the sa free on board value or whether must work out the formula on dividual vehicles, which would sult in a lower duty being paid"

Both manufacturers plann to meet customs officials to gai greater clarity on the issue

Bosal opens exhaust factory in Georgia

CT (BR) 8/1/96 (192)

By Roy Cokayne

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

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

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

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

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

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

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

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

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

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

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

New duty will raise car prices

(192)

By Roy Cokayne

ET (BR) 9/1/96

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

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

Vermeulen said the structure of the duty provided a benefit for less expensive vehicles

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

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

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

But he said the duty would rise to about R8 160 for a locally produced vehicle with a dealer-billing price of R200 000

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

Vermeulen stressed that the duty was not a new tax but replaced the across-the-board 2,5 percent non-rebateable excise duty which fell away with the termination of Phase VI of the local content programme and the introduction of the Motor Industry Development Programme from September last year

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

He said the ad valorem tax was broadly in line with the expectations of the motor industry and the rate on domestically produced vehicles appeared quite reasonable

Flood of foreign cars tipped as temporary

(192)

Edward West

BD 11/1/96

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

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

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

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

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

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

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

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

Van Zyl forecast average vehicle price increases to be below inflation this year, continuing a trend of steady decline since 1991. In1995 vehicle prices rose on average 8%, but were expected to be less this year

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

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

Toyota SA for R450m upgrade (192)

By Roy Cokayne

CT (BR) 11/1/96

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

This capital expenditure forms part of a R1,4 billion, five-year programme which the company announced last year

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

Van Zyl said the National Association of Automobile Manufacturers of South Africa's sales returns for December, due to be announced later this week, were expected to push last year's total to more than 376 000 units — the most successful year in the vehicle industry since 1984, when more than 405 180 sales were recorded

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

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

It appeared that the company, with total sales of about 96 000 vehicles last year, would fall just short of last year's sales target of 100 000 units Van Zyl said, however, that the company's sales target for the year had been a market share of 25,1 percent, which translated into 101 300 vehicle sales

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

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

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

Van Zyl said the growth in the importation of used vehicles was a disturbing trend

Car industry calls for figures release

(192)

Jeanne Venter BD 11/1/96

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

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

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

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

But SAPS communication officer Reg Crewe said the figures for last year might not be available until March He said Naamsa had the 1994 figures Vermeulen said Naamsa had only the global figure, not a breakdown

Govt considers cap on sliding scale car duty

BD 12/1/96 (192)

Edward West

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

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

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

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

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

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

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

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

Sunday Times SECTION 2

THE CAR HIJACK LEAGUE

(192) ST 14/1/96

TOYOTAS ARE TOP OF THE 'MOST WANTED' HITLIST

By DON ROBERTSON

ONE in three vehicles hijacked in the first 11 months of last year was a Toyota — not a luxury Mercedes-Benz or BMW as one might have expected

This is the finding of the National Crime Information Centre, which disclosed statistics for hijackings in Gauteng only after considerable bickering between representatives of the motor trade, insurance companies and the police — all of whom have been reluctant to make the figures public

The centre said more than 9 400 vehicles were hijacked in Gauteng in the first 11 months of last year

In October alone, 37 vehicles were hijacked a day

Forty-three people lost their lives and 87 others were injured

A spokesman said some of the injured may have subsequently died, but their deaths had not been reported to the unit

Toyotas accounted for 34,6 percent of all vehicles stolen at gunpoint in the province, it said

While Toyota sold more vehicles in South Africa than any other manufacturer the hijack figures considerably outstripped its market share of 24,5 percent last year

In contrast, the percentage figures for BMWs and Mercedes-Benz hijacked were well below their market share (see graph)

Explaining the apparent discrepency between Toyota's market share and the incidence of hijacking cases, a spokesman said that the company was a major supplier of vehicles in the high-risk taxi industry and that about 50 percent of its sales were commercial vehicles

It also had a high profile in company fleets, most of which were in the Gauteng, he said

In second place behind Toyota came Nissan, with 13,6 percent of all hijackings In the 11 months to November, Nissan had a 16,4 percent share of the car and light commercial market

The third-most desirable model among hijackers was Volkswagen A total of 8,6 percent of all cars hijacked were Volkswagens, well below the car maker's market share of 17 percent

Only 6,1 percent of cars hijacked were BMWs BMW, which sells only cars, had a market share of 7,5 percent in the first 11 months

Mercedes-Benzes and Hondas, which are made by the same company, were even less popular among hijackers, making up only 4,9 percent of the hijacking total Mercedes Benz had a market share of 11,2 percent

Ford and Opel were not listed individually but fell into the "other" category

Just over 17 percent of all cars hijacked were in this category

Hijackings of Mitsubishis accounted for 2,4 percent of the total, while Isuzu bakkies and trucks — popular models sold by the Delta Motor Corporation —made up 6,8 percent of the total Delta's share of this market was 10,1 percent

The crime information centre said 4 479 vehicles were taken by force in the first six months of last year, while 4 937 were taken between July and November

Efforts to obtain official hijack statistics have until now, been unsuccessThe National Association of Automobile Manufacturers of SA, which represents motor manufacturers and the police, has refused to reveal which vehicle are most sought after among hijackers

Representatives of the police and the manufactures blame each other for the secrecy, but say that figures could be misleading if not properly presented

Insurance companies have been equally reluctant to disclose hijack statistics for individual models

The chief executive of the SA Insurance Association, Barry Scott, said his association did not have consolidated figures

He said such information was determined by individual companies based on the models they insured

Understanding the sensitive nature of detailing which models are hijacked most often, insurance companies are reluctant to disclose this information

Joe Roux, the assistant general manager of public relations at Santam, said insurance premiums were calculated on the value of vehicles, but these were influenced by the area in which the policyholders lived, the ages of the vehicles and as well as other factors which influence the value of the vehicle

In the next few weeks, however, Naamsa, the police force, the Automobile Association, insurance companies and other interested parties are due to meet to consider the most "equitable" way of releasing these statistics

Responding to the lack of hijack information and the substantial monthly premiums charged to BMW owners, the company has introduced its own comprehensive insurance policy, at considerably reduced rates, to counter the "hysteria" in the insurance industry

Chris Moerdyk, the general manager of public affairs at BMW, says that in spite of its own research into vehicle crime, as well as those from the police and independent researchers, the enormous discrepancy in insurance costs between owners of BMWs and other cars, "has convinced us that a few players in the insurance industry seem determined to squeeze as much as possible out of our customers'

In spite of intensified efforts by the Police, Gauteng remains the hijack capital of the country, representing about 75 percent of the national figure Of the 1 011 vehicles stolen in November, 382 were in the Johannesburg area, 166 in Soweto, 123 in the North Rand, 178 in the East Rand and the rest in the West Rand, Vaal and Pretoria areas

National Crime Information Centre statistics show that 44 percent of the hijacked vehicles were passenger cars, 28 percent bakkies, 14 percent minibuses and 13 percent were trucks

But, it is not the luxury vehicles, but rather the mid-range cars costing between R31 000 and R50 000 that are subject to hijacking Cars in the R51 000 to R80 000 were next in line (See graph)

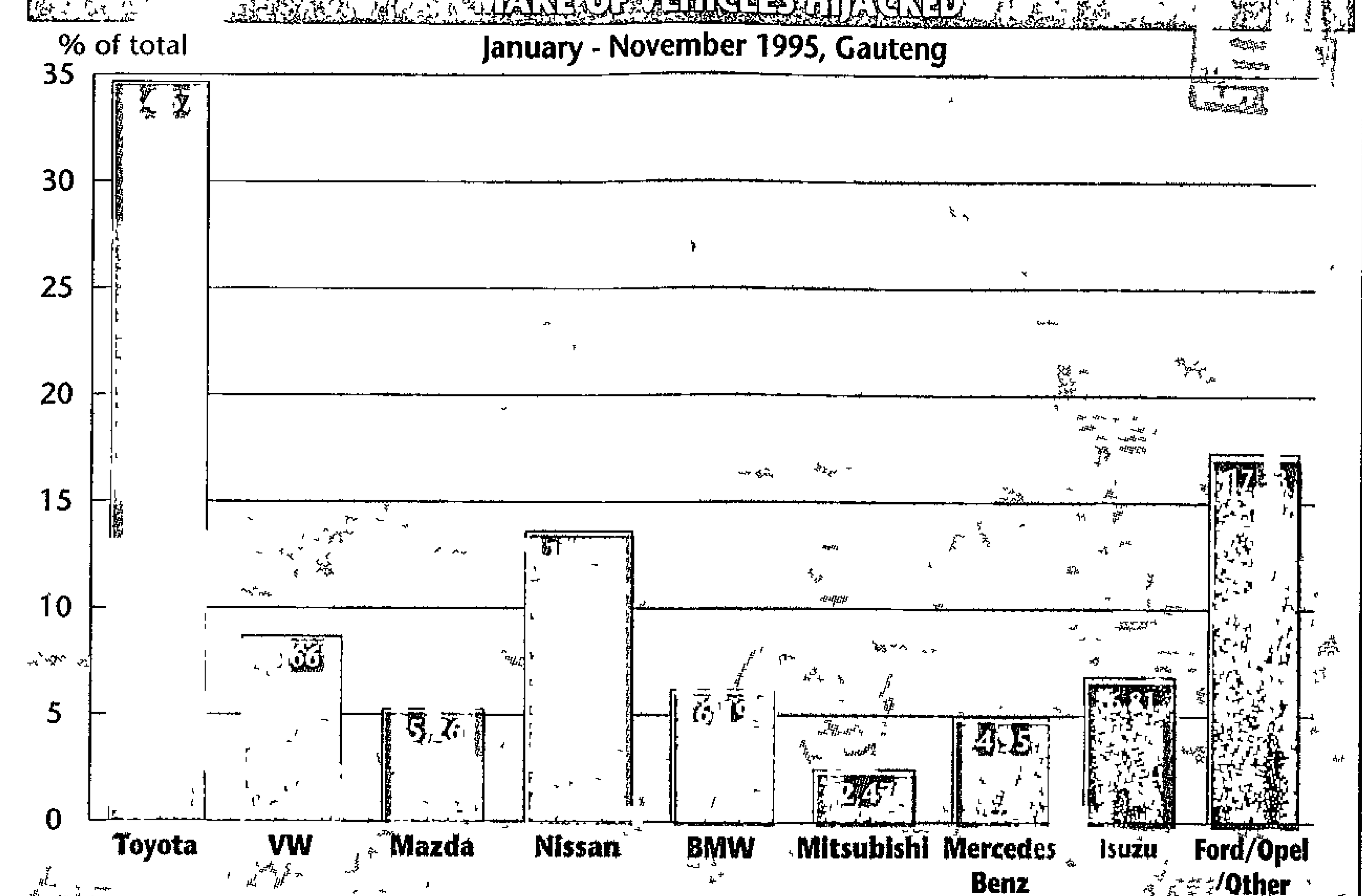
The hijacking of trucks with freight has also risen dramatically from about 50 cases a month in the third quarter of 1994 to an average of 170 cases during the same period last year, reaching an all time high of over 240 in September

Although the number of hijackings reported by the Crime Information Centre represent all types of vehicles, trucks made up only 13 percent of the total

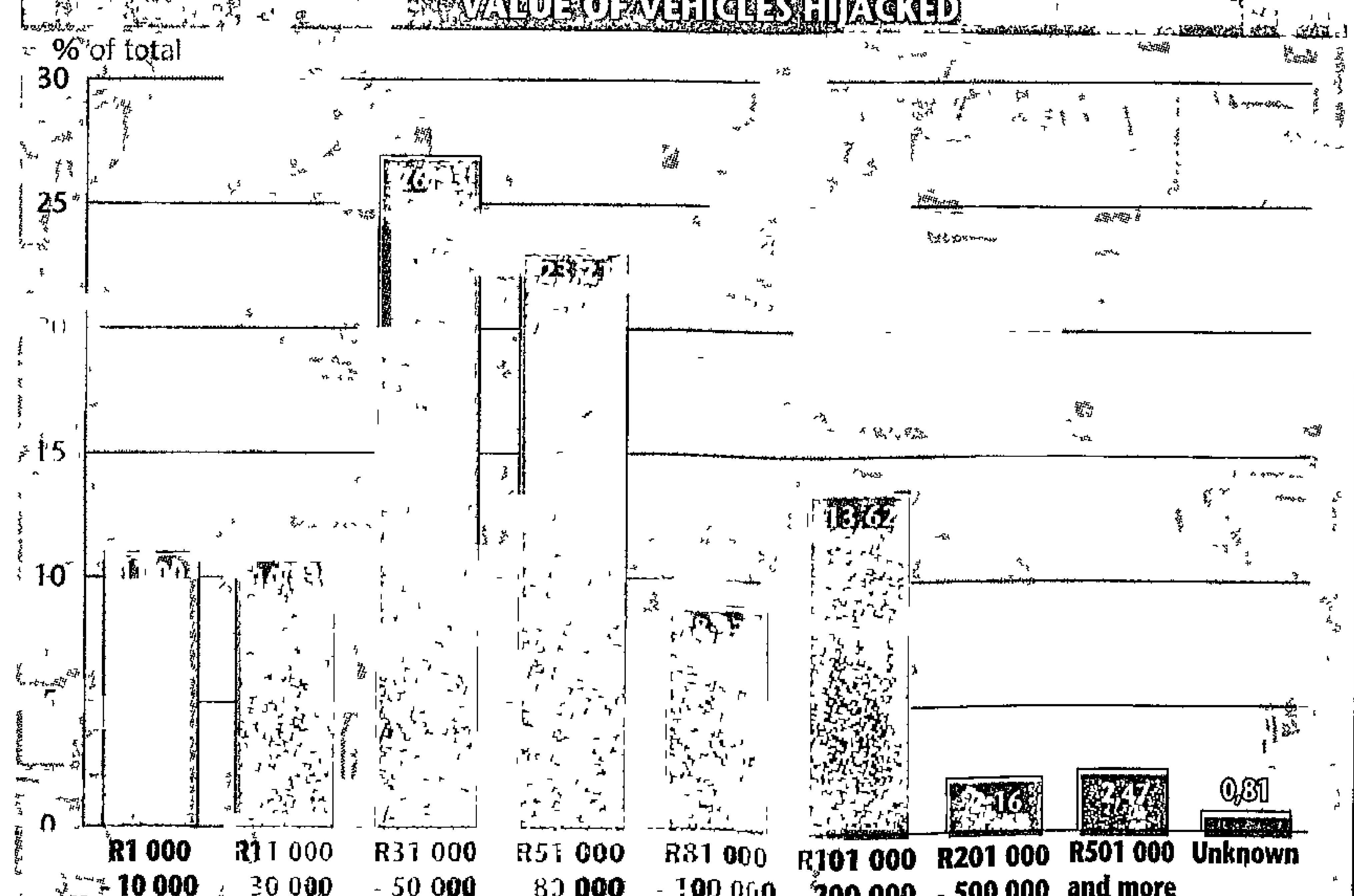
Vehicle thefts have also escalated from about 6 500 cases a month in mid-1993 to an average of over 8 000 a month last year

• See Business Times for 1995 car sales figures

MAKE OF VEHICLES HIJACKED



VALUE OF VEHICLES HIJACKED



Graphic FIONA KRISCH

Source NATIONAL CRIME INFORMATION MANAGEMENT CENTRE

NOT ENOUGH EVIDENCE . . . Azhar Cachalia

Cachalia retracts car theft fraud claim

By PETER De IONNO

SAFETY and Security secretary Azhar Cachalia has retracted his claim that up to 70 percent of reported car hijackings never happened.

Mr Cachalia, who took up his post this week as the civilian head of the police, said he "regretted and apologised for" the impression, created in an article in the Saturday Star last month, that he and the police did not regard hijacking as a serious problem.

In the article, Mr Cachalia wrote that "many reported hijackings are actually cases of insurance fraud".

This week, however, Mr Cachalia admitted the police did not have accurate statistics to substantiate the "70 percent estimate" which had been given to him by a senior member of the vehicle theft unit.

"I was not trying to play down the problem or calm people's fears," Mr Cachalia said.

"We have made hijacking a national priority crime and I wanted to open an analytical debate on the issue."

He said an analysis of 3 500 unsolved hijacking dockets collected from police stations throughout Gauteng at the end of October was expected to reveal "a more accurate picture of the actual extent of fraudulent claims."

Results of the analysis were expected within a month

"The fact remains that there are a significant number of 'hijackings' which, upon investigation, have turned out to be false insurance claims," he said

The Komatipoort vehicle theft unit identified 31 fraud cases between October and December. The Isando vehicle hijacking unit reported 13 false hijackings in the past three months and the vehicle theft unit's head office had identified 42 cases in which vehicles had been registered in Zambia, Mozambique, Malawi or Kenya before being reported stolen in South Africa.

SA motor industry gets up to speed with R28bn sales

(192) ST (BT) 14/1/96

BY DON ROBERTSON

THE motor industry broke almost every sales record in 1995, chalking up sales of more than R28-billion

In the most successful year since 1984, total vehicle sales reached 376 236 units, an improvement of more than 24% over the 303 133 sold in 1994

This achievement was helped by the highest December car sales figure in more than 10 years and a record sale of light commercial vehicles and bakkies Percentage increases are among the highest in the history of the industry

The total sales figure is substantially understated, says the National Association of Automobile Manufacturers of SA, as it does not take into account imports such as Volvo or Hyundai

These sales could add another 15 000 to the total, while exports by Naamsa members, which are not reflected in the total, could be as much as an additional 14 000 units

Prospects for the current year are for continued, although slower, growth

New car sales in December amounted to 17 015 compared with 14 735 in the same month in 1994 and 19 947 in November. This took the total for the year to 235 686 against 191 811 in 1994 for an increase of 22,9% Light commercial vehicle sales last month were 9 028, up from the 7 939 last December and 10 614 in November Sales for the year amounted to a record 128 934, up 26% on the 102 354 in 1994

Medium commercial sales totalled 234 in December against 204 in the previous year and 380 in November This took annual sales to 4 135, for a 23,1% increase on the 3 360 sold in 1994.

Heavy truck and bus volumes rose to 444 in December compared with 398 in the same month in 1994 and 667 in November. Sales for the year rose by 34,9% to 7 607 from 5 640

The higher sales volumes, together with higher prices, have boosted the industry's turnover figure to more than R28-billion for 1995 compared with about R21-billion in 1994, says Naamsa Price increases were kept to about 8% on average

Naamsa says the prevailing high levels of business and consumer confidence, the continued upswing in gross domestic fixed investment, the prospects of a real GDP growth of between 3,5% and 4%, the strength of the rand against foreign currencies, a good agricultural drop and subdued inflationary pressures should promote further growth in sales

Replacement demand for ageing car fleets, additional purchases by the car rental industry to meet increased tourism and business activity, and higher exports should also boost the industry

Naamsa forecasts new car sales of 250 000 for 1996 and light commercial volumes of 140 000 Medium truck sales are expected to increase to 4 500 and heavy trucks to 8 500

Good news for motorists is that price increases will be contained

Stephanus Loubser, managing director of Nissan Marketing, says 1996 will continue to see increased imports and a much wider choice for the consumer

"Vehicle price increases will probably not exceed the inflation rate," he says

Johan van Zyl, marketing director for Toyota, concurs and says that in the last few months of 1995, sales held up, but this was more the result of "innovative marketing and at times even a state of marketing warfare" than unduly high levels of consumer demand

"We believe a reasonable expectation is that new vehicle prices will rise at a rate equal to inflation, although it may be possible to achieve a rate of increase below inflation

Toyota led the total sales race with volumes of 93 192 units for the year or 24,8% of the market Volkswagen was next with 61 686, Nissan got 60 691, Samcor 55 456 and Delta 46 985

Volkswagen topped sales in passenger cars with 53 934 (22,9%) of the market Toyota was next with 48 973, ahead of Nissan's 33 795 and Samcor's 29 338 The best selling car was the Toyota Corolla, ahead of the Volkswagen Citi Golf and the Opel Astra-Kadett

Toyota was also ahead in commercial vehicle sales with 44 219 (31,5%) of the market Next was Nissan (26 896), Samcor (26 118) and Delta (23 480)

The top selling light commercial vehicle was the Toyota Hilux (19,9%), followed by the Isuzu KB (16,3%) and the Nissan one-tonner (10,9%)

Toyota was also ahead in the medium commercial sector with 42,8% of the market followed by Delta (26,4%) and Samcor (12,5%), while Mercedes-Benz was well ahead in the heavy truck sector with 39,3% Toyota followed with 16,9% and Nissan had 15,4% of the market

Aids puts workers' retirement investments at risk

(192) CT (BR) 15/1/96

By Bryan Hirsch

MY TURN

Millions of South African workers are affected by Aids and do not even know it Their health may not be in jeopardy, but their long-term retirement investments certainly are

Aids is making the retirement investment of many workers look sick The public debate now beginning on the draft HIV and Aids Act Bill provides an opportunity to alert and educate workers to the challenges — as long as discussions do not degenerate into a slanging match

There is no arguing about the fact that Aids, crime, and violence push up insurance costs Insurers faced a 37 percent increase in Aids claims last year

By the end of last year, there had been Aids-related claims totalling R44,2 million for life assurance and R6,5 million in disability claims The financial ripples are starting to affect everyone

One group that could be particularly hard hit are those workers who have group cover through a so-called "all-in fund" This type of fund is operated by many medium-sized and small businesses because of the convenience of lumping cost and investment monies into the same pot

The problem is illustrated by a typical all-in group life cover scenario The contribution is usually a multiple of the worker's pay — perhaps 6 percent The worker contributes 6 percent and there is a matching 6 percent investment by the employer

However, with an all-in fund, administrative and other costs are included in the employer's portion

The effect is that of the 6 percent from the employer perhaps only 4,5 percent goes towards the worker's group life investment, the rest covers costs

With Aids and other factors now pushing costs up significantly, the employer's matching investment might be reduced to perhaps half of its face value

Over 20 years or more this will have a massive effect on the final retirement value of the investment

A simple Fedlife example confirms that in the Aids era the trend is for maturity values to drop significantly

The Fedlife calculation uses the Actuarial Society of South Africa's Aids model to estimate the Aids effect on a money-purchase Provident Fund, assuming a fairly high-risk group

Assuming retirement at age 65, contributions from company and worker equal to 6 percent, a present salary of R60 000 a year, salary escalations at 11 percent, investment returns at 13 percent and risk cost of 2 percent, the illustrative maturity values are as follows

Maturity Values

Age	No costs increase due to Aids (Rands)	Costs increase due to Aids (Rands)
30	10 633 587	4 631 213
40	2 427 164	1 339 325
50	466 595	346 779

This calculation assumes a 2 percent risk cost, and as I have pointed out, it is prudent to assume increasing rather than decreasing risk costs

The likelihood is that workers will be in for a shock when nest-eggs turn out to be much smaller than expected

With all-in group life schemes, two issues are involved — worker education and the need to make separate provision for the costs of group life cover

As long as the effect on ultimate investment values is not too severe, the all-in approach works fine But in the Aids era, the arithmetic changes drastically It becomes imperative that costs be covered without subtracting monies intended for investment purposes

In my view, companies operating such schemes should undertake an urgent review in consultation with fund managers and the unions, where appropriate

Media interest in planned HIV and Aids legislation provides an opportunity to inform the public of how risks and costs are calculated and what is likely to happen to the levels of premiums and maturity values in various scenarios

You may be protected in the health sense, but the cost of dealing with Aids — as taxpayers, policy holders and contributors to retirement funds — affects us all Unfortunately, little is being done to communicate this message Sensible, calm debate could help a lot

☐ *Bryan Hirsch is managing director of the Pride Group, an independent financial services company*

Sales boom for cheaper cars

CT (BR) 15/1/96 (192)

By Roy Cokayne

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

The light commercial vehicle segment, with sales of 128 934 units, was another star performer

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

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

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

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

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

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

New vehicle sales last year totalled 376 362 units compared with 303 165 in 1994, with each sector achieving impressive annual growth rates, led by the low volume heavy truck sector at 7 607 units, — 34,9 percent or 1 967 units more than 1994

This was followed by light commercial vehicles, with sales 26 percent or 26 580 units higher than 1994 Medium commercial vehicle sales at 4 135 units for the year grew 23,1 percent or 775 units while new car sales rose by 22,9 percent or 43 875 units to 235 686 for the year

Insurers respond to BMW's scheme

By Roy Cokayne

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

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

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

BMW said it introduced the insurance scheme because some insurance companies had persisted in basing their premiums on ridiculously high and often exaggerated car theft and hijacking statistics "BMW has a 6,1 percent share of vehicle thefts, but the way BMW owners have been handled by insurance companies you would have thought it was 50 percent," Moerdyk said

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

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

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

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

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

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

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

(192) CT (BR) 16/1/96

NEWS FOCUS

1,8-million HIV-positive in SA, and trend turns to young males

(192) BD 17/1/96

Kathryn Strachan

AS THE new year begins, the health department estimates there are now 1,8-million people in SA infected with the AIDS virus Dr Quarraisha Abdool Karim, director of the department's HIV/AIDS programme, says hospital studies show the doubling time of 12 to 15 months has not changed

Along with the relentless increase in the number of people with HIV, there are worrying trends in the pattern of infection The SA Blood Transfusion Service is beginning to pick up HIV infection in 15- to 19-year-old males — previously a group with very low infection The pattern has been that HIV infection is found in women five years earlier than in men, and teenage girls have been one of the highest infected groups But infection is shifting to teenage boys

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

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

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

The study shows the population growth rate in KwaZulu-Natal will slow considerably as a result of the epidemic Projections are that, without the AIDS epidemic, the population by the year 2016 would have been 14,3-million With AIDS it is projected to be 10,3-million — a difference of 30%

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

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

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

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

In the West, care is high-tech and expensive The cost per case in the US in 1991 was $32 000, in Switzerland in 1989 it was $57 000 By contrast, in the developing world, expensive drugs are not used, and costs are lower, in Zambia $374 per case in 1991, and in Tanzania $290 in 1990

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

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

Education will be affected as the number of school-age youths will grow more slowly By 2006, there will be 9,6% fewer children in the five to nine age group, and the deficit will work its way up the population pyramid into secondary schools At the end of the projection period, there will be 30,1% fewer children in the five to nine age group and 21,5% fewer in the 10 to 14 age group

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

The report shows that, by considering the potential effects of the epidemic, many of the unknowns will be dealt with and its effect can be positively planned for

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

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

Another breakthrough is the World Health Organisation study which shows that giving the anti-retroviral drug AZT to pregnant women with HIV can reduce transmission to their babies by 66% While the WHO research, which includes two SA hospitals, is looking at bringing the cost of AZT down through different doses, it is finally a political decision It has been suggested that countries ask the World Health Organisation to negotiate with AZT producers for lower prices

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

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

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

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

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

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

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

MOTOR INDUSTRY (192)

Soaking the rich

FM 19/1/96

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

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

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

And so they did — until government sneaked a tariff amendment into the *Government Gazette* three days before Christmas Despite the timing, the move was inevitable Under the previous Phase Six motor industry regulations, a 2,5% across-the-board ad valorem duty on all vehicles had earned the Exchequer billions of rand in revenue Government wasn't about to forgo all that income and Finance Minister Chris Liebenberg made it clear last year that his department would investigate a new ad valorem duty on luxury vehicles

The new duty applies only to cars, bakkies and minibuses Trucks are exempt Under a complicated formula, the higher the value, the higher the penalty rate The point at which vehicles are subject to the same duties as under Phase Six is about R140 000 Below that, the savings are progressively greater At the top end of the scale, it can add as much as 15 percentage points to the 65% import tariff

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

The industry in general, is not upset about the changes Most vehicles sell here for less than R80 000, so manufacturers and motorists are better off than before But import agents say that, contrary to popular belief, their customers' pockets are not bottomless and the increased ad valorem is contrary to the spirit of the new industry development plan

By one calculation luxury imports account for less than 0,1% of the total car market If the new duties deter buyers, it will be a diminishing share as the rest of the market continues to grow Figures released last week by the National Association of Automobile Manufacturers show that new car sales improved 23% in 1995, light commercials by 26%, medium commercials by 23% and heavy trucks and buses by 35% Local vehicle manufacturing revenue rose from R21bn to R28bn

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

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

Naamsa estimates unreported sales could run as high as 10 000

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

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

DECEMBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
Toyota	Corolla/Conquest	2 398		
	Camry	1 080		
	Other	169	3 647	21,4
VW	Citi/Fox	1 518		
	Golf/Jetta	1 441		
	Cabrio	7		
	Audi A4	282		
	A6	48		
	Audi A8	8	3 304	19,4
Delta	Astra/Kadett	2 204		
	Rekord	1	2 205	13,0
M-Benz	Honda Ballade	917		
	M-Benz C-Class	956		
	E-Class	241		
	S-Class	15		
	Other	13	2 142	12,6
Nissan	Sentra/Sabre	832		
	Sani/Patrol	42		
	Maxima	24		
	Fiat Uno	1 136		
	Other	9	2 043	12,0
Samcor	Laser/323	1 207		
	Escort	344		
	Etude	242		
	Telstar/626	102		
	Other	63	1 958	11,5
BMW	3-Series	1 338		
	5-Series	148		
	7-Series	52	1 538	9,0
Land Rover	Discovery	88		
	Defender	72		
	Range Rover	10	170	1,0
Subaru	Legacy	7		
	Impreza	1	8	0,0

	1995	1994	% change
December	17 015	14 735	+15,5
January to December	235 686	191 811	+22,9
November (19 947) to December			-14,7

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	3 270	36,2
Delta	1 847	20,5
Nissan	1 294	14,3
Samcor	1 285	14,2
VW	679	7,5
M-Benz	495	5,5
Dacia	86	1,0
Land Rover	44	0,5
Iveco	20	0,2
AAD	8	0,1

	1995	1994	% change
Dec	9 028	7 939	+13,7
Jan to Dec	128 934	102 354	+26,0
Nov (10 614) to Dec			-14,9

MEDIUM COMMERCIALS

	Number of sales	% of market
Delta	97	41,5
Toyota	82	35,0
Samcor	32	13,7
Nissan	12	5,1
Iveco	11	4,7

	1995	1994	% change
Dec	234	204	+14,7
Jan to Dec	4 135	3 360	+23,1
Nov ([illegible]) to Dec			-38,2

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	7 095	26,6
Delta	4 202	15,7
VW	3 983	14,9
Nissan	3 405	12,7
Samcor	3 275	12,3
M-Benz	2 778	10,4
BMW	1 538	5,8
Other	445	1,6

	1995	1994	% change
Dec	26 721	23 276	+14,8
Jan to Dec	376 362	303 165	+24,1
Nov (31 608) to Dec			-15,5

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	141	31,8
Toyota	96	21,6
Nissan	56	12,6
Delta	53	11,9
Tyco	42	9,5
MAN	21	4,7
Iveco	19	4,3
ERF	16	3,6

	1995	1994	% change
Dec	444	398	+15,6
Jan to Dec	7 607	5 640	+34,9
Nov (667) to Dec			-33,4

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Motor industry exports revving up (192)

PD 23/1/96

Edward West
and Lukanyo Mnyanda

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

A National Association of Automobile Manufacturers of SA spokesman said that R830m represented the sale of about 9 000 fully built cars and 8 500 commercial vehicles Of the fully built cars sold overseas, 6 221 were Jettas exported by Volkswagen SA (VW) to China in terms of a three-year export contract which ended the middle of last year

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

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

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

Delta Motor Corporation predicted 32% growth in its export business this year, with a total sales value in excess of R500m The company exports catalytic converters, leather seating, metal components, glass, tooling, stainless steel stampings and electronic components to all continents.

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

Toyota SA said it intended to introduce diesel engines to certain light commercial vehicle models to boost its African exports of fully-built vehicles to 3 500 units this year from last year's 2 709. The inclusion of Uganda and Tanzania to Toyota SA's existing markets — Zimbabwe, Zambia, Mozambique, Malawi and Kenya — would also boost exports.

A Nissan SA spokesman said the company would be embarking on an export drive this year, but it was too early in the year to disclose details. Samcor also did not want to disclose its export plans

Curb crime and we'll spend R1 bn says motor giant

(192)

Business Reporter

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

In a statement read out on his behalf at a briefing in Cape Town today, the chairman of BMW in Germany, Bernd Pischetsrieder, said the motor giant would make a major investment in the upgrading of its manufacturing plant in Rosslyn, near Pretoria ARG 23/1/96

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

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

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

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

Watchdog for car industry

Edward West (192) BD 24/1/96

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

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

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

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

Crime threat to BMW investment

BD 24/1/96

Samantha Sharpe

C/92

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

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

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

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

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

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

BMW injection shows confidence in SA

CT (BR) 24/1/96 (192)

By Roy Cokayne

Pretoria — About 15 months ago, Bernd Pischetsrieder, the chairman and chief executive of BMW in Germany, warned his South African subsidiary — and the South African government — that the Bavarian car manufacturer's commitment to South Africa was not infinite

He would not, he said at the time, forever prop up a business that did not make business sense

Yesterday's announcement, then, that the German parent plans to pump R1 billion into BMW South Africa, is a fairly spectacular change of tone As Chris Moerdyk, the local company's public affairs spokesman remarked in Cape Town, BMW does not abandon countries

Pischetsrieder's 1994 challenge to the local company was to prove it was able to make cars to high standards of quality, productivity and delivery efficiency — and become a fully-fledged member of BMW's global manufacturing and distribution network

To an extent, his announcement yesterday to invest R1 billion in production at the group's factory in Rosslyn, near Pretoria, over the next four years is a measure of how easily the local company has passed the test he set them

However, allowing Rosslyn, however (relatively) inefficient it still is, to wither on the vine, closing it down or isolating it would have been expensive and politically risky International companies are not supposed to be abandoning South Africa now As it happens, BMW needs extra capacity to serve its Asian markets and doing so via its German plants would be expensive

Remote car plants far from the mother companies of the world's big producers also make little sense if they are not locked into a wider global market, and South Africa can benefit from this truism

Volkswagen serves much of the lower end of the Americas market through Mexico, and may one day find it useful to use its South African facilities to pick up export markets too expensive or too narrow to serve out of its European plants

Focus is the key The bulk of BMW's investment will be spent on the 3-series models

Volkswagen has come under pressure to reduce the number of models it makes here So will Daimler-Benz The more rational the costs, the more competitive the cars become as exports

Pischetsrieder's R1 billion pledge yesterday was not inevitable, however His challenge to the local company was issued shortly after a six-week motor industry strike in 1994 The strike, he said at the time, "sent a clear message abroad that total commitment is still a long way off"

"The South African motor industry and its employees need to urgently come together to start building mutual trust and commitment with regard to world competitiveness goals," he said "Export customers abroad are not interested in South Africa's domestic problems They want quality products delivered on time No more, no less There are also scores of hungry and determined suppliers in other countries that would be delighted to take export business away from South Africa"

It is obviously easier for foreigners to talk that bluntly, but much has also happened in South Africa and its motor industry since Pischetsrieder made those comments

In the wake of the election in 1994, investor confidence and access to export markets has grown

Within the motor industry, a three-year car manufacturing industry labour agreement — which laid down wage policy and wage rates, productivity guidelines and contained a peace clause — was signed in June last year It was clinched at the Auto National Bargaining Forum, representing all the important players in the industry the Automobile Manufacturers Employers' Organisation, the National Union of Metalworkers of South Africa and the Suid-Afrikaanse Yster, Staal & Verwante Nywerhede Unie

The Motor Industry Development Programme (MIDP), which replaced Phase VI of the local content programme from September last year, was another milestone and an important contributor to the BMW parent company's change of attitude

Most importantly, the MIDP granted motor manufacturers a duty-free allowance for components and further rebates if they exported components or vehicles One of the results of the "tradeable" duties was that it encouraged exports and promoted greater competitiveness

Most manufacturers are expected to rationalise their product range and concentrate only on high volume models for both the local and export markets — and import low-volume models as completely built-up units

The BMW South Africa managing director, Rainer Hagemann, said when Pifchetsrieder issued his challenge, he felt both the South African government and the local company believed everything was fine and were relaxed

But he said the parent company had set some very tough first world benchmarks for the local subsidiary to achieve

"We have got most of the benchmarks into place It was very hard for us, but we had to get it right or die A few things are still missing but they are related to technical matters and investment is needed to get them right," he said

Hagemann agreed the changed political situation in the country, together with the MIDP and the three-year motor industry agreement, were important milestones

"If the MIDP had not been introduced and agreement had not been reached on the labour front, we would not have announced the investment we have just had"

But he said there was still a missing link — addressing the crime situation — which was still one of the stumbling blocks

POLL POSITION *Rainer Hagemann, the managing director of BMW South Africa, said the changed political climate contributed to yesterday's announcement of a R1 billion investment by the German parent company* PHOTO ANDREW BRT

Motor industry fairly confident

Sowetan 1/2/96 (192)

By Musa Zondi and Mongadi Mafata

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

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

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

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

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

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

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

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

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

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

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

MBSA achieved an 11,3 percent market share in 1995, compared to the previous year's 10,9 percent

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

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

(192)

Automakers scoops prestigious award for high quality work

Sowetan 1/2/96

By Mongadi Mafata

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

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

Automakers' main assembly plant received this internationally recognised prize at a formal ceremony held at their Rosslyn plant, outside Pretoria

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

"The fact that we have now achieved ISO9002 throughout our manufacturing process is further assurance of quality and peace of mind for our customers in South Africa and in our export market," Wiggill said

VW boss set to apologise for remark about Mandela

Star 1/2/96

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

A mass meeting of workers and top management ended in chaos on Tuesday after National Union of Metalworkers (Numsa) members demanded an apology from Holtmann, for a perceived insult about the president. Numsa administrator Eric Sibidla told reporters that Holtmann wished to apologise for the remarks. – Own Correspondent.

(192)

Component industry 'could help reduce automotive sector's deficit'

CT (BR) 1/2/96 (192)

STAFF WRITER

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

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

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

"The aggregate of more than R50 billion in five years is more than the country can afford — and it will affect other sectors of the economy Against the background of these figures, component exports of R2 billion a year are paltry"

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

He said his company already produced automotive components for export

Mauchle's dream was a national strategy to orchestrate industry capabilities.

"Like other sectors, we should be exporting manufactured products by beneficiating raw materials

BIG IDEAS *Alfons Mauchle of Precision Tools with one of the Mercedes Benz "C" Class tow-hooks, which the company exports to Germany*

Instead of exporting steel, we should be exporting machined forgings and castings"

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

He envisaged all stakeholders benefiting through a co-ordinated strategy

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

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

"It is facing a period of opportunity which, properly exploited, could signal the end of stifling regulation and quotas," he said

Toyota offers interest-free car financing

BD 2/2/96 (192)

Edward West

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

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

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

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

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

Samcor earlier this week also announced price cuts of up to 9,5% on certain models after slashing the prices of its entry level cars last year Volkswagen SA is running a 10% discount on the Citi Chico, for 12 months.

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

CE Bert Wessels said the costs of the packages would be borne by Toyota, its dealerships, and financing houses Bankfin, Stannic and Wesbank.

BMW workers count the cost of special bonus fracas

CT (BR) 2/2/96 (192)

By Ross Herbert

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

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

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

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

For an employee earning R35 000 a year, the ordinary effective tax rate was 13,5 percent, or R4 725 in tax A bonus of R7 000 pushed the tax on the bonus to 34 percent, or R7 115

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

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

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

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

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

The result has been more disincentive than incentive

"I need to actually go in and look at all the systems for communications," Moerdyk said

Toyota fires salvo in car price war

(192) CT (BR) 2/2/96

By Roy Cokayne

Pretoria — Toyota South Africa has entered the car price war by announcing a zero-percent fixed-interest rate finance package on selected vehicles

The package — available to bank-approved buyers — applies to all Corolla, Conquest and Sprinter 130 and 160 models and will result in a saving of R15 000 on Toyota's baseline Corolla 130 and Conquest 130 and more than R17 000 on a Sprinter 130 This amounts to a monthly saving of more than 20 percent over a normal, risk-instalment sale for the same period

The launch of the package follows Samcor's announcement earlier this week of price reductions of between 6 and 9 percent on a substantial number of models, and the price war in the entry-level segment of the market started by Volkswagen South Africa with the launch of the Chico last year

Toyota's package requires an initial 20 percent deposit and provides for vehicle ownership after 36 months with zero residual value

Once the 36th monthly payment is made, ending the financial agreement, the purchaser can obtain ownership of the vehicle.

Toyota SA group marketing director Johan van Zyl said the finance package would be available from the country-wide network of more than 300 Toyota dealers from Monday, February 5. There is no specific limit to the availability of the package.

Van Zyl said the banks would carry the residual value risk for this plan.

Chromecorp reaps benefit of upturn in cycle

CT (BR) 2/2/96

By Fiona Leney

Johannesburg — The rosy annual results posted yesterday by Chromecorp reveal the tremendous upside to the commodity roller-coaster which South Africa's ferrochrome producers have had to ride in the past five years.

Results from the sector's other giants, Samancor and Consolidated Metallurgical Industries, should show a similar fillip when they come out over the next two weeks. But there is an uglier side to the ride

Huge pressure was put on the industry in 1990 when the price of ferrochrome fell by half from its 1988 levels. Several producers operated at a loss and some collapsed.

As supplies of the commodity fell, prices began to rise again and producers, including Chromecorp, started working on increasing capacity

The company's ambitious expansion programme drove it to seek a listing last year in order to raise the R608 million it needed for its plans.

But by the time the company's projects reach full capacity, the commodity roller-coaster will be heading towards a trough again, in part due to the rush of the metal drawn into the market by premium prices

"We accept that this is a cyclical business and are preparing for the downcycle now, while times are good," said Peet Nienaber, Chromecorp's managing director.

"We have never yet made a loss and, with volumes increasing, are confident we can ride out the storm."

Chairman John Vorster said the company's expansion programme was part of its management philosophy to add capacity throughout cycles.

REALISTIC *Chromecorp managing director Peet Nienaber sees prices remaining stable this year*

PHOTO JOHN WOODROOF

"The market for stainless steel is big, and growing," he said.

Troye Brady, of stockbrokers Frankel Pollak, agrees. He says Chromecorp's relatively small management structures and workforce make it one of the leanest producers, with one of the lowest cost structures.

"Chromecorp's management knows the business inside out; the company will survive, whatever the market conditions," he said.

Proof of their canny approach was yesterday's announcement that they had renegotiated a deal to supply Iscor with hot or liquid, ferrochrome.

That would have involved Chromecorp in the costly construction of two new furnaces dedicated to the Iscor plant

Under the new deal, Chromecorp will supply cold, or solid ferrochrome from its Wonderkop premises near Rustenburg, which are already being expanded to meet extra export targets

"They are taking a much more cautious approach in expectation of a period of slower growth," Brady said "This way, they can simply switch to increased export production if Iscor cuts back its stainless steel operation"

Chromecorp's fortunes, in fact, rest on twin pillars of steady demand from its domestic clients, the biggest of which is Iscor, and a healthy global economy, where growing stainless steel consumption guarantees export markets

The company has seen the focus of its exports shift from Europe — where it supplies ferrochrome for 50 percent of stainless steel capacity, from more than 60 percent last year — to rapidly growing Asian markets

Last year the company signed an agreement to supply ferrochrome for 40 percent of Taiwan's stainless steel capacity

It also plans to expand into Korea

Toyota returns fire in BMW's hijacking war

ST 4/2/96 (192)

By DON ROBERTSON

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

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

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

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

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

Three weeks ago, the *Sunday Times* published NCIMC figures which showed that 34,6% of all vehicles hijacked in Gauteng in the first 11 months of last year were Toyotas, regardless of when the vehicles were sold. Nissan followed with 13,6%, Volkswagen with 8,6%, BMW with 6,2%, Mazda with 5,2% and Mercedes-Benz with 4,9%

However, Toyota's figures, using only vehicles sold in the 11 months to November last year, show a different picture Toyota says it sold 20 147 passenger cars in the Gauteng area during this period, of which 1 036 or 5,14% were hijacked It says that BMW sold 7 788 cars of which 582 or 7,47% were stolen in armed thefts

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

Accepting this flaw, Toyota says that in the 10 years to November last year it sold 197 753 cars in the Gauteng region while BMW sold 80 564 Of this total, the percentage of Toyotas hijacked during the 11 months to November 1994 amounted to 0,52%, while that for BMW was 0,72%

Since the publication of the police figures, BMW has run a series of full-page advertisements in several newspapers offering motorists of all new BMWs savings of up to 50% on hijack and theft insurance The advertisements were also aimed at dispelling the perception that BMWs are top of the hijackers' hit-list

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

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

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

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

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

The unit will create a nationwide policing platform to co-ordinate the fight against crime At the meeting, Mr Fivaz declared the fight against vehicle hijackings a "national priority"

NEWS

Samcor hits at Toyota's finance cuts

(192) CT(BR)5/2/96

BY ROY COKAYNE

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

Samcor criticised Toyota South Africa, which last week also entered the car-price war with the announcement of a 0 percent, fixed-interest-rate finance package on selected vehicles

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

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

They "distress the product and produce a negative influence on resale values", he said

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

Revenue offers olive branch to remaining tax defaulters

CT(BR)5/2/96

BY JAMES LAMONT

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

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

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

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

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

Deputy Finance Minister Alex Erwin also indicated the government would consider ways to draw in black businesses which had fallen into the habit of not paying taxes to the former apartheid government

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

Most would face a 200 percent penalty on the amount due or a court summons In extreme cases this could mean imprisonment The amnesty could not continue indefinitely, Pope said

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

Pope said new information technology systems would replace the present 30-year-old computer system New infrastructures would help overcome difficulties encountered in appointing qualified staff Both steps would improve the department's ability to trace tax villains, he said

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

Of an estimated total South African population of 40 million, Inland Revenue had some 4,5 million on its income tax register. About 1,8 million of those earned more than R50 000 a year, the level at which a tax return had to be submitted

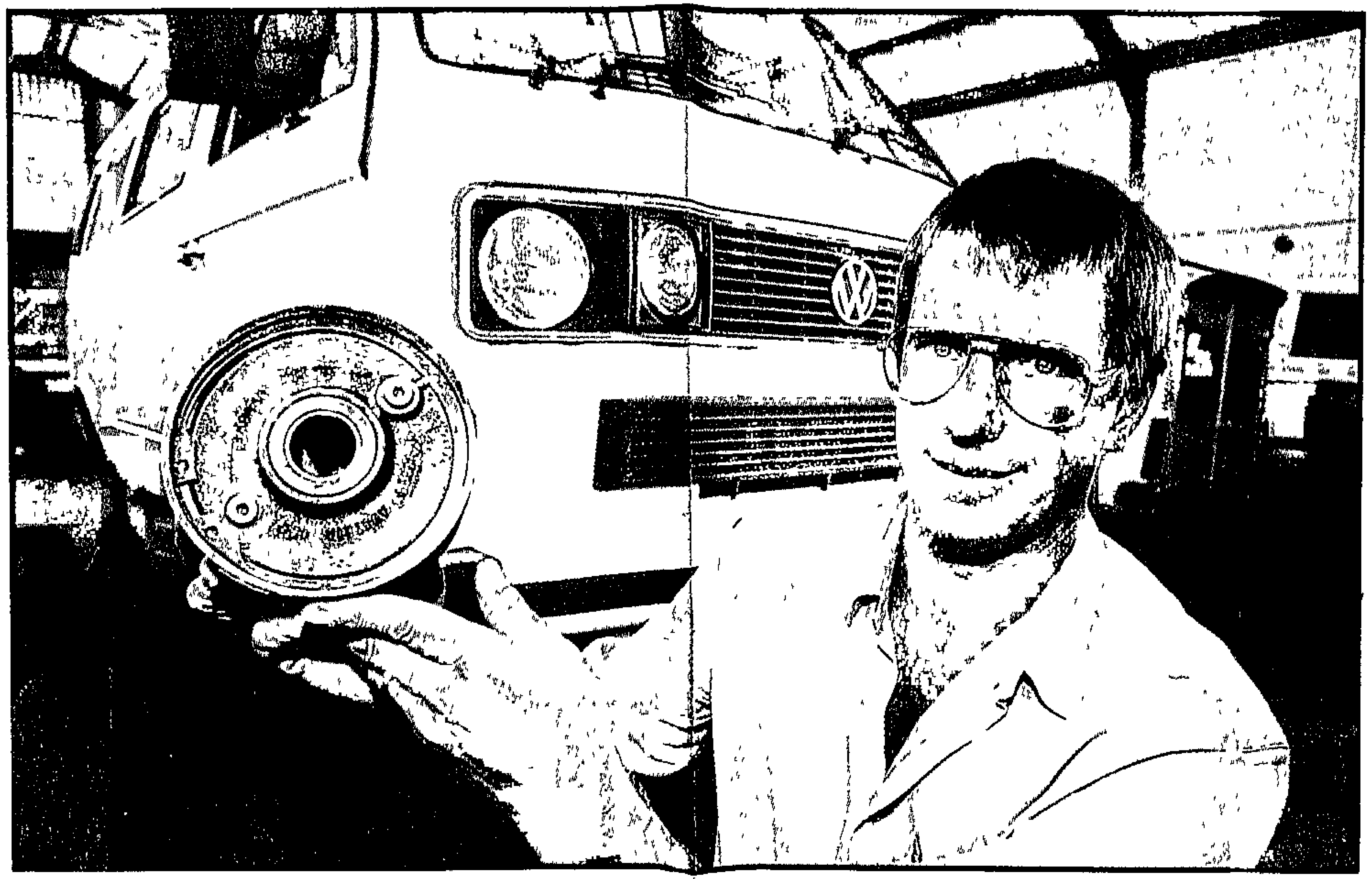
After an extension beyond an initial October 31 deadline, the tax amnesty ended on January 31 with a last minute flurry of applications. On the final day Inland Revenue received as many as 1 200 applications for amnesty.

By January 25, it had received 17 055 applications, but Pope indicated that a [illegible] al count for forgiveness covering income, sales tax and VAT could be closer to 20 000

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

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

Gill Marcus, chairman of the parliamentary joint standing committee on finance, said "Tax morality in this country is extremely poor". She recommended an education programme and improved revenue collection to remedy the malaise. Her committee has heard that tax avoidance is rife among large corporations, wealthy individuals and small black businesses



Picture ANDREW INGRAM, The Argus

☐ **OFFENDING SPARE:** Joost van der Ploeg with bus and coupling. He successfully repaired the coupling, but failed to get the oil.

The top secret oil . .

ARG 5/2/96 (192)

R10 000 bill for front wheel coupling repair

Motoring Reporter

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

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

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

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

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

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

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

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

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

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

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

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

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

"What I want to know is why does the part cost only $1 200 in the United States, which in our terms would be about R4 000, but here it is more than R10 000?

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

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

The Argus called a Cape Town Volkswagen dealer to check

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

"The coupling will cost you R11 810,47, so I suggest you should rather sell your bus for that price"

After a wait of three weeks, Volkswagen South Africa had not yet responded to an Argus request for a response

Samcor exports on the rise

CT (BR) 9/2/96 (192)

BY ROY COKAYNE

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

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

At the time, Miller said the Ford contract called for 200 000 PTE engines to be delivered over a 30-month period That was the equivalent of 400 engines a day

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

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

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

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

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

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

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

Disappointment

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

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

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

He said a predictable investment environment was important to international investors

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

SUPPLIER *Jim Miller, the Samcor group's new managing director and chief executive officer*

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

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

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

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

Land Rover wins R90m export order

(192)

BY ROY COKAYNE

CT (BR) 14/2/96

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

The contract will create 100 new jobs at leather manufacturer SA Trim, BMW South Africa's wholly owned leather export subsidiary, and has resulted in a R6 million investment in SA Trim's manufacturing plant in Ga-Rankuwa, near Pretoria

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

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

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

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

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

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

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

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

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

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

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

SA firm to export to Land Rover UK

BD 14/2/96 (192)

Edward West

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

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

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

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

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

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

In its first year 2 287 fully built imported Land Rovers were sold. The 1 009 Land Rover Discovery units sold pushed the company to number one spot in the luxury 4x4 market with a 45% market share.

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

Report causes stir in advertising circles

Phillip Altbeker (192) BD 16/2/96

THE release of the Kinsey report on the cost of motor spares has caused almost as great a stir in advertising circles as the original investigation into sexual behaviour did among sociologists

It will be remembered that Alfred Kinsey, a biologist, published the results of his inquiries into male and female sexuality, or the lack of it, in 1948 and 1953 respectively, and on both occasions his findings were greeted with shock and disbelief

While fairly comprehensive in its analysis of replies to the questionnaire, the results were considered incomplete because they confined themselves to fidelity, homosexuality, frigidity and pre-marital sex, reducing their practical applicability.

After all, knowing the incidence of adultery in a certain age group was of little use in determining the price of a set of spark plugs, even if the availability or otherwise of a reasonable, acceptable and replaceable substitute were known

The relationship between sex and motor cars has long been part of advertisers' techniques but an appreciation of the correlation between sex and spare parts has, until now, been restricted to the printers of calendars for dealers in tools and tyres

With the publication of the latest report, however, it is possible for manufacturers of piston rings to base their prices not so much on what the market will bear but on buyers' secret desires and the lengths to which they will go to rid themselves of unsightly, inefficient or cranky connecting rods

Buying tyres, for example, has been recognised as a grudge purchase, one that can be postponed or delayed until absolutely necessary. Now, armed with irreproachable statistical evidence, marketers are able to exploit the differential between perceived sacrifice and physical satisfaction and safety by gauging scientifically the monetary outlay against the cost of a comfort not readily available with old, worn out or unreliable existing aids to transport

Invaluable as this recent and precise information is, it should be borne in mind that sex and cars are areas of fantasy where wish-fulfilment is far removed from reality. There is also a fair degree of exaggeration, especially as it relates to performance, so not every figure can be taken at face value, particularly in the case of an admission to having tried a variety of accessories before — or even after — settling for the one eventually installed on a permanent basis with or without exhaustive testing

Adequate replacements are also difficult to come by, as the surveys show. Consumers should, therefore, think carefully when contemplating a change because, quite often, what seems to be available may prove to be beyond reach or unattainable in the long run, as opposed to short-term gratification

Having finally discovered the connection between sex and parts, the work of Kinsey — an expert on the gall wasp before expanding his research base — can be considered to be complete, 40 years after his death. His survey of prices complements his study of sexual preference and experience, and constitutes a vital contribution to understanding the motives that drive men and women.

It is, in these circumstances, churlish of the Advertising Standards Authority to deny the use of comparisons to manufacturers who, in the interest of maintaining loyalty and the integrity of current bonds, have brought all the facts to an anxious public so that potential deviations can be measured against both the claims of jealous rivals and the superficial appeal of the exotic

□ **The Kinsey (no relation) report on comparative prices of motor spares was published in SA last week.**

Samcor increases exports

CT (BR) 16/4/92

BY ROY COKAYNE

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

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

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

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

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

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

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

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

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

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

"Samcor is not a publicly traded company and we don't put investment and export orders in the public domain unless it is an unusual event such as the Ford Escort 1,4 PTE engine export contract"

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

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

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

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

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

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

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

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

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

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

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

Connoisseur acquisition helps T&N lift income

BD 20/2/96 (192)

Nicola Jenvey

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

Share earnings before exceptional items relating to the closure of the group's Butterworth operations in 1994 were 38% up at 173,5c (125,9c), with Connoisseur contributing 8c. A 33c (26c) final dividend lifted total distribution to 50c from 38c.

CE Ted Waldburger said turnover rose 26% to R727,5m as the group continued growing its export and local markets and raised selling prices 5%-6%. Export turnover increased 38% to R127,9m and represented 17,6% of turnover

Operating profit came to R72,8m from R53,7m after a combination of cost containment measures, productivity improvements, the group's export drive and the Connoisseur acquisition lifted operating margins to 10% (9,3%)

The industrial division, excluding Glacier Bearings, produced "disappointing" results with operating profit well below 1994's levels The division would be restructured to reduce costs and improve competitiveness

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

The acquisition of the company's Zimbabwean Friction and Gasket operations still hinged on obtaining Zimbabwean exchange control approval, he said Final confirmation was expected within weeks and the R4,7m purchase price would be settled via a share issue

NEWS

Surge in exports drives T&N's 38% growth

(192) CT(BR) 20/2/96

By Shirley Jones

Durban — A surge in exports was behind car component manufacturer T&N Holdings' 38 percent growth in earnings a share last year to 173,5c (102,5c)

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

The group's export thrust delivered a 38 percent increase in offshore sales in 1994 to R127,9 million, breaking through the R125 million barrier

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

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

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

Capital expenditure was higher last year at R38,5 million, more than twice depreciation Waldburger said this trend was likely to continue as T&N companies prepared for export contracts and increased world competitiveness

Operating profit was up at R72,8 million from R53,7 million, and net debt was reduced to R19,1 million by year end. The debt to equity ratio, including the R36 million for the Connoisseur assets, was 25 percent

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

Waldburger said an important factor in T&N's performance last year was the increase in operating margins to 10 percent (9,3 percent) Waldburger said T&N companies would have to continue to blend productivity increases, cost reduction and volume growth

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

The heat transfer division increased profit in 1994, with FHE and Silverton Engineering increasing exports to 34 percent of turnover Waldburger said Port Elizabeth-based Payen Components and the engine parts division had delivered strong performances

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

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

He said the company was considering a mix of economic growth and new business, which would entail the opening of new distribution areas and the marketing of new products

***LINK UP** Ted Waldburger, T&N Holdings' managing director, announces the adoption of the international T&N logo. This is aimed at merging identities and strengthening mutual commitment* PHOTO: SHELLEY KJONSTAD

COMPANIES

Imported models put Automakers in a tight corner

ST(BR) 25/2/96(192)

By MARCIA KLEIN

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

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

Interim earnings a share are 8% higher at 31,4c (1994 29c), and a dividend of 5,3c has been proposed

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

The group increased unit sales by 8,4% to 28 513 vehicles in the six-month period, but its market share dropped to 14,9% from 16,9% in a market which showed good growth

Turnover increased 9% to R1,6-billion, reflecting minimal price increases The group increased prices by 1,5% in July, and has announced no price increases since

Mr Newbury says the 22% rise in operating profit to R143,7-million reflects the higher turnover and the benefits of certain duties disappearing in the transition from Phase 6 to the Motor Industry Development Programme He expects what he describes as a "price war" to continue in the second half There have been few price increases and some prices have decreased

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

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

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

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

"We have missed two price increases as a consequence of import activity," Mr Newbury says This, together with domestic inflation and wage increases in the region of 9,5% last year, will affect both turnover and margins in the second half

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

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

Mr Newbury expects Automakers to maintain its position in the industry this year despite the drop in market share "The market is expected to grow by 5% in unit terms this year, and we will be within that order We started the year with market share of 16,2%, and would like to hold that number "

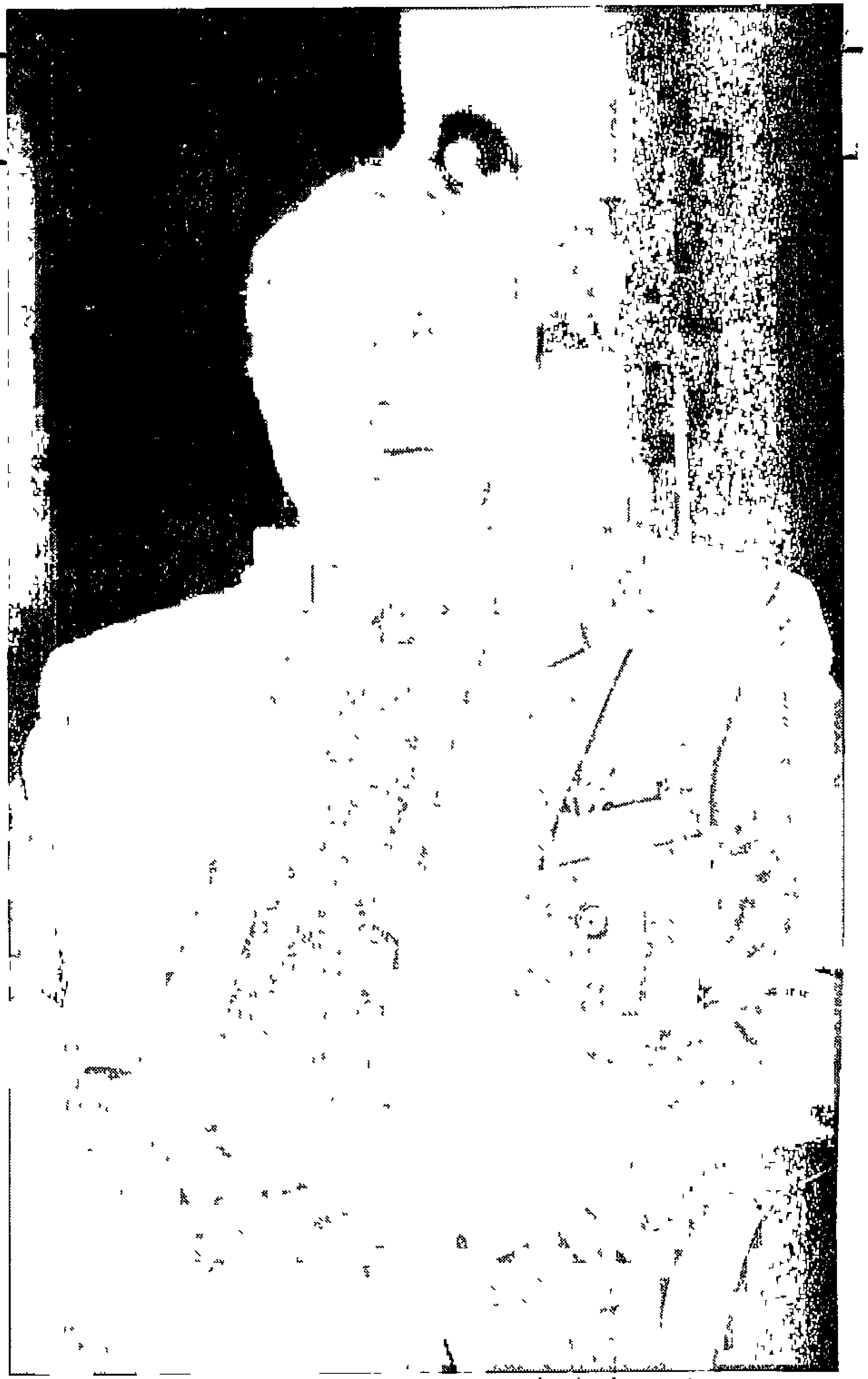
The group expects export growth in the order of 25% this year Exports account for about 7% of turnover, but Mr Newbury says "the numbers we achieve are nowhere near what we need to neutralise duty"

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

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

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

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



CONCERNED: John Newbury, Nissan's chief executive

CT(BR) 26/2/96

Car makers must raise productivity

(192)

By Roy Cokayne

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

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

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

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

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

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

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

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

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

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

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

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

"We have recovered from the sanctions era and are now well positioned for real further growth in the future," he said

Fine said "Pinnacle's markets be listed within the next 12 months ruling share price

Automakers posts 'muted' results

CT (MR) 26/2/96 (192)

By John Spira

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

Earnings rose 8 percent to 31,4c a share on turnover up 9 percent at R1,64 billion and attributable earnings which were 20 percent higher at R55,5 million A maiden interim dividend of 5,3c has been proposed

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

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

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

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

Although Automakers' unit sales increased 8,4 percent to 28 513 units for the six months, the company's market share declined from 16,9 percent in the second half of 1994 to 14,9 percent For January this year market share had risen again, to 16,2 percent

Newbury said the company expected the prices of Automakers vehicles to be increased at the end of the first quarter of this year, partly because the previous price increase in July last year had been only 1,5 percent and partly because of the sharp decline in the rand

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

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

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

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

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

CT (MR) 26/2/96

COMPANIES

Strong sales boost Tiger Wheels

Edward West

BD 27/2/96 (192)

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

The alloy wheel and tyre company's share earnings came to 20,7c compared with 14,5c in the interim period a year before Tiger Wheels pays an annual dividend at year-end.

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

Interest absorbed R1,9m (R1,2m), leaving pre-tax income 54% higher at R11m The tax bill increased to R2,8m from R1,8m, while the contribution from associate companies declined to R200 000 from R410 000 previously.

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

Export sales of aluminium wheels had increased sharply Keizan would not disclose export sales, except to say that half the company's local wheel production was exported Domestic retail sales had also shown a healthy increase, but margins were under pressure in a competitive market, he said There are 20 retail Tiger Wheel & Tyre stores, of which three are franchises

Keizan was optimistic that the first half performance could be sustained. The company traditionally accumulates a bigger proportion of its earnings in the second half.

The share was untraded at R10 yesterday, just off its 12-month high of R12 on January 30 and well off its annual low of R6,50, recorded on May 4

Automakers trims forecast earnings due to 'price war'

(192) BD 26/2/96

Edward West

RECENTLY-listed Automakers has trimmed its prospectus forecast of R155m in full-year earnings to about the same level as last year's R125,7m due to pressure on margins in the motor industry

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

Unit sales at the halfway stage grew 8,4% to 28 513, but market share had slipped to 14,9% from 16,9% a year before, he said.

Automakers — Nissan SA's holding company — raised attributable profit by 20% to R55,5m, but share earnings were up only 8% to 31,4c on increased share capital because shares in issue for the comparative period were lower ahead of its October listing A proposed dividend of 5,3c (pro forma 7,3c) would be declared in March

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

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

Capital expenditure totalled R52,1m Stewart said the company had had to tool up for new model introduction 18-24 months in advance.

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

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

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

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

Warning about motor industry jobs

BD 27/2/96 (192)

Lucky Madikiza
and Edward West

HIGHER car sales were unlikely to prompt a rise in motor industry employment this year, and jobs could be lost to the restructuring facing the sector, industry officials said at the weekend

Though strong sales lifted motor assembly staff levels last year, increased competition was biting into local players' margins

Toyota SA, Nissan SA and Volkswagen SA all said they were unlikely to take on more staff.

Nissan SA CE John Newbury said jobs could be cut if higher sales failed to offset the effect of competition from imports

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

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

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

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

Staffing in the motor assembly sector rose 4,3% last year to 39 152 A further 50 000 were thought to be employed in the component-making industry

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

GM to open new plants in Africa

(192)

By Ross Herbert

CT (BR) 27/2/96

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

GM's director for Middle East and Africa operations, Joseph Parker, said this weekend that the firm would begin assembling light and medium-duty Chevrolet trucks at a new plant in Gaborone next month He said GM had already signed up dealers in the region and planned to increase price competition

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

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

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

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

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

Parker would not confirm the Swazi plant negotiations — Independent Foreign Service

Too many cars on SA market?

The Argus Correspondent (192) ARG 27/2/96

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

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

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

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

But for now, the car price war continues

Toyota has taken much of the focus after its recent "no interest" deals for 1,3 litre Corollas and Conquests, while Samcor has lowered prices across the board for Fords and Mazdas

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

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

And this week a Johannebsurg businessman announced plans to import a basic 1,1 litre car from Russia, which will sell for less than R30 000

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

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

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

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

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

He called on the banks to be more creative with their vehicle packages, to make new cars more affordable

Tiger Wheels reports 43% rise in earnings

(192) CT (BR) 27/2/96

By John Spira

Johannesburg — The wheels are still turning for Tiger Wheels, which yesterday reported a 43 percent advance in earnings to 14,5c a share in the six months to December

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

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

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

Eddie Keizan, the chief executive and joint chairman, said that export turnover of locally manufactured aluminium wheels increased significantly on the back of higher production volumes

"In addition, the group continues to have wheels made internationally under licence to its own design and quality standards to supply world markets"

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

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

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

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

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

Fraud alleged over export rebates

(192)

Govt claims millions from motor industry

BD 29/2/96

Edward West

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

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

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

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

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

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

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

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

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

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

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

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

New finance package (192) from Nissan

ARG 14/3/96

PRETORIA — Nissan South Africa has launched a new financial plan, which replaces and extends its previous packages to include its entire range vehicles

Called the Flexible Affordability Plan, it will give buyers of its passenger cars and light commercial vehicles a wide range of choice in the financing of their vehicles

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

RICA

BMW to invest in Kenya

CT (BR) 15/3/96

By Joe Khamisi (192)

Nairobi — BMW South Africa plans to invest about R1,167 billion in Kenya over the next four years

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

Last year, the Kenyan government ordered that by this month public service vehicles had to be fitted with speed-recording devices

Aspects of the South African Traffic Act will be incorporated in a bill to be tabled in the Kenyan parliament to stem the number of road deaths

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

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

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

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

The team also examined road service and medical vehicles Kenya would receive many of these vehicles from BMW South Africa — Independent Foreign Service

Daewoo plans R1bn vehicle plant for SA

CT(BR) 15/3/96 (192)

By Roy Cokayne

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

But Marius de Waal, Daewoo's marketing manager, said that the company had not yet concluded the necessary arrangements

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

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

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

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

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

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

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

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

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

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

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

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

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

Korea's motor industry was launched in 1937 with the establishment of the National Motor Company By 1976, as Saehan Motor, it was exporting vehicles to 40 countries worldwide Daewoo assumed management in the late 1970s

Southeast Asian countries emerge as big buyers of South African-made rolling stock

Carriage firm rolls in R1,4bn in orders

(192)

By James Lamont

FINAL TOUCH *Carlston Sehoole, an assembler at Union Carriage and Wagon Company, prepares a locomotive for shipment* PHOTO JOHN WOODROOF

CT (BR) 15/3/96

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

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

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

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

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

It has won an additional R500 million contract to supply 130 trains to Taipei's Rapid Transit System and a R240 million contract with Malaysia for a commuter train

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

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

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

☐ See Page 20

TRAIN EXPORTS

TAIWAN DEAL DERAILED?

(192) FM 23/2/96

Union Carriage & Wagon's R500m contract to build electric trains for Taipei's new metro system has been shunted into an embarrassing siding Deliveries have been placed on hold because the Taiwanese capital's Department of Rapid Transit Systems has no tracks to carry them

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

The delay — not one of the 72, three-carriage trains has been delivered — could have rescheduling implications for Union Carriage The contract is an important part of the company's workload Union Carriage is a subsidiary of Standard Engineering, an operating group within Murray & Roberts Holdings

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

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

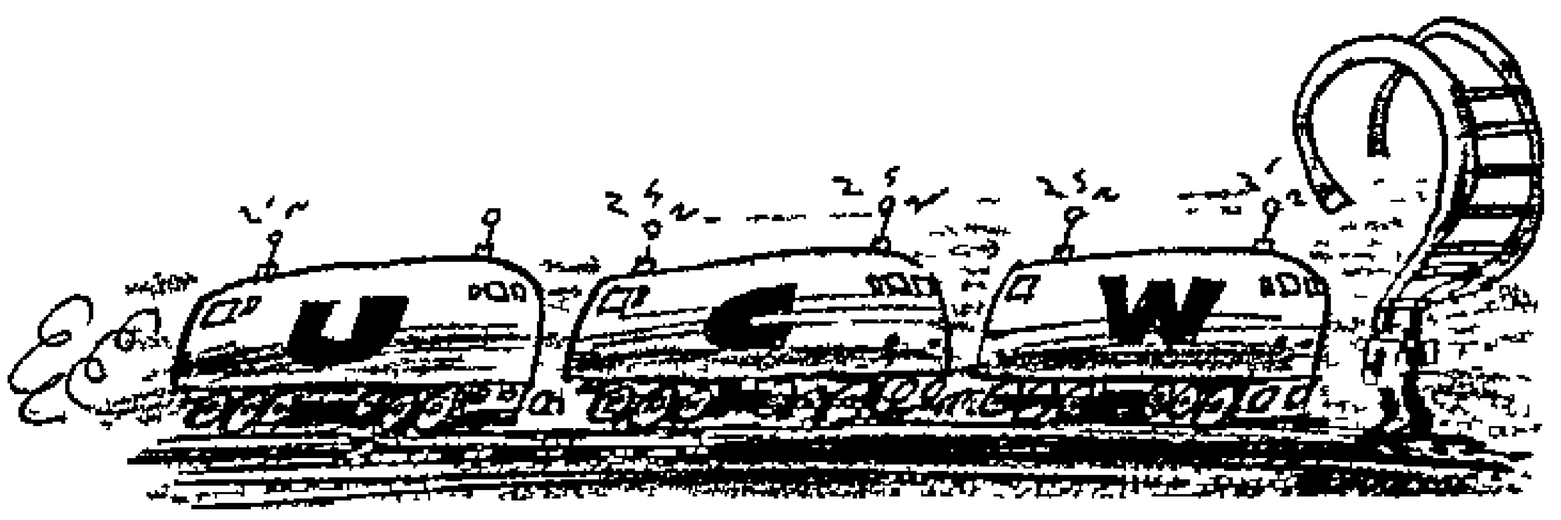
M&R CE Graham Hardy says production of the units has been slowed down while Siemens, as project manager, talks to the Taiwanese

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

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

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

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



But last year Union Carriage lost a $15,4m contract — awarded to South Korea — to modernise Thailand's 30-year-old locomotives and rolling stock

Union Carriage has a reputation for secrecy This legacy of the past is not unfamiliar to the SA/Thai Chamber of Commerce in Bangkok, which says the continuing obsession with secrecy by some SA companies is hindering their success in the region ■

Nissan SA launches a new vehicle financing scheme

(192)

Edward West

BD 14/3/96

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

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

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

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

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

AUTOMAKERS (192)

COLD SHOWER

FM 1/3/96

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

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

Despite an 8,4% increase in vehicle sales in the six months to December 31, compared with 1994, Automakers — which represents Nissan, Nissan Diesel, Fiat and Alfa Romeo in SA — saw its share of a rapidly growing market drop from 17% to 15% More important, the figures show a mere 9% increase in turnover, from R1,5bn to R1,64bn

Operating profit rose 22% to R143,7m, benefiting from a temporary lifting of duties on stock during the transition to the new motor industry development plan late last year Attributable earnings rose 20% to R55,5m and EPS by 8% to 31,4c

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

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

Increased competition from imports, which are taking advantage of sharply reduced protection for the local industry, and new rules in the motor industry

development programme, which came into effect on September 1, have added to the woes

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

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

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

Nissan to contest trade board's claims

ET (BR) 1/3/96 (192)

By Roy Cokayne

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

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

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

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

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

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

Automakers' earnings would not be affected if the courts ruled against Nissan SA

BMW SA exports vehicle system

(192) CT(BR) 4/3/96

By Roy Cokayne

Pretoria — BMW South Africa is expecting to yield significant foreign exchange earnings from the company's locally developed motor plan software development programme, which it is to export to BMW subsidiaries worldwide

Cliff Warren, BMW international motor plan project manager, said this followed an approach by BMW Germany in March for BMW SA to do a presentation on the motor plan information technology system and business process

He said the system was compared with those introduced by other manufacturers, and BMW Italy and BMW United States

"Our system was judged not only superior to that of Italy's and the United States's but vastly superior to any system available from any software supplier worldwide"

BMW SA was then nominated an international supplier to BMW worldwide with the company's vehicle maintenance computer system and consultants for the associated business process

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

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

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

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

Car manufacturers face fraud claims

BD 4/3/96 (192)

Business Day Reporter

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

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

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

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

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

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

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

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

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

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Claims (192)

Continued from Page 1 BD 4/3/96

cise The company planned to fight the trade and industry claim.

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

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

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

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

The Office for Serious Economic Offences is currently investigating a components supplier in connection with rebate claims

Nissan case set for end of May

(192) CT (BR) 6/3/96

BY ROY COKAYNE

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

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

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

The trade and industry department has confirmed it issued summonses for similar offences against a number of motor manufacturers in 1993 These included Toyota for R56,67 million, Associated Automotive Distributors for R4,1 million, Samcor for R5,2 million and Delta for R36,79 million

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

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

Delta has denied any fraudulent practices by the company

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

"We have not fiddled any export credits or rebates or done anything illegal," he said

Toyota plant closed down after strike

Star 7/3/96

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

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

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

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

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

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

(192)

Left-hand drives to be banned next year

Edward West (192) BD 7/3/96

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

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said the new law, likely to be legislated in the second half of the year, was aimed principally at road safety standards and an increasing proliferation of left-hand drive cars and trucks on SA's roads

SA Bureau of Standards manager Ian Charlton, who was closely involved with the issue, said the legislation would coincide with similar laws to be introduced in 11 Southern African Development Community countries except Angola, where motorists drove on the right side of the road.

He had no evidence of safety risks of left-hand drive cars driven on the left side of the road, but he said large numbers of these vehicles could be imported into SA in future under the relaxing trade regime.

Third attempt

It was the third attempt to have the proposal legislated, the last time being during the sanctions era. The draft Bill failed to be passed because legislators had argued that the country could have to resort to importing left-hand drive vehicles because of boycotts.

Existing left-hand drive vehicles, vehicles crossing SA's borders and diplomatic vehicles would not be affected by the proposed law. The planned legislation would be targeted only at the sale of new left-hand drive vehicles, he said

Luxury car dealers polled yesterday said the planned legislation was unlikely to have a severe effect on sales, but it could exclude many US automakers from entering SA's car market

Existing sales of left-hand drive cars were minimal and generally limited to the ultra-expensive "one-of-a-kind type cars", or vehicles specially imported for sport purposes.

A spokesman for US-based Chrysler International Corporation, which planned to launch models in SA soon, said its vehicles would be sourced in Austria to conform to local right-hand drive conditions.

Toyota profit soars as strike closes plant

Edward West BD 7/3/96
and Rene Grawitzky

(192)

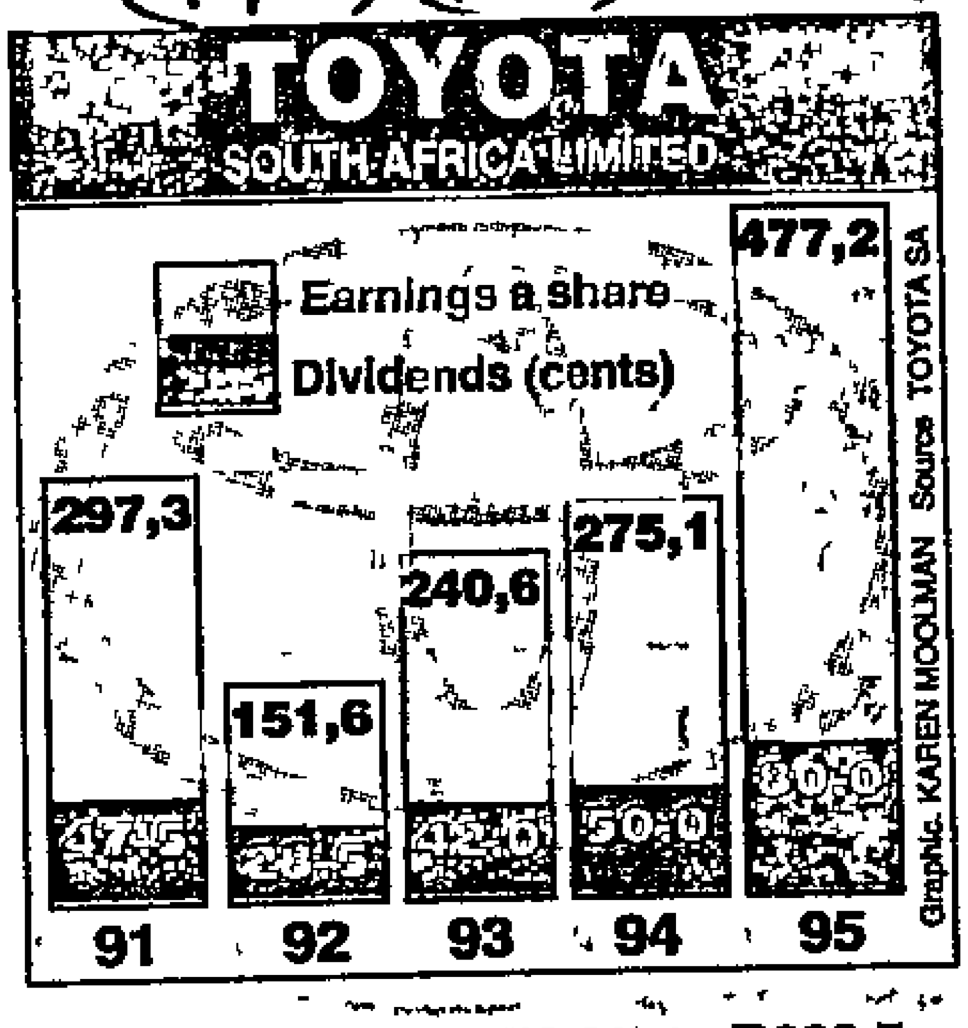
TOYOTA SA reported a 73,5% surge in attributable profit to R194,1m for the year to December as the car manufacturer closed its plant and parts distribution operations yesterday after a labour dispute.

Share earnings were 73,5% higher at 477,2c and a final dividend of 56c (30c) was proposed which would see a total payout for the year of 80c (50c).

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

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

In the 12 months to December, sales increased 22,3% to R6,04bn and operating income grew 76,3% to R322,7m. Tax was 79% up at R131,1m, leaving taxed profit 74,6% higher at R191,5m. Net income rose 72,8% to R194,7m.



Continued on Page 2

Toyota

(192) BD 7/3/96

Continued from Page 1

Income attributable to outside shareholders of R660 000 (R849 000) represented outside interests in a marketing operation in Botswana which had been sold during the year.

Current assets increased to R1,4bn from R1,2bn mainly as a result of dealer sales lagging production towards the end of the year.

Toyota's local retail sales increased 14,6% to 93 192 vehicles, and 2 710 vehicles were exported to other African countries. The group's local market share fell to 24,7% (26,8%) because it did not compete in the growing entry-level car market, directors said.

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

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

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

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

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

Toyota plant idle as strike grips

ARG 7/3/96 (192)

The Argus Correspondent

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

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

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

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

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

They ransacked office desks and scattered documents around the floor

On Tuesday the workers downed tools

They remained on strike yesterday

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

The workers gathered in protest outside the gates.

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

"There will be no production today," he said

"We are meeting at the moment with the trade union"

Mercedes-Benz SA in joint venture with Brazilians

ET (BR) 7/3/96 (192)

By Roy Cokayne

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

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

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

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

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

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

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

An imported luxury bus can cost up to R1,3 million, compared with the R1,1 million price tag for local luxury buses

Stable workforce lifts Toyota's earnings

(192) CT(BR) 7/3/96

By Roy Cokayne

Pretoria — Toyota South Africa reported a 73,5 percent increase in earnings to 477,2c a share in the year to end-December last year

The increase in earnings was achieved on a 22,3 percent rise in turnover to R6,038 billion and a similar increase in attributable earnings to R194,069 billion

Operating income was up 76,3 percent to R322,65 million (R183 million)

Operating income was 5,3 percent (3,7 percent) of turnover

A final dividend of 56c (30c) a share has been proposed, which will raise the total dividend for the year to 80c (50c) a share

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

Commenting on the company's financial performance, Wessels said a number of factors had contributed to the improvement, including the 14,6 percent increase in the company's local sales

Toyota exported 2 710 vehicles to other African countries

Toyota's local market share declined from 26,8 percent to 24,7 percent. The company said this was mainly because it did not compete in the active, entry-level car market

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

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

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

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

Wessels said assets had increased 12,5 percent to R1,394 billion (R1,238 billion). Dealer sales had lagged behind production towards the end of the year, he said

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

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

Negotiations are scheduled to resume today

Struggling Safto slashes its staff

By Shirley Jones (192) CT(BR) 7/3/96

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

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

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

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

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

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

☐ See Page 20

Catalytic exhausts worth R2,5 billion

By James Lamont (192) CT(BR) 7/3/96

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

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

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

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

Production stands at 1,3 million converters a year, earning local producers R650 million in foreign exchange.

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

Budget predictions 'put pressure on rand'

Firestone workers vote to strike, Toyota stays closed

BD 8/3/96 (192)

Renee Grawitzky

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

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

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

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

Ngcobe said workers felt they were being discriminated against.

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

The plant has lost production amounting to 1 500 units.

Meanwhile, more than 80% of Numsa members at Firestone voted to strike. The union had given management until this afternoon to reopen negotiations involving restructuring and retrenchments.

Firestone said the company had introduced an "interactive planning process" to generate ideas from all parties on a survival plan for the plant to ensure it became competitive. The company said the union rejected any need for retrenchment.

BMW's vehicle financing market reflects trend

BD 8/3/96 (192)

Samantha Sharpe

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

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

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

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

MOTOR INDUSTRY

REBATE REBOUND

(192) FM 8/3/96

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Says Colesky "I'm not saying that cheating is impossible, but the new programme certainly makes it much more difficult " ■

Figures indicating decline in car imports questioned

BD 11/3/96 (192)

Lukanyo Mnyanda

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

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

Monthly figures released by customs and excise had shown a protracted year-on-year drop in automotive imports, with November's fall of 56,6% being the highest Schussler said January's figures indicated a 27,3% drop from the same month a year ago and this was "not on"

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

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

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

Toyota plant stays idle

BD 12/3/96 (192)

Renee Grawitzky

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

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

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

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

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

The closure, affecting 6 000 workers, had resulted in lost production of 340 units a day. Bowren estimated the cost in turnover at R27m a day

Toyota indicated discussions would continue today

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

Losses mount at Toyota plant

CT(BR) 13/3/96 (192)

BY ROY COKAYNE

Pretoria — There was no production again at Toyota's manufacturing and assembly facilities in Durban yesterday, and the company had now lost almost a week of production — equivalent to R156 million in turnover Hourly paid workers have lost R7,8 million in wages

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

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

Numsa spokesmen could not be contacted for comment yesterday

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

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

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

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

Strikers arrested at Toyota plant

BD 19/3/96 (192)

Renee Grawitzky

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

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

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

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

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

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

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

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

Gazendam said: "We are digging in our heels on this issue." He said Toyota was still battling to hold a transparent disciplinary process hopefully under the auspices of the Independent Mediation Services of SA for those involved in the first incident on March 4 The company had lost more than R280m in turnover from the strike

Strong Toyota and Metair help boost Wesco's income

(192) BD 20/3/96

Edward West

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

Share earnings were 62% higher at 992c, but the dividend was maintained at 120c Turnover for the holding company, which has a 50% stake in Toyota SA and a 42% investment in Metair, improved 23,7% to R6,2bn

Interest paid was 9,8% higher at R92,3m, while pre-tax income rose 73,3% to R297,6m. A tax bill of R131,2m (R73,3m) left taxed profit 69% up at R166,4m

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

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

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

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

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

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

Meanwhile, Toyota SA said yesterday it had lost almost R300m in turnover after about 6 000 workers went on strike at its plant two weeks ago There were no major shortages of vehicles at dealerships yet, barring a shortage of the Conquest 1,31 model

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

The National Association of Automobile and Component Manufacturers said the strike had had a ripple effect on component manufacturers — Toyota has a share of about 24% in the local vehicle market — and in some instances component manufacturers had had to shorten production shifts

Business Day *SURVEY*

BERT WESSELS

*The local vehicle market continues to be affected by the low import duties on completely built-up cars — which make up 8% to 9% of the market — and the price war between local manufacturers, which looks set to continue into the second half of 1996. **Lynn Carlisle** reports.*

(192)

BD 22/3/96

Surging car imports threaten local industry

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

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

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

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

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

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

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

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

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

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

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

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

Toyota and Numsa appoint mediators

BD 22/3/96 (192)

Renee Grawitzky

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

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

Since the plant's closure about three weeks ago, Toyota has lost production of 4 590 units, lost turnover is estimated at R361,5m

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

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

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

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

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

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

The union demands that Firestone agrees to establish a joint committee to look at mechanisms to improve efficiencies. It said if the company wanted to keep up with the challenges facing it, emphasis had to be placed not only on prices but on improving systems

Toyota dispute may mark the beginning of industry-wide action

(192) ET (BE) 22/3/96

BY ANN CROTTY

Johannesburg — The strike at Toyota's Durban plant could drag on for some time because of increased employee expectations at shop-floor level and an easing in demand for vehicles, industry and trade union sources said yesterday

And it could mark the beginning of a spate of industrial action in the motor industry as management adapts to increased competition from imports while shop floor union members battle to enhance the gains made during the industry's recent flush period

Industry and trade union sources say that the duration of the Toyota strike shows that there is more to the dispute than the annual profit-related bonus that was paid out at the end of last month

Shop stewards are demanding that the bonus be paid out in equal amounts to all employees Trade unionists and labour consultants support this view and point out that in labour's eyes, incentive schemes that are tied to salary appear to unduly reward management, which makes a doubtful contribution to productivity.

Toyota management has stated that an equally important issue is the disciplinary action that should be taken against a number of union members who damaged company equipment and intimidated administration employees.

Also at play in the Toyota dispute is the content of a labour relations agreement signed last year by representatives of management and labour officials Shop floor unionists frequently want to pursue a more adversarial strategy than is allowed for in the agreement.

One industry source argues that Toyota, which is in a comfortable stock position, is using the dispute to strengthen management prerogative with a view to streamlining its existing operations. He said that all manufacturers would soon have to go through the same process

Toyota's management disputed this, stating that it could not afford a long-term disruption to its industrial relations on the basis of such short-term considerations

Toyota and Numsa reach provisional agreement

(192) BD 25/3/96

Bonile Ngqiyaza

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

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

Toyota SA spokesman Andrew Bowren said as far as he was concerned, an agreement had been signed but "they (Numsa) always work [illegible] basis that they have to go back to the workers"

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

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

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

Toyota said Numsa had agreed its members would return to work "no later" than tomorrow

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

The parties had agreed no further payments would be made under Toyota's 1995 incentive scheme.

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

SA to export sports cars to US

(1923)

Edward West BD 25/3/96

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

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

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

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

Components such as the rear axle, wheels, seats and body would be manufactured locally, though the cars would be powered by a V8 Chevrolet engine A Buick V6 engine would be introduced from 1998 when global emission laws required all vehicles to have on-board electronic engine diagnostic systems in place.

"The car will be grossly overpowered," Glover said

The two-seater would be manufactured to the latest mechanical technology The total investment in the project so far amounted to R1m The Shaka would be marketed in the US through Internet and through specialised automotive publications The vehicle would also be displayed at the Detroit Auto Show in February and the Birmingham Automotive show in the UK later this year

No quick fix for SA labour relations

(192) (~~152~~) (~~172~~) BD 26/3/96

7

Renee Grawitzky

THE Toyota strike raises crucial questions about the future of "corporatist" or co-determinist models of industrial relations and the implementation of incentive schemes aimed at creating higher levels of commitment among workers

The motor assembly industry — known for its history of adversarial relationships — last year signed what was hailed as a ground-breaking agreement aimed at "fostering co-operative relations between the parties".

Employers saw the agreement as laying the foundation for three years of labour peace and stability, and also reflecting a "new maturity in collective bargaining processes" The National Union of Metalworkers of SA (Numsa) was optimistic the agreement would signal a new approach to industrial relations in the industry

Nine months down the line, the agreement has been honoured more in the breach

At the time of the signing, concern was raised as to whether both parties were ready for this type of agreement, due to its complexity and to whether capacity existed on both sides to ensure successful implementation As Numsa's negotiator Gavin Hartford said last year, the agreement was not the "road to Damascus" It created the mechanisms to achieve certain objectives.

At a leadership level, labour and business might have come to the realisation that the industry could not afford the disruptions and acrimonious relationships of the past How far has this attitude permeated to the shop floor?

Numsa general secretary Enoch Godongwana says "Industrial relations is characterised by conflicting interests between management and workers which will not evaporate with the introduction of a co-determinist style of industrial relations Any such assumptions that the agreement would avoid conflict were misinformed "

The agreement focuses on a wide range of issues including a peace obligation clause forbidding unprocedural industrial action A dispute procedure provides for mediation and arbitration

Toyota human resources director Harry Gazendam says the peace obligation clause has created some difficulty for Numsa's national leadership Industry sources believe that groups in the union have flaunted it, and if this continues "it will detract from the agreement and its objectives"

This is so even though the Numsa national office has no intention of sabotaging the agreement, Gazendam says

Gazendam concedes that there are probably "pockets" of management who are not in tune with the agreement, just as there are pockets of workers "who, for reasons of their own, choose not to abide by the agreement" He cautions however, that although companies "are not lily white", the level of deviation by management is not equal to that of workers

Whether the strike was sparked, as some would believe, by attempts by certain shop stewards to maintain their power bases, the payment of profit-sharing bonuses reflects a divide between management and union thinking on this and other issues which are being ignored

Gazendam says although the parameters of the incentive scheme were not totally acceptable to the union, its implementation "would not under normal circumstances have resulted in a major strike"

Godongwana says relationship on the shop floor are characterised by "old apartheid arrangements" The Toyota issue, he says, shows that some fundamental weaknesses exist in the proposed workplace forums as "management is saying that production is not an issue for collective bargaining but for consensus-seeking".

In SA, Godongwana says, "we have to contend not only with class, but also racial conflict" He says a number of racial incidents were reported during the strike Gazendam says this was mentioned, but no evidence presented. He says that whatever provocation took place "it does not justify office trashing".

The incentive scheme incorporating a production and profit element was launched early last year after consultations with shop stewards At the time of this process, the stewards indicated support for a system whereby all employees should receive the same nominal amount The company accepted this where union members were concerned, but paid higher bonuses based on earnings to salaried staff The first payouts were made at the end of the last financial year

Conflict arose when wage earners were each given R300 while in some cases salaried staff received bonuses equal to more than their salaries. The union rejected this, and said that such payments were discriminatory

Godongwana says the first incident on March 4, which sparked the plant closure, occurred after a group of white workers began provoking black workers and said they were a "useless bunch" because they received less money

Gazendam says that, as far as the company could ascertain, a group of shop stewards and workers "for reasons we do not know" chose to make an issue of something that was not a negotiable issue "into a power argument"

The strike once more brings into question workers' understanding of, and commitment to, the ground-breaking agreement made last year This could necessitate a higher level of capacity building on the part of the union

Management, on the other hand, has repeatedly indicated that the issue of incentive schemes is not negotiable, and is not a condition of employment Clearly a refusal to negotiate on issues affecting workers has incurred some costs

One of those costs is that management's attitudes have undermined the very mechanism — the incentive scheme — designed to motivate worker commitment to the company It demonstrates yet again, that the process of devising a scheme is as important as the substance of the scheme itself

Fransaf to make car parts

(192)

Paul Vecchiatto

BD 27/3/96

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

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

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

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

Catalytic converter plant to create 30 jobs

ARG 28/3/96 (192)

Business Editor

CAPE Town's first catalytic converter plant, due to come on stream in May, will create 30 new jobs

Mike Biden, managing director of shock absorber company Gabriel, which will produce the converters for parent company Arvin Industries of the United States, said the plant would employ 15 people at first

This would double "in a very short space of time", he said

The converters – used in the control of exhaust fumes – would be produced by Gabriel in association with motor group Samcor for export to Ford in Europe

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

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

Gabriel SA is fully owned by exhaust and shock absorber manufacturer Arvin, whose head office is in Indiana The US group has 50 manufacturing plants and eight technical centres in 16 countries.

Metair enjoys increase in vehicle, export sales

(192) BD 1/3/96

Edward West

MOTOR component manufacturer Metair Investments generated a 26% increase in net income to R44,4m in the year to December, mainly due to surging new vehicle sales

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

Turnover grew 28% to R834,3m and operating income was 31% higher at R71,4m The tax bill was 59% up at R25,5m after the average tax rate increased due to full utilisation of tax losses in the first half Taxed profit was 20% up at R45,9m

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

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

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

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

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

Short-term interest-bearing debt increased to R33,8m by year-end from R5,2m at the end of the previous year. The rise was the result of funding additional current assets due to higher activity levels and the acquisition of the remaining 28,7% of First National Battery Company.

The group's shares closed unchanged at R62 on the JSE yesterday, having lost 500c or 7,5% so far this month The counter recorded a 12-month high of R67 on January 24

TRUCK INDUSTRY (7.92)

HEAD-ON SMASH?

PM 5/4/96

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

Over the past five years, Mercedes-Benz SA has laid claim to the largest number of unit sales for 16 t trucks But the picture is changing

Adolf Moosbauer

Ironically, the challenge is coming from imports of Freightliner — built by Mercedes-Benz-owned factories in North Carolina and Oregon in the US

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

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

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

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

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

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

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

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

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

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

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

The newcomers obviously include Freightliner

The Mercedes-Benz share of the above 16 t truck market has varied between 52,3% in 1990 when 1 402 heavy commercial vehicles were sold and 47,4% in 1995 when 1 614 were sold Which puts it way ahead of competitors

Freightliner, with 26,3% of the heavy sector, was market leader last year in the US This could pose a dilemma for Mercedes-Benz, which could see its locally manufactured units lose out to the American imports ■

Fraud investigation shifts offshore

BD 9/4/96

Edward West (192)

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

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

Trade and industry has claimed up to R120m from certain local assemblers because it says the component manufacturers had ceded export rebates to motor assembly companies.

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

The office also confirmed the customs department would begin issuing letters of demand this week to assemblers involved Customs has indicated its claims could amount to R480m If disputed, the claims will be dealt with in separate civil proceedings

Advocate Rachel van der Walt of the

Continued on Page 2

Investigation

BD 9/4/96

Continued from Page 1

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

The case follows investigations by the Office of Serious Economic Offences into parts manufacturers CET, ASA and BTM.

A state attorney said discovery documents were being prepared in the civil case involving Toyota SA and evidence would be heard on commission in Germany and the UK this year in the matter involving Nissan SA, while other manufacturers implicated were filing pleadings.

Two years ago, the trade and industry department sent letters of demand to Toyota, Associated Automotive Distributors, Nissan, Samcor and Delta.

The manufacturers have denied export fraud, claiming they were innocent parties. Samcor has said that the R5m claimed from it by government was actually an export rebate bought from another vehicle assembler.

(192)

ANC, NP in urgent talks

Linda Ensor

CAPE TOWN — Electoral court chairman Judge JW Smallberger has summoned the legal representatives of the NP and ANC factions of the provincial committee for urgent talks today in a bid to reach an out of court settlement over their dispute for a model for rural government

If the parties fail to reach agreement, the matter will appear before the Electoral Court on Monday Members of the provincial committee were also invited to be on standby for consultation and, if necessary, to endorse any settlement

A decision is urgently required before Tuesday next week if the rural elections are to take place on May 29 as scheduled

That is the last day for the registration of parties which would appear on the proportional representation lists

Sources said today's discussion would deal with the one outstanding issue left unresolved after urgent talks during the week, namely the composition of the district councils

Whereas the NP wanted a 50 50 representation for town and rural councils, the ANC has argued for representation to be based on the numbers of registered voters in each area

The ANC supported any attempt to keep the elections in the rural areas on track

Mandela acts over KwaMashu killings

BD 12/4/96

Farouk Chothia

DURBAN — President Nelson Mandela is scheduled to visit Durban's KwaMashu township next week in a bid to end the gang warfare that has disrupted schooling, following a decision by the KwaZulu-Natal cabinet to step up the security force presence in the township

Teachers at 75 schools in KwaMashu, near Durban, have been on a stayaway since the early part of this week after a teacher, Joaquim Ndabe, was shot dead last month by gang members

It is understood that two different ANC factions, including unemployed cadres of Umkhonto we Sizwe, have formed rival gangs which are fighting in KwaMashu's L section

Their clashes have spilled over into other parts of the township Ndabe was killed as his brother belonged to a rival gang

An ANC KwaZulu-Natal safety and security spokesman told about 1 000 people at a meeting in KwaMashu yesterday that Mandela would visit L Section next week to hear the concerns of teachers and residents

A representative of KwaZulu-Natal police commissioner Gen Chris Serfontein, Mulder van Eck, said policemen and soldiers had been deployed in the township to step up crime prevention operations

Roadblocks were set up yesterday morning If more security personnel were needed, there would be further deployments, he said

The provincial cabinet decided unanimously earlier this week that additional security force members should be stationed in the township

Ndaba Gcwabaza, the SA Democratic Teachers' Union KwaZulu-Natal secretary, said security force involvement was a temporary measure to deal with the conflict Ultimately, community leaders would have to bring about peace.

He said it was heartening to know that Mandela had decided to visit KwaMashu, and the union was satisfied with ANC efforts to find a solution The union hoped that classes would resume next week

Sapa reports that thousands of children played in the streets as teachers stayed away after schools failed to open for the new term on Wednesday.

Gcwabaza said earlier this week the stayaway would affect about 85 000 pupils· "The stayaway is part of a major drive to normalise the situation in KwaMashu It has never been plagued by political violence before "

Students object to Zuma as chancellor

BD 12/4/96 (192)

Farouk Chothia

DURBAN — A group of ML Sultan Technikon students forced the closure of the campus yesterday to demonstrate against the appointment of Health Minister Nkosazana Zuma as the technikon's chancellor

The SA Students' Congress-aligned students said Zuma should not have been appointed until the controversy about the R14,2m allocated to the Sarafina 2 AIDS play was cleared up.

SRC campus co-ordinator Nkululeko Nzuza said students forced security guards to lock the gates before lectures They were reopened later.

The SRC would take disciplinary action against two students who were behind the lock-out, Nzuza said

Families resubmit challenge to truth body

BD 12/4/96

Deborah Fine

THE families of three slain anti-apartheid activists have resubmitted papers to the Constitutional Court challenging the constitutionality of the truth commission after their documents, deemed incomplete by the Court, were returned to them on Wednesday

Pretoria attorney Cyril Morolo confirmed his clients had submitted an amended set of documents to the court yesterday He said the papers included a new prayer asking the court to interdict the truth commission from starting hearings on Monday, pending the outcome of his clients' challenge

Margaret Biko, wife of slain activist Steve Biko, Churchill Mxenge, brother of the late human rights attorney Griffiths Mxenge, and Chris Ribeiro, son of murdered doctor Fabian Ribeiro and his wife, Florence, have applied for direct access to the court

They have accused the truth commission of being unconstitutional in that it would deprive them of their right to justice, would deny victims of human right abuses the right to seek redress and would relieve government of its obligation to punish human rights offenders

Constitutional Court president Judge Arthur Chaskelson is expected to decide today whether the court will hear the application

Comment: Page 6

MOTOR INDUSTRY (192)

BRAKE LIGHTS

FM 12/4/96

The warning signs are up When a manufacturing sector that is considered one of the more accurate litmus tests of economic activity starts showing signs of flagging it is time to sit up and take note

Last month's new vehicle sales showed a sharp drop and prompted the National Association of Automobile Manufacturers of SA (Naamsa) to caution on further falls Naamsa also began recalculating its forecast sales for the year downward The industry originally forecast a 5% improvement in sales for the year citing underlying business confidence, economic and political stability and an increase in consumer spending power

What is puzzling is that the industry claims that the signs of a slowdown were apparent as early as November last year The 13,4% drop in new car sales to 18 536 in March compared with March 1995 — a hefty 2 860 units — certainly does not bode well for the economy Naamsa even discounts the impact of the costly three week strike at Toyota and says the slowdown is likely to be of a more "permanent nature " Revised sales figures are expected later this month

Any new projections are also likely to be influenced by the wildly fluctuating rand The perceived instability of the unit coupled with intense competition, Naamsa says, will inevitably result in upward pressure on both locally produced and imported vehicles With the best will in the world it is only a question of time before manufacturers will be forced to lift new car prices — especially in the middle range An added complication could be the demands made by unions as the industry's annual bout of wage negotiations gets under way

But all is not gloom Sales of medium trucks remained strong during the month rising 28,2%, while sales in the heavy truck sector remained virtually unchanged Even though this augurs well for the commercial sector, both these segments of the motor manufacturing industry are low volume ■

MARCH VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	Citi/Fox	1 851		
	Golf/Jetta	1 765		
	Cabrio	3		
	Audi A4	364		
	A6	56		
	Audi A8	7	4 046	21,8
Samcor	Laser/323	2 385		
	Telstar/626	318		
	Escort	710		
	Etude	428		
	Pajero	105		
	Other	22	3 968	21,4
Toyota	Corolla/Conquest	2 194		
	Camry	532		
	Other	218	2 944	15,9
Nissan	Sentra/Sabre	856		
	Maxima	58		
	Fiat Uno	1 188		
	Sani/Patrol	54		
	Other	13	2 169	12,6
Delta	Astra/Kadett	1 843		
	Suzuki	34		
	Saab	27		
	Isuzu Trooper	16	1 920	10,4
M-Benz	C-Class	1 153		
	E-Class	59		
	S-Class	31		
	Honda Ballade	440		
	Prelude	10		
	Other	13	1 706	9,2
BMW	3-Series	1 109		
	5-Series	163		
	7-Series	48	1 320	7,1
Land Rover	Discovery	140		
	Defender	92		
	Range Rover	20	252	1,8
Subaru	Legacy	3		
	Impreza	3	6	0,0
Dacia	Crystal	6	6	0,0

	1996	1995	% change
March	18 536	21 396	-13,4
January to March	55 690	58 812	-5,3

February (19 677) to March

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	3 044	27,2
Nissan	2 311	20,7
Samcor	2 283	20,4
Delta	2 205	19,7
M-Benz	596	5,2
VW	571	5,1
Land Rover	96	1,0
Dacia	90	0,7

	1996	1995	% change
Mar	11 176	12 238	8,7
Jan to Mar	32 903	32 496	1,3

Feb (11 706) to Mar

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	150	33,3
Delta	114	25,3
Iveco	70	15,6
Nissan	53	11,8
Samcor	44	9,8
AAD	19	4,2

	1996	1995	% change
Mar	450	351	28,2
Jan to Mar	1 181	904	24,0

Feb (389) to Mar

HEAVY COMMERCIALS

	Number of sales	% of market
M Benz	2 54	35,1
Toyota	103	14,3
Nissan	102	14,1
Tyco	63	8,7
Delta	57	7,9
Iveco	54	7,5
MAN	48	6,6
ERF	16	2,2
Scania	14	1,9
AAD	12	1,7

	1996	1995	% change
Mar	723	722	0,1
Jan to Mar	2 005	1 801	11,2

Feb (682) to Mar

TOTAL VEHICLE SALES

	Number of sales	% of market
Samcor	6 295	20,3
Toyota	6 231	20,2
Nissan	4 635	15,0
VW	4 617	14,9
Delta	4 296	13,9
M-Benz	2 536	8,2
BMW	1 320	4,3
Other	955	3,1

	1996	1995	% change
Mar	30 885	34 708	-4,8
Jan to Mar	91 719	94 013	-2,4

Feb (32 454) to Mar

Motor trade set for price war as car sales tumble

ARG 15/4/96 (192)

HENRI du PLESSIS
Motoring Reporter

THE motor industry price tussle is about to become a war as sales flag, and a shock awaits motorists who expect high trade-in prices

March car sales were lower than those of a year ago, and lower even than those in February this year

They numbered 18 536, 2 860 or 13,4 percent less than in the same month a year ago, when 21 396 had been sold, said a spokesman at the National Association of Automobile Manufacturers of South Africa (Naamsa)

The South African economy was slowing down, he said

After some optimism and growth last year, signs of a slowdown in the motor industry's momentum showed as early as November last year

Predictions of a 5 percent improvement in sales this year would have to be adjusted downwards, he said

Sales of new light commercial vehicles, bakkies and minibuses were also lower in March, but the low-volume medium and heavy truck segment remained strong, with an increase of 28,2 percent in medium commercial vehicles But only 99 were sold

Motor industry sources were unanimous in their concern about the falling value of the rand, a proven drop in business and consumer confidence levels and unacceptably high interest rates

Meanwhile, industry sources warned that residual car values were "softening dramatically" as price increases adapted to lower inflation

This could cut the price of second-hand vehicles

But this could be temporary as the rand's falling value could force rapid and steeper price increases

The industry had hoped to keep increases down to boost car sales overall

Meanwhile the price war is set to enter a new arena that could make the owners of older cars happy – spares

Automakers, the holding company of Nissan South Africa and the importer of Alfa Romeo and Fiat, has announced its intention to reduce spares prices by as much as 30 percent

This follows the announcement of a plan by Mercedes-Benz, not yet spelt out in detail, to restructure its spares sales system and reduce prices

Imported exotic car scam exposed

(192) CT 15/4/96

DAN SIMON

CAR buyers are being warned to be wary of buying bargain-priced exotic cars after the recent exposure of an international car theft scam involving luxury vehicles stolen in Germany and shipped to Cape Town

The warning comes from a city car dealer following the arrest two weeks ago of two illegal German immigrants who have been linked to the theft in Germany of three exotic cars worth about R2 million

The men, who arrived in South Africa last May, registered the cars in Durban before re-registering them in Cape Town and trying to sell one at a price way below its value

The scam prompted one exotic car dealer, Bloomsbury Carriage, to place an advertisement, warning the public of the possible pitfalls when buying bargain-priced exotics, in the Cape Times Drive Times supplement last week

It said that as syndicates had become more sophisticated, so it had become increasingly difficult to verify ownership or customs clearance or to clear any other legal technicalities associated with such cars

"Further to this is the fact that many other exotics are coming in through neighbouring countries with either little or no duty being paid

"If you buy such a vehicle, the onus is on you when the customs people come around to collect either the vehicle or unpaid duties/taxes," the advertisement said

Bloomsbury disclosed on Friday that it was one of three car dealers in the city that had been approached by two German nationals wanting to sell a 1995 left-hand drive Mercedes 320SL for R300 000

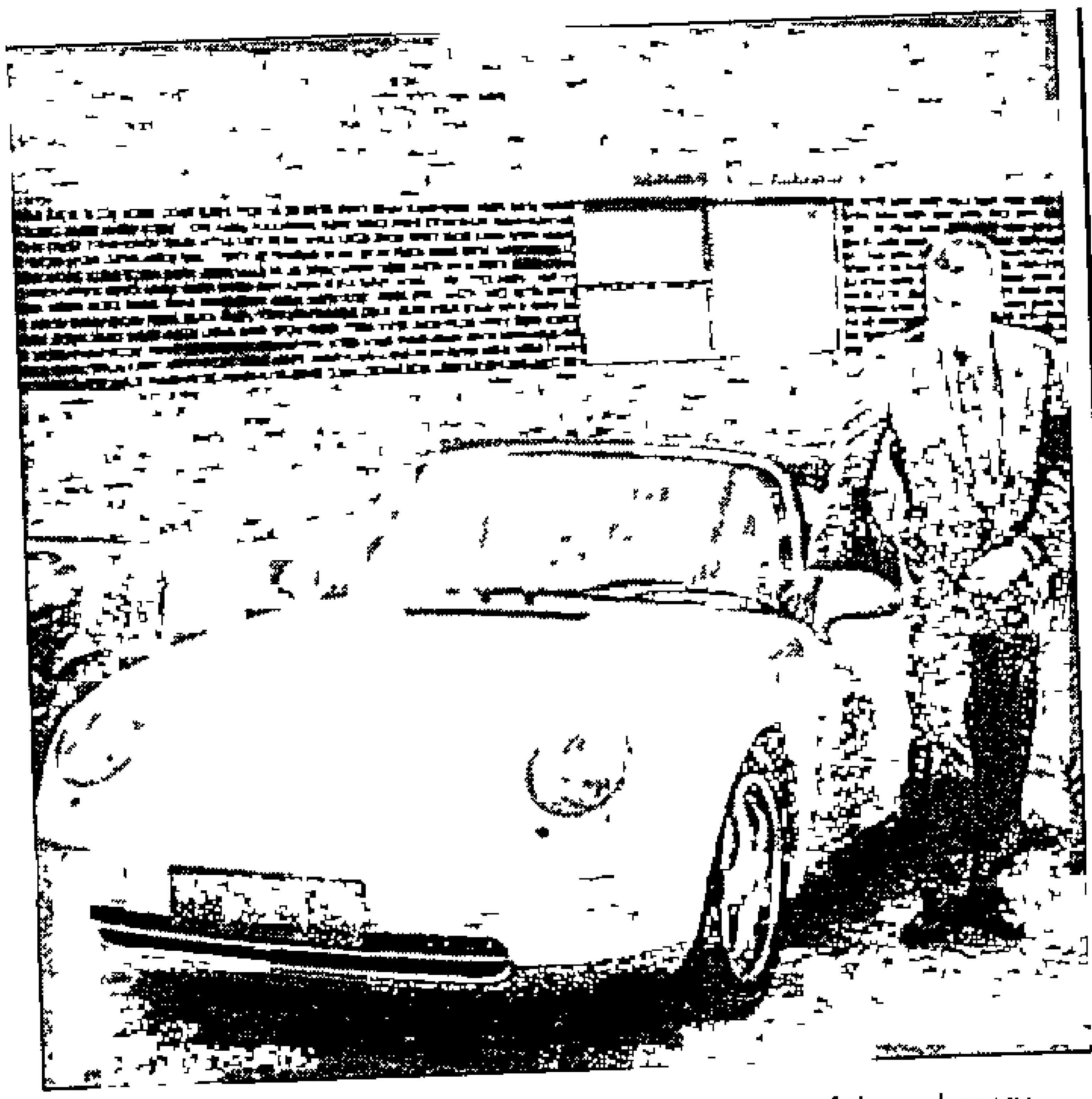
"It was a steal, but I smelt a rat No one gives their car away at that price," said Mr Peter du Plessis, who added that the car would have sold for R435 000 in South Africa

After being turned down by Bloomsbury, the men tried to sell the same car to two other car dealers without success

One dealer tipped off members of the Cape Town vehicle theft unit, who arrested one suspect in Sea Point and confiscated the 320SL and a Porsche Targa

A second suspect was arrested in Rosslyn, Pretoria, early this month and a Mercedes 500SL worth R800 000 was confiscated

Falsified SA identity documents and three unlicensed firearms, including a 12-bore shotgun, were also seized



LUXURY HAUL: The Porsche Targa above is one of three luxury vehicles worth more than R2 million that were stolen in Germany and shipped to Cape Town *PICTURE: DAN SIMON*

Police have since established that the three cars were stolen in Germany around May last year and shipped to Cape Town by container

Vehicle theft unit member Captain Jacques van der Merwe said on Friday that since the arrests, he and colleagues in Durban had uncovered two incidents of insurance fraud, totalling R2,9m and involving the suspects, in Durban and Cape Town

Of this amount, R290 000 was paid out to the suspects in Cape Town when they reported that their Newlands home had been broken into and valuable household items stolen Police found the "stolen" items stored in a warehouse

Van der Merwe said he was working with Interpol and German police to ascertain the men's backgrounds

He said his unit had confiscated four stolen luxury German vehicles since the beginning of the year

"I know for a fact that there are other vehicles in the country which came in through Cape Town

"Some of these are broken up and reassembled once they are in the country

"Unfortunately, there is a problem when it comes to checking containers as there is a lot of red tape involved to get a

MOTOR INDUSTRY (192)

ON THE DRIVE

FM 15/3/96

Vehicle manufacturers are likely to almost double the level of new investment this year Compared with 1995's R847m, they expect to spend R1,6bn

More than half that sum — R843,5m — will go on new products and tooling, estimates the National Association of Automobile Manufacturers Another R566m will be spent on improving plant and machinery, with the remainder earmarked for land, buildings and general support infrastructure

The level of investment, especially in new products, is indicative of industry confidence in the continued strength of the market It could also be said to recognise the need to update model ranges in the face of increased exports A look at the industry's new-product programme for the rest of 1996 shows a plethora of new vehicles, from local manufacturers and abroad

Market confidence will have taken a slight knock with latest figures showing car sales marginally down this year That may be misleading, though, as official sales figures continue to underplay the real state of the market Until Hyundai and others fulfil their pledge of disclosing sales, it will remain difficult to genuinely gauge the market Once they are all included, sales may well be ahead of 1995

Commercial vehicle sales remain considerably stronger in line with the continued confident mood of business Medium and heavy trucks in particular are comfortably outperforming 1995 — and that excludes sales from companies such as Volvo which still won't disclose figures

Delta Motor Corp marketing director John Cuming says that if government sustains projected economic growth rates, growth in the commercial vehicle sector will continue to flourish ■

COMPANIES

Local vehicle sales face a dent from imported models

(192)

ST(BT) 17/3/96

BY DON ROBERTSON

IMPORTERS and distributors are expected to sell more than 37 750 imported passenger cars on the SA market this year, putting pressure on local manufacturers

It is estimated that imports will account for 15% of the 250 000 units forecast to be sold this year, which local manufacturers consider to be a sharp increase on the proportion in previous years Precise figures, however, are not available Within the next four years, imports could account for 25% of all new car sales

The influx of fully built-up vehicles has been made possible by the Motor Industry Development Programme, which has introduced a gradual reduction in import duties Duties at present are 65% of wholesale value, having fallen from 110% plus a 15% surcharge a year ago

Although importers were promised a further 4% reduction in duties at the beginning of the year, but the government has failed to introduce this cut Instead, it introduced an ad valorem duty which will affect prices of the more expensive imported cars

Brand Pretorius, chairman and chief executive of McCarthy Motor Holdings, says increased imports will lift the number of marques on the market over the next three years to about 17 from 13 at present and will raise the number of models available to 75 from 64.

Some manufacturers have expressed concern at the increase in car imports, but all have agreed to the MIDP.

To counter the competition of imports, capital investment by the motor industry is expected to double this year to R1,6-billion in an effort to increase productivity, quality and efficiency.

In addition, a Motor Industry Advisory Forum, under the banner of the Department of Trade and Industry, will be established to monitor the performance of the industry and its ability to withstand the impact of the MIDP.

Of concern to the industry, however, is the virtual collapse of customs and excise control at the various ports of entry. It is likely that a committee will be established to investigate irregular or fraudulent imports. The SA Chamber of Business has offered to train 150 customs and excise staff to patrol the various ports.

Largest of the importers is Hyundai, which has been in the market for the past two years. Last year Hyundai Motor Distributors, based in Botswana, sold 14 500 Accents, Elantras and Sonatas and expects to average about 2 000 cars a month this year, reaching a peak of about 2 500 a month by the end of the year.

Hyundai is not an importer in the true sense as it imports cars in semi-knocked down form and assembles them in Botswana. Under the MIDP, Hyundai has been given two years to establish a full manufacturing facility in South Africa. Hyundai has asked for four years, which it says it has been granted. It has committed about R130-million for the project.

Peugeot, which recently returned to the SA market, hopes to sell about 1 000 cars this year. Peugeot, distributed by McCarthy Motor Holdings, began with one dealer in Johannesburg, but has opened a second in Durban and will open a third in Cape Town next month.

Saab, imported by the Delta Motor Corporation, has been selling since December and hopes to sell 900 vehicles for the year...

P.T.O.

Toyota steps up exports

By DON ROBERTSON

TOYOTA Japan's trading company has established a branch in Sandton to help its SA associate boost exports of fully built-up vehicles elsewhere into Africa

Toyota Tsusho Corporation has been involved in South Africa for the past 30 years, but only as a liaison with Japan It is now a fully fledged branch whose main business is the shipping and sales of Toyota vehicles and forklifts into South Africa and other African countries

Toyota SA plans to increase vehicle exports into Africa by 30% this year to 3 500 units worth R180-million, compared with 2 710 worth R135-million last year

Volkswagen, SA's largest vehicle exporter, last year exported 6 265 units. Toyota SA was second in the total export market last year, followed by Delta (2 030), Samcor (1 779), Nissan (1 703), Mercedes-Benz (581) and BMW (580).

Toyota SA's growth this year will come from improved dealer networks in the various Africa countries, particularly Zimbabwe, where it markets alongside Toyota Motor Corporation. A similar position exists in Tanzania, Uganda and Mauritius. Other exports go to Zambia, Mozambique, Kenya and Malawi.

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P.T.O.

TOYOTA STRIKE

29/3/96

UNFINISHED BUSINESS

(192) FM 29/3/96

The three-week Toyota strike ended on Tuesday — but no-one is betting that management or workers have heard the last of it

About 200 employees, including several shop stewards, face disciplinary hearings in the next few days for allegedly running amok through offices at the Prospecton assembly plant near Durban

They are accused of damaging equipment and intimidating other employees during the alleged rampage, which occurred after the National Union of Metalworkers (Numsa) had declared a dispute with the motor company on March 4

Though hearings will be conducted by independent mediators, human resources group director Harry Gazendam says "I can foresee difficulties if some workers are dismissed If that happens, there could be more problems "

Workers are said to have agreed to resume work only "grudgingly" after none of their strike demands was met For each of the 14 working days the strike lasted, workers lost R1,2m in wages and the company R25m in turnover

The dispute started after Numsa demanded that 1995 incentive payouts of about R26m should be split equally between all 8 000 Toyota hourly paid and salaried employees The company had paid out 10% of each employee's annual wage or salary At the end of last week, Numsa accepted the company's position and, after consulting members, recommended a return to work

In terms of the settlement, the Toyota plant will implement a 10-week programme to recover lost production, during which workers will be able to earn overtime bonuses to recoup some of their losses

What most worries some Toyota managers about the coming disciplinary hearings is that they believe the alleged rampage was the real cause of the prolonged strike The managers suspect that ringleaders realised they were in serious trouble and tried to mask the issue by pushing the strike If that is the case, the hearings will bring these issues to the fore again As a Toyota official notes "It's not necessarily all over yet " ■

NEWS FOCUS

No quick fix for SA labour relations

(192) (~~[illegible]~~) (~~[illegible]~~) BD 26/3/96

Renee Grawitzky

THE Toyota strike raises crucial questions about the future of "corporatist" or co-determinist models of industrial relations and the implementation of incentive schemes aimed at creating higher levels of commitment among workers.

The motor assembly industry — known for its history of adversarial relationships — last year signed what was hailed as a ground-breaking agreement aimed at "fostering co-operative relations between the parties"

Employers saw the agreement as laying the foundation for three years of labour peace and stability, and also reflecting a "new maturity in collective bargaining processes" The National Union of Metalworkers of SA (Numsa) was optimistic the agreement would signal a new approach to industrial relations in the industry

Nine months down the line, the agreement has been honoured more in the breach

At the time of the signing, concern was raised as to whether both parties were ready for this type of agreement, due to its complexity and to whether capacity existed on both sides to ensure successful implementation. As Numsa's negotiator Gavin Hartford said last year, the agreement was not the "road to Damascus" It created the mechanisms to achieve certain objectives

At a leadership level, labour and business might have come to the realisation that the industry could not afford the disruptions and acrimonious relationships of the past. How far has this attitude permeated to the shop floor?

Numsa general secretary Enoch Godongwana says: "Industrial relations is characterised by conflicting interests between management and workers which will not evaporate with the introduction of a co-determinist style of industrial relations. Any such assumptions that the agreement would avoid conflict were misinformed "

The agreement focuses on a wide range of issues including a peace obligation clause forbidding unprocedural industrial action A dispute procedure provides for mediation and arbitration

Toyota human resources director Harry Gazendam says the peace obligation clause has created some difficulty for Numsa's national leadership Industry sources believe that groups in the union have flaunted it, and if this continues "it will detract from the agreement and its objectives"

This is so even though the Numsa national office has no intention of sabotaging the agreement, Gazendam says.

Gazendam concedes that there are probably "pockets" of management who are not in tune with the agreement, just as there are pockets of workers "who, for reasons of their own, choose not to abide by the agreement" He cautions however, that although companies "are not lily white", the level of deviation by management is not equal to that of workers.

Whether the strike was sparked, as some would believe, by attempts by certain shop stewards to maintain their power bases, the payment of profit-sharing bonuses reflects a divide between management and union thinking on this and other issues which are being ignored.

Gazendam says although the parameters of the incentive scheme were not totally acceptable to the union, its implementation "would not under normal circumstances have resulted in a major strike".

Godongwana says relationship on the shop floor are characterised by "old apartheid arrangements". The Toyota issue, he says, shows that some fundamental weaknesses exist in the proposed workplace forums as "management is saying that production is not an issue for collective bargaining but for consensus-seeking".

In SA, Godongwana says, "we have to contend not only with class, but also racial conflict". He says a number of racial incidents were reported during the strike. Gazendam says this was mentioned, but no evidence presented. He says that whatever provocation took place "it does not justify office trashing".

The incentive scheme incorporating a production and profit element was launched early last year after consultations with shop stewards At the time of the process, the stewards indicated support for a system whereby all employees should receive the same nominal amount The company accepted this where union members were concerned, but paid higher bonuses based on earnings to salaried staff. The first payouts were made at the end of the last financial year.

Conflict arose when wage earners were each given R300 while in some cases salaried staff received bonuses equal to more than their salaries The union rejected this, and said that such payments were discriminatory.

Godongwana says the first incident on March 4 which sparked the plant closure, occurred after a group of white workers began provoking black workers and said they were a "useless bunch" because they received less money

Gazendam says that, as far as the company could ascertain, a group of shop stewards and workers "for reasons we do not know" chose to make an issue of something that was not a negotiable issue "into a power argument"

The strike once more brings into question workers' understanding of, and commitment to, the ground-breaking agreement made last year This could necessitate a higher level of capacity building on the part of the union

Management, on the other hand, has repeatedly indicated that the issue of incentive schemes is not negotiable, and is not a condition of employment Clearly a refusal to negotiate on issues affecting workers has incurred some costs.

One of those costs is that management's attitude have undermined the very mechanism — the incentive scheme — designed to motivate worker commitment to the company It demonstrates yet again, that the process of devising a scheme is as important as the substance of the scheme itself

Strong Toyota and Metair help boost Wesco's income

(192) BD 20/3/96

Edward West

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

Share earnings were 62% higher at 992c, but the dividend was maintained at 120c Turnover for the holding company, which has a 50% stake in Toyota SA and a 42% investment in Metair, improved 23,7% to R6,2bn

Interest paid was 9,8% higher at R92,3m, while pre-tax income rose 73,3% to R297,6m. A tax bill of R131,2m (R73,3m) left taxed profit 69% up at R166,4m.

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

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

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

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

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

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

Meanwhile, Toyota SA said yesterday it had lost almost R300m in turnover after about 6 000 workers went on strike at its plant two weeks ago. There were no major shortages of vehicles at dealerships yet, barring a shortage of the Conquest 1,31 model.

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

The National Association of Automobile and Component Manufacturers said the strike had had a ripple effect on component manufacturers — Toyota has a share of about 24% in the local vehicle market — and in some instances component manufacturers had had to shorten production shifts

TOYOTA STRIKE

(192)

SPARE THE ROD

FM 22/3/96

The strike at Toyota, now in its third week, is proof that nothing can be taken for granted on the motor industry labour front

When employers and unions signed a three-year agreement on pay and conditions in the middle of last year, it was hailed by both sides as signalling an end — at least temporarily — to the traditional round of strikes and bloody-mindedness that accompanies annual wage talks By linking pay rises to inflation-plus, and narrowing wage gaps between worker grades, the industry thought it had created a credible answer to long-standing disputes The agreement was held up as a model for other industries

So far, those central tenets have been upheld But that hasn't stopped the two sides from finding other areas of conflict Toyota's isn't the first to focus on annual bonuses But it's certainly the bloodiest

The argument is over incentive payouts of about R26m The National Union of Metalworkers (Numsa) argues the money should be split equally between Toyota's 8 000 hourly paid and salaried employees Toyota based its payouts on 10% of each employee's annual wage or salary The company adds that the bonus scheme is not a condition of employment and is at the discretion of the Toyota board Work at the Prospecton plant outside Durban stopped after Numsa declared a dispute on March 4 Since then, Toyota's main marketing offices in Sandton have also been affected

Muddying the waters is the fact that about 200 employees, including several shop stewards at the forefront of strike action, face disciplinary proceedings for invading the Prospecton administration building after Numsa declared its dispute and allegedly damaging office equipment and intimidating employees Says human resources group director Harry Gazendam "These people will face disciplinary proceedings when this is all over They know this and may feel they have nothing to lose "

Mediation efforts were continuing on Monday, the 11th day of the dispute, which has cost Toyota 340 vehicles and R24m in turnover each day it has lasted The daily cost to hourly paid workers in wages is R1,2m

Other manufacturers, while benefiting from stock shortages of Toyota vehicles, are watching the situation anxiously They realise a prolonged stand-off could complicate the new round of annual bargaining, which has just begun They also realise that as the industry becomes increasingly dependent on export earnings, a dispute such as this sends the wrong message to all potential overseas customers, not just Toyota's A quick resolution is in everyone's interest ■

Toyota hopes to ride out rand's volatility

(192) BD 2/4/96

Edward West

TOYOTA SA has ruled out its traditional first-quarter price hike, signalling another skirmish in the price war sweeping the industry

Toyota SA marketing director Johan van Zyl said yesterday that the group had opted not to increase vehicle prices while the rand remained volatile, in an effort to do all it could to improve affordability of its vehicles

"We will have to absorb an element of devaluation, but we hope the currency will stabilise at a level at which we will not need to raise prices."

If the rand did not stabilise at a reasonable level soon, price increases in the market were inevitable "Toyota is, however, confident that price increases for the year can be contained at a level below inflation," he said.

Toyota SA reported a 73,5% surge in attributable profit to R194,1m for the year to December 1995 following strong vehicle sales in all sectors of the industry last year, 12 months of relatively stable industrial relations and currency hedging in the second half

Its share price has dropped steadily since a 12-month high of R36 on January 29 in spite of the strong results. The share was untraded at R29,50 yesterday, still well off its 12-month low of R25,60 on June 9 last year.

JSE analysts said that while the results, published in March, were well above expectations, vehicles sales were expected to slow this year and the price war among manufacturers was whittling away manufacturers' margins

In addition, in terms of the motor industry development programme, Toyota needed to aggressively grow exports — currently at 3% of turnover — for shareholders to be able to take a long term view of the company's prospects, one analyst commented

The decision to maintain prices comes at a time when the company's vehicle stocks, although not critically low, have been depleted following an extended work stoppage last month which cost the company more than R300m in turnover

Van Zyl said a production "make up" programme would address the stock position over the next 10 weeks, with production targeted at more than 20 000 vehicles from start up in the last week of March until the end of the 10-week period. The target represented a production increase of up to 1 000 vehicles a month

Toyota SA's 0% finance campaign on Corolla/Conquest/Sprinter 130 models would continue, as would other packages on other Corolla models Toyota also recently launched a new finance package on the Camry 200i.

Toyota strike sees drop in car sales

(192) BD 4/4/96

Edward West

LOST production from the recent strike at Toyota SA drove March new car sales down 13,4% to 18 536 units against the same month a year ago, figures released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa) showed.

Naamsa said the lower sales had confirmed indications of a slowdown in the economy, after allowing for the loss of production at Toyota SA.

Accordingly forecasts of 5% vehicle sales growth this year would have to be revised downwards.

Toyota SA said the strike in March, costing about R300m in sales, had resulted in a product shortfall which distorted the market. "The impact can be seen clearly in the sales of our two key products, the Corolla and the Hilux," said Toyota SA marketing director Johan van Zyl. In March 2 194 Corolla/Conquests were sold compared with 3 650 in February.

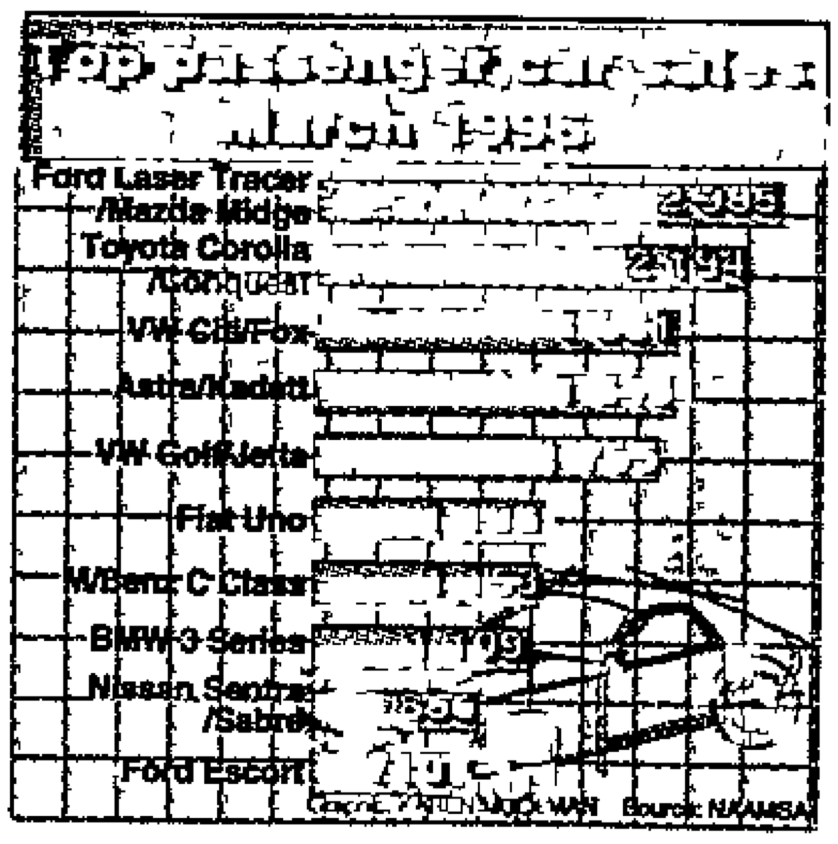
Overall, March total vehicle sales fell 11% to 30 885 against 34 708 in the corresponding period last year and 8% against the 32 454 units sold in February. Over the three month period from January total sales fell 2,4% to 91 719 units. March light commercial vehicle sales fell 8,7% to 11 176 units compared with a year ago. Medium sized truck sales increased 28,2% to 450 units over March last year. Heavy truck sales of 723 units were 6% up on February, but were virtually static against March last year.

For the second time in three months Samcor took number one spot in the market in terms of vehicle sales. Marketing MD Arthur Mutlow said the company had reached a record monthly production figure of 7 563 units in March.

He attributed the decline in industry sales also to a glut of used vehicles. Samcor yesterday cut the prices of its one ton bakkies between R2 371 and R7 849.

Naamsa said the new vehicle market remained extremely competitive and the industry was vulnerable to exchange rate depreciation resulting in upward cost pressures for both imported and locally produced vehicles

Business confidence had come under pressure in recent months, and with real interest rates remaining high, there was a serious negative effect on private expenditure and disposable incomes.



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29/3/96

UNFINISHED BUSINESS

(192) FM 29/3/96

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MOTOR COMPONENTS

192

SMOG BUSTERS

FM 22/3/96

Government's decision to allow catalytic converter manufacturers to include the value of platinum group metals in export incentive claims has seen the sector making huge gains in foreign markets

Platinum group metals (PGMs) make up 20% of the manufacturing cost of a catalytic converter (autocat)

Exports of autocats should increase by almost 70% — from 1995 levels of about 1,8m units/year to about 3m units/year — by the end of 1997

The growth, say some industry spokesmen, should boost forex revenues for the sector from the current levels of almost R1bn/year to about R2,5bn/year

In a bid to reduce noxious emissions autocats — which can only be used with unleaded petrol — are compulsory in most industrial nations And while unleaded petrol has now also been introduced to SA, autocats will not become standard equipment for at least two years, until the results of a study into the effects of vehicle pollution are known

So why the sudden export boom? Industry spokesmen say it's due to government's decision to allow converter exporters to include the value of PGMs contained in the coated ceramic substrate — the essential "honeycomb" core of the converter — in their claims for export incentives

And, they say, an export target of 5m units a year might not be out of reach —

provided the incentive system remains in place This volume could then entice one of the world's only two ceramic substrate manufacturers to open a local manufacturing plant, allowing converter exports to be fully SA-sourced

"The PGM export incentive allowed in terms of the Motor Industries Development Plan has sparked off strong export growth A number of overseas investors might now consider relocating here, as SA has become a globally competitive producer," says MD of Johnson Matthey SA Peter Emmel

Apart from the ready availability of PGMs, Columbus Stainless also provides the stainless steel grades needed to manufacture the so-called "can" which contains the catalytic converter And local exhaust manufacturers like Bosal also produces complete exhaust systems — from manifold to tailpipe, including the canned converter

But, while ceramic "honeycombs" still have to be imported from US-based Corning and Japan-based NGK, the local industry already consists of numbers of coaters and canners — as well as exhaust system manufacturers

MD of Degussa SA Frank Kluge says the MIDP has reduced the export incentive to 80% of the earlier level, with the target of reducing it still further over the next two years, "thereby jeopardising the export prospects despite strong European demand " Degussa is a 50% shareholder in Port Elizabeth-based coater Algorax

Per-Olof Pehlergard, MD of Algorax doubts if the local industry would go overboard to obtain a share of an eventual local market which would, at best,

be a mere 120 000 units/year "With current capacities for about 1m units/year each, I doubt if the three local canners would fall over themselves to get a share of such a small production run " ■

Motor industry import row on forum's agenda

Edward West (192) BD 2/4/96

A ROW in the motor industry about the continued preferential treatment granted to certain importers of semi knocked-down cars over local assemblers is to be discussed in the Motor Industry Forum's second meeting today.

The forum, consisting of vehicle assembly, component manufacture, government and trade union representatives, was established recently to monitor the Motor Industry Development Programme, address policy issues and help formulate supply-side measures to improve competitiveness

Forum chairman Anthony Black said importers of semi knocked-down cars were allowed to import vehicles into SA at lower duties through Customs Union countries because the concessions were granted before the industry's development programme came into effect last September.

"We understand local motor manufacturers are upset, but it is a complicated issue which the SA government has to deal with politically," he said

Hyundai has a two-year concession from the SA and Botswana governments allowing it to convert its Botswana facilities to comply with the new SA customs regulations

National Association of Automobile Manufacturers of Southern Africa president John Newbury said the association would be pressing the authorities to take strong steps to address the "unacceptable problem" of continued semi-knocked-down vehicle operations The discrimination had worked against the interests of local vehicle manufacturers and the component supplier industry, he said

COMPANIES

Toyota hopes to ride out rand's volatility

Edward West (192) BD 2/4/96

TOYOTA SA has ruled out its traditional first-quarter price hike, signalling another skirmish in the price war sweeping the industry

Toyota SA marketing director Johan van Zyl said yesterday that the group had opted not to increase vehicle prices while the rand remained volatile, in an effort to do all it could to improve affordability of its vehicles

"We will have to absorb an element of devaluation, but we hope the currency will stabilise at a level at which we will not need to raise prices."

If the rand did not stabilise at a reasonable level soon, price increases in the market were inevitable "Toyota is, however, confident that price increases for the year can be contained at a level below inflation," he said

Toyota SA reported a 73,5% surge in attributable profit to R194,1m for the year to December 1995 following strong vehicle sales in all sectors of the industry last year, 12 months of relatively stable industrial relations and currency hedging in the second half

Its share price has dropped steadily since a 12-month high of R36 on January 29 in spite of the strong results The share was untraded at R29,50 yesterday, still well off its 12-month low of R25,60 on June 9 last year

JSE analysts said that while the results, published in March, were well above expectations, vehicles sales were expected to slow this year and the price war among manufacturers was whittling away manufacturers' margins

In addition, in terms of the motor industry development programme, Toyota needed to aggressively grow exports — currently at 3% of turnover — for shareholders to be able to take a long term view of the company's prospects, one analyst commented.

The decision to maintain prices comes at a time when the company's vehicle stocks, although not critically low, have been depleted following an extended work stoppage last month which cost the company more than R300m in turnover

Van Zyl said a production "make up" programme would address the stock position over the next 10 weeks, with production targeted at more than 20 000 vehicles from start up in the last week of March until the end of the 10-week period The target represented a production increase of up to 1 000 vehicles a month

Toyota SA's 0% finance campaign on Corolla/Conquest/Sprinter 130 models would continue, as would other packages on other Corolla models Toyota also recently launched a new finance package on the Camry 200i

Union marches, threatens to isolate factory

(192) Star 2/4/96

About 4 000 members of the National Union of Metalworkers of SA marched to the Rosco factory in Rosslyn, Pretoria, yesterday demanding the reinstatement of 193 employees dismissed in November during a labour dispute

The union gave the spare-parts manufacturer seven days to comply with its demand or face a national strike In a memorandum handed to factory representative Piero Rossi, Numsa said it would call for isolation of the company by the country's labour force

"We know that Nissan, BMW SA, Mercedes-Benz, Samcor and other motor assembly plants use parts or components from Rosco," regional secretary Sam Tsiane said "We will launch a national action in which we will urge our members to refuse to handle anything from Rosco." – Sapa

Toyota strike sees drop in car sales

(192) ([illegible]) BD 4/4/96

Edward West

LOST production from the recent strike at Toyota SA drove March new car sales down 13,4% to 18 536 units against the same month a year ago, figures released yesterday by the National Association of Automobile Manufacturers of SA (Naamsa) showed

Naamsa said the lower sales had confirmed indications of a slowdown in the economy, after allowing for the loss of production at Toyota SA

Accordingly forecasts of 5% vehicle sales growth this year would have to be revised downwards

Toyota SA said the strike in March, costing about R300m in sales, had resulted in a product shortfall which distorted the market. "The impact can be seen clearly in the sales of our two key products, the Corolla and the Hilux," said Toyota SA marketing director Johan van Zyl In March 2 194 Corolla/Conquests were sold compared with 3 650 in February

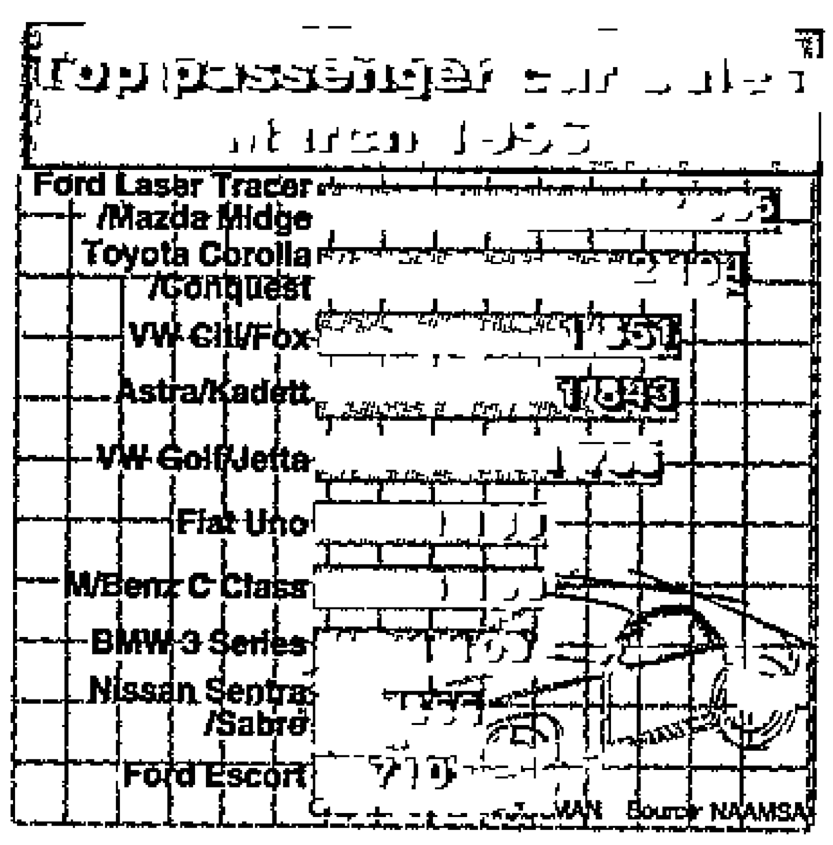
Overall, March total vehicle sales fell 11% to 30 885 against 34 708 in the corresponding period last year and 8% against the 32 454 units sold in February. Over the three month period from January total sales fell 2,4% to 91 719 units March light commercial vehicle sales fell 8,7% to 11 176 units compared with a year ago. Medium sized truck sales increased 28,2% to 450 units over March last year Heavy truck sales of 723 units were 6% up on February, but were virtually static against March last year.

For the second time in three months Samcor took number one spot in the market in terms of vehicle sales Marketing MD Arthur Mutlow said the company had reached a record monthly production figure of 7 563 units in March

He attributed the decline in industry sales also to a glut of used vehicles Samcor yesterday cut the prices of its one ton bakkies between R2 371 and R7 849

Naamsa said the new vehicle market remained extremely competitive and the industry was vulnerable to exchange rate depreciation resulting in upward cost pressures for both imported and locally produced vehicles.

Business confidence had come under pressure in recent months, and with real interest rates remaining high, there was a serious negative effect on private expenditure and disposable incomes



NEWS FOCUS

No quick fix for SA labour relations

(192) BD 26/3/96

7

Renee Grawitzky

THE Toyota strike raises crucial questions about the future of "corporatist" or co-determinist models of industrial relations and the implementation of incentive schemes aimed at creating higher levels of commitment among workers

The motor assembly industry — known for its history of adversarial relationships — last year signed what was hailed as a ground-breaking agreement aimed at "fostering co-operative relations between the parties"

Employers saw the agreement as laying the foundation for three years of labour peace and stability, and also reflecting a "new maturity in collective bargaining processes". The National Union of Metalworkers of SA (Numsa) was optimistic the agreement would signal a new approach to industrial relations in the industry

Nine months down the line, the agreement has been honoured more in the breach

At the time of the signing, concern was raised as to whether both parties were ready for this type of agreement, due to its complexity and to whether capacity existed on both sides to ensure successful implementation As Numsa's negotiator Gavin Hartford said last year, the agreement was not the "road to Damascus" It created the mechanisms to achieve certain objectives

At a leadership level, labour and business might have come to the realisation that the industry could not afford the disruptions and acrimonious relationships of the past How far has this attitude permeated to the shop floor?

Numsa general secretary Enoch Godongwana says: "Industrial relations is characterised by conflicting interests between management and workers which will not evaporate with the introduction of a co-determinist style of industrial relations Any such assumptions that the agreement would avoid conflict were misinformed "

The agreement focuses on a wide range of issues including a peace obligation clause forbidding unprocedural industrial action A dispute procedure provides for mediation and arbitration

Toyota human resources director Harry Gazendam says the peace obligation clause has created some difficulty for Numsa's national leadership Industry sources believe that groups in the union have flaunted it, and if this continues "it will detract from the agreement and its objectives"

This is so even though the Numsa national office has no intention of sabotaging the agreement, Gazendam says.

Gazendam concedes that there are probably "pockets" of management who are not in tune with the agreement, just as there are pockets of workers "who, for reasons of their own, choose not to abide by the agreement". He cautions however, that although companies "are not lily white", the level of deviation by management is not equal to that of workers.

Whether the strike was sparked, as some w... believe, by attempts by certain shop stewards to maintain their power bases, the payment of profit sharing bonuses reflects a divide between management and union thinking on this and other issues which are being ignored

Gazendam says although the parameters of the incentive scheme were not totally acceptable to the union, its implementation "would not under normal circumstances have resulted in a major strike".

Godongwana says relationship on the shop floor are characterised by "old apartheid arrangements" The Toyota issue, he says, shows that some fundamental weaknesses exist in the proposed workplace forums as "management is saying that production is not an issue for collective bargaining but for consensus-seeking".

In SA, Godongwana says, "we have to contend not only with class, but also racial conflict". He says a number of racial incidents were reported during the strike. Gazendam says this was mentioned, but no evidence presented. He says that whatever provocation took place "it does not justify office trashing".

The incentive scheme incorporating a production and profit element was launched early last year after consultations with shop stewards. At the time of this process, the stewards indicated support for a system whereby all employees should receive the same nominal amount The company accepted this where union members were concerned, but paid higher bonuses based on earnings to salaried staff. The first payouts were made at the end of the last financial year.

Conflict arose when wage earners were each given R300 while in some cases salaried staff received bonuses equal to more than their salaries. The union rejected this, and said that such payments were discriminatory

Godongwana says the first incident on March 4, which sparked the plant closure, occurred after a group of white workers began provoking black workers and said they were a "useless bunch" because they received less money

Gazendam says that, as far as the company could ascertain, a group of shop stewards and workers "for reasons we do not know" chose to make an issue of something that was not a negotiable issue "into a power argument"

The strike once more brings into question workers' understanding of, and commitment to, the ground-breaking agreement made last year. This could necessitate a higher level of capacity building on the part of the union

Management, on the other hand, has repeatedly indicated that the issue of incentive schemes is not negotiable, and is not a condition of employment Clearly a refusal to negotiate on issues affecting workers has incurred some costs.

One of those costs is that management's attitudes have undermined the very mechanism — the incentive scheme — designed to motivate worker commitment to the company It demonstrates yet again, that the process of devising a scheme is as important as the substance of the scheme itself

Strong Toyota and Metair help boost Wesco's income

(192) BD 20/3/96

Edward West

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

Share earnings were 62% higher at 992c, but the dividend was maintained at 120c Turnover for the holding company, which has a 50% stake in Toyota SA and a 42% investment in Metair, improved 23,7% to R6,2bn.

Interest paid was 9,8% higher at R92,3m, while pre-tax income rose 73,3% to R297,6m A tax bill of R131,2m (R73,3m) left taxed profit 69% up at R166,4m.

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

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

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

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

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

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

Meanwhile, Toyota SA said yesterday it had lost almost R300m in turnover after about 6 000 workers went on strike at its plant two weeks ago. There were no major shortages of vehicles at dealerships yet, barring a shortage of the Conquest 1,3l model.

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

The National Association of Automobile and Component Manufacturers said the strike had had a ripple effect on component manufacturers — Toyota has a share of about 24% in the local vehicle market — and in some instances component manufacturers had had to shorten production shifts.

... Corporation, has been selling since December and hopes to sell 800 vehicles for the year.

Volvo, sold through Swedish Car Distributors, a subsidiary of Combined Motor Holdings, has sold 300 vehicles in a few months in 1994, in addition to 1 200 last year. It expects to sell at least a similar number this year

Daewoo, launched this week, will sell the Cielo and the Espero It expects sales of about 5 000 this year

Renault will be distributed by Associated Motor Holdings, a subsidiary of Imperial Holdings. Its Laguna, Laguna Estate and Espace models reintroduced the marque on the SA market this year.

Sales of about 1 000 are expected this year, rising to 4% of the market within five years, or about 12 500 at current market levels.

Alfa Romeo, after an earlier, failed attempt to re-enter the SA market, will now be imported by Nissan. Sales of the six new models to be introduced are forecast at about 1 300, while 450 Ulysee vehicles by Fiat are also expected to be sold.

Chrysler is entering the market this year and expects to sell about 3 000 cars and four-wheel drive vehicles.

It expects to have eight dedicated dealers in operation by the year end.

Smaller numbers will be brought in by distributors representing South Korean manufacturers Kia and Japan's SSANG-Yong and Subaru, each of which plan to sell about 10 vehicles a month.

MOTOR INDUSTRY

PRICE WAR INTENSIFIES WITH NEW IMPORTS

(192)

Protection walls tumble

Like underprivileged children released inside a giant toy store, SA motorists are suddenly faced with an overwhelming number of options Instead of pressing their faces against the glass outside, they can now experience what the rest of the world has been enjoying for years

Inevitably, the experience remains a "look-but-don't-touch" one for most South Africans but, for a growing number of lucky ones, they can not only touch but take their new toys away as well

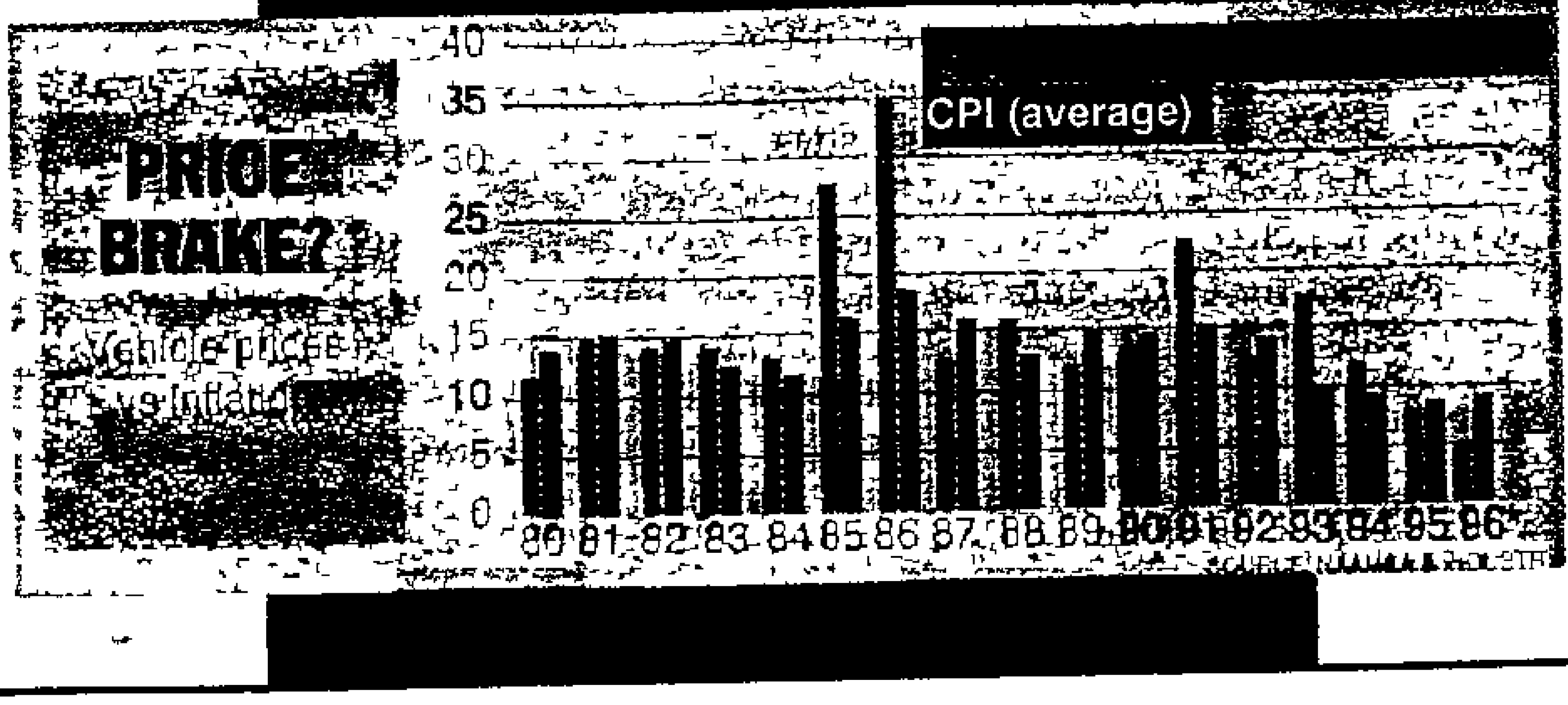
Not long ago, thanks to ridiculously protectionist policies, South Africans had the realistic choice of less than a dozen makes of vehicle Today, courtesy of tumbling import tariffs, that number has doubled and continues to grow as global manufacturers enter the market.

This exposure to new products comes as the local motor industry continues to celebrate a year in which car sales improved by a quarter and commercial vehicle sales by even more The imports are adding spice to a price war in which manufacturers are using price cuts, inventive financing deals and other forms of discounting to move stock If the customer isn't quite king, he's at least a member of the royal circle.

But there's a need for perspective Motor companies have made great strides in their quest to place their vehicles within the financial reach of more consumers Some small-car prices have fallen in cash terms by 7,7% over the last year But it will require many more years of below-inflation increases to benefit the majority of SA's population

Average increases last year were below inflation, and predictions are for a similar picture this year But previous price declines were not sustained Industry forecasters, some of whom think light-vehicle prices in 1996 could go up less than 5%, against predicted inflation of 8%-9%, add that all bets are off if the rand wavers On trucks, where real prices have steadily declined for a couple of years, there could be no price change in 1996

Exchange rates aren't the only price determinant Duty and tax impositions, domestic cost pressures and the mountain of problems associated with the previous Phase Six local content programme, all played an important part. Government is unlikely to forgo any of the taxes and duties Local cost pressures, though easier, won't go away But the new Motor Industry Development Plan (MIDP) will make a difference



Phase Six was an import-replacement programme so complicated it was in danger of disappearing up its own policy manual It was the last in a series of protectionist measures designed to shield the industry from international competition. The result was an inefficient industry selling overpriced vehicles

The MIDP, by contrast, is designed to stimulate international competitiveness By rewarding exports and slashing protective barriers, the aim is a smaller but more dynamic industry

In September 1994, the import duty on fully built-up cars and light commercial vehicles, was 115% By September 1 last year, when the MIDP arrived, this was down to 65% Under the new timetable this will fall in stages to 40% on January 1 2002 On components, it will be 30%

On trucks and buses, the drop in protection will be even more drastic — to 20% For major components such as engines, transmissions, axles and tyres, final protection will vary between 15% and zero

Samcor MD Jim Miller, whose company builds Fords, Mazdas and Mitsubishis, supports tariff reduction but worries about the rate at which it is imposed He suspects planners have taken too much notice of experiences overseas without recognising SA's particular circumstances, notably education levels With so many illiterate and innumerate workers, is it fair to expect them to match US, European and Japanese workers so quickly? "I endorse the philosophy but I worry about the rapidity of change."

Reduced tariffs will not only bring new motoring names on the SA market, but also encourage existing manufacturers to reduce local product lines. Several have announced they will concentrate on high-volume models. Low-volume ones now made here will be imported in future.

The success of this strategy, as with all else in the MIDP, will depend on exports of vehicles and components. Companies may claim a full tariff rebate on imports up to the value of their exports. Thus, if a company exports R1bn in vehicles and components, its first R1bn in imports will also be duty free.

Not surprisingly, manufacturers are desperate to increase export activity. Foreign-owned SA companies are trying to integrate themselves in parents' international supply networks. Those without such formal links find it more difficult.

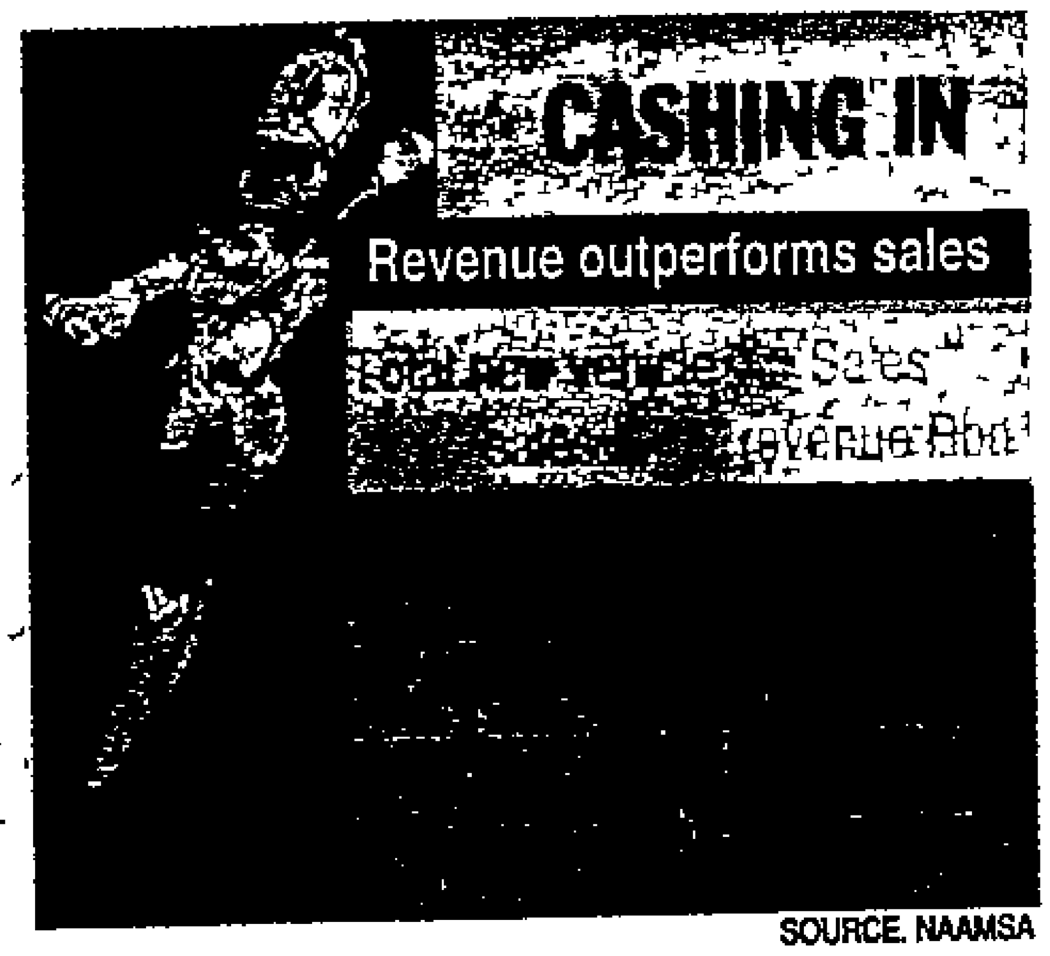
The recent introduction of unleaded fuel is expected to help this export effort. With most of the developed world well into the unleaded era, SA engine technology was in danger of becoming outdated and therefore unexportable to major markets. Lesser developed countries, notably in Africa, still use leaded fuel, so for the foreseeable future the SA industry will be in the fortunate position of being able to service both leaded and unleaded markets. The domestic market alone does not offer the volumes necessary for cost-effective manufacture. Even with exports, production pales into insignificance alongside plants in Japan, Europe and the US. SA companies are having to cut costs to the bone to win orders.

Pricing is not the only determinant of export success. Quality and reliability are just as important. Considering how labour-intensive most SA vehicle plants are compared to overseas equivalents, the improvement in quality has been little short of miraculous. Productivity, too, has made giants steps. It's reliability that is the problem.

Overseas customers don't care about the right and wrongs of labour issues at suppliers. If goods aren't delivered on time, they will buy from elsewhere. Despite last year's signing by vehicle manufacturers and unions of a three-year agreement hailed as a lifesaver for the strike-wracked industry, there's still no shortage of labour disputes.

As Toyota chairman Bert Wessels notes: "Labour could be the industry's Achilles heel. Our industry has a long way to go before it earns the confidence of foreign partners."

Wessels welcomes the flood of new names to the SA market — with reservations. Among the more recent foreign names to signal their arrival are US giants Chrysler and Chevrolet, and Korea's Daewoo. Wessels cautions: "Not all the new companies will be here to stay, nor will they all be able to offer the high levels of customer support expected by SA buyers." In other words, be sure you can get parts and service when you break down in the back of beyond.



SOURCE: NAAMSA

Overall, he says, reaction to the MIDP is favourable — reflected in reports that manufacturers are ready to spend R5bn on new products and plant upgrades in the next few years.

Nico Vermeulen, director of the National Association of Automobile Manufacturers, says: "Conceptually and structurally, it's a good programme and will underpin the industry's growth prospects."

But on the other hand, "the administration is a bureaucratic nightmare. The requirements from the Department of Trade and from Customs and Excise are complex, burdensome and time-consuming."

In the six months since the plan came into effect, government oversights have complicated matters still further. The whole programme started three months late, and since then import tariffs haven't been reduced on time, and the small vehicle incentive was pegged at the wrong level. These and other inconsistencies are slowly being sorted out but they have been frustrating.

The small vehicle incentive issue is a particularly irritating one for manufacturers, who rely on the duty rebate it offers to reduce the price of small cars.

A final decision is also awaited on the status of Hyundai, the Korean car company with a plant in Botswana. Under old industry rules that offered no distinction between vehicles built locally from scratch and those imported in semi-assembled form for completion here, Hyundai was able to avoid import tariffs intended for fully built imports.

Under new rules, semi-assembled imports attract the same tariffs as fully built. Hyundai, which says it has submitted a plan to switch to full local assembly within four years, argues that, having been legitimate before, it shouldn't be penalised now.

Under the regional Customs Union agreement, goods produced in the region may enter SA duty-free if they meet local manufacturing regulations. One suggestion is that Hyundai, which has sold up to 19 00 cars a month in SA, should be allowed to avoid the full duty on the first 1 000, then pay in full above that.

Vermeulen argues that the MIDP is good for vehicle manufacturers and the SA components suppliers. Not all agree. Many in the components sector fear export-driven duty rebates will enable vehicle manufacturers to import more components than ever. They already complain that the MIDP's duty-free allowance on 27% of manufacturers' light-vehicle turnover encourages imports at the expense of local supplies. The end result, they say, will be thousands of jobs lost at components companies. Manufacturers respond they will buy locally if quality and price are competitive. Some components companies have already built up export track records.

What must happen is that suppliers are allowed to prove themselves. Just as vehicle manufacturers asked for an MIDP timeframe allowing them to adjust, they must offer suppliers the same courtesy.

Vermeulen says more than 1 600 new jobs were created in manufacturing last year. Despite demands for greater productivity, he expects more employment in manufacturing and components as production rises and companies invest.

He points to the experience of Brazil, where a similar programme of protection cuts created major new investment which led, in turn, to employment, productivity and quality improvements.

Benefits for SA will also be considerable, he says. "The next few years will be challenging for the industry, and they will often be difficult. The only certainty is that the consumer will be the winner." ■

COMPANIES

Motor exports set to break records

ST(BT) 28/7/96

(192)

By DON ROBERTSON

THE motor industry is set to establish new records for exports this year with well over R4-billion worth of components and vehicles destined for markets outside the country

These targets will make it the largest and fastest growing sector of the manufacturing industry to adopt a global interest and will also substantially beat last year's volumes

Making use of the Motor Industry Development Programme introduced last year, motor manufacturers are able to offset duties on imported components and fully built-up vehicles, based on the net value of the local content of exports — in many instances on a rand-for-rand basis

But, as car makers continue to import large quantities of components and as many bring in complete cars, a foreign exchange "deficit" of about R5-billion has come about

Industry sources believe that the continued growth in exports will help to reverse this deficit by 2002, when the MIDP's import duty cuts reach their lowest level

In 1995 exports of fully built-up vehicles amounted to about R900-million This sector is expected to show the largest growth this year

In the first five months of the year the seven major manufacturers exported 3 192 fully built-up vehicles

This is well down on the same period in 1995, but follows the completion last year of Volkswagen's three-year contract to supply 17 000 left-hand drive Jettas to China

Forecasts for the full year are for more than double this number

In the pipeline is Nissan's manufacturing agreement with Quest Motor Corporation of Zimbabwe for the initial manufacture of 2 000 completely knocked down CKD petrol and diesel one-ton pickups The CKD assembly will involve single cab derivatives, but double cab models will be introduced later

Nissan has sold 752 vehicles in the first five months of the year, and other Nissan passenger and commercial vehicles could be assembled in Zimbabwe

Toyota is gearing up to export about 1 000 left-hand drive Ventures and Stallions for markets in Gabon, Cameroon and Nigeria and is also targeting countries such as Angola, Madagascar, the Ivory Coast, Algeria and Morocco

Toyota sold 725 vehicles, mainly to Africa, in the five months to May

Top of the export charts, however, is BMW whose sales volumes for the first six months of the year reached R495-million Hopes are that exports for the full year will top R1-billion

Leather seats from the Babalegi factory, which are fitted to about 80% of all BMW models worldwide, make up approximately 70% of total sales, followed by components and fully built-up vehicles

The first delivery of 300 vehicles out of a total of 800 for Australia began last month and about 10 units have been delivered to Pakistan

Mercedes-Benz has seen a 400% increase in export volumes in the past two years and has forecast R650-million for the current year Leather upholstery, alloy wheels, glass, catalytic converters and smaller components will be shipped to the car division in Germany

Volkswagen is "well on target" with plans for about R500-million of component and accessory exports

Delta expects to export between 2 100 and 2 300 vehicles as well as assorted components

Samcor says it has increased export sales this year and is happy with its performance

Dealerships such as McCarthy Motor Holdings have joined the export market and 200 000 catalytic converters will be airfreighted to Peugeot in the next year

State scheme helps car firms cut costs

(192) BD 29/7/96

Edward West

MOTOR manufacturers have netted at least R150m this year from government's drive to promote smaller cars, enabling them to cut prices despite rising costs.

Customs and excise said at the weekend it was still calculating benefits that producers had received from the small vehicle incentive scheme — which cuts import duties on components for cars with wholesale prices of R40 000 and below

But the scheme, and other benefits linked to the motor industry development programme, had enabled many producers to avoid paying any import duties for the first quarter of the year.

Price-cutting helped lift small car sales to 25 548 units in the first six months of the year — 21,5% of the new sales market against 16,5% for the same period in 1995.

Manufacturers said the scheme had allowed price-cutting, despite the rand's fall which was supposed to have lifted retail prices an estimated 14%

Consumer fears about rand-linked price hikes prompted a pre-emptive buying spree in May, which lifted new car sales to 24 595, up 28,4% on April

Several producers have been forced to raise prices But others, such as Nissan SA, whose cars include the Fiat Uno range, and Samcor, which produces the Ford Tracer and the Mazda Midge, have continued price-cutting The combined sales of Tracer, Midge and Uno cars accounted for nearly 17% of May's sales figures

Automakers, Nissan SA's holding company, said the scheme gave substantial benefits at the lower end of the market "We certainly wouldn't have vehicles at these prices without it," finance GM Andrew Cunningham said

Samcor said the scheme was help-

Continued on Page 2

Cars

(192) BD 29/7/96

Continued from Page 1

ing to contain retail prices and should be continued

Samcor occupies second place in the new car sales market Market leader Toyota SA said it did not benefit from the incentive scheme.

The motor industry development programme was implemented last September to improve the industry's competitiveness as tariff barriers were lifted Import duties on fully imported cars have already fallen from 115% to 61%, with more cuts to come Manufacturers' other benefits include a 27% duty allowance and import rebate credits on local content and automotive component and tooling exports

The National Association of Automobile Manufacturers of SA said the incentive had succeeded in bringing more affordable vehicles to the market and in increasing sales Motor retailers said other factors keeping prices down included lower vehicle specifications and the elimination of discounts

(192)

Nissan recalls more than 1 million vehicles

CT(BR) 10/5/96

By Roy Cokayne

Pretoria — Nissan Motor of Japan said yesterday that it had recalled more than 1 million cars with defective seatbelts and battery wires, but the move appeared unlikely to affect any models in South Africa

The recall of 1,05 million cars was the largest since the Japanese transport ministry began a compulsory recall system in 1969 The previous record was set by Toyota when it recalled 770 000 cars in 1970

Nissan's recall would cover 20 models, including the Cedric, Bluebird and Sunny

Ministry officials said Nissan would replace faulty condensers between the battery and the engine that could cause fires

The company would also change a high-pressure gas device designed to lock the seat belt in the event of an accident. The device is located close to a plastic cover, which could melt when the system was activated.

A spokesman for Nissan South Africa said the company had showed that the resistor-condensor specification were different in other countries

The recall campaign for the faulty condensors was restricted to the Japanese domestic market

The spokesman said that only certain vehicles exported to Hong Kong and Singapore were affected by the recall of the defective gas-operated seatbelt device

Truck company to build new plant

CT (BR) 10/5/96 (192)

By Roy Cokayne

Pretoria — Euro Holdings, the sole authorised distributors of Mack and Renault commercial vehicles in southern Africa, is to build a new completely knocked down assembly facility in Brakpan costing about R20 million

Johan Dippenaar, the marketing manager of Euro Truck Manufacturers, a subsidiary of Euro Holdings, said the existing assembly facility at Ekandustria, near Bronkhorstspruit, would be moved to Brakpan over the next five years

He said premises for the new facility had already been acquired

The capacity of the new facility, which would include commercial vehicle and bus production activities, would be greater than that at Ekundustria

Dippenaar said the increased capacity would only be brought on stream as demand increased, however

"At this stage, we have developed a programme for the next three years to increase production to 350 commercial vehicles a year Currently at Ekundustria, we are producing about 100 vehicles a year"

He also said Euro Holdings had established a separate bus body building and manufacturing division using a concept conceived by Hess of Switzerland

The company has acquired sole rights to manufacture and distribute the Cobolt bus system in southern Africa The system consists of aluminium profiles joined together with patented aluminium gussets and self-locking screws

No welding is necessary and skilled specialists and expensive machinery are not needed to fix the body in case of accidents

Dippenaar said the bus division could build bodies on any chassis according to the client's requirements

"We have only just started production of bus chassis but will eventually produce about 120 a year This is the first time bus chassis will be provided for Renault in South Africa Production of these chassis started in August last year and the first four were recently delivered to a public transportation company in Zambia"

Euro Holdings is also the holding company for Fire Research and Development, which produces specialised vehicles such as fire engines and emergency vehicles

ADE aims at local market

(192) CT (BR) 14/5/96

By Françoise Botha

Cape Town — Atlantis diesel engines (ADE), the engine manufacturer, has restructured its operations after the fall in the rand to compete openly with regional suppliers who are paying higher prices for imports

Ron Shires, the managing director, said yesterday that the restructuring was aimed at strengthening the company

"Following the successful penetration of export markets, a perception grew that the company was concentrating more on its global ambitions than the local engine market," he said

The company reported that last year 80 percent of turnover was derived from the local engine and parts market, with 20 percent from exports to Europe, the Americas and the Far East

The steep escalation in demand for trucks on the local market last year helped the company invest R96 million in new production facilities

"Last year, we withheld components from valued overseas clients and diverted them to engine manufacture so that we could service local operators and truck manufacturers While the market has stabilised, we are determined to counter the possibility of a recurrence The current free fall of the rand enhances this prospect as it will inevitably lead to substantial price increases on imported engines and components," he said

Vehicle manufacturers encouraged to specialise

CT (BR) 15/5/96 (192)

By Stuart Rutherford

Durban — Local automotive components must specialise and produce for a world market if they are to survive, said Denzyl Vermooten, the executive director of the National Association of Automotive Components and Allied Manufacturers

"There is not a single model in South Africa that has sufficient volume to make us world competitive Manufacturers need to cut down their ranges and go for exports," he said yesterday

Vermooten said local market opportunities would decline as duties were reduced further and more models arrived in the South African market

Vermooten said by transforming this sector's focus, they could counteract the declines in the local car manufacturing market

"If you specialise, you increase the volume, which reduces the unit costs, which could well lead to an increase in employment," he said

Johan Meyer, the president of the association, said it was involved in regional meetings and sending information to its 160 members to urge them to target niche markets

He said component manufacturers could benefit from the motor industry development programme, which encouraged vehicle assemblers to buy local components, technology tie-ups and even labour

Gavin Simpkins, the divisional managing director of the sealing products division at T & N Holdings, said a comparative advantage of the development programme could come from labour, provided it was properly trained and labour costs were not pushed out of proportion.

He said his company was involved in a rationalisation programme and it had adopted a strategy to increase exports, as the supply of components to was going to decline and exporting would counteract this most effectively

He said T & N Holdings was partially shielded from the decline of the local manufacturing industry, because it was part of a global network and could import parts it did not manufacture

SA dealers want used car imports put into reverse

(192) (ꟻ) ARG 30/5/96

JOHANNESBURG - The National Automobile Dealers' Association has called on the Department of Trade and Industry to immediately stop the import of used vehicles

"More and more foreign used vehicles are being illegally imported into South Africa, with damaging effect to buyers and South Africa's motor industry," NADA chairman Derrick Dixon said in a statement

"The Import and Export Control division of the Department of Trade and Industry is being urged to stop the used imports immediately"

Mr Dixon said importers were selling vehicles in South Africa without any service infrastructure to support the buyer

He said some of the vehicles sold were not compatible with South African models and, therefore, could not be serviced through South African dealers as no back-up parts were available

"Sometimes we (dealers) can assist, but not always, and already there are motorists out there sitting with cripples (vehicles stranded without service and parts support) for which they have paid good money"

NADA has called for an urgent meeting of the DTI's import and export control division, the SA Revenue Services' Customs and Excise authorities, the Department of Foreign Affairs, Naamsa, the Automobile Association, component manufacturers association, NAACAM, and the National Union of Metalworkers – Sapa

COMPANIES

BMW and Mercedes first to fit catalytic converters

(56) (192) BD 30/5/96

Edward West

LUXURY car companies BMW and Mercedes-Benz have become the first in SA to fit catalytic converters on certain of their models — even though the clean-air components have not yet been mandated through legislation

A Mercedes-Benz SA spokesman said yesterday that catalytic converters would be standard with the new E-Class range of vehicles launched last month, while a BMW SA spokesman said the components would be fitted to its 323 and 318is ranges, a new 5-series model to be launched in July and its 7-series models

"In time catalytic converters will become the norm in SA Our customers are environment conscious and installing the converters now will contribute to the resale value of the cars," the BMW spokesman said

Unleaded fuel, without which the converter is inoperable, was introduced locally early this year Worldwide, catalytic converters accounted for demand for 38,6% of 1,85-million oz of platinum last year out of a total world demand of 4,79-million oz

The National Association of Automobile Manufacturers of SA said an eighteen-month vehicle emission project had been launched last month to determine whether additional emission controls, like the fitting of catalytic converters, were required

The study, being undertaken by the Energy Research Institute in Cape Town, was being funded by the motor industry, oil industry and the departments of health and mineral and energy affairs

Engelhard Technologies MD Herman Fischer said the introduction of catalytic converters to the local market was inevitable as SA's motor industry and environmental regulations had to keep up with the rest of the world

The Southern African Stainless Steel Development Association has estimated that producers of catalytic converters in SA, which manufacture 1,3-million converters a year, could generate over R2,5bn annually in foreign exchange earnings, with the country becoming a manufacturing hub for the world supply of the converters

Engelhard announced plans yesterday to expand its Port Elizabeth catalytic converter plant to a production rate of 1-million converters from 500 000 a year.

Fischer said Engelhard, a 32% Minorco associate which is a leader in the provision of environmental technology worldwide, had opened its Port Elizabeth factory early last year after BMW indicated that it needed catalytic converters for its vehicles

The plant — its sole investment in SA — now supplied converters for export to car manufacturers BMW, Mercedes-Benz, Audi, Ford as well as Volkswagen

Engelhard's next investment in SA could involve the provision of catalysts for heavy duty diesel engines using new technology Negotiations for this were still under way, he said

Used car imports 'must be banned'

Business Day Reporter

(192)

THE National Automobile Dealers' Association has called on government to ban the import of used vehicles, saying an increase in illegally imported vehicles was harmful to both local buyers and the SA motor industry

Sapa reports that the association said imported used vehicles were usually sold without the necessary service infrastructure needed to support buyers and local suppliers were often unable to provide back-up spares

Chairman Derrick Dixon said there were already a number of owners stranded with vehicles for which there was no service and parts support, for which they had paid "good money"

"Servicing these (imported) vehicles and providing back-up spares cannot be done by the sellers, and the customers naturally turn to our members for help," Dixon said

'Sometimes we can assist, but not always "

He urged the trade and industry department to convene a meeting between business, government and labour on the problem, which had the potential to change the local vehicle market's profile and threaten jobs

Dixon said the sanctioning of imported vehicles in New Zealand had led to a sharp drop in new vehicle sales, which in turn had led to wide scale job losses

BD 30/5/96

World production ruled out

(192) BD 3/6/96

Edward West

MERCEDES-Benz of SA (MBSA) had ruled out the possibility of becoming a producer of cars for the world market and would concentrate on becoming a serious player in the African market, chairman Christoph Kopke said yesterday.

He said the company had transformed its operations over the past six years in the wake of the liberalisation of SA's trade regime, which was forcing local car manufacturers to become more globally competitive

Production had been pushed up to 40 000 units last year with less than 3 800 employees, a sharp improvement in productivity when compared with the 18 000 cars produced in 1989 with 5 400 employees

Turnover had increased to R5,2bn last year from R2bn in 1990. He said the company had produced profits only slightly above break-even between 1986 and 1990, but there had been a steady improvement in profitability since 1991.

Kopke said SA's return to normal trading patterns and the reduction in tariff barriers had resulted in better lead times and lower input costs, with MBSA passing these benefits on to customers through parts price cuts

Car price war could 'dent industry'

CT (BR) 16/4/96 (192)

By Marc Hasenfuss

Cape Town — The price war being waged in the new car market could seriously dent the local motor industry, Charles Wiggill, the chief executive of Nissan South Africa, said yesterday

"The industry's never known the market to be as difficult as now Today the rands earned by dealerships are also (worth) far less than they've ever been," Wiggill said

He said the price war had affected the industry far more quickly than expected after the lowering of import duties on new vehicles in line with the Gatt agreement

Korean car manufacturers were already able to deliver inexpensive cars to South Africa Hyundai could do so particularly easily from its semi-knocked-down plant in Botswana

"This is a reality We are not different to any other country that has gone through this process We've got to stop being emotional and get on with the job," Wiggill said

"What hurts, though, is that Korean products are coming into South Africa fast and furiously, even though Korea (has) not subscribed to Gatt Surely we must deal with countries that play to the same rules as us"

He said in Australia the fastest-growing sector in the new car market was small vehicles, most of which were imported

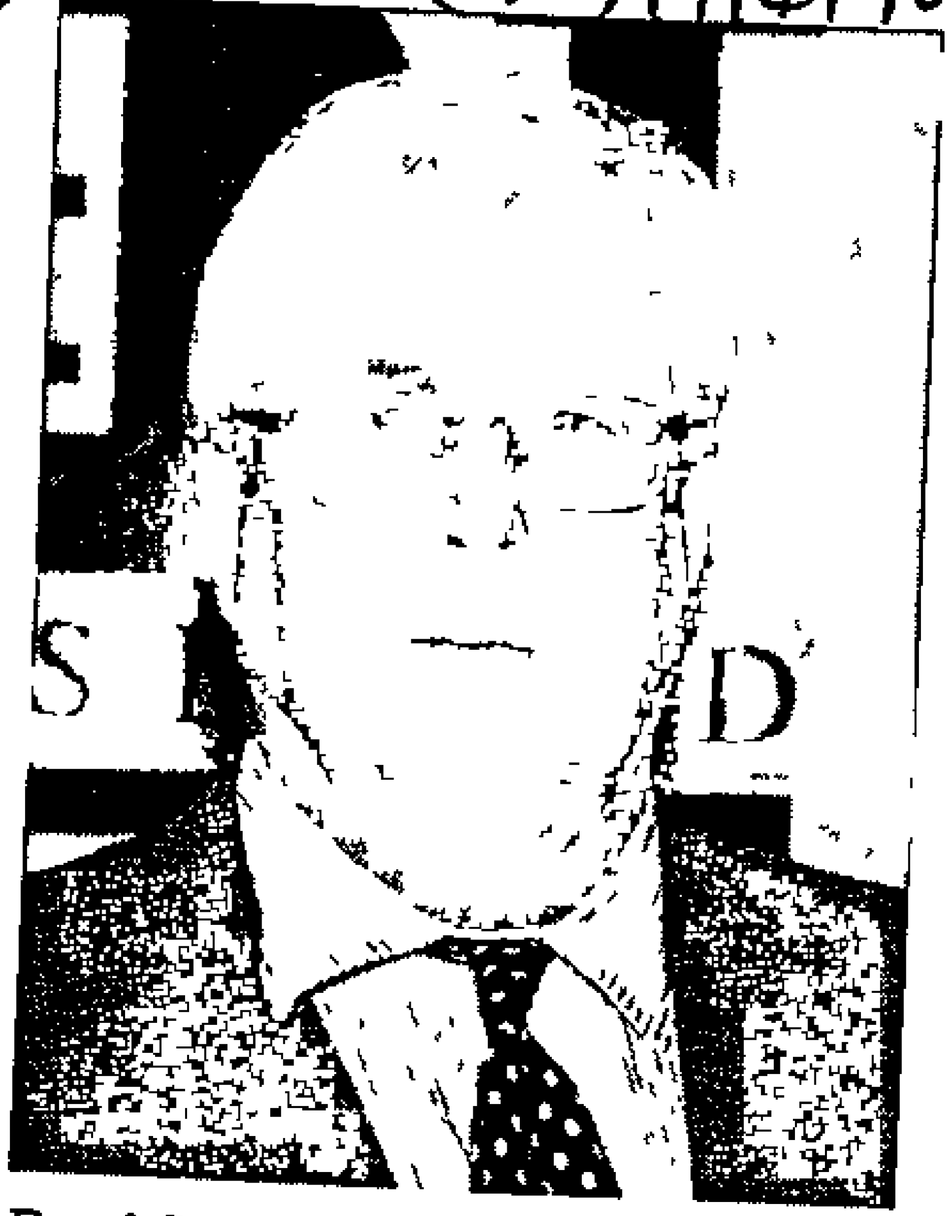
Nissan is the main operating subsidiary of Automakers, which was recently listed on the JSE

The company is scheduled to release the Sentra Debut next week. The Sentra Debut is Nissan's latest low-priced entrant in the South African new car market

Strikes at suppliers limit T&N's trading

(192) CT (BR) 19/4/96

By Jon Beverley



David Carruthers, chairman of T&N Holdings, in Durban yesterday for the group's annual meeting

Durban — Trading conditions for T&N Holdings' motor equipment supply companies in the first quarter were hampered by strikes at original equipment manufacturers, delaying factory deliveries, David Carruthers, the chairman, reported at the annual meeting yesterday

He said domestic activity levels were not as buoyant as last year with business confidence dampened by the deteriorating exchange rate But the exchange rate would have a positive effect on T&N's export performance, he said

The integration of the Connoisseur business that was bought from Delta recently into the heat-transfer division had been successful and "the performance is in line with expectations"

Carruthers said the group remained committed to becoming globally competitive and "consequently technological enhancements have improved productivity and customer service levels are continually being addressed"

The importance of the export drive by motor manufacturers in response to the motor industry development programme had been stressed in the recent annual report, he said

Carruthers said T&N was securing contracts indirectly with European manufacturers that would have a positive effect on future performance and cushion an expected softening of overseas markets

Carruthers said after the meeting that he had been impressed by a visit to the Port Elizabeth plants, which had settled down and were doing well

T&N's strategy for the South African and international groups was to have its factories produce parts without duplication, he said

Each factory would have to be competitive and wage increases were linked to improvements in productivity, Carruthers said

DRIVING AHEAD *Mike Whitfield with one of Nissan Diesel's new generation four-ton Cabstar trucks*

Fears grow that foreigners could harm trucking industry

ET(BR) 22/4/96 (192)

MARGIE WILLIAMS

Johannesburg — Recent entrants into the South African truck market have upset the balance between what is good for the industry and what is good for the country, Mike Whitfield, the director of Nissan Diesel South Africa, said last week

Whitfield was speaking at the launch of Nissan Diesel's new generation four-ton Cabstar truck on Thursday

"What is good for the industry normally emerges from the strong competition between manufacturers and what is good for the country comes from our job creation, our exports, our taxes and all the hidden benefits from the manufacturing infrastructure," he said

He said local truck manufacturers had been supporting the Motor Industry Development Programme, which aimed at providing affordable vehicles

He praised competition, saying it ensured the country kept up with advancements in technology, controlled costs and strove for quality service and improved efficiency

However, he said, competition had to be fair Some local manufacturers were concerned about unfair competition with recent entrants into the market and the government's inability to police infringements and enforce the law

Whitfield said local manufacturers had invested billions of rands in their facilities but some newcomers had little invested in South Africa and could leave if conditions became difficult

Motor sector to suffer from currency's fall

(192)
Edward West and Adrienne Giliomee
BD 23/4/96

MOTOR assemblers are expected to be among the hardest hit in the manufacturing sector by the falling rand, which could see vehicle prices rising between 5% and 7% above budgeted levels.

SA Chamber of Business economist Keith Lockwood said yesterday the rand would have a varied effect on manufacturing sectors, where about 23% of total input costs were imported. SA's motor industry had a greater exposure to import prices.

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said roughly 45% of SA's vehicle manufacturers' costs were exposed to currency fluctuations However, importers of fully built vehicles would carry the brunt of the currency depreciation, which had averaged 15%-17% against the dollar this year.

Econometrix economist Tony Twine said vehicle manufacturers were caught in a price war at the lower end of the vehicle market. The industry had initially expected to raise prices on average 4,2% this year. "If the currency depreciation continues at this level this forecast will have to be increased to about 6,5% this year "

Delta Motor Corporation said the rand's fall had affected margins. If the rand remained at current levels, Delta would have to review its pricing

BMW SA financial director Peter Nelson said BMW SA had forward cover in place and was partly hedged against currency fluctuations through exports. "We are holding back on price increases as long as we can, but the effect of the currency depreciation will undoubtedly be felt throughout the industry in the next couple of months "

Continued on Page 2

Motor

(192)
BD 23/4/96

Continued from Page 1

Toyota SA financial director Peter Robinson said the rand/yen exchange rate had depreciated about 10% this year, but Toyota SA had held back its traditional first quarter price increase.

Anglo American Industrial Corporation (Amic) deputy chairman Tony Trahar said the weaker rand would improve group earnings in the short term, as 35% of its turnover was either export related or foreign based. However, the inflationary effect on Amic's operating input and capital replacement costs would be adverse in the long term if the rand stayed at current levels He expected inflation to affect earnings in the next three to six months

University of Stellenbosch Bureau for Economic Research economist Pieter Laubscher said inflationary movements could see unions bargaining for higher wage increases, further increasing unit costs.

Union Carriage looses key Taiwanese contract

(192) CT(BR) 23/4/96

By James Lamont

Johannesburg — Union Carriage and Wagon Company (UCW), the South African locomotive and carriage manufacturer, has lost a key export contract to supply trains to the Taiwanese rapid transit system

Murray & Roberts, the holding company, made the announcement in a notice to shareholders yesterday

Siemens, the German electronic group, had questioned the workmanship and the ability of UCW to complete work on train sets to the Taiwanese rapid transport systems department's specification within a required period

"Siemens have informed UCW that they intend to manufacture these electrical multiple-unit train sets at the premises of SGP Verkehrstechnik in Austria," the notice to shareholders said

Siemens has demanded the repayment of guarantees, totalling $55,6 million, on a down-payment and a performance bond

UCW denies these allegations and has argued that it remains in compliance with its contractual obligations It contends the technical drawings to which it was obliged to manufacture were defective

Robert Bingham, the managing director of UCW, would not comment on the effect the loss of the contract would have on the company and its employees

In mid-March UCW said it was enjoying an export renaissance to the tune of R1,4 billion in orders from Southeast Asian markets A R500 million contract to supply 130 trains to Taipei's rapid transport system was one of those

Murray & Roberts said UCW would oppose the liability claim It would seek recompense of the amount of the performance bond plus interest, substantial damages and loss of profit under the rules of the International Chamber of Commerce

The company said the short-term effect of this dispute was largely offset bv UCW's other contracts and that it would not affect Murray & Roberts' earnings for the year to June

☐ See Page 17

NE

SA steel fails to meet specifications, says Siemens

Train builder UWC loses R500m Taiwanese deal

CT(BR) 25/4/96 (192)

BY JAMES LAMONT

Johannesburg — Union Carriage and Wagon Company (UCW), the South African locomotive and carriage manufacturer, lost a R500 million contract to build trains for Taipei's rapid-transit subway system because it was unable to meet the specifications for the stainless steel required by low weight train sets, Siemens, the German electronic group, said yesterday

Siemens had sub-contracted construction of the trains to UCW, but had recently withdrawn the order and placed it with an Austrian subsidiary of its own — SGP Verkehrstechnik

Ernie Thompson, a spokesman for Siemens, said its client, the Taiwanese rapid transport systems department, was not satisfied with the stainless steel UCW planned to use

He claimed the Taiwanese had wanted a lighter steel

"They have not hit the quality level required," Thompson said in explanation of why Siemens had cancelled a R500 million contract with UCW

Siemens had questioned UCW's workmanship and its ability to complete work on 130 trains to specification within a required period

The German group has demanded repayment of $55,6 million worth of guarantees on a downpayment and a

Bob Bingham, left, the managing director of Union Carriage and Wagon Company, and I-Cheng Loh, Taipei's ambassador to Pretoria PHOTO JOHN WOODROOF

performance bond

UCW has said it complied with its contractual obligations and intends to challenge Siemens' allegations in court under the rules of the International Chamber of Commerce

Siemens said that the technical drawings UCW was obliged to use were defective

Terry Davidson, the managing director of UCW's parent company, Standard Engineering, declined to comment beyond the notice issued to shareholders

He said questions over UCW's ability to produce would be answered in arbitration

Meanwhile, Columbus Steel, which supplied UCW with narrow gauge stainless steel, was not aware of any problems concerning the lightness of their product

"As far as we are concerned we have met the specifications given to us by UCW," said John Rowe, Columbus' marketing manager

The Siemens dispute comes at an unfortunate moment for Columbus, which is heading a drive to place South Africa among the premier suppliers of stainless steel worldwide

At the end of last year, thousands of tons of stainless steel from Columbus' newly commissioned R3,5 billion plant in Middelburg was rejected by European clients because the quality was not up to standard

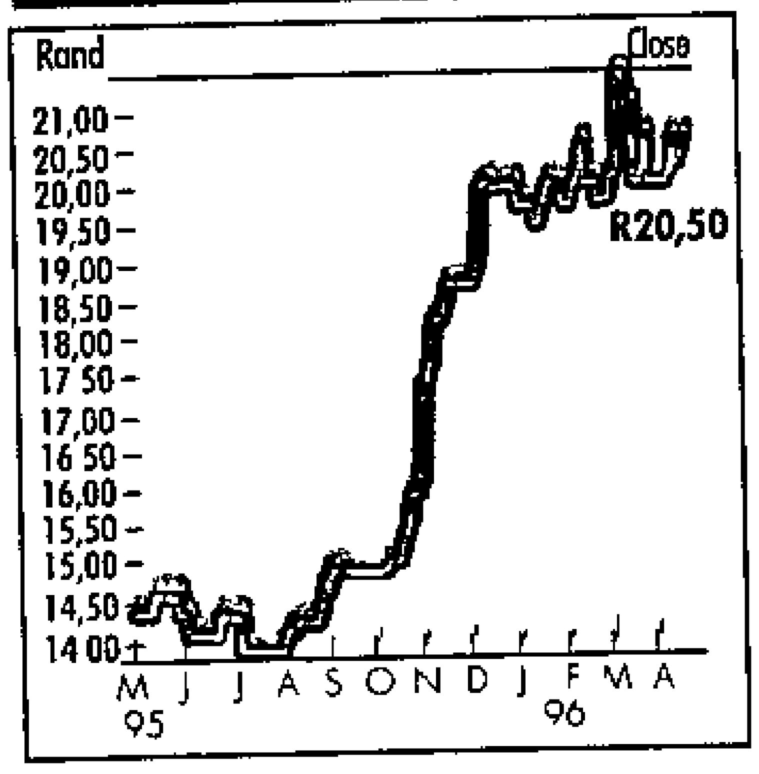
The cancellation of the contract has led to speculation over what effect it might have on the UCW's bottom line

Last month, UCW trumpeted an export order book to South East Asian markets to the tune of R1,4 billion, including a R470 million contract to produce mainline intercity locomotives for the Taiwan Railway Administration, and a R240 million contract to develop a commuter train for Malaysia

I-Cheng Loh, Taiwan's ambassador to Pretoria, said the dealings with Siemens over the rapid transit system had "nothing to do with central government or with uncertainty over South Africa's relations with Beijing"

"I am as puzzled as everyone else," he said

Adcock share price



Adcock lifts six-month earnings

(BR) CT 25/4/96

BY JOHN SPIRA

Johannesburg — The pharmaceutical group Adcock Ingram increased its headline earnings, those excluding items of a capital nature, by 14 percent in the six months to March The interim dividend is up 14 percent to 12,6c

Sales, 5 percent higher at R591,4 million, were affected by reduced turnover in the wholesale division after a revised discount structure was introduced to protect margins A slowdown in consumer spending also affected sales

Turnover in the manufacturing divisions rose 9 percent

Improved operating margins boosted profit before interest and tax by 9 percent to R92,3 million, despite heightened spending on research and development

A lower effective tax rate and higher interest earned helped to increase headline earnings from 41,5c to 47,2c a share Improved management of working capital had resulted in strong cash generation of R94 million, boosting cash available to R154 million, it said

Automakers launches SA Alfa range

CT(BR) 25/4/96

By Roy Cokayne

(192)

Johannesburg — Automakers, Nissan South Africa's holding company, officially launched the new Alfa Romeo range here last night with the aim of selling 4 000 to 5 000 cars a year by 2000

The company has set up a nationwide network of 22 dealers to market and provide servicing and maintenance for the full range of Alfa Romeos

More dealers will be added as demand justifies

The range available in South Africa will be the 164 Super V6, 155 2,0 litre Twin Spark, 155 2,5 litre V6, the 145 hatch and 146 notchback, the GTV and the open-top Spider

Automakers is importing the Alfa range into South Africa as completely built-up units

John Jessup, the marketing services director of Automakers, said the priority in the next two years would be to rebuild Alfa Romeo with a solid and responsible foundation

Jessup said the share of fully imported vehicles was expected to rise to an estimated 20 percent of the local passenger car market by the year 2000

"This is a result of the terms of the recently announced Motor Industry Development Programme, which has removed much of the uncertainty which surrounded the industry's future planning

"The level of specification, engineering and safety features of the Alfa Romeos are more than competitive with those of the opposition models against which they are price positioned, although the sportiness and individuality of the brand makes it unique," he said

The Alfas will have a three-year or 120 000km warranty, whichever comes first, and a three-year warranty against corrosion.

BUSINESS DAY, Thursday, April 25 1996 17

Samcor in forward drive in industry with the brakes on

Edward West (192) BD 25/4/96

LOCAL motor manufacturer Samcor's strategy to become a world-class assembler might still be a long way off, but early dividends have been sales growth which have outstripped that of the industry by a large margin over the past three months

Heading the Ford/Anglo American controlled company as CE for the past 15 months is Jim Miller, who has been with Ford for 22 years and who was appointed to the local company after being export director for Ford Europe

He was appointed after Ford returned to SA by repurchasing a 14% interest in Samcor from its employee trust and a 31% stake from Anglo American. The employee trust now holds 10% of Samcor, Anglo American 45% and Ford 45%.

In the first three months of the year Samcor's Mazda, Ford and Mitsubishi sales reached their highest level over the past 10 years, with volumes up 36% compared with a 3% industry decline. Market share increased to 20,1% from 14,8% over the same period last year

The company has been a major protagonist in the industry price war raging at the lower end of the vehicle market and sales have been boosted by the slashing of prices four times since last July.

Average vehicle prices at Samcor have fallen 10% since July, while the cumulative increase in the 30 months prior to that was 35%. In addition, new models have been introduced. Ford Falcons and Fairmonts are soon to be imported to SA from Australia. About R125m was invested in a new facility in Port Elizabeth to export engines to plants worldwide.

Miller said when Ford returned to SA Samcor was symptomatic of companies around the world which had been protected by high trade barriers Productivity was low and investment in employees was lacking — evidenced by a high illiteracy rate on the shopfloor. The relationship between management and unions was adversarial — an impossible environment to improve productivity.

With trade barriers falling in terms of the Motor Industry Development Programme Samcor was faced with a need to dramatically lift cost-efficiencies and productivity to remain competitive

Employee efficiency

Miller says the internal strategy since Ford returned to SA has been focused on improving the efficiency of its employees Externally, in the market, the target is to provide value for money vehicles of a high quality The three key priorities on the development of its employees has been training and education, relationship building and productivity

Miller says in 1994 Samcor provided on average about 14 hours of training an employee Last year this was lifted to 54 hours and the level will be higher this year The bill for education and training is expected to be about 7%-8% of the payroll this year, five times the industry average, he says

Operating costs have been cut and the average fixed cost a unit has been 30% lower this year The number of hourly employees has increased slightly with the commissioning of the engine plant, but the number of salaried staff was reduced by 150 last year "We've only just begun cutting costs You have to look at everything you spend," he says

In terms of productivity, the motor assembly industry produced, on average, nine vehicles an employee in 1994, while Samcor produced 10 Last year the company managed to lift the number to 15 However, says Miller, it still has a long way to go

"If we improve our productivity by five vehicles a year, we would only reach the 1994 level of productivity of Ford's plant in Valencia, Spain, by the year 2006 It's a frightening statistic If we do not focus on our people, our industry has no chance of surviving "

Parts prices slashed as car industry cuts the flab

(192) ST(BT) 28/4/96

BY DON ROBERTSON

THE price war in the motor industry has taken a new twist with both Mercedes-Benz and Nissan announcing substantial reductions in the price of spare parts

Earlier this year, Audi adjusted the price of its parts list

Automakers, the holding company of Nissan SA, has cut parts prices by up to 30% on Nissan cars and trucks, Alfa Romeos and Unos It will also cut the cost of servicing vehicles

The price cuts have been made possible by the parts and accessories department and dealers "restructuring" their profit margins, while a new computerised order control system will make it possible to price more than 140 000 line items in stock individually.

Toni Gorlei, director of parts and accessories, says the company has become more aggressive in the sourcing of parts The recent reduction in import duties has made it possible to shop internationally for competitive prices.

The ability to buy components from global suppliers has resulted in about 72% of spare parts being sourced from countries such as Mexico and the UK, where Nissan has plants, rather than from local component suppliers

Dealers, however, are not too happy with the reduction in parts prices

Because of the price war, dealers' margins on new car sales have been cut from 17%-18% to the 10%-12% range Parts sales, a big source of income in the past, have now also been trimmed

"Although dealers are not too happy with our decision, they understand the necessity of making car ownership more affordable By the end of the year, we will be able to move spare parts every day all year round and we will also have to offer extended trading and service hours," says Mr Gorlei.

Last month, Mercedes-Benz chopped its price list by as much as 25% on all Mercedes cars, Hondas, Colts and by 30% for Mercedes trucks and the recently introduced Freightliner truck range

Christoph Kopke, chairman of Mercedes-Benz, says the price cuts will result in real cost savings, particularly in vehicle maintenance.

The new pricing policy has been made possible by South Africa's return to normal trading patterns and by tariff reductions in terms of the Motor Industry Development Programme This has resulted in better lead times and lower input costs which will be passed on to customers, says Mr Kopke

Heavies in truck business looking for the fast track

(192) ST(BT) 28/4/96

By DON ROBERTSON

THE local truck industry is small by world standards, but it is perhaps the most hotly contested with 26 manufacturers producing or distributing vehicles in a market which will barely reach 14 000 units this year

Established truck manufacturers have been supporting the Motor Industry Development Programme With the help of some protection from the revised tariff structures, they have been able to sell affordable vehicles, says Mike Whitfield, director of Nissan Heavy Vehicles

Speaking at the launch of a new range of medium-sized trucks, Mr Whitfield said the recent entry of overseas distributors had upset the balance in the industry

Established manufacturers were expressing concern about matters such as transfer pricing, dumping, circumvention of import legislation, the importation of second-hand trucks and the Government's inability to enforce the law, he said

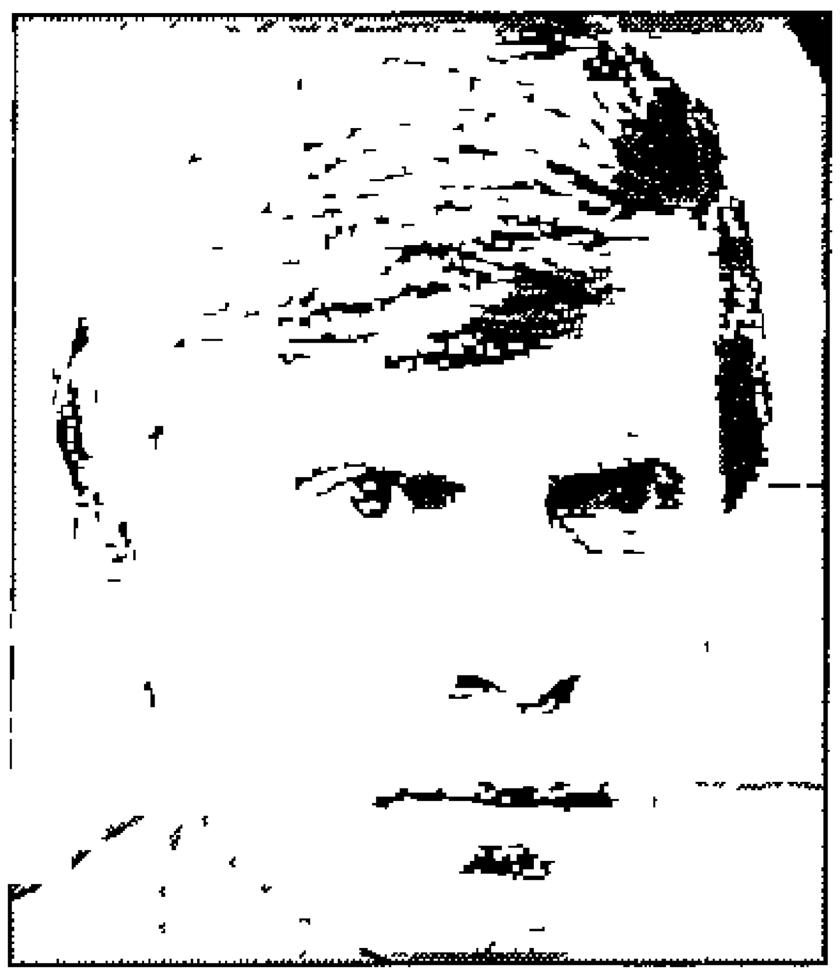
Nissan Diesel SA has a 18% share of the market and accounts for 10% of exports by Nissan Diesel of Japan The Japanese source-company has agreed to allow Nissan Diesel to enter the sub-Saharan truck market and supply vehicles, parts and services It will buy components such as jacks and brake drums locally

Mercedes-Benz is also entering the market It will take on Toyota in a market characterised by a preference for large American trucks

Mercedes-Benz will launch the Freightliner range of trucks, a challenge to Toyota's Peterbilt range introduced last year

Freightliner, a subsidiary of Mercedes since its acquisition in 1981, has the major share of the large truck market in America with 26,3% last year (77 300 units worth more than $5-billion)

Market research has shown substantial demand for American transport technology and it is expected that sales in the next three years will reflect a 40% tendency towards American marques



CHRISTOPHER KOPKE

"With its number one position in America, Freightliner is ideally positioned to establish itself as the leading US truck manufacturer in southern Africa by 1997," says Adolf Moosbauer, who is responsible for Freightliner in South Africa

Christoph Kopke, chief executive of Mercedes-Benz, says Freightliner enables the company to offer the best of both European and American transport concepts, "while also adding significant impetus to our challenge for the mantle of being number one in the southern African automotive industry".

The trucks will be imported in a completely knocked down kits and assembled on a dedicated production line at the company's East London plant

Customers are, in effect, able to implement their own pricing policy during assembly and can tailor their component specifications to meet individual financial requirements

Initially, the Freightliner range will be represented by dealers in Gauteng, Cape Town and Bloemfontein Service and parts dealerships will be established on the main routes throughout southern Africa

Conversion to right-hand drive trucks will take place throughout the production line, although some conventional models, built in America, will be available

The confidence that Mercedes has in the new trucks is shown by the warranty offer on the vehicles

A one-year warranty with unlimited kilometres and a component guarantee of two years or 400 000 kilometres is offered In addition, engines are guaranteed for two years with component guarantees of five years or 800 000 kilometres.

Freightliner offers a wide range of trucks in the cab-over-engine or conventional models with engine configurations from 260hp to 460hp.

Automakers and Didata sign pact

(192) CT(BR) 30/4/96

By Roy Cokayne

Pretoria — Automakers, the holding company of Nissan South Africa, has outsourced its information system function to the Dimension Data group in a deal that could be worth R100 million over 10 years

In terms of the agreement, all Automakers' information system staff will be transferred to EDS, a member of the Dimension Data group

Dimension Data Networks will install a new computer network worth R5,4 million

Its sister companies, SPL and Computer Associates, will provide a range of software services and products Dimension Data will also supply network services to Automakers' dealer network and the company's regional offices

The agreement has been based on the sharing of risk and reward, making it unique within the motor industry and probably within South African industry

In terms of the risk and reward system, EDS will manage and develop Automakers' information system function and be paid according to a formula based on its performance and effect on Nissan's profitability

Details of the added value payment formula will be worked out through negotiation between Automakers and the Dimension Data group

Competition

EDS will concentrate on the technical implementation of the new SAP information system It will also focus on the development of practice sales and service systems to help Automakers retain its competitive leadership in customer relations

Though the value based agreement is a first for South Africa, it is the way EDS is heading in the 41 countries in which it operates internationally

An Automakers spokesman said the agreement would provide Nissan with constant access to leading edge technology and the best information system personnel

It will also allow the company to concentrate its efforts on manufacturing and marketing motor vehicles

The main benefit to Automakers of outsourcing its information technology and information system requirements will be access to skills and technology An added benefit is that it will only pay for service and staff when they are needed, said the spokesman

The new dealer and regional office network will be used for carrying data, but has been designed to support multimedia traffic, including voice and video Automakers will eventually transmit images of its cars to be used as sales tools in its showrooms The company will also adopt video conferencing to enhance communication with regional staff and dealers pensions [Interjections] We would take them a little more seriously [Interjections]

The fact of the matter is that, whether hon members think so or not, I am very much in charge of my portfolio I would also advise them, when they listen to locker-room gossip at the golf club, to get the story straight The Cabinet never sent my budget back

The SPEAKER Order! Hon Minister, your time has expired

The MINISTER The Cabinet never sent my budget back

The SPEAKER Order! Hon Minister, your time has expired [Applause]

Debate concluded

Permits for importation of tyres/motor vehicles/trucks

(192)

3 Dr K RAJOO asked the Minister of Trade and Industry

Whether he or his Department will give consideration to granting more permits for the importation into the Republic of (a) car and truck tyres and (b) used motor vehicles and trucks, if not why not, if so, for what reasons?

N455E INT

The MINISTER OF TRADE AND INDUSTRY Madam Speaker, the question relates to the granting of permits for the importation of car and truck tyres and used motor vehicles

Let us deal with the latter first Clearly it cannot be an option when the motor industry, which employs in total 110 000 people in South Africa, finds itself in dire straits and affluent societies are exporting second-hand vehicles into markets It is not a policy option, it is not now and it is unlikely to be in the future

In respect of the importation of tyres, we did issue import permits for tyres during the first three months of this year Permits for the importation of 9,1 million new tyres were granted, compared to 27 million tons of tyres which were imported last year However, import controls and the issuing of permits are being phased out in terms of our GATT obligations These will be replaced by a tariff which will probably be announced around May this year Some allowances have been made for the importation of second-hand tyres as well where these casings are used primarily in the retreading industry

That is it

Dr K RAJOO Madam Speaker, I thank the hon the Minister for giving us some pertinent information What I would like to point out to him is that this import-permit system is not working The situation has broken down entirely

I would like to read to the hon members what was written in last night's *Daily News* under the heading "Illegal tyre imports double" This is what it says

> Tyre manufacturers say they are being driven all over by illegal imports Gavin Harley, Chairman of Fedstone, holding company of Firestone South Africa, says "Import control is woefully inadequate About R320 million's worth of tyres are being smuggled into this country illegally this year alone "

I would like to know why we have these import controls Why is that hon Minister keeping on controls that are not working, that are useless? The people are bringing in cars, tyres are being smuggled in here, and people are doing it all the time Small-business people who want to bring in tyres and other cars are not given permits to do so Other people are doing so illegally, because, as the Minister has stated, Durban is practically a free port Durban is practically a free port because customs checks have broken down

I want to know what that hon Minister is doing about it What is he doing about getting the money and making certain that his colleagues who are Ministers are doing something to control this type of breakdown in the policies of this Government? [Interjections] They are not collecting at customs They are allowing tyres to be brought in illegally All those tyres are being brought in here [Interjections] I would like to tell the House that that is the situation

As far as protecting the local industry is concerned, nothing is happening These people who brought in those cars charged exorbitant prices [Interjections] Suddenly, when it was decided to lower import control on cars, they began to lower their prices What was done with all that money that was made on those cars? Did they put it into the RDP fund? Did they do any one of those things? They did not The Minister must not shield those people who did not do anything to help the people of South Africa

We ask the Minister to do away with these controls and to let free-market trade work That will help South Africa [Interjections] If one allows a thousand different licences for tyre imports, one can multiply that number by ten to calculate the number of people who could have been employed That would be far more people than those who are being sheltered and shielded in this country by that Minister The time has come for us to open up these particular avenues

As far as trade is concerned, the situation is as follows We cannot trade and compete with the world tyre industry and pay big salaries People are paid R22,00 per hour in South Africa In Malaysia they are paid R7,00 per hour, in Poland R6,00 per hour, in China R2,00, in Indonesia R1,00, and in India 60 cents [Interjections] How can South Africa ever hope to compete in world trade in such circumstances?

These tyre manufacturers are saying that they must be protected so that they can export Can they export? Is that realistic? Do not shield the people who do not know what they are doing [Interjections]

Ms Y L MYAKAYA-MANZINI Madam Speaker, on a point of order I would like to know whether it is parliamentary for a member of Parliament to shout in Parliament and to ask questions about tyres all the time [Laughter]

The SPEAKER Order! Regrettably, the level of noise in this House makes it necessary for members to shout—on both sides If you wish to avoid that, it is in your hands, hon members Members may address questions on anything they like

The MINISTER OF TRADE AND INDUSTRY Madam Speaker, I do not know what the question is There was a lot of scolding, but I do not know what the question is [Laughter]

I think that, if the hon member did some homework, he would have found that the Department of Trade and Industry is not responsible for the administration of customs Indeed, the difficulties experienced by customs, which will hopefully be remedied in the very near future, are a problem Unless we take a balanced view about job creation and saving jobs in South Africa and not just about creating jobs somewhere in Far East Asia, we will have failed in our mission to create a better life for all our people in this country

The policy approaches of the Department of Trade and Industry are clearly above reproach in respect of its balance in advancing a programme of trade liberalisation as well as focusing attention on the need to sustain jobs in this country We have nothing to fear I still do not know what the hon member's questions are

Rev M ABRAHAM Madam Speaker, I do not think that the hon the Minister applied his mind when he gave this answer, because he did not apply the same measures when it came to the textile industry Furthermore, I want to say to this House that my colleague Dr Rajoo has done a good job with the tyres on this side of the House, while those colleagues did a good job with tyres and matches in the past [Interjections]

An HON MEMBER Where is your spear?

Rev M ABRAHAM Madam Speaker, the present policy of the department allows for very limited importing of used cars One of the reasons advanced by the department is that the motor industry contributes 4,5% of the GDP and employs a staff of approximately 110 000 The department says that there is little or no chance

The SPEAKER Order! Hon member, there is a point of order

Rev M ABRAHAM of relaxing import controls on second-hand cars

The SPEAKER Order! Hon member, there is a point of order

Mr P D DEXTER Madam Speaker, on a point of order I would like to know whether the hon member would like to explain what he was implying by tyres and matches

The SPEAKER Order! I am sorry, but that is not a point of order

Mr P D DEXTER Madam Speaker, it is a point of order, because I think that implicit in what the hon member was saying was an accusation that members on this side of the House had been involved in some kind of activity that would lead to the loss of life I think he was implying that people here had been involved in necklacing, and I think that he should withdraw that

The SPEAKER Order! Hon member, will you repeat what you said or withdraw it

Rev M ABRAHAM Madam Speaker, my colleague on this side of the House Dr Rajoo had done a good job speaking about tyres In the past my colleagues on that side of the House did a good job, not only with tyres but also with matches That is what I said [Interjections] There is nothing wrong in that [Interjections]

The SPEAKER Order! Hon member, I think there was an imputation in what you said there So would you please withdraw that? [Interjections]

Rev M ABRAHAM Madam Speaker, do you want me to repeat what I said? I said that they had done a good job with tyres and matches

The SPEAKER Order! Hon members will keep order in this House and will allow people to be heard! Please Mr Dexter, will you sit down I heard very clearly what the hon member said, and I said that it had an implication which I think the hon member took up, and in that context I asked him to withdraw it If it had another implication, perhaps he could explain it

Rev M ABRAHAM Madam Speaker, let me explain There are many implications [Interjections] One of the implications is [Interjections] That is what he inferred from what I said I meant drivers smoking when they are driving along [Laughter]

The SPEAKER Order! Hon members, I have been very tolerant I will adjourn this House if you persist in not allowing people to be heard Hon member, will you withdraw that comment

Rev M ABRAHAM What comment, Madam Speaker?

The SPEAKER Order! Your original statement, because there is no question in terms of your explanation [Interjections] Mr Van der Merwe, will you please sit down Hon member, will you please sit down I am addressing a particular member, and I am asking him to withdraw the statement [Interjections] Will you please sit down and allow the member to respond When I have completed the first point of order, I will take your point of order I have given a ruling to a member, and the member has to respond [Interjections] You may address me on that ruling after the member has responded to my request [Interjections] Order! I cannot hear the speaker!

Mr J H VAN DER MERWE Madam Speaker, you have given a certain ruling You want my colleague to withdraw a certain statement that he has made I wish, as his Chief Whip, to address you on why he should not withdraw it I am entitled to do that

The SPEAKER Order! Hon member, I have, on a previous occasion in this House, informed you, in similar circumstances, that members in this House speak for themselves They do not need lawyers or anybody to represent them [Interjections] Yes, hon member, if you raise it as a member, but as a Chief Whip, trying to protect your member, which is the point which you have just made, I am saying that is not the position

Mr J H VAN DER MERWE Madam Speaker, may I say, with respect, with great respect, that you are totally wrong What I am trying to do is done in all civilised parliaments of the world and I insist on that right [Interjections]

The SPEAKER Order! Hon member, I have ruled that in the past This is a civilised Parliament You did not challenge my ruling at that time Will you now take your seat

Mr J H VAN DER MERWE I did challenge your ruling at the time You would not give me a chance to speak [Interjections]

The SPEAKER Order! Will you now take your seat [Interjections]

Mr J H VAN DER MERWE I cannot hear you! [Interjections]

The SPEAKER Order! Hon member, will you now take your seat

Mr J H VAN DER MERWE No, Madam Speaker, I want to address you on a fundamental right that I have [Interjections] I have a fundamental right as a Whip to protect my members

The SPEAKER Order! Hon member, I am asking you for the last time, will you please take your seat

Mr J H VAN DER MERWE I will take my seat, but you are wrong, Madam Speaker [Interjections]

The SPEAKER Order! Hon member Abraham, I requested you to withdraw a statement

Rev M ABRAHAM Madam Speaker, I will defend myself [Interjections] Please, will hon members remain quiet [Interjections]

The SPEAKER Order! I am sorry [Interjections] Order! Members will please keep quiet!

Rev M ABRAHAM Madam Speaker, I am going to address you on the subject that went before I am not going to make a comment about withdrawing Let me explain something You asked me to

explain what I meant by my statement, what the implications were, and I gave you an implication which I meant from my speech Are you trying to judge me on the two implications?

The SPEAKER Order! No, I asked

Rev M ABRAHAM That is what he understood by what I said

The SPEAKER Order! Hon member

Rev M ABRAHAM Are you simply trying to say that I must just withdraw because it has implications for the ANC?

The SPEAKER Order! No, not because of an implication [Interjections]

Rev M ABRAHAM Well, that is all I can see Madam Speaker, because I am very clear

The SPEAKER Order! Hon member will you let me complete my sentence It was not because of an implication for the ANC A point of order was raised, I asked you for an explanation, you gave it to me I did not agree in terms of your explanation, and that is why I asked you to withdraw it, because the inference was quite clear In terms of what you said later that was not a necessary inference from that, and it was that which I asked you to withdraw

Rev M ABRAHAM Madam Speaker, this is what I meant by my statement If your interpretation, your understanding of what I This is what I meant

The SPEAKER Order! What did you say you meant?

Rev M ABRAHAM I said that he understood me to say that he was involved in necklacing or she or whoever that was That was not my intention [Interjections] I said "drivers lighting their matches and driving" [Interjections] That is what I meant [Interjections] Let me continue with my turn You have got to give me at least half an hour for this interpellation now I have lost a lot of time

The SPEAKER Order! It is not possible to hear members I am being forced into a position of wanting to adjourn the House if you do not allow members to be heard Sorry, would you continue with what you were saying, because I could not hear it

Rev M ABRAHAM Madam Speaker, I am going to continue with my speech to say that the Minister

The SPEAKER Order! That is not what I am asking you

Rev M ABRAHAM is trying to overprotect the motor industry, which is a very weak industry in the country, because it has

The SPEAKER Order! That is not what I asked you to continue with!

Rev M ABRAHAM so many models for such a limited market

The SPEAKER Order! Hon member, I did not

Rev M ABRAHAM Sorry, I cannot hear you because there is a lot of heckling going on on this side of the House [Interjections]

The SPEAKER Order! I did not ask you to continue with your speech You were addressing me on the ruling I had given That is what I asked you to repeat

Rev M ABRAHAM Madam Speaker, then I refuse to withdraw, because I have a right to say what I meant

The SPEAKER Order! If you refuse to withdraw, then please leave the Chamber

Rev M ABRAHAM Sorry?

The SPEAKER Order! You are asked to leave the Chamber if you refuse to withdraw

Rev M ABRAHAM Madam Speaker, is anybody else going to accompany me?

The SPEAKER Pardon?

Rev M ABRAHAM Will anybody else accompany me? [Interjections]

The SPEAKER Order! I am asking you to leave the Chamber [Interjections]

[Whereupon the member withdrew]

Dr K RAJOO Madam Speaker we are simply asking a straightforward question. The Minister must deregulate the tyre industry in South Africa

The reason why we had to raise our voices was because of the high level of noise and I am sorry if the lady finds my loud voice offensive

We are saying that there are illegal imports into this country, at such a rate that customs duties are not working at all I know that the Minister is not responsible for this However, he made a statement about this in Durban, so we are taking him up on that We are simply saying that he should deregulate If he does that, he will create more jobs The small business person will then be able to buy a truck, and in true RDP fashion create small businesses throughout this country That is the intention of the question, that is what we are asking of the Minister

We are saying that the cost of tyres is exorbitant in South Africa The cost of used cars is also exorbitant We can get these cars at one third of the cost overseas If we bring those cars in, and the people are able to benefit from that, then why not do it? [Time expired]

The MINISTER OF TRADE AND INDUSTRY Madam Speaker, I have with me here a letter from one tyre company in South Africa that explains their problem One factory in Port Elizabeth faces the risk of closure, which would mean the loss of 3 000 jobs If one takes the tyre industry alone, it has probably in the order of 15 000 jobs That is a kind of risk I am not prepared to take in the interests of one or two of Dr Rajoo's friends, maybe prospective importers of tyres [Interjections]

In respect of the importation of cars, the choice is whether we want this country to become the scrapyard for the importation of second-hand cars from the affluent parts of the world [Interjections]

The SPEAKER Order! Are you rising on a point of order?

Dr K RAJOO Madam Speaker, on a point of order I would like to know if the Minister is imputing that I am taking up this issue on behalf of friends of mine who want to import tyres into this country? I would like to ask him that direct question

The SPEAKER Order! That is a point of information, not a point of order The Minister may proceed [Interjections]

The MINISTER Madam Speaker, yes, it was a suggestion that I made In case Dr Rajoo did not hear me, yes, that is what I said That is a point of information, which I think has now been supplied

Debate concluded

Prisoners, pornographic literature

4 Mr W A BOTHA asked the Minister of Correctional Services

(1) Whether he or his Department has granted permission for any prisoners to have pornographic literature in their possession in future, if not, what is the position in this regard, if so, for what reasons,

(2) whether any prisoners who have been convicted for sex crimes are excluded from this permission, if not, why not, if so, what are the relevant details?

N456E INT

The MINISTER OF CORRECTIONAL SERVICES Madam Speaker, the question, if I understand it correctly, has to do with what the Department of Correctional Services will do on the subject of pornography in future

The answer to that is as follows As far as we know, the whole question of pornography will be governed by legislation which is now in the pipeline We will be governed, in the future, by whatever legislation is finally passed by this House That takes care of Questions 1 and 2

*Mr W A BOTHA Madam Speaker, pornography is a social evil Absolutely nothing good can be said about it The consequences of pornography fall in the same category as drugs This is even worse, however, because drug abuse is mainly detrimental to its user, whereas innocent and defenceless women and girls are often the victims of pornography

According to studies at the well-known University of California 87% of all child molesters who molest girls, and 77% of those who molest boys, use pornography to stimulate themselves and to condition their victims In the same vein it is a well-known and proven fact that sexual criminals virtually without exception use pornographic material

A study by the world-renowned Prof Diana Sculley, which deals with more than 114 cases of rape, proves that the rapist in virtually every case imitated scenes which he had seen in pornographic material According to the Michigan police, which investigated 38 000 cases of sexual assault, sexual criminals used pornographic material during or just before the crime in 41% of the cases, and pornography was involved to a lesser or greater degree in all the other cases It was an important motivation for the crime in all the cases

In South Africa approximately 300 000 women are raped every year, and probably over 130 000 children are molested sexually The lives of these women and children have been destroyed to a great degree They have been done a tremendous

injustice We may not allow anything to exacerbate this tragic situation, indeed, it is our duty to leave no stone unturned to stamp this evil out completely

The argument that a prisoner has the right to read whatever he wants to is not correct Persons in detention as well as persons in society have rights, but no right is unqualified or absolute Freedom of speech does not give any person the right to slander another or shout "Fire, fire" or "Bomb, bomb" in a public place A prisoner in fact has the right of access to drinks such as water and cold drinks, but I do not believe that he has the right of access to strong drink He does in fact have the right of access to medication, but this does not give him the right of access to drugs No person's rights are unqualified They are controlled, and for very good reasons

Therefore it would be absurd to argue that a prisoner has a right to pornography, which in a certain sense, is more dangerous than strong drink or drugs It is a pity that while the rest of the world is becoming more critical about the desirability of pornography, and even more countries are prohibiting it completely, and imposing heavier sentences in this regard, the Government is relaxing measures relating to this to such a degree that it is now even legal in prisons This is not in the interest of an orderly society [Time expired]

*Dr W J BOTHA Madam Speaker, the answer which the hon the Minister gave, is simply not acceptable Does he want to tell me that we are entering an era in this Parliament in which a Minister can say in reply to a question that legislation is coming, and that we should simply have to wait until that legislation arrives, and deal with matters accordingly?

I want to say, with all due respect, to the Minister that he has not answered the question I do not know why he answered it The only deduction that I can make is that he apparently does not yet know what is going to be included in the legislation I want him to tell us a little more

My colleague quoted from authoritative sources He made reference to what is being said by tertiary institutions of great repute I agree wholeheartedly that innocent people are the victims of pornography The least that the State could therefore do is not to promote this evil The Minister could certainly by this time tell us in his personal capacity what his standpoint is in this regard, if he does not want to tell us what the legislation says in this regard The State itself concedes, if he includes sexual transgressors in this legislation—and we would like to know whether this is the case—that pornographic material could have a bad effect on the community

The FF is not opposed to providing prisoners with certain basic necessities What these necessities are, is something which one could debate The Americans, for example, have started privatising their prisons, and have decided that television is an unnecesary luxury A radio is sufficient Now I want to say that a newspaper is sufficient, study material is sufficient I do not believe that pornographic material is really essential equipment for a prisoner

The MINISTER OF CORRECTIONAL SERVICES Madam Speaker, while I appreciate the very high moral standards of the two previous speakers, I need to point out that the question which was put to me has to do with what the department will do in future

I also need to remind hon members that the legislation does not emanate from my department, but from the Department of Home Affairs We will then be guided by the legislation, the Constitution and the Bill of Rights We are, after all a democracy

*Mr W A BOTHA Madam Speaker, I would like to tell the Minister that pornography is already permitted in the prisons, and that no objections have been raised against this

The reason for locking a person up in a prison in the first place is to protect the public, and in fact doing so by removing that person from society for a certain period, or in certain instances for life In the greater majority of cases those people, however, have to be released into society again It is the responsibility of the Government to ensure that the violators of the law are rehabilitated citizens upon their release and that they are no longer dangerous to their fellow-man

Secondly—and this is very important—is that the rehabilitation of the criminal is aimed at turning him into a useful, law-abiding citizen who will be an asset to the country, the community and his own family Naturally this is a very important objective in sentencing In order to achieve this purpose much of the taxpayers' money is spent, and social workers and psychologists who work in prisons play a very important role as regards the treatment of offenders

They were in the front line of the industrial turbulence in the Eighties. Now they wear the white collars of managers. CAROL PATON speaks to some former unionists who have helped to forge a new order at Mercedes-Benz (192)

ST 28/7/96

After 'the war' the shop stewards who became the BOSSES OF THE PEACE

VETERANS OF CONFLICT . . . shop stewards turned managers Daniel Sibahm, Sydney Nyengane and Witness Jekwa

Picture: BRETT ELOFF

AT THE Mercedes-Benz factory in East London, people still talk of the days in the 80s when striking workers marched through the plant carrying coffins bearing the names of their managers.

Today, the war is over and many of the shop stewards who fought their way through those bitter conflicts have swapped their blue collars for white — and joined the ranks of management

Sydney Nyengane, the group industrial relations manager, blazed the trail into management in the early 90s

He was also the first worker to be elected a shop steward — in 1978, long before trade unions were legal for black workers, when he started a branch of the National Union of Metalworkers of South Africa

"We called 1985 to 1989 the period of anarchy, because that was when things went bad It was a state of war," says Nyengane

The four years were marked by strikes, protests and violence, culminating in the 1989 "sleep-in" in the plant by workers

By the end of the 80s tensions ran so high that some managers argued in favour of shutting down the plant for six months

Just when relations had hit rock-bottom, a change in leadership took place, and Ian Russel, now the East London plant's board member, arrived at the plant

"That's when the change came about But when he first came, we couldn't talk to him We hated one another," says Nyengane

Russel began a "soul searching" exercise and the attitudes of both parties began changing The exercise also resulted in the recognition of the union in 1989

But while marshalling his troops through the war, Nyengane learnt the skills that have made him a popular and successful industrial relations manager and a key member of management's negotiating team

"Being a shop steward was the best training terrain All the skills that I'm applying now, I learnt from the union," he says

Nyengane's presence, and that of about 10 other shop stewards who were also promoted into management, has transformed industrial relations at the factory

As he walks through the bodyshop where luxury cars are put together, Nyengane shouts greetings all around

"Everybody wants to greet me, raise his own grievance, seek advice They never knew that they could come and talk to people in the posh offices They really do appreciate that," he says

He is frequently visited by shop stewards who ask advice

"Our duty as industrial relations officers is not to protect management but to ensure fairness If management is wrong, I will advise workers on how to win their case," he says

Recruiting shop stewards has made management much more effective, says the man who appointed many of the new managers, industrial relations manager Brian Knoesen

"People who have been unionists can better predict issues and facilitate a more creative management," he says

Bernard Abdow, the human resources manager, agrees "If you have a well-balanced team, in terms of culture, you definitely get better decisions We also have to recognise the realities of our past The suspicions are there, and there's no better way to move away from emotion and examine the facts than when they are presented by a balanced team"

Shop stewards are often obvious candidates for affirmative-action appointments, says Knoesen

"They have been elected for their leadership abilities And, because of the nature of the work they do, they get exposed to the strategic plans of the company more than other workers on the line So when it comes to competing with others they have been developed to a greater extent"

Numsa shop stewards say it is no accident that most of the new managers are positioned at the points of conflict — in industrial relations or as supervisors on the line "Management is saying to them you were the manufacturers of this conflict, therefore apply your skills to manage the problem," says shop steward Ishmael Makupula

This is exactly what they are doing

Witness Jekwa, a shop steward for five years until he was promoted to industrial relations officer last month, says "My job is to manage the friction and it can't be emphasised enough that I got the insight to do it through being a shop steward"

Numsa also has criticisms of management's affirmative-action drive

"We support affirmative action But the trend is that shop stewards are placed in areas where they must deal with their former members for the goals of management I'm not sure if that is real affirmative action," says Makupula

But joining management is no longer viewed as crossing the floor, he concedes "If a person completes his term of office as a shop steward and opportunities arise down the line, I believe it's an individual's right to do it"

Daniel Sibahm, a former shop steward who now works as a team manager on the assembly line, has the kind of rapport with his workers that a white manager would battle to establish

"My experience as a shop steward has given workers the confidence that I will address their problems," he says

"In the past, a manager would simply discipline a worker I believe in counselling people on their behaviour It changes their attitude They see you as a coach and not a policeman"

He says he is committed to persuading workers to share the objectives that the company has set

"If they understand the same way you do, it changes their attitudes completely For instance, they need to know about the threat of competition"

Sibahm's first job with Mercedes-Benz, in 1982, was as a canteen assistant Now he drives a 1996 Mercedes E-class

But he says money is not his primary motivation "What I would like to see is this company growing It must remain in South Africa and remain a point of attraction in this region"

And Mercedes-Benz is growing A business transformation process called "Siyaphambili" — we are going forward — was launched 18 months ago, restructuring the company in order to meet the demands of international competition

Both management and the union are represented on the Siyaphambili team, which has already produced startling results In 1995, the factory produced 42 600 vehicles, a 75 percent increase on the previous year

The philosophy of Siyaphambili is outlined by Abdow "Mercedes-Benz is by far the best car in the world But let's be honest, that gap has closed Other cars are good cars What differentiates us? It's our people, our strategy The softer issues are really the significant difference"

Because of the extraordinary high levels of conflict in the past affirmative action is also a crucial pillar of the transformation process

This is a fact with which the company has tried to help its white employees come to terms

"People get really angry White guys apply for jobs three, four, five times They are clearly the most experienced and the highest qualified, but they are turned down time and again," says Abdow

"But they have to understand that if we don't do this, we have no future It's a price we all have to pay for the sins of the past"

And Knoesen adds "Everyone really has to adjust their aspirations and expectations as circumstances change"

(192)

THE BIG MARQUE DOWN

FM 14/6/96

Vehicle buyers may be forgiven for looking bemused Almost immediately after most manufacturers increased prices, others are engaged in a frantic price war to offer the cheapest cars on the market Some customers are even being offered cash paybacks

The day after Nissan announced significant price cuts on its SA-made cars and light commercial vehicles, Samcor on Tuesday responded by hacking prices on its bottom-end vehicles Anxious to regain its reputation for the least expensive vehicles on offer, Samcor deliberately undercut Nissan's new prices — some by as little as R5

In response to the new price of R34 990 for the entry-level Fiat Uno Fire, Samcor cut its Ford Tracer and Mazda Midge to R34 985 The same R5 advantage applies on small bakkies Samcor also made its new prices retrospective to Monday last week anyone buying a vehicle during the intervening period is entitled to claim the cash difference

Other companies may yet respond But what this is doing to bottom lines, already damaged by hefty cost increases, hardly bears thinking about Companies say increased factory volumes improve unit costs and therefore benefit profitability But in the same breath, they admit margins are narrower, both in the factory and for dealers

It's good news for consumers, of course, but one wonders how much more competitive manufacturers can become The industry confirms widespread price increases at the start of June didn't come close to recouping mounting costs, many related to the weakening rand Rainer Hagemann, chairman of BMW SA, says companies can't keep absorbing costs and further general price hikes this year are likely

All this is happening at the same time as the motor industry celebrates some of its best sales for more than a decade Car sales in May hit their highest monthly point since 1984 The markets for commercial vehicles were also considerably stronger

Marketers in general are surprised at the level of last month's market, even allowing for a degree of pre-emptive buying before month-end price increases took effect That, combined with an abundance of special offers available from many dealers, helped overcome obstacles, such as higher interest rates, rising petrol prices and general economic uncertainty

Nissan marketing services director John Jessup describes last month's figures as "gratifying " However, Mercedes-Benz car marketing manager Eric Scoble says it won't last "I believe we've seen the market peak and it should soften somewhat in the next few months " On the other hand, he doesn't expect the disruptive boom-bust cycle of a few years ago, when a good month was often followed by a disastrous one

The danger of stop-go buying can't be ruled out completely Car and commercial vehicle buyers have been spoiled by the virtual standstill in prices in recent months, last month's flurry to avoid what, in previous years, would have been considered almost a marginal price increase, shows the market's growing price sensitivity So the likelihood of further price increases this year may yet see more market distortion

Naamsa director Nico Vermeulen confirms that manufacturers have come nowhere near recouping cost escalations with their latest price increases, and more pre-emptive buying can be expected

BMW's Hagemann expects most manufacturers to increase prices on or around 9% for 1996 as a whole — on a par with predictions for year-end inflation Those best able to beat this target will be companies with major export earnings, able to offset growing import bills ■

MAY VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	Citi/Fox	2 834		
	Golf/Jetta	2 067		
	Cabrio	5		
	Audi A4	607		
	A6	106		
	A8	10	5 629	22,9
Samcor	Tracer/Midge	2 642		
	Telstar/626	365		
	Escort	1 320		
	Falcon	90		
	Etude	513		
	Pajero	136		
	Other	7	5 073	20,6
Toyota	Corolla/Conquest	3 460		
	Camry	876		
	RAV4	110		
	Landcruiser	53		
	Lexus	4		
	Previa	1	4 504	18,3
M-Benz	C-Class	1 042		
	E-Class	238		
	W140	46		
	SLS	20		
	Honda Ballade	1 420		
	Prelude	9	2 775	11,3
Nissan	Sentra/Sabre	1 069		
	Maxima	40		
	Fiat Uno	1 222		
	Sani/Patrol	72		
	Alfa	69		
	Other	4	2 476	10,1
Delta	Astra/Kadett	2 073		
	Suzuki	37		
	Saab	30		
	Trooper	6	2 146	8,7
BMW	3-Series	1 265		
	5-Series	71		
	7-Series	40	1 376	5,6
Land Rover	Discovery	182		
	Defender	100		
	Range Rover	14	296	1,2
Daewoo	Cielo	217		
	Espero	77	294	1,2
Subaru	Impreza	8		
	Legacy	7	15	0,1
Dacia	Crystal	11	11	0,0

	1996	1995	% change
May	24 595	20 649	+19,1
January to May	99 432	95 441	+4,2
April (19 152) to May			+28,4

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	3 706	31,4
Samcor	2 422	20,5
Nissan	2 273	19,3
Delta	1 824	15,5
VW	712	6,3
M-Benz	707	6,0
Land Rover	108	0,9
Dacia	46	0,4

	1996	1995	% change
May	11 798	11 154	+5,8
Jan to May	54 940	52 396	+4,9
April (10 239) to May			+15,2

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	137	30,6
Nissan	93	20,8
Iveco	89	19,9
Delta	81	18,1
Samcor	28	6,3
AAD	19	4,3

	1996	1995	% change
May	447	402	+11,2
Jan to May	2 008	1 631	+23,1
Apr (450) to May			+1,6

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	238	29,9
Toyota	151	19,0
Nissan	85	10,7
Tyco	75	9,4
Delta	69	8,7
MAN	66	8,3
Iveco	35	4,4
Freightliner	31	3,9
ERF	22	2,8
Scania	16	2,0
AAD	7	0,9

	1996	1995	% change
May	795	615	+29,3
Jan to May	3 [illegible]	3 002	+12,8
Apr (584) to May			+36,1

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	8 498	22,6
Samcor	7 523	20,0
VW	6 341	16,8
Nissan	4 927	13,1
Delta	4 120	10,9
M-Benz	3 720	9,9
BMW	1 376	3,7
Other	1 130	3,0

	1996	1995	% change
May	37 635	32 820	+14,7
Jan to May	159 767	152 470	+4,8
Apr (30 415) to May			+23,7

Source: NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Number of car part makers could drop

(192) BD 18/6/96

Edward West

THE number of automotive component manufacturers in SA could fall to just 30 dominant players from about 161, putting a large chunk of the sector's 50 000 jobs at risk, leading player Dorbyl said at the weekend

The fall would be driven by motor manufacturers veering toward contracting out subassembly to major component players, rather than going to a string of suppliers

Dorbyl's automotive product division MD Albert Lynch said the trend to contract out subassemblies was a growing worldwide phenomena Local exposure to such trends would increase through the easing trade regime under the Motor Industry Development Programme

"Smaller subsuppliers will not be able to survive There will be mergers, buyouts and closures "

In the US the trend had helped reduce labour costs as trade unions among parts manufacturers were not as powerful as among the vehicle assemblers

"This might happen here, but the unions are doing their best to prevent it," said Metair chairman Elisabeth Bradley

National Association of Automotive Component and Allied Manufacturing president Johan Meyer said the outcome of the programme on the industry was not yet clear

The association was concerned about risks posed in the next three to five years Local manufacturers would have to begin launching new models and would have to decide whether to import new models or more vehicle components

SA's Bearing Man to tie-up with Nord

By Stuart Rutherford

Durban — Durban-based Bearing Man, Africa's largest distributor of bearings, seals and power transmissions, has announced a tie-up with the world's second largest manufacturer of geared motors, Nord

Bearing Man will assemble the products at an assembly facility at its Johannesburg plant and will have exclusive rights to distribute Nord products in southern Africa

"Nord of Germany is recognised as one of the top manufacturers in the world of precision engineered geared motors," said Greg Till, the managing director of Bearing Man

He said the company imported 90 percent of its products and had exclusive rights to 20 brands and shared rights to another 12

"For us it is an opportunity to get involved in a market worth in excess of R150 million a year in South Africa"

Nord geared motors, in combination with Nordac frequency inverters, offer a wide variety of applications in fields such as packaging, machine tools and printing

"If every branch sells one gear box a day, we'll do R40 million a year in new business and we expect to do that within two years"

Till said the group had sent 50 sales staff to Germany to familiarise themselves with the products, which will be available through 60 outlets

(192) CT (BR) 19/6/96

Motor, textile and clothing industries 'not targeted'

CT(BR) 19/6/96

State denies growth plan tariff stand

(192)

By Christo Volschenk and Nancy Myburgh

Cape Town — The government was forced to reassure the country's nervous textile, motor and clothing industries yesterday that they had not been specifically targeted for rapid tariff reductions in the new national economic policy framework

A spokesman for the department of trade and industry denied that tariff reductions in these sectors would be accelerated But Appendix 4 of the growth plan specifically refers to the sectors

Point three in the appendix states "Accelerated tariff reform, bringing forward by two years the scheduled adjustments on clothing, textiles and vehicles, and reducing all other lines by 5 percentage points on average in 1997 This improves competitiveness and dampens inflation"

Presenting the plan in parliament last Friday, Trevor Manuel, the finance minister, insisted that "tariff reforms will be accelerated to help lower prices for industrial inputs and low-income households, thereby avoiding job losses in sensitive sectors and removing price distortions in domestic markets"

But faced with the ire of the three labour-intensive industries, the finance ministry said yesterday that the example in Appendix 4 was simply an illustration of policy goals

"Their concerns arise from a misunderstanding," said a spokesman "Appendix 4 illustrates the possible macro-economic consequences (of accelerated tariff reductions) The model was not sectorally specific, so those particular industries need not fear It's not necessarily (needed) in those sectors, as long as it takes place in some sectors"

Manuel, who is now in Europe, used fiscal deficit figures from the same appendix and model, however, to demonstrate how firmly, and specifically, the government was committed to reaching its 6 percent growth target by 2000

Alan Hirsch, a senior official in the trade and industry department co-responsible for the revision of tariffs, yesterday denied that the clothing, motor and textile industries would be targeted He also said that too much emphasis should not be placed on the framework timetable for the reduction of tariffs

Until Hirsch threw cold water on the issue, the textile and motor industries and textile industry unions were outraged by government's "unilateral decision"

Separate agreements, including a timetable for tariff reductions, were concluded about a year ago between the government, the three sectors and labour unions These timetables are now implemented

Andre Roux, an economist at the Development Bank and one of the co-ordinators of the technical team assisting in the drafting of the plan, said that while the government stood behind the policy of accelerated tariff reduction, "the level of protection for local producers will be greater than it was in January (even after the acceleration of tariff reduction)"

☐ See Business Watch Page 18

We'll stick to the plan, says Manuel

By Paul Harris

Cannes — The details of South Africa's new macro-economic plan have yet to be worked out, but the framework itself is not negotiable, Trevor Manuel, the finance minister, told an investment conference yesterday

Manuel said the government would show that it could lead by sticking to the plan.

The framework has been welcomed by business but drawn some criticism from labour unions for being "conservative"

One of the key planks of the plan is a commitment to the partial or complete privatisation of state-owned assets, starting with the telecommunications sector

Parts of other areas like radio, leisure, forestry, minerals and transport would follow

He said that the plan would not be affected by inability to reach a free trade agreement with the European Union

Earlier Steffen Smidt, the EU director-general of development, attacked South Africa for hesitating over the talks and asked if it really wanted such a deal

"We have not really factored significant contributions from the prospective EU-South Africa trade agreement into our macro-economic framework," Manuel said

The plan aims for annual growth of 6 percent by 2000 and to create 400 000 new jobs a year by the turn of the century It is seen as vital for South Africa's future development

Manuel said the free trade talks were taking time because South Africa had to consult its other trading partners on the implications thereof — Reuter

☐ See Bifsa's reaction, Page 21

COMBINED MOTOR HOLDINGS (192)

VICTIM OF SENTIMENT

FM 21/6/96

After a strong start to the financial year, major changes in the motor industry led to a final quarter slowdown as intense competition from imported motor vehicles erupted into a price war in the local market

Chairman and MD Maldwyn Zimmerman clearly saw tougher trading conditions coming at the halfway stage when he warned that first-half results — turnover up 30%, EPS by 139% — would not be maintained

Still, Combined Motor Holdings (CMH) completed the full year on a high note Turnover gained 23,7%, EPS 50,2%

With six franchises as well as used vehicle, parts and service activities, CMH is closely linked to activity in the retail motor industry The most significant change was probably the ongoing reduction of customs duty from an effective 115% two years ago to 61%

Apart from introducing a wide range of new imported vehicles, Zimmerman says the resultant price war saw prices

- **ACTIVITIES**· *Franchise holder in retail motor industry*
- **CONTROL** *Directors 79%*
- **CHAIRMAN & MD.** *M Zimmerman*
- **CAPITAL STRUCTURE** *19,3m ords Market capitalisation R144,8m*
- **SHARE MARKET** *Price 750c Yields 3,2% on dividend, 13,5% on earnings, p e ratio, 7,4, cover, 3,6 12-month high, 1 250c, low, 600c Trading volume last quarter, 239 600 shares*

Year to February 28	'93	'94	'95	'96
ST debt (Rm)	11,0	9,1	4,9	2,9
Debt equity ratio	0,34	0,23	n/a	n/a
Shareholders interest	0,37	0,32	0,34	0,34
Int & leasing cover	2,7	2,6	4,2	3,8
Return on cap (%)	11,8	13,1	18,6	22,2
Turnover (Rm)	555	698	984	1 218
Pre-int profit (Rm)	10,6	14,3	33,0	42,5
Pre-int margin (%)	1,9	2,1	3,4	3,5
Earnings (c)	23	29	68	101
Dividends (c)	9,3	12	21	28
Tangible NAV (c)	176	185	231	326

for new vehicles in the popular R35 000 to R45 000 range cut This led to a number of customers switching from used to new models

The changing consumer pattern can be seen in CMH's breakdown of sources of income Of the total R42,5m operating income, sales of new vehicles and parts made increased contributions of 71% and 21% respectively, while income from used vehicles dropped from 10% to 4%

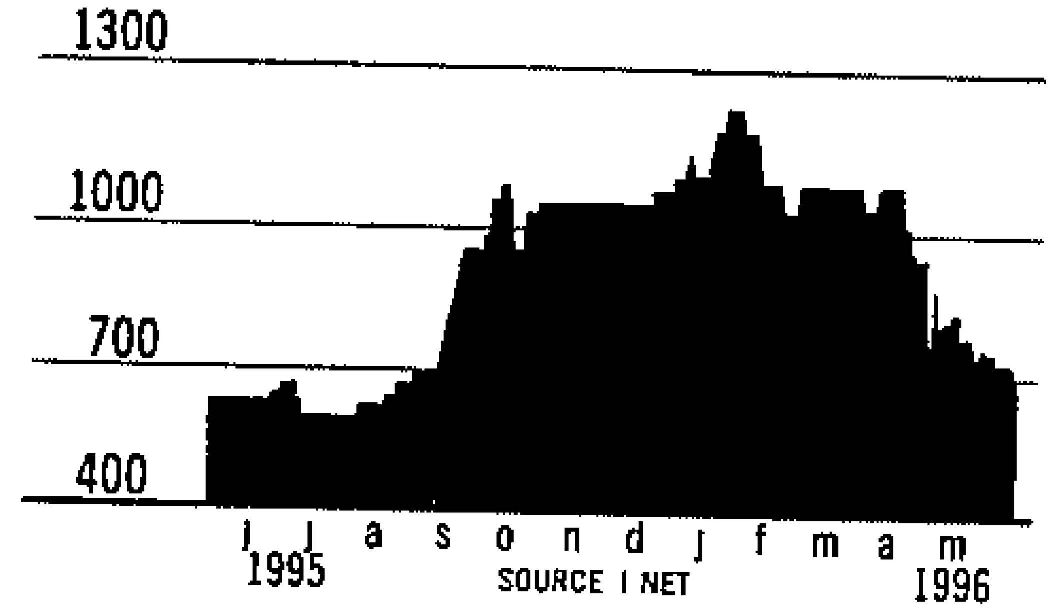
Zimmerman says margins here were severely depressed by the flood of rental vehicles which returned to the market, an over-optimistic response to the Rugby World Cup and tourism by some of the car rental firms

"Prices and margins within the group have now been stabilised and it is believed that a more significant contribution can be expected from this area in the coming year," Zimmerman says

Turnover was buoyed by the earlier deal to import Volvo passenger vehicles, for which CMH holds distribution rights Volvo's contribution climbed from the previous year's 11% to 20%

Despite the slowdown, which financial director Stuart Jackson says has continued into the new year with the ongoing price war and signs of a slowdown in volumes, CMH has kept important trends in place

The pre-interest margin continues to widen, dividend cover has again been raised, and the balance sheet has strengthened further, with net cash holdings of R10,8m (R4,3m last year)



But this year promises to be tough Apart from intense competition, high real interest rates and the depreciated rand are adding pressure to the industry

Against this, Zimmerman says he believes real growth will be achieved through CMH's combination of strong management, competitive products and a diversified portfolio

The share, though, has fallen victim to negative sentiment towards the Motor sector, compounded recently by disappointing results from the newly listed Automakers On strong profit figures, CMH's price has shed R3,50 to R7,50 However, the share is still on a high base, having gained 21% over the past year and trebled over financial 1995

A p e of 7,4 is above the sector average of 6,2, though there aren't direct comparisons It's a hold while perceptions towards the industry remain bearish, purchases could be considered if the price weakens further *Shaun Harris*

Wheels fall off for dealers in car price war

ST(BT) 23/6/96 (192)

By DON ROBERTSON

THE motor industry price war has been a blessing for car buyers, but the R30-billion rand a year dealer network is suffering

Dealer margins have been slashed, the used car market has taken a tumble, fleet discounts have been trimmed and revenues from parts sales have fallen

Price reductions of as much as R4 000 on a car previously costing R38 000 are now the norm, allowing first-time buyers the means to wheels

The price war was started in July last year by Samcor, manufacturer of Ford and Mazda Mercedes-Benz and Nissan followed suit this year when they chopped the price of spare parts by up to 25%

Last week, Nissan joined the battle and reduced car and light commercial vehicle prices by about 10% on average — up to 18,5% on an Uno — to be followed the next day by Samcor which reversed a previous 3% price hike on some models

But, manufacturers' ability to trim prices has had to involve dealers who have been required to absorb some of the price cuts The result is a fall in gross margins to as low as 7% on some models compared with about 17% only months ago

Industry sources suggest this could impact on large fleet owners and rental companies

Glen van Heerden, chief executive of Avis, says "discount" prices will have an impact on resale values of used cars and challenges the apparent manufacturer/dealer agreement that large buyers of cars such as fleet owners and rental companies do not get a reasonable discount

In February Avis managing director Grenville Wilson said that lower resale values could cost the rental industry as much as R72-million this year and could prompt an increase in rental rates Many rental companies do, however, arrange buy-back agreements with dealers

One Nissan dealer says it has been advised that a new fleet discount package will be adopted with immediate effect The new scheme allows discounts of between 1% and 2% on Uno's for fleet owners compared with 7% previously and between 2% to 4% on Sentra's compared with up 12% previously

While these lower margins impact mostly on Nissan and Samcor dealers, other manufacturers, to remain competitive, have had to keep normal price hikes to a minimum, in many instances well below those needed to recover higher component costs as a result of the devaluation of the rand Gross margins for these dealers have, accordingly, fallen to between 10% and 14%

Brand Pretorius, chairman and chief executive of McCarthy Motor Holdings, says the reduced margins have impacted on dealer flexibility with regard to fleet discounts and some fleet owners are now paying more for the same vehicle

"We are all in favour of enhanced affordability, but to achieve this, we must take real costs out," says Mr Pretorius "We have to negotiate lower costs of imported and local components, increase exports and improve productivity We must retain sufficient profits to maintain existing structures to be able to provide proper services"

The price cuts have, however, been extremely successful for Samcor which has seen its share of the total vehicle market grow from 15,2% in May last year to 20% in the same month this year

Acquisition has affected income statement

Hudaco reports decline in attributable profit (192)

CT (BR) 25/6/96

By John Spira

DEPUTY EDITOR

Johannesburg — Hudaco, which manufactures and distributes motor parts, reported a 12 percent advance in headline earnings to 74c a share in the six months to May 31

Attributable earnings were marginally down

Turnover for the period was 44 percent higher at R526 million, with sales generated by operations in progress rising 56 percent to R507 million

Operating profit increased by 33 percent to R43 million, though the improvement in ongoing operations was higher at 43 percent

The net loss on sale of operations was R4,4 million which, together with a R7 million rise in net finance costs and a R9 million increase in the tax burden, largely accounted for the decline in attributable profit to R17,4 million from R19 million

The interim dividend was raised by 10 percent to 33c a share

The directors said that the acquisition of Transportation Motor Spares (TMS) and the sale of Hudaco's 50 percent stake in Abrasives Corporation had affected the income statement and balance sheet

Automotive spares accounted for nearly a third of total sales, an increase from 10 percent last year Own manufactured products accounted for 13 percent of sales, compared with 24 percent last year

Further, shareholders' funds had been reduced by the write-off of R46 million goodwill arising from the TMS acquisition, and net borrowings were R100 million against the position where the company had had net cash on hand at the end of the last financial year

The directors said sales levels, with the exception of TMS, had been below expectations and operating margins had suffered They declined from 8,8 percent last year to 8,1 percent this year

They expected the economy's non-agricultural sectors to grow only marginally this year

"Under these circumstances and taking into account a lower inflationary environment, we expect growth in headline earnings per share for the full year to be about the same as that achieved in the first half"

☐ See Business Watch

cement and blended products

Analysts said the plant would also ... kiln at Lichtenburg and increasing the capacity of No 5 kiln

Motor imports will keep rising, says car industry

(192) BD 26/6/96 (737) (255)

Edward West

MOTOR imports would continue making inroads into the local market, despite remaining protection mechanisms in the Motor Industry Development Programme, industry sources said yesterday

The National Association of Automobile Manufacturers of SA (Naamsa) estimated that about 25 000-27 000 fully built cars and 3 000 light commercial vehicles would be imported this year. About 20 000 of these were expected to be sold by Hyundai, which assembled vehicles from semi-knocked-down form in Botswana

Including the Hyundai sales, fully built imports were expected to attain a 10% share of sales this year — well up on last year's performance

The lowering of import tariffs under the development programme has encouraged a host of new imported vehicles to SA's market

Samcor CE Jim Miller believed about 40 000-50 000 vehicles would be imported this year "You can bet that if they can bring in imports at the current high level of tariffs, the numbers can only increase when tariffs fall again," he said

Mercedes-Benz SA marketing director Eric Scoble said local manufacturers also were expected to import greater numbers of vehicles as their export performances improved Under the development programme import duties could be offset by export credits SA was a relatively small motor market, but imports were flooding in because of poor customs controls and because of the overstocked vehicle situation worldwide, Scoble said

The Naamsa spokesman said "Alarmists believe fully built imports will eventually comprise 40%-45% of annual vehicle sales, while more conservative estimates range from 15%-20% " The industry has forecast car sales of about 234 000 units this year

Naamsa said the number of fully built imports was expected to fall substantially next year, when Hyundai began full assembly operations in Botswana, but the number would continue rising after that as the local market grew and tariffs continued falling

M&R buys Canadian wheelmaker

(192)

By Marc Hasenfuss

CT (BR) 27/6/96

CAPE EDITOR

Cape Town — Murray & Roberts (M&R), which yesterday warned shareholders to expect lower earnings this year, is set to bolster its international operations by acquiring a Canadian-based alloy wheel manufacturer

The Toronto-based manufacturer, which is said to be linked to an international automotive group, manufactures mainly for the cross-border United States market in Detroit

Lionel Bird, the company's financial director, said yesterday that the plant would complement M&R's British-based Alloy Wheels International, a 2 million wheel-capacity operation bought two years ago The company also recently commissioned a manufacturing plant in Port Elizabeth with a capacity of 1,2 million wheels that produces mainly for the export market

Bird also confirmed that M&R was looking at automotive component ventures in Europe

These overseas ventures would bolster the company's fast-growing Marac (M&R Automotive Components) division

Bird said M&R was negotiating further sales and that these would be detailed in the company's annual report later this year Earlier this year, M&R sold Trichamp division, which traded as Champion Spark Plugs, back to its US parent ITT for an undisclosed sum

M&R dipped to below R17 briefly yesterday in the wake of the lower profit warning, but recovered to close at R17,10

Nolan Menachemson, an industrial analyst at SMK Securities, noted that M&R's profit warning had not convinced investors to bail out of the share "Investors are still aware of how quickly this company can turn around," he said

☐ See Business Watch, Page 19

PERSONAL VIEW

(192)

Europe avoids lobola

CT(BR) 27/6/96

John Fraser

There is growing alarm in Brussels that South Africa may reject the European Union's offer of a free trade area for fear that such an accord could wreck the country's economy Union negotiators found it impossible to hide their surprise at the start of formal negotiations with a team from Pretoria last week, when the South Africans arrived without an answer to the union's trade offer

Europe wants the free trade area to be phased in over a decade or so, with South Africa dropping all trade barriers against European exports However, the union is not prepared to be quite as generous in return, and wants to continue to restrict at least 40 percent of South Africa's agricultural exports This tough stance on agriculture is dictated by Europe's southern, protectionist nations South African hesitation over this selfish offer is easily understood There is almost no industrial product which can be produced in South Africa which cannot be produced in Europe So, if all South Africa's protective barriers are torn down as a result of a trade deal with Europe, competition will be very fierce and many South African firms will be crucified

It is believed that for this reason, South African trade and industry officials are lobbying hard inside the Pretoria administration for the proposed deal to at least be modified, if not rejected altogether There are similar concerns among South Africa's neighbours in the Southern African Customs Union, which would suffer in the same way from a deal between South African and Europe

There is also a sense of betrayal among South African officials, who believe Europe's offer falls far short of what was promised by the EU's governments at the time of the 1994 elections It is as if the box of gold given as a dowry to the democratic bride has been found to contain a worthless rock South African trade experts say that Pretoria had originally sought Lomé convention membership, Europe's main trade, aid and development treaty with African nations Had this been possible, South African firms would have won new access to Europe's market without having to make similar concessions

There is no sense of urgency among South African officials following last week's abortive talks in Brussels They seem to feel that a lot more work will need to be done to remould the union's trade offer before it can be made palatable to Pretoria Given the devotion to protectionism of many union states, it will be impossible to win a much better offer for access of South African farm exports As a result, Pretoria is likely to seek similar restrictions on so-called sensitive industrial imports from Europe, and without such concessions would find it very difficult to come to a deal European officials say they hope a deal can be concluded by the year's end, but few on the South African side seem willing to be rushed

Indeed there is such a relaxed atmosphere at the mission to the union that Franki Verwey, the chargé d'affaires, is returning for good to Pretoria this weekend She has stood in for the former Brussels ambassador Neil van Heerden since January LT Links, his replacement, is not expected to present his credentials before August Most, if not all, the other South African diplomats who served under Van Heerden are also due to return by the end of the year This signifies that little can be expected in the next few months, as the new arrivals settle in and become acquainted with their new tasks and the world of Eurocrats Unless what we are seeing is a case of the rats leaving the sinking ship as Europe's relations with Pretoria head for the rocks

☐ *John Fraser is the Independent Foreign Service correspondent in Brussels*

Attorneys

Progress made in employment talks

BD 1/7/96

Renee Grawitzky

LABOUR, government and business are said to be moving closer on four controversial sections of the green paper on employment standards — the phasing in of a 40-hour week, the scope of the proposed legislation, the variation of standards and maternity leave

When the green paper was published, Business SA expressed concerned as to whether it could achieve a balance between maintaining labour standards and ensuring that legislated costs of employment were not imposed to the detriment of job creation In particular it opposed the introduction of a 40-hour week

Negotiations have attempted to trade off between a 40-hour week and increased flexibility Parties are exploring options around the phasing in of a 40-hour week over a number of years, achieved through a national framework agreement

Within this context, various options could be explored relating to working a compressed week, where employees work up to 12 hours per day at normal rates of pay, to averaging working time over a cycle longer than one week

Sources have indicated that disagreement could result over whether the legislation would make any reference to a 40-hour week

Intense debate has taken place around the scope of the proposed legislation and which type of workers and elements of business should be excluded Labour has opposed business's demand for the partial exclusion for small business and pioneer businesses

Business has emphasised the need for flexibility and has demanded that employment standards could be negotiated below the minimum standards through collective bargaining Government has proposed four months (unpaid) maternity leave linked to job security This has been opposed by business which has proposed that the current three months unpaid leave apply Labour has proposed a minimum of six months paid leave Sources indicated that the parties might agree on a lesser, but paid period

Elements within some constituencies feel the negotiations have been shrouded in secrecy This has been greater than that during the Labour Relations Act negotiations, they say

However, National Economic Development and Labour Council executive director Jayendra Naidoo, who was brought in to act as chairman halfway, said parties were attempting to explore options to reach agreement on an overall package of issues, which necessitated that they did not negotiate through the media

Inflation forces new wage talks

Renee Grawitzky (192)

EMPLOYERS and trade unions which are party to the three-year vehicle manufacturing and tyre agreements entered into last year have had to revisit certain clauses of the agreement due to the decline in inflation

National Union of Metalworkers of SA spokesman Tony Kgobe said yesterday that in terms of the three-year agreements signed in both industries, the parties would have to revisit the section relating to the wage model if inflation fell either below 8,5% in the case of vehicle and below 8% for tyre or if it rose above 14%

He said during discussions with the employers, the union had proposed a 14% increase for those workers on the minimum of each grade and 12% for remaining workers Kgobe said employers indicated that they could not go beyond the published inflation rate of 5,9% as it would impact on the wage model, but thereafter proposed a 6% across-the-board increase and an additional 2% to increase the minimum

Auto Manufacturing Employer Organisation chairman George Stegman said that during discussions both parties had concurred with the need to uphold the intent and spirit of the agreement and in that vein would have to find agreement on the wage issue

Spokesman for the tyre industry Juan Dewelzin said the agreement only provided that parties should review the wage model which excluded negotiations on an across the board increase

BD 1/4/96

Erwin denies claim of down-phasing

BD 1/7/96

John Dludlu

TRADE and Industry Minister Alec Erwin has dismissed claims from business that government has accelerated its tariff reduction programme to levels far below SA's offer to the Uruguay round of GATT talks

Erwin told the SA Labour Bulletin "The notion that there has been a dramatic down-phasing of tariffs is in general not true "

He is quoted as saying only 5% or 10% of SA's tariffs are above the binding offer made by government to GATT Actual tariffs are in virtually all cases below the offer The exceptions were clothing and textile, motor vehicles and certain electronic goods

Some labour sources have called for the tariff reduction programme to be slowed down, especially as it has not been accompanied by supply-side instruments to assist industries undergoing restructuring However, Erwin says no one has made a conclusive case that the sole reason for job loss is tariff protection "The reason is industry is overprotected and will not sustain itself over time "

He points to the motor industry "How are you going to compete in the car industry when you've got seven plants, the average throughput of those plants is 50 000 to 60 000 cars, and a Japanese plant produces 400 000? The longer you leave the delay, the worse your position is "

Erwin says training should have "high levels of generic training portable skills You can't have training that will equip you only for the chemical industry, because that industry will change "

Company News

Motor industry 'still positive' in spite of June slump

(192) CT (PR) 5/7/96

By Roy Cokayne

Pretoria — The outlook for the motor industry this year is still positive, despite the 21 percent slump in new car sales in June from May, motor manufacturers and analysts said

Johan van Zyl, the marketing director of the Toyota group, said sales had been expected to drop quite sharply in June after the high level of market activity in May

"Naamsa figures for June, however, indicate an encouraging level of resilience," he said, a view echoed by other manufacturers

John Cuming, the director of sales and marketing at Delta Motor Corporation, said a correction following the relatively high May volumes was anticipated

The fact that new car sales for the first six months of the year were ahead of those for the same period last year was encouraging, he said Tony Twine, economist at independent consultancy Econometrix, said it was a reassuring surprise that the new car sales market "did not fall apart at the seams" last month He said the going rate for new car sales for the first six months of the year amounted to about 20 000 a month For sales to move from an unusually strong 25 000 units and remain at 19 000 was "not a bad show", he said

Twine said if June had been a second consecutive pre-emptive buying month, sales in the second half of the year would have fallen sharply. He said he expected second-half car sales on a seasonally adjusted basis to repeat the first-half performance Twine said the market would be affected by a slight slowdown in non-agricultural sector growth This would be offset by interest rates falling from their peak, with a further 1 percentage point drop before the end of the year boosting affordability and sales John Jessup, the marketing services director of Nissan, predicted that trading conditions in the second half of the year would be characterised by intensified competition

Trading hour curbs go for motor firms

(192) ARG 6/7/96

JOHANNESBURG – The South African Motor Industry Employers' Association (Samiea) and three trade unions in the retail motor industry have reached agreement on revised working conditions, the association has announched.

The agreement includes the scrapping of restrictions on trading hours, Samiea executive director Vic Fourie said in a statement.

This would allow employers and employees to decide on how to supply services like the sale of new and used vehicles, the sale of spares and repairs to vehicles from Monday to Saturday up to 11pm and up to 6pm on public holidays

The National Union of Metalworkers of South Africa and two other unions also agreed on minimum wages in the industry

Mr Fourie said the agreement brought equality in social security measures for all employees in the industry

The agreement is expected to be implemented by September 1 – Sapa

Chrysler set to hit SA's roads again

(192)

ST(BT) 7/9/96

By DON ROBERTSON

CHRYSLER and its dealer network have invested almost R20-million for the motor company's return to South Africa after a 13-year absence.

The internationally renowned Jeep Cherokee, in four right-hand-drive derivatives, and two models of the Neon sedan will be on showroom floors by the middle of August

They will be imported fully built-up from the US and Austria and come to the local market at competitive prices By October it is expected that the open-top Jeep Wrangler and multipurpose Chrysler Voyager will be available

Tom Ford, general manager of Chrysler International's SA office, says the intention is to sell about 2 500 vehicles in the first year, made up of 900 Neons and an equal number of Cherokees and Grand Cherokees sold through its four-dealer network.

"We deliberately chose Jeep vehicles to mark our return to South Africa because we believe they will find wide acceptance in a country that is renowned for its outdoor lifestyle and has a deeply ingrained 4x4 culture," he says

The pricing of the Jeep and Neon models is competitive with locally manufactured vehicles says Ford

The Neon will compete with the likes of the Toyota Camry, the Ford Telestar, the Mazda 626 and the Honda Ballade in price, with the basic Neon model sellingl for R86 950 and the top of the range LE model for R99 950. The standard Cherokee will cost R169 250 and the Grand Cherokee R219 500

There are about six component suppliers in South Africa which provide parts to Chrysler globally and it is intended eventually to encourage them to export to the various plants around the world, he says

Once the domestic market has been penetrated, the company will investigate the sub-Saharan market and will become involved in community and environmental affairs in South Africa

"Our experience in various markets has shown us that the driver of a Jeep Grand Cherokee uses the vehicle as a replacement for a luxury sedan. This means it will likely spend more than 90% of its life in city streets where four-wheel drive is an advantage in times of inclement weather and in other circumstances that affect road surface," says Ford

MOTOR INDUSTRY (193)

FLAGGING TAXIS

FM 12/7/96

A few years ago, Volkswagen planners in SA were wondering whether to cram more seats into their minibuses and make a full-blown pitch for what was then a blossoming taxi market

Japanese manufacturers, particularly, were full of enthusiasm for this market segment Adapting a 10-seater bus to officially take 16 (and usually many more) became big business Though VW's buses remained in demand with traditional family buyers, executives were tempted to broaden the vehicles' appeal

That they didn't is now a source of some relief The taxi-buying market has failed to come even close to marketers' expectations With a number of manufacturers out of the market, VW outsells its nearest rival nearly two to one

Reasons for the lack of demand for taxis are many they include outrageous financing demands, ongoing violence and a hugely oversubscribed vehicle pool that contains tens of thousands of unregistered vehicles The traditional, mainly white, VW market faces no such problems

Ironically, having refused to adapt its production lines to meet past taxi needs, VW now finds its vehicles in demand for the used market Private engineering companies are fitting extra rows of seats — with all the problems of added weight and lack of braking power that entails Company officials admit to being nervous about the safety of re-engineered vehicles but say there's nothing they can do

In June, VW sold 416 minibuses, compared with the 210 of its nearest competitor, the Toyota HiAce Other remaining options were some way back In terms of the light commercial vehicle market as a whole, however, Toyota remains well ahead of the pack Its HiLux bakkies continue to lead the way, with considerable help from its Venture and Stallion ranges

Industry marketers were predictably sanguine about last month's disappointing vehicle sales performance Having prospered in May on a wave of pre-emptive buying ahead of price and interest-rate increases, a rebound was to be expected.

At the halfway point in 1996, with overall vehicle sales barely 3% ahead of last year, the earlier buoyant mood has given way to one of nervous caution Heavier commercials continue to perform much better, but overall once-confident talk of a 5% increase in the SA total vehicle market this year has evaporated

The National Association of Automobile Manufacturers (Naamsa) best sums up the new mood It says, sombrely, that in the face of "extremely high" financing costs and reduced disposable income, 3% growth is merely "attainable " ■

M+G (BM) 12-18/7/96

Toyota in secret talks

(192)

Johnnic's stake in Toyota SA may go to a multinational, not the National Empowerment Consortium, if ongoing negotiations succeed, writes Tebello Radebe

A MAJOR multinational company has been urged to buy Johnnic's stake in Toyota South Africa, worth more than R230-million, for fear that a successful bid by the National Empowerment Consortium (NEC) could jeopardise the company's prospects.

Confidential documents obtained by the *Mail & Guardian* reveal that top-level meetings were held abroad to persuade the chief executives of the multinational to buy out the 21,4% Toyota stake in the Johnnic portfolio held by the Anglo American Corporation.

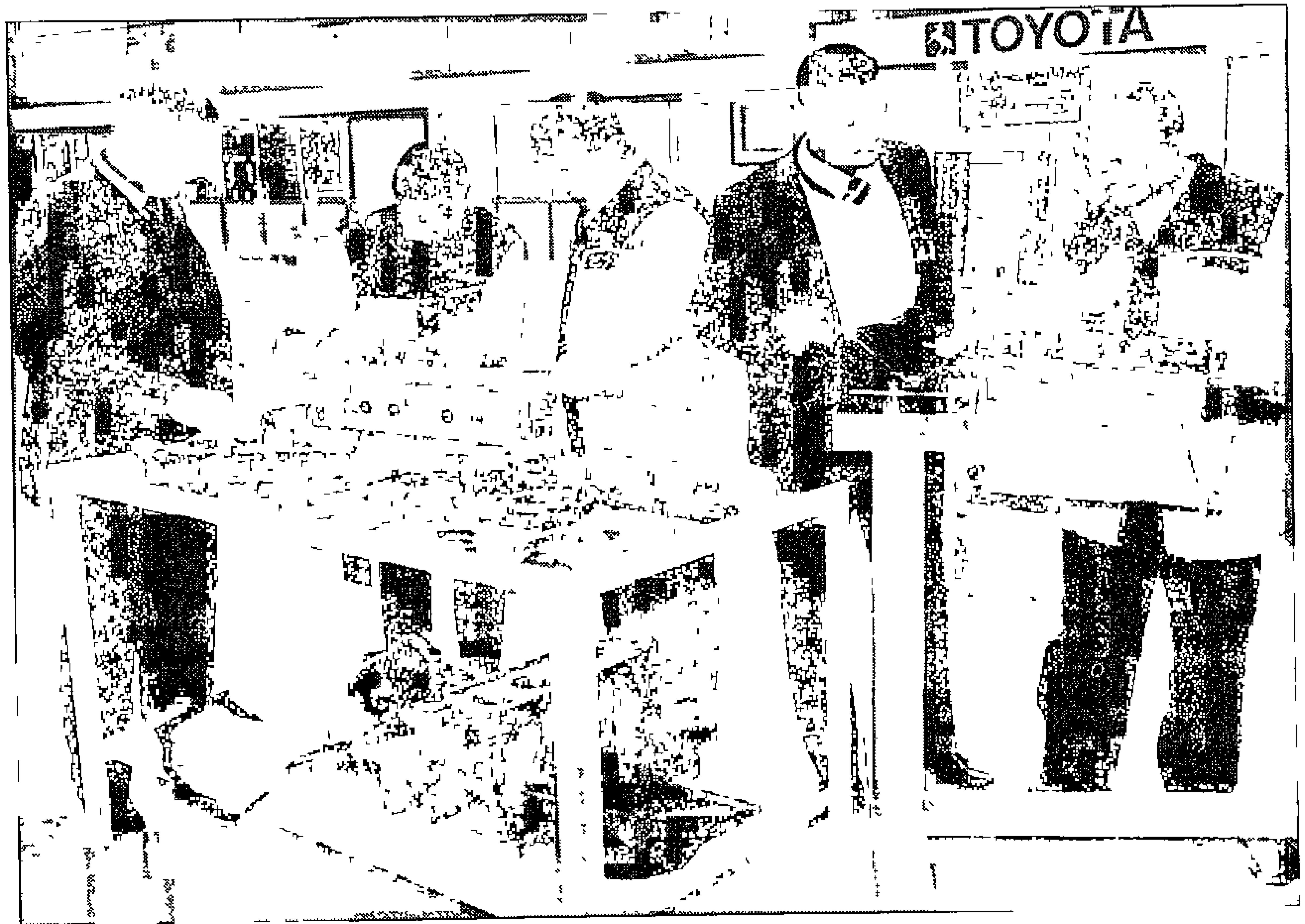
Among the reasons given for "seizing the opportunity" for a deal that would partly thwart the biggest black economic empowerment deal are:

- Buying the Johnnic stake would make the rest of the bid more affordable to the black investors;
- Possible New Africa Investments Limited (Nail)/NEC internal divisions and "lack of" industrial business experience could negatively impact on Toyota's business decisions,
- Nail/NEC has more interest in Johnnic's media interests,
- Nail/NEC has more interest in service-oriented business with smaller capital requirements, quicker dividend returns and more opportunity for black advancement than in an industrial environment, and
- A possible hostile takeover of Toyota should the black investors decide to sell to raise cash to pay their debts.

Interestingly, the proponents of the plan made clear there were no longer fears that black investors were most likely to be overly friendly to trade unions nor fears about the possible relationship between black investors and the workers — the biggest threat they saw was in black investors not realising enough cash to service their huge loans.

The deal was to have gone through by the last week of June or first week of July and extensive precautionary steps were taken to "prevent press leaks, speculation or rumours" before a major announcement.

Page two of a summary of the document states "[What is] not negotiable is that management of Toyota should remain in the hands of the present South African management and its appointees for the motivation of the present capable management."



Stake for sale: Toyota South Africa 'would welcome black investors' if the NEC bid succeeds

However, when asked to comment, Bert Wessels, Toyota South Africa executive chairman, referred *M&G* to the multinational and Anglo American, saying he was "not empowered to speak" for other companies.

He nevertheless stressed that Toyota South Africa "would welcome black investors" should the NEC bid succeed.

M&G attempts this week to obtain confirmation from the multinational company were unsuccessful. A staff member said the top executives responsible for Africa "were out of town".

The proponents of the Toyota deal claim that both Dr Nthato Motlana of Nail and the NEC's Wiseman Nkuhlu "were not interested" in the Toyota shares because the company had a low yield dividend policy which would not be useful for generating the high income required to service the loans needed by the black investors.

But Motlana was quick to distance himself from these claims. "I have made no such statement. Anglo made the offer [to sell Johnnic] to us as a package, you can't pick and choose which assets you want to buy. All this is just people talking and nothing else. Some say Nkuhlu is only interested in the Premier Food shares and nothing else — this is not true," said Motlana emphatically.

NEC bristles at Johnnic-Toyota talks

(192) BD 15/7/96

Amanda Vermeulen

JOHNNIC is negotiating to sell its 21,4% stake in Toyota SA to the multinational vehicle manufacturer, leading sources within the National Empowerment Consortium (NEC) to accuse the group and owner Anglo American of negotiating in bad faith

Johnnic chairman Vaughan Bray declined to comment, but other sources within the company confirmed that talks were taking place with Toyota to buy Johnnic's stake in Toyota SA

The sources said confidentiality documents had been signed between Johnnic and Toyota. No price had been agreed to for the stake, which was valued at R230,6m on the JSE on Friday

Johnnic's holding in Toyota SA is one of the investments on the table in negotiations between Johnnic parent Anglo American and the NEC. NEC sources said at the weekend it was not particularly interested in the Toyota stake because the group "was performing abysmally" and constituted a small percentage of Johnnic assets.

Toyota reported a 73,5% increase in attributable income to R194,1m in the

Continued on Page 2

Toyota

(192) BD 15/7/96

Continued from Page 1

year to December

An NEC source said, nowever, that the deal had to be done "at a good price" and added that while the NEC had been advised about the Toyota talks, its approval had not been sought

Although the Toyota interests represented only a small element of the Johnnic assets, NEC sources said the latest negotiations, combined with talks to merge Premier Pharmaceutical with Adcock Ingram and the proposed Times Media Limited editorial charter, indicated Anglo was negotiating in bad faith with the NEC on the sale of its 48% stake in Johnnic.

"For years, nothing was done with Johnnic Now that black shareholders are interested in its assets, they are being spun off before any deal can be done," the source said.

BD 16/7/96

Delta stops its Isuzu line

PORT ELIZABETH — A week-old strike at Uitenhage motor component plant Gearmax has forced the Delta Motor Corporation to shut down its Isuzu bakkie production line. (192)

Delta's manufacturing and assembly director Willem du Plessis called yesterday for the urgent resolution of what is the region's first politically motivated strike this year. (152)

A week ago 250 Numsa members at Gearmax downed tools, demanding that the company's head of security be fired or appear before the truth commission.

Numsa said Ivan Erasmus, allegedly a former riot unit policeman, boasted to workers of how the unit tortured political activists during the Eighties.

Gearmax said it would not give in to the workers' demands. The company could not compel anyone to appear before the commission. It would not fire Erasmus.

Workers are gearing up for a week of protest after the union shop steward's committee voted to back their members' demands. — Ecna.

Sale could boost Toyota SA long-term prospects

(192)

BD 16/7/96

Edward West

TOYOTA SA would need the expertise, technology and capital of a multinational parent firm to ensure long-term survival, analysts said yesterday

They were responding to speculation that Johnnic was negotiating to sell its 21,4% interest in Toyota SA to international group Toyota Motor Corporation — ahead of JCI's possible sale of Johnnic to the black empowerment group, the National Empowerment Consortium (NEC).

Toyota SA's share price fell 50c to R26,50c yesterday — which was well off its 12-month high of R36 in January, but off its 12-month low of R21 last month

Analysts were surprised by the share's move yesterday

"Any news, even speculation that the Japanese parent might be taking a stake in the local company should have sent the share price up," said one.

Toyota SA vice-chairman Elizabeth Bradley declined comment, and so too did Johnnic MD Vaughan Bray and NEC spokesman Irene Charnley Asked for comment, a Toyota Motor Corporation spokesman in Japan said· "We cannot confirm anything. Nothing has been decided yet "

Analysts said despite the strong profit growth Toyota SA had recorded last year in a buoyant vehicle sales market, its long-term outlook was less promising.

Factors inhibiting the local company's growth included restricted export markets to southern Africa in terms of licensing agreements, the fact that Toyota had no vested interest in Toyota SA, and the lack of an entry-level model in the rapidly expanding lower end of the local market

Toyota SA would need to expand exports urgently to stay competitive in the face of rising imported competition resulting from the liberalising of the trade regime, and the growing use of export credits by local competitors to offset import duties

One analyst said that if Johnnic's 21,4% stake was acquired by the Japanese multinational, it could be a precursor to acquiring close to full control of Toyota SA via the purchase of more shares from its controlling shareholders, the Wessels family

The NEC was understood to have been displeased at a possible sale of the Toyota SA interest. A source said yesterday, however, that a "fire sale" of any other of Johnnic's assets was not on the cards.

Comment: Page 12

(192)

Cooper clinches export deals

CT(BR) 18/9/96

By Marc Hasenfuss

Cape Town — Cooper Automotive South Africa, which was formed after US-based Cooper Industries acquired Trichamp Components from Murray & Roberts Holdings late last year, bolstered its offshore income by clinching three key export contracts

The company's brand line-up includes Champion spark plugs, wiper blades and ignition leads, Trico wiper blades, National automotive lighting, Ring lighting accessories, Trichamp commercial vehicle wiper blades and Wagner sealed beams It recently secured supply agreements with Chrysler and General Motors in the US and with Champion in Europe

Frik Nel, Cooper Automotive's managing director, would not reveal the value of the agreements, but indicated that expected export revenue could see Cooper Automotive's turnover increase by between 15 and 20 percent this year Nel said South African-made Champion spark plugs would be exported to Europe for distribution to mainly French-speaking African countries "This development was a direct result of our being part of the automotive segment of a multibillion dollar US parent"

He explained that previously the company was limited by licence agreements to exporting only into sub-Saharan Africa "Now we are able to tie-in with the international distribution network of Cooper Automotive and be an integral part of Cooper Industries' African strategy on a larger scale"

Nel said the company would start supplying windscreen wiper blades and arms to General Motors in Brazil this month, a contract which follows hard on the heels of an agreement to supply Wiper Linkages to Chrysler for their Prowler model "These relationships give Cooper Automotive valuable leverage with European and other foreign OEMs (own equipment manufacturers)," he said Nel indicated that negotiations were also under way for Cooper Automotive to break into the Australian car market He said that while the company was exporting components to Europe and the US before the acquisition by Cooper Industries, global sales through the distribution arm of the holding company would ensure future growth

Stormy debate over Toyota stake

(192) M+G (BM) 19-25/7/96

Tebello Radebe

EXTENSIVE new capital investments in South Africa have been part of lengthy discussions between the Japanese giant, Toyota Motor Corporation (TMC) and its local affiliate, Toyota South Africa (TSA), which has become embroiled in a controversy over the National Empowerment Consortium (NEC) bid for Anglo's stake in Johnnic.

Asked again this week to shed more light on TMC's possible investment plans in South Africa, Tokyo representative Keith Truelove told the *Mail & Guardian* that "we [TMC] cannot make any comments now; we are looking into the matter".

But, according to confidential minutes of meetings held in Japan in May, the car giant has been considering major investments in South Africa for some time. However, it may not have been able to do so because of the possible negative repercussions for local investors and the reputation of local management.

TMC first indicated more than a year ago that it was interested in buying up about 12% in TSA as well as exploring the possible establishment of a major plastics plant, including extensive improvements to the Toyota plant in Prospecton, Durban. Since then, TMC has expressed its desire for no less than 25% of TSA.

But among the fears over TMC's investment plans is that it would have cut the 50% stake held by the family of the late founder, Albert Wessels, in TSA's holding company, Wesco. This would have led to a delisting of Wesco on the Johannesburg Stock Exchange, which in turn would have led to institutional investors selling their shares.

Another option that was ruled out was a possible 25% rights issue. It was given the thumbs down because the funding requirements of TSA do not justify such an investment "which must show tangible growth expectations. If merely normal business is carried on, such an investment would also give a negative sign that management cannot manage their business profitably and needs capital injections to keep going," states the confidential document.

In the wake of plans by Anglo American to sell Johnnic to the NEC, the Japanese group has been urged to invest in TSA via the 21,7% stake in TSA held by Johnnic, worth more than R230-million.

This has unleashed a stormy debate, with Dr Nthato Motlana, head of New Africa Investments Limited, part of the NEC, saying "it will be interesting to see whether Anglo will sell off TSA separately since they have offered Johnnic to us as a package".

Anglo American gold and uranium division marketing director Kelvin Williams, top left, and divisional chairman Bobby Godsell, right, at the group's presentation of its June quarter results yesterday.

Pictures ROBERT BOTHA

R400m Mercedes plan to produce small trucks

(192) MS 19/7/96

Ronny Tshabalala

MERCEDES-Benz SA is to invest up to R400m in producing a new range of small trucks at the company's East London plant

MBSA chairman Christopher Kopke said yesterday his company was willing to invest more in SA in future, but this hinged on government's economic policies, which had not yet satisfied the world community

The SA government was running the economy along the same principles as the previous government, he said.

Kopke said he expected the Sprinter 3,5-4,6 ton diesel truck, which could be sold as a passenger vehicle or panel-van, to become a leader in the small truck market

MBSA expected to sell about 5 000 in the first year of production.

Annual production volumes were expected to reach 7 800 units by 1999, with the company aiming for a 20% stake of the small truck market

The vehicles, priced between R94 500-R115 800, would be sold with a 100% maintenance scheme, a scheme new to SA's commercial vehicle market MBSA hoped, also, to export the vehicles to southern Africa

Over the past two years MBSA's exports had grown 400% and it expected products worth R650m to be sold across SA's borders this year.

The export sales were mainly to the passenger car division of Mercedes-Benz in Germany, and included leather, alloy wheels, catalytic converters, glass and some smaller components, reports said

MBSA produced up to 40 000 units last year Sales totalled about R5,2bn.

Price war and cheaper cars halve motor trade's profit

(192) (38)

Edward West

BD 22/9/96

PROFITABILITY in the motor retail trade has more than halved over the past year — a casualty of the price war raging in the motor industry and the market's move towards cheaper cars

Latest figures from the Central Statistical Service show the industry's profitability ratio — net income as a percentage of turnover — fell to 0,6% in the first three months of the year compared with 1,5% in the same period last year The ratio was 0,9% in the final quarter of last year.

Retail market leader McCarthy Motor Holdings said at the weekend that the trade had been hit by rapid growth in the market for lower-priced cars, as well as price cuts. The market for cars priced below R40 000 had grown to 21,5% of total sales in the first half of 1996 compared with 16,5% last year and 13,8% in 1994

By the end of the year the lower end of the market was expected to account for up to 30% of the total market, chairman and CEO Brand Pretorius said. Growth of the new entry-level car market had virtually eliminated the R30 000-R40 000 used car market

Car manufacturers such as Samcor and Nissan have also continued cutting prices, despite the rand's fall Currency problems have forced some manufacturers, such as Daewoo, to lift retail prices.

Pretorius said trade-in values had dropped because of discounting.

Motor retailers were having to deal with lower margins because of the price cuts, higher rents, the cost of standards and systems upgrading, training and development and rising pay expectations

In addition, there had been a negative change in motor retailers' sales mix with a higher level of slower-moving stock Excess inventory was exacerbated by manufacturers' production

Continued on Page 2

Motor trade

(192) (38)

Continued from Page 1

BD 22/9/96

push and there was a temptation to address the situation through aggressive discounting programmes

"The end result is that the motor retailer's core product — new vehicles — is no longer delivering acceptable returns," said Pretorius

Brian Porter Holdings financial director Roger Ramsbottom said motor retailers were caught in a "double whammy" of lower margins on new cars and a depressed used car market.

The ideal way to manage a retail motor business out of such a situation was by absorption costing — covering overheads with parts and repair service profits. However, costs associated with a large new and used car lot could not be covered in such a manner

However, lower car prices were long overdue, as the price of cars in relation to disposable incomes had become "extremely high", he said.

Car makers to lift prices by about 3%

(192) BD 4/6/96

Edward West

THE rand's fall caught up with the motor industry yesterday as a string of manufacturers warned that their prices would rise an average 3%

Industry sources said the rises, a respite in the face of a price war that has ravaged the sector, were likely to be repeated later this year, even if the rand stabilised Economists said prices would have to rise about 14% to fully reflect the rand's fall, but that many manufacturers were attempting to soak up much of the increase to maintain market share

Samcor, one of the main aggressors in the entry level of the car market, said prices on certain Ford and Mazda models would rise 3,5% immediately.

Volkswagen SA, which lifted prices on some Golf, Jetta and Audi models last month, announced a 3% hike yesterday for CitiGolfs

BMW SA and Nissan SA have both lifted prices, with the latter going for an average 3,5% hike.

Toyota SA said it was maintaining prices on locally produced vehicles but some price adjustment was inevitable

"Exchange rates have put enormous pressure on prices and some movement is inevitable, we just have not decided which way to move yet," Toyota marketing director Francois Loubser said Prices for its imported cars, such as the Lexus, RAV4 and Previa, had been increased 4%-5%

The increases follow months of intensifying competition in the industry, which has led to price cuts, special offers and new entry vehicles

The National Association of Automobile Manufacturers of SA warned last month that prices would have to rise following the rand's fall, which has knocked input costs About 60% of SA vehicles have imported components

Continued on Page 2

Car prices (192)

Continued from Page 1 BD 4/6/96

But industry sources said many players had chosen to suffer thinner margins rather than cede market share. Samcor's aggressive pricing has enabled it to grab nearly 20% of the market against 14% early last year

Econometrix economist Tony Twine said the rises were far below the actual effect of the rand's deterioration In dollar terms the weaker rand would have increased the cost of an imported car by 25% The increase for a locally made car should have been about 14%, as the imported component of locally produced vehicles averaged 45%.

Twine said manufacturers were offsetting higher costs with export credits, as the rand value of the credits under the motor industry development programme would have increased with the devaluation.

Many manufacturers had a high level of stock at last year's prices and much of the industry would have benefited from forward cover

NF Die Casting to export cylinder heads to Ford

(192) CT (MR) 3/7/96

By Jonathan Rosenthal

Johannesburg — NF Die Casting, which is 51 percent owned by Anglo American, said yesterday that from January it would produce 450 sets of cast aluminium cylinder heads and inlet manifolds a day for export to the Ford Motor Company

The contract is part of Samcor's 30-month, worldwide sole-supply contract to the company for Ford Escort 1,4 PTE engines. N000F should begin the new venture with limited production of 50 sets at Samcor's Port Elizabeth engine plant by mid-July, said Barry Hallett, the managing director

Samcor is expected to supply about 200 000 engines to Ford over the next two years, generating export earnings of more than R400 million. NF has bought tooling and equipment for the contract from Ford's present supplier for R6 million. About 80 new jobs will be created, Hallett said

Cylinder heads are cast at NF's plant and machined by Samcor in Port Elizabeth. NF casts and manufactures the inlet manifolds

Bearing Man sets its seal on expansion

(192) CT(BR) 5/6/96

By Stuart Rutherford

Durban — Bearing Man, a Durban-based distributor of bearings, seals and power transmission products, continues to follow its impressive growth path with large expansions and a tie-up with a German company

Bearing Man will report its year-end results on July 26 and analysts expect the company to push its turnover to R300 million and lift its earnings a share by 15 percent

Bearing Man is 55 percent owned by Anglovaal In January it reported an interim turnover of R141 million and an operating profit of R19,7 million

Greg Till, the managing director, confirmed that shareholders could expect superior returns for the year He would not comment on speculation about a share split

Till said the group had increased the number of its outlets around the country by 10 percent to 60 in the past year

Last week it obtained an 11 000m² site adjoining its premises in Droste Park, Johannesburg He said the group intended to construct a 3 000m² warehouse and distribution facility on this site It would be completed by December

> *'It is an opportunity to get involved in a market that is worth in excess of R150 million'*

"We have also secured exclusive rights to distribute products made by a large German principal and have sent 50 sales staff to Germany for training," he said An announcement detailing the identity of the German company would follow next week He said the deal would provide Bearing Man with a good range of products

"For us it is an opportunity to get involved in a market that is worth in excess of R150 million a year in South Africa," he said

Till said that during the year the company had defended its market share in the bearings division and had continued to expand in the seals, power transmissions, specialised conveyor belting and gearbox divisions He said the business had provided an excellent rand hedge in the short term because it had a large stock and had no real local competitors

"We are a one-stop shop There is no other company in the industry that has the spread of products that we have"

Till said the company imported 90 percent of its products It had exclusive rights to 20 brands and shared rights to another 12

He acknowledged there was a limit to the number of products that Bearing Man would carry, but he expected growth to continue to the end of the century, with outlets planned for Botswana and Zimbabwe next year

0 1996

Motor industry to create extra jobs

BD 10/6/96 (192)

AN AGREEMENT aimed at creating additional jobs in the motor industry was hammered out on Thursday during talks between unions and employers, the National Union of Metalworkers of SA said at the weekend.

Numsa spokesman Tony Ehrenreich said the unions and employers agreed that trading hours in the industry be extended from 97 to 119 hours a week.

They further agreed that the working week of employees be compressed into four days The three remaining days would be covered by new employees in the industry, leading to the creation of more jobs, Ehrenreich said.

"We think that this is fundamental because as labour we are accused of only looking after our members' interests who are presently employed .. we think this now takes into account the needs of the society as a whole, especially the creation of more jobs "

Ehrenreich added the agreement was reached during talks between Numsa, the Motor Industry Employees Union, and the SA Motor Industry Employers Association (SAMIEA) in Kempton Park

Numsa said it was agreed that employees' working hours should be 45 hours a week, but with a maximum of a 12-hour shift over four days Motor industry workers could also win wage increases of 12% for the lower grades and 8% for the higher grades when the agreement was promulgated, Numsa said.

Promulgation of the agreement could be delayed because the Motor Industry Staff Association, which represents white clerical staff, rejected other trade unions' and employers' proposal that managers fall outside the scope of the application of the agreement, Numsa said.

SAMIEA representative Vic Fourie confirmed the agreement but said certain issues were still outstanding They hoped to resolve the issues before the middle of next week, he said

He refused to elaborate, saying the issues were sub judice. The participants also hoped to confirm the agreement at a special general meeting of the Industrial Council on Thursday

The meeting also agreed to end discrimination based on race with regard to the provident/pension fund Numsa said black workers had in the past received from and made minimal contributions to, the fund compared to their white counterparts It was also agreed to guarantee continuation of service for a woman on maternity leave who had 12 months' service with the same employer — Sapa

Nissan reignites price war with big cuts

Lukanyo Mnyanda BD 11/6/96 (192)

NISSAN SA, owned by the recently listed Automakers group, is to slash its prices by up to 18,5%, reigniting the car price war which was dampened by rand-linked price hikes

The group — one of the largest market players — said prices across its Nissan and Uno range would fall in a bid to undercut competitors The entry Uno Fire drops more than 10,1% to R34 990, while the 160GXi drops 18,5% to R75 900 Other manufacturers lifted prices at least 3% after the rand's fall, which is expected to trigger a 14% retail price hike this year

But Nissan said its cut had been driven by "intense competition" in the sector "These reductions are the culmination of a long process and result from reduced component and manufacturing costs," marketing services director John Jessup said The company denied it had cut a special supply deal with its Japanese suppliers.

Automakers' shares gained 25c or 8,2% on the JSE yesterday, closing at a new high of 330c But analysts dubbed the move "desperate" from a company fast losing market share. The cut was likely to bite deeply into its earnings

The group said in March its prelisting forecast for earnings growth for the year to June was unlikely to be met, given the competition in the sector.

One analyst found the industry faced rationalisation "Our markets are just not big enough to support all the players someone is going to have to go"

Motor industry price war takes off

192 ARG 11/6/96

HENRI du PLESSIS
Motoring Reporter

THE gloves have come off as the motor industry heavyweights square up for sales supremacy

Samcor, the South African maker of Ford and Mazda products, has reversed a recent price increase announcement and announced instead a sharp drop in prices

The announcement comes in the wake of a 10 percent average price cut by Nissan South Africa

Nissan's cut, announced by marketing services director John Jessup late yesterday, sweeps across all locally made models

"New vehicle buyers, hammered recently by the rising petrol price, higher interest rates and effects of the fall in the value of the rand, will be forgiven if they cannot believe their ears when they hear that Nissan is reducing the prices of all its locally produced Nissan and Uno vehicles," Mr Jessup said

"While the average price reduction is around 10 percent, each model variant has been looked at independently with regards to positioning, specification levels and potential demand

"As a result, reductions vary widely, and in some cases exceed 15% Nissan passenger car prices decline 9,4% on average, Nissan light commercial vehicles by 10,6% and Uno vehicles by 7,8%."

Mr Jessup admitted the move came against the background of intense competition "These reductions are the culmination of a long process and result from reduced component and manufacturing costs," he said

As an example, the Fiat Uno Fire three-door will now cost R34 990 instead of R38 540, a drop of 10,1 percent

Samcor hit back by not only dropping prices to levels prior to the recent increase, but also said anybody who bought one of the affected vehicles after the price increase would be in line for a refund to match the new prices

The Samcor products in line for the reduction are the Ford Laser Tracer and Mazda Midge models and the Ford Bantam and Mazda Rustler half-ton pick-ups

Volkswagen South Africa would have to follow suit soon if it wanted to stay in competition, said a prominent motoring journalist, Robin Emsley, past president of the South African Guild of Motoring Journalists

Some industry sources suggested the price drops were the actions of companies in trouble, but Mr Emsley disputed this

"I don't think we will have cripples in the near future If you consider the struggle the motor industry has had to face the last decade, you will see they have been quite resilient "

The motor industry war is not only being fought on the sales price battlefield After-sales costs were also under the spotlight recently when Mercedes Benz announced its plan to cut spares prices by 30 percent and before that BMW announced that maintenance contracts were included in the price of its cars

Apart from facing competition from each other, the South African motor industry has increasingly had to face competition from importers following reductions in protective levies

Surprise move follows recent increases

CT(BR) 11/6/96 (192)

Nissan fires first salvo in new price war

By Roy Cokayne

Pretoria — A new motor industry price war is on the cards after Nissan's surprise decision yesterday to reduce the price of its locally produced Nissan and Uno vehicles by an average of 10 percent

The price cuts were unexpected and follow a recent spate of price increases averaging 3 to 3,5 percent by the majority of motor manufacturers because of the depreciation of the rand

John Jessup, Nissan South Africa's marketing services director, said the price cuts were "the culmination of a long process and resulted from reduced component and manufacturing costs"

Nissan passenger car prices have been reduced by an average of 9,4 percent, Nissan light commercial vehicles by 10,6 percent and Uno cars by 7,8 percent In some cases, the reduction has been more than 15 percent

The move is all the more surprising because the motor industry was bracing for further price increases

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers South Africa, said last week the association expected further pre-emptive purchases by consumers, who expected adjustments in the prices of new vehicles to underpin the new vehicle market for the rest of the month

He said the recent price increases did not fully reflect the cost-raising effect of the rand's weakness

Tony Twine, a motor industry analyst and a director of Econometrix, pointed out that the rand had fallen 20 percent since the beginning of the February but the increases had stayed within a 3 to 3,5 percent range

This means motor manufacturers have not solved their problems with the price rises

Most manufacturers have increased the price of their vehicles but some have cut the price of selected models sharply

Nissan cut the price of the Sentra 160 GX with air conditioning and power steering by 16,3 percent, from R77 700 to R66 800

The price of a Nissan Hardbody 2,0 litre short wheelbase Custom has been reduced by 16,8 percent, from R70 092 to R59 990

In the Uno range, the base model 1100 Fire three-door has taken the biggest cut, the price has fallen 10,1 percent, from R38 540 to R34 990 These cuts means the Uno base model is cheaper than both Samcor's Mazda Midge, which sells for R35 495, and Volkswagen's Golf Chico, which costs R35 070

Last week, Samcor raised the price of some of its Ford and Mazda models by 3,5 percent and Volkswagen increased the price of its Citi Golf range by 3 percent

Manufacturers Asso-

Nissan answers fraud claim

BD 11/6/96 (192) (~~????~~)

Edward West

NISSAN SA has launched a R12,7m counter-claim to government's R30,1m claim, ahead of moves to gather evidence in Scotland next month as part of an investigation into motor industry export incentive fraud

The department of trade and industry's R30,1m claim on Nissan is one of five made against various vehicle manufacturers including Toyota SA, Delta, Samcor and Associated Automotive Distributors, valued in total at about R120m, following export incentive fraud allegations against certain motor parts manufacturers in terms of the defunct Phase VI local content programme

A Nissan SA spokesman said yesterday that once evidence was heard on commission in Scotland, the soonest the issue was likely to be heard was January 1997

Court papers lodged in the Pretoria Supreme Court showed that the state had paid Nissan SA R30,1m as excess rebate payments based on export incentive cessions by Bolts Trading and Manufacturing (BTM) and by Johan le Roux, of the company Non-Ferrous Refiners The department was claiming the money back on the basis of "unjustified enrichment," or alternatively, "misrepresentation "

The R12,7m counter-claim represented Nissan SA's view that it complied with Phase VI, and that the money was in fact, still owed to it in terms of the programme

" Whatever false information was given by BTM and Le Roux, if in fact this occurred, is irrelevant to the respondent's claims and counter claims and the applicant's claims The respondent is not party to any fraud," Nissan SA said in its submissions to the court

The state intended to gather more evidence in Scotland from former BTM director Karen Boyle, who left SA in 1992 when the Office of Serious Economic Offences wanted to interview her

Evidence to be gathered related to correspondence between Nissan SA and its trading company Motoware, and BTM, and invoices from European companies Contrax AG and Eurobolt GMBH.

In an earlier affadavit, Boyle claimed that some of the nuts and bolts that were exported by BTM under the phase VI local content programme were "just too large to fit into a motor vehicle".

"In some cases the products were absolutely obsolete and he (BTM MD Jurgen Rohde) literally went about buying scrap products simply to inflate his exports, in my view," Boyle said

Boyle was also a director of CET Trading, a company which allegedly exported nuts and bolts at inflated prices and had ceded its foreign currency earnings to Toyota SA Government had claimed R56,7m from Toyota SA, court papers showed

New car price war is not viable, says McCarthy

Lukanyo Mnyanda

BD 12/6/96 (192)

LOCAL motor manufacturers' resurgent price war stepped up yesterday as Samcor announced a new round of price reductions — barely two weeks after announcing price increases of about 3,5% for selected Ford and Mazda models

Samcor said the cuts — the second this year — would apply to its Ford Laser Tracer and Mazda Midge small car ranges, as well as its Ford Bantam and Mazda Rustler half-ton pickups

Samcor's announcement comes only a day after competitor Nissan SA announced similar cuts, when consumers were bracing for higher prices as the rand's fall was expected to trigger a 14% hike later this year

Like Nissan, Samcor said the reductions were a culmination of long-term strategy aimed at reducing costs and passing savings to customers

Econometrix director Tony Twine said the rest of the industry would be forced to react to the latest round in the price war The latest reductions could also knock the residual value of previous customers' vehicles, he said

However, SA's largest motor vehicle retailer, McCarthy Motor Holdings, warned yesterday that price increases were inevitable, as the local industry could not afford to enter into another price war

McCarthy chairman and CEO Brand Pretorius said "The motor industry has already fought its price war Significant gains have been made in affordability in the past 18 months, but with the depreciation of the rand, prices will now increase "

A well-concealed strategic move, says analyst

Nissan takes industry by surprise

(192) CT (BR) 12/6/96

By Roy Cokayne

Pretoria — Nissan South Africa's decision on Monday to reduce the price of all its locally produced Nissan and Uno vehicles by an average of 10 percent caught other motor manufacturers and motor industry analysts napping

What made Nissan South Africa's price reductions more surprising was the fact that in the middle of last month, it became the first manufacturer to increase its prices after the rand's decline

The price increases were expected and most motor manufacturers had increased the price of their vehicles by the end of last month on average between 3 and 3,5 percent, as a result of the slump in the value of the rand

Johan Kleynhans, the general manager of public relations for Nissan South Africa, yesterday decribed the company's price rise last month as "a tactical decision"

Tony Twine, a motor industry analyst and a director of Econometrix, said the price reductions were "an extremely well-concealed strategic move by Nissan that pretty much took the market by surprise"

Kleynhans said Nissan South Africa was moving towards net pricing for its vehicles

"As is the trend in Europe and the United States, the price you see is the price you pay," he said

Eric Scoble, the passenger car marketing manager for Mercedes-Benz of South Africa, said the reductions were being achieved by cutting dealer margins and moving towards net pricing

He said there was more product and choice on the South African market and "the fight is on this year between the motor manufacturers"

Scoble said South Africa was an attractive market and the increased competition would result in the market share of the individual manufacturers moving more into line with the 12 to 14 percent range held by leading brands in other competitive markets such as Britain and Germany

Another unexpected aspect of Nissan's reductions was the wide range of vehicles in its product range affected Eight Uno models, 18 Sentra derivatives and 27 light delivery vehicles were reduced

Other manufacturers have reduced the price of selected vehicles in their model ranges — before and after Nissan's initiative They mostly compensated for the reductions by increasing the price of other models

Before Nissan's price war, motor industry analysts were adamant that further vehicle price increases were certain

Twine said Nissan's price reductions were not foreseen because everybody was working on the assumption that the industry would continue operating as it had done for the past 15 years

Nissan's price reduction had broken the mould, he said

Twine said Nissan had been able to reduce the price of its vehicles through intense negotiations with its overseas and local suppliers, its labour force and internal restructuring Its entire cost structure had come under very intense scrutiny

Twine said this had enabled Nissan to reduce its entire cost structure rather than reduce the price of selected models

Twine descibed the price moves as "very aggressive stuff" and believed the motivation for the move was an attempt to increase market share

He said the market was not getting bigger in volume terms and if manufacturers needed increased unit sales, they had to have a bigger market share

Kleynhans rejected suggestions that Nissan's price reductions had been prompted by high stock levels

The price reductions have evoked criticism in some quarters

Brand Pretorius, the chairman and chief executive of McCarthy Motor Holdings, said motor vehicle price increases remained inevitable because the industry was unable to enter into another price war

Pretorius described Nissan's price cuts as a defensive strategy "reflecting Nissan's specific situation rather than the industry's position as a whole"

"The motor industry has already fought its price war Significant gains have been made in affordability over the past 18 months but with the depreciation of the rand, prices will now increase," he said

Samcor enters the fray as it cuts prices on new cars

By Roy Cokayne

Pretoria — The motor industry price war escalated yesterday, with Samcor announcing reductions in the price of certain vehicles in its range in response to Nissan South Africa's surprise price cuts on Monday

The price cuts were announced by Jim Miller, Samcor's chief executive officer

Miller said the new prices were retroactive to June 3 and any customers who purchased one of these vehicles since then would be refunded

Nissan announced on Monday a reduction in the price of all its locally produced Nissan and Uno vehicles by an average of 10 percent

None of the other motor manufacturers appear to be entering the fray Volkswagen and Toyota said they would not be reducing the price of any of the vehicles in their product ranges

Roger Houghton, the general manager of public affairs at Toyota SA, said that it would not be adjusting any of its prices

Graham Hardy, Volkswagen South Africa's marketing director, said they did not plan to change its pricing structure in reaction to the announced price reductions of Nissan and Samcor

"We view these actions with concern as price reductions of this magnitude could negatively impact on consumer confidence and resale values and serve to threaten the viability of the manufacturers"

He said at Volkswagen, their intention was to endeavour to continue providing value for money and affordability to customers without jeopardising the resale value of the product range

Samcor price re-alignments involve its Ford Laser Tracer and Mazda Midge small-car ranges and its Ford Bantam and Mazda Rustler ranges of half-ton bakkies

The price reductions make Samcor's entry-level base model passenger cars marginally cheaper than Nissan's after the price cuts In the Uno range, Nissan's cut the price of its base model 1100 Fire three-door from R38 540 to R34 990

Miller said it was the company's intention to provide the best value for money in the markets in which it competed.

"The success of this long-term strategy, which was announced in mid-1995, is borne out by the fact that Samcor's share of the passenger car market has improved from 10,8 percent in 19,7 percent and of the total market from 14,1 percent to 19,8 percent over this period"

SA and Germany sign agreement

(192) BD 13/6/96

Melanie Sergeant

MUNICH — SA could become a "virtual factory" for product manufacture, and discussions are under way to take this concept into the manufacture of car parts.

At the signing of a science and technology partnership with Germany yesterday, Arts, Culture, Science and Technology Minister Ben Ngubane said that with German technology and SA's labour and raw material resources, SA could become a dominant supplier of various products — including automotive parts for many of Germany's vehicle manufacturers.

Talks have begun, with the Council for Scientific and Industrial Research having signed a co-operation agreement with the Fraunhofer Society, which works with industry to commercialise German research and development projects.

Ngubane has called a meeting with a number of top SA industrialists for July 1 to discuss the technology partnership, and to move quickly with initiatives inthe areas of manufacturing; renewable energy resources; environmental projects focusing on remediation of heavily polluted areas; and integrated medical programmes linked to rural upliftment.

He signed a co-operation agreement with German Education, Science, Research and Technology Minister Juergen Ruettgers This covers information and resource sharing, the exchange of scientists, and joint research and development projects with the exchange of results.

The two countries will appoint a joint commission to define fields of co-operation, and both will assist in commercialisation of results.

Ngubane said SA was working on an integrated medical/social programme which could be exported if successful.

This is based on developing centres in rural areas, which provide basic medical services and educational, recreational, business and research activities.

President Nelson Mandela launched the German Southern African Initiative during his recent visit to Germany, and said the new technology partnership could be the necessary catalyst to boost German investment in SA.

Ngubane said the agreement with Germany would have a different nuance from others in place, because while SA was a small player in international science and technology, it was in a good geographical location and had a number of resources which Germany could harness.

Earlier, Ngubane had said that from a 1985 level of 1,17% of GDP, spending on research and development in SA had fallen to 0,75%.

While he would "love to provide some incentives", SA's tax collection system could not handle incentives common in many countries, as it had pressures with debt levels and other priorities

MANUFACTURING - MOTOR INDUSTRY

1996

JANUARY - JULY

Higher duties to raise luxury car prices

CT (MR) 1/12/95 (192)

By Roy Cokayne

Pretoria — The government is proposing a fresh tax on new cars and light delivery vehicles that is likely to lead to an increase in the duties on higher-priced vehicles

Fanie Basson, acting deputy commissioner of customs and excise, confirmed this week that the so-called "fiscal duty formula tax" would be introduced He said the government was still considering the formula and how to tax cars according to their price

Basson said the proposal would then be submitted to the deputy finance minister, Alec Erwin, for his signature

He said he did not know when the tax would take effect

The tax is intended to compensate the government for the revenue lost because the ad valorem excise duty on vehicles fell away with the termination of Phase VI of the local content programme

Basson said earlier the rate of the fiscal duty formula tax would depend on the cutoff price

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), stressed the fiscal duty formula was not a new tax It replaced the fiscal non-rebatable excise duty, which had fallen away

"It will kick off at a low rate There will be a benefit for lower priced vehicles compared to Phase VI but it will be two or more times the rate previously paid on higher priced vehicles"

Vermeulen believed it was intended to tax luxury goods and generate revenue for the state

He said the fiscal duty formula would apply only to passenger and light commercial vehicles He welcomed the exclusion of medium and heavy commercial vehicles because this recognised the need to reduce the cost of essential capital items in the economy

"It will apply to locally produced and imported vehicles Previously imported vehicles were not subject to fiscal duty, which is an important change"

Vermeulen stressed a reasonable balance was needed between the revenue needs of the state, the interests of the motor industry and consumer affordability However, the tax burden on the motor industry was still excessively high

"If the government is serious about promoting affordable vehicles, there is a lot it can do on the tax side

"There is consensus among vehicle manufacturers about the need to make vehicles more affordable for consumers"

VW stays on top (192)

VOLKSWAGEN SA, the country's passenger vehicle market leader, is set to post its best ever production and profit figures this year, the company said in a statement this week

With retail sales up by 40 percent from last year the company said it had reached the three goals it set itself when new managing director Heinrich Holtmann took charge of the Uitenhage plant at the beginning of the year

VWSA's goals for 1995 were to achieve a 24 percent passenger market share, production of 70 000 vehicles and to attain world class quality standards.

"Our projected total production for 1995 of 70 000 vehicles is a 60 percent increase over total production for last year and this was achieved despite a two-week closure of our plant because of the fire in our paint shop in March," Holtmann said

In August workers at the Uitenhage factory produced an all-time factory record of 7075 vehicles and shipped more than 7000 vehicles to dealers nationwide while for the month of October the company captured a record 27 percent of national sales

Holtmann said that total turnover for 1995 will be about R450 million, including large exports of pressed parts

He also said the VW Group's world-wide quality audits indicated VWSA was achieving quality standards comparable to the best plants "anywhere in the world" – Ecna

CP 3/12/95

Volkswagen to post record production and profit figures

(192)

CT(BR) 4/12/95

By Roy Cokayne

Pretoria — Volkswagen SA will post its best production and profit figures in its history this year, in addition to having achieved a leadership position in the passenger car market

The managing director, Heinrich Holtmann, said this year looked to be a year of records and that the company had set three major goals for the year the achievement of a market share of 24 percent, the production of 70 000 vehicles, and attaining world-class quality standards

"We have boosted our retail sales more than 40 percent from 1994 to 1995, which includes a record 27 percent of national sales for October Our projected total production for 1995 of 70 000 vehicles is a 60 percent increase over total production for last year

"Over the past few years, the company has been working hard at improving productivity to allow us to compete against international competitors as the South African vehicle market opens up

"In August, we produced 7 075 vehicles at our Uitenhage plant, an all-time record for the facility in any month In the same month, we shipped a record 7 270 vehicles to our dealer network around the country, compared with the monthly average for 1994 of 3 914 cars In July, we successfully completed the three-year Jetta export programme to China This project has given us valuable experience in supplying large numbers of vehicles to international markets, which we hope to be able to put to use in future," he said

Holtmann said total export turnover for this year would be about R450 million, which included large exports of pressed parts

He said that based on the Volkswagen group's worldwide quality audits, the South African subsidiary was achieving quality standards comparable to the best plants in the world

"Volkswagen SA is one of the most profitable subsidiaries in the group Despite securing a 10 percent reduction in the price of the Citi Golf Chico, we have been able to show a profit to our shareholders, with a turnover yield of 8 percent before tax

"Our achievements this year have come largely through the acceptance of our products in the market and, in particular, the launch of the Citi Golf Chico, the most affordable locally produced passenger car, which has secured up to 12 percent of all new car sales in South Africa

Holtmann said the record figures reflected a commitment to become a world-class manufacturer

Strike ends as Toyota suspends employee

(192)

Renee Grawitzky,

BD 6/12/95

A STRIKE by 800 workers at Toyota's Prospecton automotive component plant in Durban over the promotion of an employee without advertising the post internally had been resolved after the employee was suspended pending an investigation, the National Union of Metalworkers of SA said yesterday

Union spokesman Tony Ngcobe said workers had embarked on strike action after an employee with a bad track record in his relationships with workers had been transferred to the plant and promoted to superintendent

Numsa organisers at the plant have claimed that this employee resigned from Toyota in 1993 after the long 1992 strike and said that he would not live "under a black-run government".

Toyota said the employee concerned had resigned to take up a position in a family business and had reapplied for employment at Toyota after this ventured had not been fruitful

Samcor wins Ford engine export deal

Michael Urquhart (192) BD 6/12/95

SAMCOR had secured a contract worth R400m a year to become the sole world supplier of Ford's 1,4 PTE engines, the company said yesterday

The local motor manufacturer, jointly owned by Ford and Anglo American, would invest R126m to install a new line at its Port Elizabeth engine plant, and would employ an additional 350 people to handle the order

The contract called for the supply of 200 000 engines, would last for two-and-a-half years and could be renewed at the end of that period The total value of the contract was R1bn

The first engines, to be used in the new Ford Escort, would be shipped to various Ford plants overseas from February next year.

Ford Motor Company chairman and CE Alex Trotman said his group was looking at other components besides engines to be sourced from SA Samcor already supplied catalytic converters and leather trim to Ford in Europe

"The engine plant has the capacity of producing numerous other components," he said "We are looking at SA to expand as an export base for Ford products to other countries In fact, we are looking at SA as a supply base for the rest of Africa"

Trotman said Samcor, through its quality and improving productivity, was a good example of the type of manufacturing operation SA needed to be successful in world markets.

Samcor group MD Jim Miller said the company was looking at a range of Ford products from around the world for introduction to SA

Our Port Elizabeth correspondent reports the contract will create at least 350 jobs at the Struandale plant

Ford pulled out of Port Elizabeth 10 years ago

Samcor to become world's only supplier of Escort 1,4 engines

(192) CT(BR) 6/12/95

By Roy Cokayne

Pretoria — Samcor's engine plant in Port Elizabeth has clinched a major export order from the Ford Motor Company that will make it the sole supplier of Ford Escort 1,4 PTE engines worldwide and earn R400 million a year in revenue

The export deal was announced in Pretoria yesterday by Ford's chairman and chief executive Alex Trotman He said the deal would require a R126 million investment in the engine plant

Trotman said the deal would also result in an additional 350 people being employed at the Port Elizabeth factory, apart from any jobs created among its component suppliers.

Trotman made the announcement shortly after meeting President Nelson Mandela and Executive Deputy President FW de Klerk He said they gave him "a lot more confidence in the success that is ahead of this country"

Leslie Boyd, deputy chairman of Anglo American, which has a 45 percent shareholding in Samcor, said the investment in the engine plant would be split between the equity partners in Samcor

Ford also has a 45 percent shareholding in Samcor and management control of the company The remaining 10 percent shareholding is held by Samcor Employees Trust

Samcor's group managing director, Jim Miller, said the Ford contract called for 200 000 of the PTE engines to be delivered over 30 months

Trotman said this translated into about 400 engines a day "which is very serious business"

The first engines would be shipped to Ford assembly plants starting next February He said Ford was also looking past engines as an export opportunity for its joint operation with Anglo American in South Africa

'The engine plant has the capability of producing numerous other components, which we are also looking at We are investigating opportunities for Samcor to expand as an export base for Ford products to other countries in Africa and elsewhere In fact, we are looking at South Africa as the supply base for the rest of Africa," he said

Trotman said Ford believed that Samcor, through its quality and improving productivity, was a good example of the type of manufacturing operation South Africa needed to be successful in world markets

Miller said there were plans to expand Samcor's export business and rejuvenate the Ford range of vehicles "We are looking at a range of Ford products from around the world for introduction into South Africa Ford 2000 — the company's worldwide restructuring — gives us a global opportunity to serve individual markets For South Africa this means that the needs of our markets are now part of Ford's product development plans for vehicles to be built and sold by Samcor"

POWER DEAL *President Mandela with Ford chief Alex Trotman*

Boland scores major international loan

CT(BR) 6/12/95 (88)

By Maggie Rowley

Cape Town — Boland Bank has scored a major breakthrough in obtaining a syndicated general purpose loan of $60 million (about R220 million) on the international capital market at very favourable rates

The loan is the first of this nature and magnitude to be granted to the youngest of the country's five clearing banks Until now only the top four commercial banks have been able to access loans of this nature and size

Boland Bank chairman Christo Wiese said the loan was equal to almost a quarter of the bank's capital of about R900 million and signalled a strong vote of confidence on the part of foreign investors

The loan was arranged by a consortium of four international banks including Rabo Bank and ING Bank, both of The Netherlands, which acted as the arrangers while the Baden-Wurttembergische Bank of Germany and the Dresdner Bank (southeast Asia) acted as co-arrangers

Wiese said altogether 13 banks had participated in the syndication and the loan had been fully subscribed "I see this as the beginning of a new development phase for the bank," he said

"With this transaction we got a foot in the door of the international capital markets and we intend to open that door further and make increasing use of this market for additional growth in our operations"

The loan, he said, was a general purpose facility with no restrictions in terms of how the money could be used "With these additional funds we can enter the corporate financing market in South Africa more strongly than in the past and we are already negotiating with several large corporate clients for putting the money out to loan"

Boland Bank managing director Michiel le Roux said the loan was obtained at a favourable finance rate of 50 basis points above the London interbank offered rate

"Since the beginning of the year rates have improved considerably and our clients will enjoy the full benefit of these lower rates," he said

The loan was for 12 months with the option of extending it for a further 12 months

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MOTOR INDUSTRY — 1

Ford revs up

FM 8/12/95

While not insignificant, Ford's announcement that it is to invest R126m in Samcor's Port Elizabeth engine plant would normally not have caused that much of a ripple given the rand/dollar exchange rate

But what is inherent in the deal is that Ford will use SA to source all its 1,4*l* high-torque, low emission engines for the Escort model. This is nothing to be sneezed at considering Ford plants worldwide will call for 200 000 engine units over a 30-month period — a forex bonanza of over R500m

And that the news was announced by chairman and CE of the Ford Motor Co Alex Trotman adds weight to the statement that the company is committed to the long-term future of SA

Trotman, who is on his first visit, says he is impressed with the way in which the political transformation has evolved in SA, and the significant effects that these positive developments are having on the economy of the country "I believe that SA industry has the capability of making an important contribution on a world scale"

What is even more encouraging is that Trotman says the Samcor engine plant has complied with all the standards set by Ford when looking where to place its business "They have been given this contract on the merits of their performance"

Significantly, he adds that Ford is also looking further than just engines as an export opportunity for its joint operation with Anglo American in SA

"The engine plant has the capability of producing numerous other components which we are looking at We are investigating opportunities for Samcor to expand as an export base for Ford products to other countries in Africa and elsewhere In fact, we are looking at SA as a supply base for the rest of Africa"

Trotman

He says Samcor, through its quality and improving productivity, is a good example of the type of manufacturing operation SA needs to be successful in world markets

Samcor group MD Jim Miller says the first engines will be shipped to various Ford assembly plants starting in February next year The contract has resulted in an additional 350 people being employed

Miller says there are plans afoot to expand Samcor's export business and rejuvenate the Ford range of vehicles "We are looking at a range of Ford products from around the world for introduction into SA," Miller says

"Ford 2000 gives us a global opportunity to serve individual markets For SA this means the needs of our market are now part of Ford's product development plans for vehicles to be built and sold by Samcor" ■

MOTOR INDUSTRY — 2

Slowing down?

Despite the first signs of a possible slowdown, the vehicle manufacturing and associated industries remain on target for an above-average 1995

The new car market is expected to surpass the 230 000-unit mark, light commercial vehicle sales should reach about 128 000 unit sales, while the combined medium and heavy commercial vehicle sales are expected to reach 12 000 units

This will give a total industry aggregate figure of 370 000 units — an increase of more than 22% above last year's industry total of 303 166

Releasing sales figures for November, the National Association of Automobile Manufacturers of SA (Naamsa) says that, following the impressive performance of new vehicle sales — in all sectors — over the past six months, November's sales reflected signs of a slowdown The year-on-year growth momentum, in the four sectors, declined fairly sharply last month — giving the first indication of a mild brake being applied

In aggregate terms, however, total industry sales during November — at 31 482 units — were 2,7% (or 838 units) ahead of the 30 644 units sold in November 1994

The month's new car sales, at 19 943 units, were up 7,7% (1 417 units) relative to the 18 526 unit sales in November 1994 Year-to-date 1995 new car sales remained 24% ahead of similar units produced during the corresponding 11 months last year

Sales of new light commercial vehicles, bakkies and minibuses (at 10 491 units) during November declined by 5,5% (604 units) compared with the 11 095 units achieved during November 1994 Year-to-date sales of light commercial vehicles remained 26% ahead of corresponding sales achieved in the first 11 months of last year

Naamsa executive director Nico Vermeulen says the outlook for 1996 appears good, with growth expected in all sectors "If the economy can grow at 3,5% — and I don't see why not — we'll see further growth" ■

COACH INDUSTRY (192)

On the road again

FM 8/12/95

The revival of tourism has given a much needed boost to the coach manufacturing industry Chairman of the Coach Owners' Association Christo Bester, says combined fleets have increased from 200 to 300 vehicles in the past two years

And almost all coach operators report solid bookings to the end of March next year

Matthysen Bus Transport, recently bought by Unitrans, is to spend R40m on 30 new coaches — a third of the nearly 90 coaches association members have on order

Neulux Coaches MD Nick Rust says now that components can be imported duty-free there is little difference between the cost of an imported coach and one built locally — at most R100 000-R150 000 for coaches with similar specifications

But coaches built in Germany cost nearly twice as much because of the strength of the Deutschemark and the high cost of labour Local units cost around R1,1m each excluding Vat.

Neulux and Mercedes-Benz of SA have already started importing coaches made in Spain and Brazil

Mercedes commercial vehicle marketing manager Fritz van Olst says sales growth of rear-engined buses encouraged his company to bring in the Dekade chassis from Brazil This is converted into a four- or five-star coach and supplied to body builders in 3 m wheelbase buggy form Body builders can configure to seat 40-45 people in comfort

During sanctions, operators neglected fleet expansion But, with the advent of democracy and the influx of tourists, demand has soared

Rob Deane, MD of Bushland Game Lodge in northern KwaZulu-Natal, says he is losing business because there aren't enough coaches to transport visitors

Vehicle manufacturers, until now reluctant to produce more, will cash in on the burgeoning demand

Bester says the industry produced only 288 buses of more than 7,5 t in 1993, 348 in 1994 and should manufacture about 400 this year ■

Corruption rife in panelbeating

(192)

ARG 9/12/95

Staff Reporter

■ The National Association of Panelbeaters is going for the throat in an attempt to end fraud, bribery and theft in the panelbeating and tow-in industries.

CORRUPTION in the tow-in and panelbeating industries is allegedly so widespread it involves law-enforcement agencies and insurance companies.

Jan Prinsloo, National Association of Panelbeaters (NAP) general manager, said it was common knowledge among panelbeaters, insurance companies, law-enforcement agencies and vehicle tow-in providers that corruption in these industries had reached epidemic levels

We are going for the throat of corruption and nobody is going to stop us, he said.

Mr Prinsloo warned that some well-known panelbeaters and tow-in services have been investigated for their involvement in alleged corruption scams A report exposing them would be released soon

He said the association was working closely with the police

Some of panelbeaters and tow-in services were granted contracts by government departments in spite of having records for crimes related to their industry, including the theft of parts from towed-in vehicles

There was also a no-bribe, no-contract scam being run by senior government officials, law-enforcement officers and insurance workers, Mr Prinsloo said

He said charges would be brought against them as soon as all investigations had been completed

"We have come across some 'hairy stuff', which involves the removal of engines and stealing of parts High-ranking officials are going to be exposed in this on-going scam"

His association was also investigating the monopolistic allocation of towing contracts by government departments to certain concerns and individuals at the expense of others

"We are in a new South Africa, but most, if not all, government vehicles are still being sent only to white panelbeaters. There should be an equal or proportional distribution of vehicles to panelbeaters across the colour-line

Mr Prinsloo said as a result of the association's attitude towards stamping out corruption in the industry, some city panelbeaters have been advised by influential individuals in the motor industry not to support the association's initiative If they did, they would not be given lucrative contracts

This was a true reflection of somebody who hid something and did not want what they were doing to be exposed, Mr Prinsloo said

In discussions he had brought certain matters to the attention of the Vehicle Recovery Committee, the Consumer Council and affected government departments

The association had received complaints from members of the public who said their vehicles had been towed away without their knowledge They were then charged exorbitant fees to get the the vehicles back.

Some people found that by the time they traced their vehicles, they had already been partially stripped of parts

"We recently received a complaint about a vehicle that was removed from an accident scene without the knowledge of the owner and was later found completely stripped — before insurance assessors could even inspect it

Mr Prinsloo said the situation was so serious that the association had approached the Harmful Business Practices Committee for advice, and proposals for the introduction of regulatory measures for the motor body repairs industry were being formulated

MOTOR INDUSTRY (192)

Used and abused

FM 15/12/95

Illegal imports of used commercial vehicles are distorting the local market, say motor industry officials

Nissan SA commercial vehicle operations head Mike Whitfield says the vehicles are arriving in increasing numbers

Toyota chairman Bert Wessels says that though government doesn't issue permits for significant import volumes, it can't stop neighbouring Customs Union countries from doing so "Inevitably, these vehicles have SA as their ultimate destination

"The main problem with the imports is that it is hard to ascertain the value of the vehicles A typical value given is between R1 000-R5 000 We have heard stories of values as low as R600 being declared"

By paying virtually no duty, importers are able to offer trucks at prices far below those on offer from established companies, say industry officials The danger, says Wessels, is that many are imported "without any commitment to continuing parts and service support Though at first glance they may be attractive options, they could be expensive and frustrating options in the long run"

He says the used truck issue is an example of an apparent reluctance by government to impose the rules The motor industry development plan, which came into effect late this year after years of preparation, gives government the teeth to act

SA vehicle manufacturers are frustrated by the failure to clamp down on imports from neighbouring countries of partly built — or semiknocked-down (SKD) — vehicles Under the new rules, such vehicles should be subject to full import duties, instead, they usually enjoy the preferential status given to locally built vehicles

Says Wessels "It is obvious to all that, in some instances, government is unable or unwilling, perhaps because of underlying diplomatic pressures, to deal with the flow of SKD units that violate the spirit of the development plan" ■

Jeeps on comeback trail

ST (BR) 17/12/93 (192)

By DON ROBERTSON

THE Chrysler Corporation will be making its return to South Africa in April with the launch of the fully imported Jeep Cherokee and Grand Cherokee

The introduction of these vehicles to the SA market follows an investment of $180-million by Chrysler in America and Europe for the development of right-hand-drive cars, particularly for Japan

Jonathan B Holcomb, general manager of Chrysler's Latin America, Middle East and Africa operations, says the right-hand-drive models have been developed to enable Chrysler to take the lead among American car makers attempting to grow their market share in Japan, the world's third-largest car market

"The spin-off is that smaller right-hand-drive markets such as South Africa, other African countries, Australia and New Zealand will now also benefit from American designed and developed vehicles," he says

The Cherokee range will be fitted with 4-litre, in-line six cylinder engines

Importers find short cut into SA car market

(192)

ST(BR)17/12/95

By DON ROBERTSON

MOTOR industry executives are fuming over the flood of imports of used cars and commercial vehicles

Although sales of new cars are heading for their best year since 1984, imports, mainly through Namibia, are causing concern for manufacturers and dealers

The sharp increase in cheap used vehicles reaching the market has prompted manufacturers to warn that spare parts and service might not be available for them

Ray Nethercott, chairman of the National Automobile Dealers' Association, says the imported vehicles are devaluing existing used-car stock

"A similar situation decimated the used-car market in New Zealand in a matter of months We don't want that to happen in South Africa"

Nada has made representations to the authorities, who have said they will discuss the matter with relevant ministers in neighbouring countries

The Department of Trade and Industry has a standing policy on permits for importing used vehicles In a recent review of its policy, the department advised that, "in view of the importance of this sector, strict control is applied to the importation of used vehicles and import permits are issued only in very specific and defined circumstances"

Import duty is not suitable for protecting local manufacturers against the disruptive importation of used vehicles, says the department Stringent import control measures are maintained and permits are not issued for importing used vehicles other than those for disabled people

Bert Wessels, chief executive of Toyota, says that although the government does not issue permits for large-scale importation of used vehicles, it cannot stop other SA Customs Union countries from doing so and inevitably these vehicles end up in South Africa

He says the imports pose a considerable threat to the industry

Chris Laas, managing director of Vehicle Import Namibia, has shipped 300 used vehicles into Namibia in the past few months and has applied for permits for bigger numbers next year

The cars, imported mainly from Japan, are eight- to 10-year-old Toyota Cressidas, Corollas and Nissan Skylines retailing at R20 000 to R30 000 each

He insists, however, that his company acts as a wholesaler to the Namibian motor trade only, but concedes that the cars could find their way to South Africa

Mr Laas pays import duties of 75% plus an additional 5,5% sales duty, but denies import values for customs purposes are kept as low as possible to reduce duty payments

Another problem is the importation of relatively low-cost, unsophisticated vehicles from eastern Europe and Asia for which there are often no commitment for parts and service

Willie van Wyk, managing director of Delta Motor Corporation, says in the short term there will be a proliferation of imported makes and models, some of which will fail to become a permanent part of the motor industry scene because parts and services will not be available

Automakers acquires 51% stake in Engineparts

CT (PTA) 19/12/95 (192)

Pretoria — Automakers, Nissan South Africa's holding company, has expanded into the lucrative R2,2 billion-a-year engine parts market via the acquisition of a 51 percent stake in Engineparts

"The investment in Engineparts represents the first stepping stone by Automakers towards a planned widening of our interests into the broader parts market," said John Newbury, the chief executive officer of Automakers

Newbury said the decision to invest in the engine parts market through Engineparts followed an Automakers board decision to expand its presence in the overall South African parts market, worth R12 billion a year at retail level

Although the acquisition gave Automakers a strategic foothold in this large sector of the parts and accessories market, Newbury said it was not expected to have a material effect on Automakers' present earnings a share or net asset value in the current financial year

Engineparts are the distributors of a wide range of engine and related parts to engine reconditioners and parts wholesalers and retailers throughout South Africa and Namibia

Newbury said in taking Engineparts as a partner, the company believed that its management and long-term planning was complementary to Automakers' assessment of this market

"Engineparts will continue to trade autonomously but will benefit from the capital injection we will provide in bringing to fruition its future plans and objectives, designed to ensure that the company remains one of the leading companies in the South African engine parts market," he said — Staff Writer

COMPANIES

Industry fights tariff cuts by increasing its exports

(192)

CAPE TOWN — SA's automotive components industry is reacting to the latest round of tariff cuts by increasing investment and exports, although there are mixed signals on job creation, according to a University of Cape Town survey. BD 20/12/95

Researcher Anthony Black said sustainable growth in the industry would depend on the degree to which firms could improve production efficiencies and continue market growth.

In an article in Trade Monitor, Black said government's ability to implement its programme of supply side support for training, technology upgrading and investment would also be important

The survey was undertaken in July, but the industry appeared to be more positive about the cuts due in September than about past tariff reductions and was preparing to meet the competition of increased imports

"The industry is also experiencing a boom with vehicle sales growing rapidly and this may have produced more upbeat expectations regarding investment and employment," Black said.

The new programme has removed the protection provided to manufacturers through a local content scheme and will see the gradual phasing down of import duties from the present 49% to 30% by 2002

Although 42% of the firms surveyed expected employment levels to fall over the next five years because of increased competition, 44% expected employment to rise

"The overall impression is of a fairly stable employment scenario although some dislocation will result from the fact that there will be winners and losers and some closures are likely," Black said

Several new investment projects were also in the pipeline, which should boost employment — Reuter

T&N India deal may have SA spinoff

(192) CT(BR) 21/12/95

By Shirley Jones

Durban — Britain's T&N, the international automotive components and engineering group, which is the majority shareholder in South African based T&N Holdings, has announced a joint venture in India

This may further enhance opportunities for the South African company, which is exploring a number of deals in India

The recently announced joint venture, which will be named Brico Goetze, is a plant near New Delhi for the manufacture of powder metal components The partner in the joint venture is Goetze India in which T&N of Britain already holds a 25 percent shareholding

Production, which is scheduled to begin in the second half of next year, is intended primarily for the Indian automotive industry. However, from 1997, about 15 percent of the output will be exported

"The establishment of a manufacturing base in the Asia-Pacific region is a key to T&N's strategy of being able to supply its customers from a local source

"We already have a long-established joint venture with Goetze India for the manufacture of piston products and are confident that the new powder metal company will be equally successful," says John Chatwin, chief executive of T&N's powder metal products group

New car buyers to benefit as industry prospects look up

(192) CT(BR) 21/12/95

By Roy Cokayne

Pretoria — South Africa's major motor manufacturers were bullish about prospects for the industry next year, although compared with this year a slowdown in sales growth was expected

New vehicle buyers should benefit from increased competition among manufacturers, which is expected to intensify further during next year, and which should result in minimal price increases, or even decreases, in real terms

Nissan SA's marketing managing director, Stephanus Loubser, said the 24 percent growth in vehicles sales this year would not be sustained next year

He expected the new vehicle market to stabilise with a possible increase of 5 percent next year compared with this year

He said a substantial increase in light-commercial vehicle sales was likely, as more and more black entrepreneurs would enter the market looking for more practical and versatile modes of transport

He predicted the light-commercial vehicle market would grow by 8 percent compared with 3 percent for passenger cars and 13 percent for the heavy truck segment

"The demand for new cars is still strong but I don't think that the market is ready to sustain this rapid growth — and won't be ready for two to three years to come, mainly because the fundamental growth in the economy is not yet stable"

But Loubser said the potential for a booming vehicle market existed, mainly because the average age of vehicles in the country was about 13 years

"We'll soon reach a point where, particularly fleet owners — who are responsible for 80 percent of sales — will be forced to start replacing ageing vehicles

"The ratio of 100 vehicles per 1 000 population in South Africa, compared with 400 in Europe, provides scope for tremendous growth potential, even if it only rises to 110 vehicles per 1 000 population"

Car prices were not expected to rise more than 6 percent next year because of the competitive nature of the motor industry

Delta Motor Corporation's managing director, Willie van Wyk, forecast a reduction in the real prices of motor vehicles next year, because of increased pressure from fully imported vehicles and declining protective barriers

Delta's director of sales and marketing, John Cummings, expected new vehicle sales in all sectors to slow down in the next few months, but not to alarming levels

"To anticipate similar growth of over 20 percent next year is overly optimistic," he said Delta's forecast for next year was 240 000 new cars and 150 000 commercial vehicles, which would represent growth of about 3,4 percent and 4,2 percent respectively

Volkswagen SA's marketing director, Graham Hardy, said this year had been a buyer's market, with lower price increases, large volumes of stock, increased choice and additional stimulation through aggressive pricing packages

"These conditions should continue into next year Ongoing economic growth augurs well for a passenger market of 250 000 units"

Toyota's group marketing director, Johan van Zyl, expected growth of 5 percent for the year

"It is probable that December sales — only due out in early January — will support a final growth figure for the year of close to 25 percent, to deliver total sales that could exceed 376 000 vehicles"

The good news for the buyer was that the Motor Industry Development Programme, together with a reduced rate of inflation and stability in the value of the rand, had enabled manufacturers to contain prices

Mercedes Benz SA's marketing manager for passenger cars, Eric Scoble, said the passenger vehicle market was heading for 230 000 units this year

Prospects for next year were for 230 000 to 240 000 units

Although the light-commercial vehicle segment seemed set for sales of 128 000 this year, the prognosis for next year was slightly better at between 130 000 to 135 000

Scoble was confident that RDP expenditure on housing and construction would start to filter through next year and boost growth predicted in the light-commercial vehicle market

McCarthy Motor Holdings' chairman and chief executive, Brand Pretorius, expected new cars to be cheaper in real terms next year and the choice to be much greater

"Intense competition will restrict price increases, especially as the number of different makes and models available will increase greatly I expect to see the number of makes increase from 13 to 17 and the number of models from 64 to 75 within three years"

Pretorius forecast 5 percent growth in total vehicle sales for next year to 387 420, compared with the estimated 22 percent growth to 370 680 units for this year

He foresaw the passenger vehicle market growing by 3 percent to 240 000, the light-commercial sector by 6 percent to 135 000, the medium-commercial segment by 10 percent to 4 420, and the heavy commercials by 5 percent to 8 000

Car manufacturers expect 3,2% rise in sales for 1995

(192) BD 27/12/95

John Dludlu

THE National Association of Automobile Manufacturers of SA (Naamsa) predicted total vehicle sales this year would reach 376 200 units, representing a 3,2% rise over 1994, with SA car manufacturers expecting the robust growth trend of the past months to continue well into the new year

Naamsa president and Automakers CEO John Newbury said 1996 sales should show an improvement of about 5%

"Naamsa member car sales should reach 230 000 units for 1995, but sales which are not reported to Naamsa should be added to this, which would add about 15 000 units to 1995's figures and even more in 1996 "

Light commercial vehicles were expected to hit the 134 000 mark this year (128 000) while the heavy commercial sector was expected to rise to 8 000 compared with last year's 7 500

Leading car maker Toyota SA said the 5% increase for next year was a realistic estimate

"We go into 1996 on a base that exceeds the long-range 1997 industry volume forecast and against a background of worldwide industry growth forecasts of just 2% a year for the motor industry," said Toyota group marketing director Johan van Zyl

He expected the commercial vehicle sector to be more active than the passenger sector "The potential exists for a good year in agriculture and this will feed existing demand for commercial vehicles "

Van Zyl expressed concern at what he termed an almost undisciplined growth in the number of imported vehicles in 1995 and predicted failures in the imported sector "The reality is that the SA vehicle market is simply not large enough to sustain the huge diversity of vehicles on offer "

Newbury said the new year would be characterised by a "supply push" increasing competition, and a further proliferation of models available competing for the market

However, Newbury expected a possible slowdown in 1997 in the growth trend

"In 1996 manufacturers will need to offer increased innovative financial packages to ensure that motoring remains affordable to all South Africans "

ARG 6/10/95

Strike hits VW

(192) (~~52~~)

The Argus Correspondent

PORT ELIZABETH — Thousands of workers went on strike at the VW plant here to protest the dismissal on Wednesday of a worker

The strike by members of the National Union of Metalworkers of South Africa (Numsa) started after a worker was dismissed for being found guilty of allegedly assaulting his foreman.

(192)(~~452~~)

VW asks court to end strike

ST 8/10/95

By RYAN CRESSWELL

THE Grahamstown Supreme Court ordered Volkswagen workers to return to work after the motor manufacturer's Uitenhage plant lost R40-million in an illegal strike this week

The strike, by members of the National Union of Metalworkers of South Africa, started on Wednesday in support of a worker who had been dismissed for striking a foreman. Union members said the foreman had assaulted the worker first.

Negotiations between management and the union deadlocked and Volkswagen SA successfully applied for an interdict to compel striking workers to return to work. The stoppage was in breach of the recognition agreement, the negotiating committee agreement and the national bargaining forum signed last year

Volkswagen's public affairs officer, Raymond Hartle, said only about a fifth of the 5 000 workers at the plant had joined the strike and the rest had had to stop work because production could not continue without a full workforce

He said workers had already lost R2-million in wages.

Work stoppage hits Volkswagen

Renee Grawitzky

BD 6/10/95

(192)

VOLKSWAGEN workers who embarked on a work stoppage this week after the dismissal of a worker were in breach of the industry-wide agreement reached at the National Bargaining Forum in July, the company said in Uitenhage yesterday It said they were also in breach of an agreement reached at plant level last year.

Volkswagen's Uitenhage plant employing more than 5 000 people has been closed since Wednesday when workers downed tools after a worker was fired for assaulting a foreman

The company said workers were expected to return to the plant today for a report-back meeting by the National Union of Metalworkers of SA and would assess whether they would return to work today.

The company said lengthy discussions had taken place yesterday with the union to find ways of resolving the dispute.

Company spokesman Raymond

Continued on Page 2

Volkswagen

(192)

Continued from Page 1

Hartle said the union had been informed that the stoppage was in breach of two agreements.

Workers were in breach of a company level agreement signed in November last year which stipulated that jobs would be guaranteed until the end of this year in the absence of any unprocedural action

BD 6/10/95

The "ground-breaking" motor industry-wide agreement signed this year provides procedures for resolving grievances and disputes

Company MD Heinrich Holtmann said the stoppage was "totally unnecessary" as there were well-established procedures which had not been used by the union to resolve the dispute"

The union was not available for comment and would respond today

Reuter reports that during last year's strike Volkswagen suffered production losses of R13m a day.

(192)

CT 6/10/95

Volkswagen workers strike

UITENHAGE: Thousands of employees at Volkswagen's plant here went on strike yesterday

The strike was called when a union member was dismissed on Wednesday after being found guilty of assaulting his foreman

The National Union of Metalworkers said talks were under way

Volkswagen managing director Mr Heinrich Holtmann said the strike was extremely disturbing

FM 6/10/95 (192)

MOTOR INDUSTRY — 1

Juggernauts jostle

The heavy truck industry is in for a major realignment as tariff barriers fall and a spate of ultra-heavy newcomers enter the already competitive market

Traditional players — Toyota, Mercedes-Benz, MAN, Delta and Nissan — are being challenged by foreign manufacturers, including Volvo and Scania There are also new contenders in the shape of the US-built Mack, which will be marketed by Mack Truck & Sales, a subsidiary of Euro Holdings Euro Holdings' other subsidiary, Eurotruck, will handle the French-built Renaults The US-manufactured International is being marketed by Tyco

Other US manufacturers joining the melee are Peterbilt, assembled and marketed by Toyota, and Freightliner, which will be sold by Mercedes-Benz Western Star is being marketed by Mammoth Truck Nearly all the newcomers weigh 50 tons or more

Mercedes' Adolf Moosbauer and Toyota's Des Gush are positive about the introduction of US trucks to the SA market Moosbauer believes that, in three years,

Hino trucker *will be sold separately from new Peterbilts*

they will have captured 40% of the heavy commercial vehicle market, classified locally as those weighing more than 7,5 t

That will be from small beginnings Gush estimates 1 000 units will be sold this year, which will give the extra-heavy sector nearly 8% of the 13 000 trucks expected to be sold He also estimates they will have 70% of what he terms "the above-400 hp market" — vehicles with a combined mass of 50 t-60 t MAN and Mercedes-Benz are already selling trucks in this classification

But Mercedes has established a separate division to market the Freightliner Chairman Christoph Kopke says this will make it distinct from the division dedicated to Mercedes trucks which have the lion's share of SA's heavy commercial vehicle market

Toyota has followed a similar line and selected 15 of its 65 dealers to handle Peterbilt, says Gush They will not be allowed to sell Toyota's Hino range

Kopke says experience has shown that separate outlets are preferable to using the same salesmen to try to sell both marques off the same floor "If we did that, we would have to accept that our salesmen would try to push the make of truck they preferred, to the detriment of the other, and wouldn't acquire the specialised knowledge needed to focus on customers' needs"

Moosbauer says applications from companies seeking agent status are being reviewed The names of those appointed will be announced towards the end of the year ■

TIME TO REFLECT

Significant events in sub-Saharan Africa over the past two years include the demise of apartheid, the end of one-party rule in Malawi and Zambia, and reconciliation in Mozambique and Angola Now there is a need to analyse what these events mean for business and trade in the region

Zimbabwe's *Financial Gazette* and stockmarket analyst Dataworld will co-sponsor a two-day conference titled Southern Africa Towards 2000 next month

Speakers from Britain, the US, SA, Australia, Zimbabwe and Zambia will address the conference in Harare on November 6-7

For more information, telephone the *Financial Gazette* in Harare on 738-722 (fax 752-831)

TRACTORS

Hay-ride over

Government has ended 15 years of protection for the manufacture of tractor engines by accepting a recommendation by the Board on Tariffs and Trade

The board says the protection for engine manufacturer Atlantis Diesel Engines (ADE) "results in a cost premium on low-cost imported tractors and on technologically advanced imported tractors" It notes that most of the tractor industry "has suspended or intends to suspend the purchase of ADE engines in 1995"

The reason is that despite ADE's efforts to contain costs and prices, new imported engines are technologically more advanced and cheaper "The declining number of tractor engines manufactured by ADE does not justify any further protection," the board concludes

Jim Rankin, editor of *Agfacts*, which speaks for the agricultural machinery industry, says removal of protection won't result in an immediate reduction in the price of tractors Existing stocks will have to be sold

ADE spokesman Roland Trautman says most manufacturers are fitting their own engines and those that aren't will start soon

"We were enjoying partial protection on only one engine, a four-cylinder engine, and that would have ended soon We'll obviously lose some tractor engine business and will have to make up elsewhere, probably in the sale of engine components," he says ■

MOTOR INDUSTRY — 2

The sum of its parts

Strong foreign demand is set to push vehicle components exports to new highs for 1995

The National Association of Automobile Components and Allied Manufacturers (Naacam) says the increase comes on the back of local manufacturers exporting indirectly, through European and Japanese car manufacturers

The foreign manufacturers have begun using SA subsidiaries as a source of after-market parts for right-hand-drive vehicles which they no longer produce This follows the trend in the global vehicle market towards "world cars" which means that manufacturers are using identical components for the same type of car, worldwide

SA, being a right-hand-drive country, manufactures more than 40 models of German and Japanese designed cars

Germany's Volkswagen, BMW and Mercedes-Benz buy large quantities of components from their local subsidiaries for use in German-built cars which, in turn, end up in other countries

Virtually all the leather trim found in BMW cars worldwide comes from SA, while Delta Motor Corp recently announced a five-year, R500m joint venture with Delphi Interior & Lighting Systems for the manufacture and export of leather seat covers to Opel

Components industry officials say their sector is showing stronger growth than the vehicle sector Though the auto sector has responded well to SA's new international cannot afford to repeat these mistakes," says Van Rensburg

A director axed in the reshuffle, Lawrence McCrystal, says the IDC's ability to attract offshore funds for major industrial projects must be jealously guarded. All the IDC's major projects were largely co-financed through offshore export credit facilities, which minimised the capex impact on the balance of payments

Whether it be sour grapes or genuine concern, McCrystal warns there's a real danger that, if government tries to change its focus, the IDC could be effectively destroyed

The new directors include Department of Trade & Industry director-general Zav Rustomjee, the DTI's chief director for technology strategy Alan Hirsch, Labour Ministry special adviser David Lewis, and deputy President Thabo Mbeki's economic adviser, Moss Ngoasheng

But IDC MD Carel van der Merwe, who says he sees no problem with the new board, is quick to add that the corporation's record already meets RDP needs. Its emphasis has been on financing industry, export promotion, beneficiation of minerals and agricultural projects

Not all in government would agree. Some of the more hard-core labour and socialist elements view the IDC as one of the last symbols of capitalism, even though government-owned, and view its riches as "belonging to the people." They point to its limited, and costly record of job creation

But Van der Merwe says critics of capital-intensive IDC-funded projects — such as Alusaf's Hillside project at Richards Bay — miss the point. "About 6 000 people were employed during construction, while major projects like the Mondi plant, followed the original Alusaf Bayside plant. Today, about 180 000 people work and live at Richards Bay — proving the point that major lead projects are often the catalyst to attract further quality development"

The same argument, he says, applies to the Columbus stainless steel project at Middelburg and the Namakwa Sands project

Van der Merwe also points to the IDC's agricultural projects (seven major projects will create 7 700 jobs and generate exports of about R333m) as further examples of the corporation's "RDP focus"

Gencor financial director Mick Davis finds it disappointing that no clear public policy on the future role of the IDC exists. And while the "preposterous" plan to merge the IDC with the Development Bank of Southern Africa has now been abandoned, Davis says it needs to be reiterated that the IDC's major role is to finance industrial development — not infrastructure

Davis adds that it's only right that the new board reflects the country's demographics, but notes that the board still includes top businessmen like Pepkor chairman Christo Wiese, Derek Cooper of C G Smith, G T Ferreira of Rand Merchant Bank, Meyer Kahn of SA Breweries and Sankorp CE David Brink

"But one needs to warn against screwy ideas, such as limiting future financing to labour-intensive or small, medium and micro enterprises," says Davis. "The IDC needs to continue financing industrial entrepreneurs, as in the past" ■

McCrystal *important to attract offshore funds* status, its exports still fall far short of the industry's annual import bill of more than R10bn

Components and motor exports, which have risen consistently in recent years, are expected to increase substantially in 1995, this time by an estimated 23% to R3,2bn

Naacam president John Brandtner says exports will continue to grow and will eventually make up more than 50% of the output of the components manufacturing industry

"We have proved our industry's ability to address productivity, and to achieve global quality standards This has helped us survive a lengthy economic recession and it has strengthened us to be more prepared and confident about our ability to face future challenges and to explore export opportunities," he says

Naacam executive director Denzyl Vermooten says the real impact on exports of the new motor industry development programme will become visible only next year Much depends on the success of the programme in achieving a balance between vehicle and components imports and exports The original weight-based local content programme gave SA the world's heaviest vehicles The now-redundant Phase Six helped create the most expensive

Ted Waldburger, CE of JSE-listed T&N Holdings, says "I hope the import-export complementation component of the industry programme will, at last, assist SA manufacturers to produce to economies of scale, and export competitively"

By dint of it being 50% owned by the UK's T&N, the local company has access to source design either directly or through joint ventures with international players such as Japan's Sumitomo

High import bill

He says the effects of the industry's high import bill are exacerbated by the continuing deterioration in the value of the rand, emphasising the need for vehicle assemblers to step up exports considerably As existing niche markets for SA vehicles are not extensive enough to absorb an additional R5bn-plus of vehicles a year, the industry should concentrate on components if it is to increase exports substantially, says Waldburger

He adds "For the motor industry development programme to succeed, a co-operative effort by government, labour and the motor industry is vital I have no doubt that the components industry is going to surge ahead with exports, thus contributing to sustained economic growth and job creation"

Naacam says SA exports to the US, Europe (UK, Belgium, Germany, Austria), Middle East (Israel, various Arab countries), Far East (Pakistan, South Korea, Taiwan, Japan), South America (Brazil, Argentina), Australia and southern Africa ■

Motor group's sales soar 30%

BD 11/10/95 (192)

Nicola Jenvey

DURBAN — Industrial motor group Combined Motor Holdings has lifted attributable income by 144% to R4,3m for the six months to August.

The increase was spurred by healthier economic and operating conditions

The group, which operates in the new and used vehicles markets, pushed sales ahead 30% to R584,2m as volumes rose, particularly at the lower end of the consumer market.

Operating income before interest increased to R12,5m from R5,7m

The group paid R5,3m (R3m) in net interest and another R2,8m (R886 000) in tax

Although coming off a low base as a result of last year's strikes and post-election uncertainty, share earnings jumped 139% to 22,7c and the group declared a 6c (3c) interim dividend.

Chairman and MD Maldwyn Zimmerman said he was "well satisfied" with the results, despite election-related disruption last year.

"While it is expected the group will enjoy continued success during the second half, the level of improvement to date will not be maintained," he said

The group looked for results which reflected an inflation adjustment plus a real rate of return

He also said a more balanced mix between the sale of lower-priced and more luxury cars was essential.

During the six months, the group bought a 75% stake in a Cape Town-based Nissan dealership, and set up two new Volvo dealerships in Gauteng.

Zimmerman said the group would also consider other opportunities enabling it to expand sales and income.

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Operating income before interest increased to R12,5m from R5,7m.

The group paid R5,3m (R3m) in net interest and another R2,8m (R886 000) in tax.

Although coming off a low base as a result of last year's strikes and post-election uncertainty, share earnings jumped 139% to 22,7c and the group declared a 6c (3c) interim dividend.

Chairman and MD Maldwyn Zimmerman said he was "well satisfied" with the results, despite election-related disruption last year.

"While it is expected the group will enjoy continued success during the second half, the level of improvement to date will not be maintained," he said.

The group looked for results which reflected an inflation adjustment plus a real rate of return.

He also said a more balanced mix between the sale of lower-priced and more luxury cars was essential.

During the six months, the group bought a 75% stake in a Cape Town-based Nissan dealership, and set up two new Volvo dealerships in Gauteng.

Zimmerman said the group would also consider other opportunities enabling it to expand sales and income.

Gold Fields directors deflect queries

MONEY TO BE SPENT ON TOWNSHIP SERVICES

R52m RDP funds for Western Cape

ET 11/10/95

THE GOVERNMENT has announced details of the amounts allocated to the provinces for projects that will improve township infrastructure. **BARRY STREEK** reports

THE government is to spend R751,7 million of its Reconstruction and Development Programme fund on projects to improve services in townships Of this amount, R52,8m is to be given to the Western Cape for 149 projects In all nine provinces, 614 projects are to be undertaken

Announcing this yesterday, the Minister in charge of the RDP, Mr Jay Naidoo, said the money would be spent on services — including their administrative support — that had collapsed or were crumbling

Contractors

It was intended that the funds would be spent during the current financial year, he said

Contractors would be on site for about 100 of the projects by the end of the month

In some areas, contractors had already begun moving on to sites

About 3 000 people per municipality would be affected by the upgrading of services Although the money spent could improve conditions in townships, it would not address the backlog in development

A recent government study of metropolitan areas and 22 large towns — [illegible] by 65% of the population — had found that R50 billion was needed to provide basic services alone, Mr Naidoo said

Among the amounts allocated to the Western Cape are R2,6m for roads, stormwater, water and sewerage in Ikapa, R3,3m for sewerage in Rohlilala and water in Zweletemba, Worcester, R3,2m for bulk water and bulk sewerage in Knysna, R3,2m for services and water at Sir Lowry's Pass, R3,8m for sewerage, road repairs, water pipes, refuse removal, detention ponds and sewerage repairs in Khayelitsha, R2,2m for water supply, sewerage and roads in Elim; R3,1m for services, water and sewerage in Oudtshoorn, and R3,1m for sewerage and water in Murraysburg.

ADDING UP: RDP Minister Mr Jay Naidoo says work is to begin on many projects by the end of October.

Mr Naidoo said at a press conference that the projects would have a positive impact on the lives of millions of people and would be funded from the RDP fund

"This announcement is the culmination of months of planning, consultation and hard work," he said.

"Communities were required to submit projects for funding, accompanied by comprehensive business plans which met RDP funding criteria

"The result is that communities are now ir tion where they are informed about the work v being carried out or is about to start in their nei hoods, as well as (about) the flow of funding line of accountability "

Mr Naidoo said the projects were in line v Masakhane campaign whereby the governn conjunction with other stakeholders, was see improve municipal services while requiring co ties to take responsibility by paying for the delivered

"The projects also exemplify the governmer integrated development planning strategy w central to the RDP vision and which brings d government departments together in planni effecting delivery

Liaison

"The key criteria for the provincial alloc funds for the various projects were ... size and tion and employment levels

"An immediate spin-off of the programme job creation and skills training for local people.'

The Minister of Provincial Affairs and Const al Development, Mr Roelf Meyer, said there h close liaison with the provinces in deciding the tion of funds for the projects

The management of the projects would ens basic norms were attained, Mr Meyer said.

Mr Naidoo said R54m had been allocatec projects in the Northern Cape; R128,3m for 1 jects in the Eastern Cape; R51,3m for 12 project Free State; R149,9m for 85 projects in KwaZulu R49,8m for 48 projects in Mpumalanga; R111 74 projects in Northern Province, R86,7m for jects in Gauteng; and R67,1m for 68 projects in West

● See Page 4

'Land Act hits business'

Nicola Jenvey

BD 13|10|95

DURBAN — The controversial Ingonyama Trust Act, which appoints King Goodwill Zwelithini trustee over KwaZulu-Natal tribal land, hindered small, medium and microenterprise (SMME) development in rural areas and must be revoked in its entirety, an SMME workshop heard yesterday.

The SMME's legal and regulatory environment group said the Act prevented SMME business owners from accessing finance as they could not use their land as collateral.

"KwaZulu-Natal is one province, but has two separate legislations governing its land. The communities of the province must be treated equally," one delegate said.

Since the Act removed land ownership from the people and placed it in the king's hands, banks had withdrawn their support for mortgage lending to tribal regions. This had affected low-cost housing development in the province.

Another proposal for SMME development in KwaZulu-Natal was a rehabilitation fund to help businesses devastated by the violence.

Find a middle road, car makers tell customs

BD 13/10/95 (192)

Michael Urquhart

THE National Association of Automobile Manufacturers (Naamsa) has appealed to the customs and excise department to find a balance between the needs of the fiscus and those of the motor industry and consumers, in the imposition of an ad valorem duty on motor vehicles.

The department and the Board on Tariffs and Trade are looking at a possible new duty to replace the revenue lost when a 2,5% excise duty fell away at the beginning of September with the scrapping of phase VI of the local content programme. This duty had earned the department R395m in 1994 The replacement of phase VI by the motor industry development programme had also cost the department the unrebated portion of a rebatable excise duty on local content, from which it had earned R325m last year.

Naamsa director Nico Vermeulen said government had become used to the revenue earned from phase VI, despite the fact that the original reason for the 2,5% duty — introduced in 1991 to make up the difference between VAT and GST — had fallen away.

However, if an excessive duty was imposed it would make it impossible for the industry to make affordable cars. The industry was often accused of not making affordable vehicles, but 19%-20% of the cost of a new car was made up of direct taxation.

He said he expected some form of fixed percentage ad valorem duty on cars and light commercial vehicles, although medium and heavy commercial vehicles would be excluded as they were seen as being items of an essentially capital nature He also expected the duty — which could be imposed by November 1 — to be more onerous on luxury vehicles.

Vermeulen said the nature of customs and excise was to raise as much revenue as possible The board wanted to see a strong motor industry. "Hopefully in the course of their interaction a reasonable balance will evolve."

Customs and excise commissioner Daan Colesky said his department was in discussions with the board on a new duty, but no final decision had been made.

McCarthy Motor Holdings CE Brand Pretorius warned that the levy plan could undermine "the industry's fragile recovery from recession. The consumer would inevitably end up footing the bill."

Renaults set to return to SA roads

(192) ST(BT) 15/10/95

THE once-popular Renault range will again be seen on SA roads following an agreement signed between Imperial Motors and the French manufacturer, writes **DON ROBERTSON**.

Bill Lynch, chairman of Imperial Holdings, was reluctant to disclose details of the deal, but confirmed that the cars would be imported early next year

The vehicles will be sold and serviced through a number of Imperial dealerships.

Taking advantage of the lower import duties announced in the Motor Industry Development Programme, the McCarthy group began importing Peugeot's earlier this year. Last year Durban-based Combined Motor Holdings reintroduced the Volvo range to motorists.

Last week Venture Imports, a large Opel dealer, announced that it would bring in a range of Chevrolet vehicles, while Chrysler is expected to reveal details of a similar scheme soon. There is also talk that Daewoo will soon be exporting cars to South Africa.

Local manufacturers believe that by 2000 imported cars will make up about 25% of sales.

Delta making inroads north

CT(BR) 16/10/95 (192)

By Roy Cokayne

PRETORIA BUSINESS EDITOR

Delta Motor Corporation is making major inroads into the light commercial and passenger vehicle market in sub-Saharan Africa

Excluding the Southern African Customs Union territories of Namibia, Botswana, Swaziland and Lesotho and South Africa, 25 percent of the vehicles — 5 784 units — sold in sub-Saharan countries in the first eight months of this year were either Opel or Isuzu

André van Rooyen, Delta Motor Corporation director of industrial and commercial holdings, said this was "an impressive" three percentage point growth over last year The Port Elizabeth based motor manufacturer has also established itself as the leading exporter of one-ton light commercial vehicles into sub-Saharan Africa

Van Rooyen said the Isuzu KB bakkie one-ton line-up had captured 37 percent of the market — four percentage points ahead of its nearest rival in this market sector

The Opel Astra and Kadett were in second place with a 22 percent market share behind front runner Toyota

Volkswagen SA's China contract ends

(992)

BY REUTER

Star 17/10/95

The 27 720th and last South African Volkswagen rolled off a north China production line yesterday, completing a contract that paves the way for more domestic input into a new line of cars

Under the three-and-a-half year contract signed in 1991, Volkswagen South Africa shipped basic model Jetta sedans as semi-completed knock-downs, or SKDs, to Volkswagen's huge joint venture with China's First Automobile Works in Changchun

The end of the contract and the production of the last SKD Jetta marks a new stage in Volkswagen's co-operation with China, under which First Automobile Works will have more technical input, Chinese officials said

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Manuel warns of crisis looming in motor sector

(192) BD 18/10/95

PORT ELIZABETH — Trade and Industry Minister Trevor Manuel said a serious crisis was looming for the motor industry as tariff barriers fell

Manuel told the Sacob annual convention's economic debate yesterday that as import tariffs fell to the critical 40% mark, local manufacturers faced the threat of being "shaken out"

It would be the same in other industries which had no option other than to become more competitive quickly

Although his speech on prices, wages and competition hammered home the need for SA business to change to compete in the "tough global neighbourhood", it skirted the issue of competition policy, dashing hopes that he would spell out more clearly what government intended.

On Monday, former Sacob president Les Weil said he hoped Manuel would give details.

Manuel said afterwards the next draft of the new competition Bill should be ready in a few weeks — perhaps two — and that it would be made public. He said talks on a new competition policy with Anglo American's Nicky Oppenheimer and Sanlam's Marinus Daling had been constructive, and that there would be more

Anglo American chairman Leslie Boyd told the debate the first draft's concentration on market dominance as a proxy for a sector's competitiveness was inappropriate

Changes to competition policy should take into account that the SA economy was small and that in many industries, such as steel and pulp and paper, there would be room for only one or two players

"It cannot be appropriate to impede the efforts of domestic producers, generally small by international standards, to generate globally comparable economies of scale"

Manuel said efforts to restructure to prepare for the surge in competition had to be executed as soon as possible "We need to get in early and share the pain It is better to deal with restructuring at 65% than to wait until 40%."

National Association of Automobile Manufacturers of SA president Nico Vermeulen said the industry was up to the challenge of being competitive.

Chrysler clarifies plans for its return

John Dludlu

US CAR maker Chrysler yesterday announced scaled-back plans to return to SA next year after a 13-year absence, ending months of speculation about its intentions

The company said it would start selling the Jeep Cherokee and Jeep Grand Cherokees in SA in the second quarter of next year

"The Cherokee will be sourced out of the plant in Toledo, Ohio, the Grand Cherokee will come out of the Graz, Austria plant"

The firm's product line would be completed in two years with the introduction of the Neon compact car, the Wrangler sport utility vehicle and Chrysler's industry leading minivan. A direct dealer network supported by a regional sales office would be established.

Chrysler Latin America and Africa operations GM Jonathan Holcomb said SA was the dominant market in Africa "We believe that it will have greater potential for larger volume growth in excess of 300 000 units annually"

At launch the firm would have dealers in Bloemfontein, Cape Town, Durban, East London, Johannesburg and Port Elizabeth

Initially the company hoped to sell about 3 000 units a year, growing to 10 000 by 2000

Company spokesman Jodi Armstrong said the investment would be minimal — an office of seven people

While the company recognised the importance placed by the SA government on black economic empowerment, this would not feature in initial plans "We'll be dealing with established motor groups," she said.

Earlier reports said it hoped to re-enter SA through a joint venture with a local manufacturer and a black business group

Armstrong said importing completely built up cars fitted in well with the corporation's strategy It was cost-effective and efficient.

Before its pullout the company assembled vehicles in SA.

On SA's tariff structure, she said Chrysler considered the market liberal under the new motor industry development plan. "We hope we'll be price competitive."

(192) BD 19/10/95

Manufacturers, labour welcome IDC's R150m loans boost plan

BD 19/10/95 (180) (192)

John Dludlu

SA's vehicle and clothing industries yesterday welcomed plans by the Industrial Development Corporation for a new scheme to assist the country's manufacturers become more competitive.

Sandton-based parastatal IDC said this week it would provide low interest rate loans worth R150m to help industrialists modernise their plants and machinery, reorganise their work methods and boost their productive capacity. The scheme forms part of government's package of supply-side measures.

Pretoria-based SA National Association of Automobile Manufacturers welcomed the measures, as did the National Clothing Federation.

The IDC plan has already been welcomed by labour, represented by the SA Clothing and Textile Workers' Union.

Labour said it should not be seen as a replacement for a more comprehensive plan of supply-side measures by the state on restructured industries.

Duty loophole hands car makers a bonanza

BD 19/10/95 (192)

John Dludlu

CAR manufacturers have exploited a loophole in the industry's duties shake-up to net a one-off bottom-line bonanza estimated to be worth more than R1bn

Industry sources said yesterday the sudden switch from Phase Six of the local content programme to the motor industry development plan had allowed manufacturers to escape paying duties on imported parts under either regime

The National Association of Automobile Manufacturers of SA dismissed the figure yesterday, but the Board on Tariffs and Trade said that there had been a windfall, though less than the R1bn estimate

Under the Phase Six system, car manufacturers could import completely knocked down (CKD) kits without paying a duty, but the vehicles assembled from the kits attracted an excise duty

Since the development plan came into force last month, the excise duty on assembled kits has been removed, but customs duty must be paid on CKD kits imported after September 1.

Sources claimed manufacturers stockpiled CKD kits under the old regime, and assembled them under the new system Estimates put the windfall at R1,3bn

Board spokesman Ruel Heyns said government was aware of the windfall, but stressed the R1bn figure was exaggerated

Heyns — a member of the board which was one of the state agencies that helped formulate the development plan — said government had known of the potential for the windfall "We had an option of allowing the bonanza or to have Phase Six and the development plan running parallel," he said "The latter would have been complicated Manufacturers would not allow it."

Naamsa dismissed the figures as speculative and "vastly overstated".

Executive director Nico Vermeulen said the adjustment benefit was not new in SA. It was characteristic of all industries moving from an excise duty-based system to a custom duty-driven dispensation

He dismissed claims that manufacturers had stockpiled before September 1· "Stockpiling would have been difficult due to the uncertainty about the implementation date of the development plan and because of the higher interest costs involved. Manufacturers operate on long lead times, they have very little flexibility in changing CKD sourcing patterns in the short-term"

Acting commissioner of duties Fanie Basson said government was considering an excise duty

Ford Australia gears up for a South African comeback

Star 19/10/95 (192)

■ BY ALEXANDER CORNE

Melbourne — Ford Motor Company of Australia is planning to supply fully built-up Falcon motor cars to Samcor.

Two six-cylinder saloons have been under evaluation by Ford engineers in Pretoria for the past few months.

While no dates for the start-up of sales have been finalised, the cars are unlikely to arrive before early next year. They will have to be slightly re-engineered to run on leaded fuel.

According to a Ford Australia executive, the supply deal will be signed within one month, with both base and high-specification cars coming to South Africa.

The Falcon is the only true Australian car still designed and manufactured in Australia. It uses rear-wheel drive, a straight-six, 157kW 4,0-litre engine and seats up to six in comfort.

Equipped with a driver airbag as standard and a passenger airbag as a relatively inexpensive option, the Falcon has been Australia's top-selling car for several years.

In the past two months Falcon has notched up more than 15 000 sales in Australia.

The car is sold in a variety of guises, and according to Ford Australia and Samcor is looking at all derivatives.

These start with the basic FLi aimed at the fleet market and include a better-equipped Futura model; a more up-market Fairmont and Fairmont Ghia pairing; while a stretched-wheelbase pair called Fairlane and LTD offer limousine accommodation at a modest price.

Sporty drivers can opt for the XR6 version which has a race-tuned 164kW engine and sports suspension. All Falcon models are also available with an American-sourced 169kW V8 5,0-litre engine.

Samcor executives will not comment officially on the project, but sources within Ford Australia indicate the cars are well suited to South African climatic and road conditions.

The impressive towing capacity afforded by the rear-wheel drive layout will also appeal to caravan and trailer owners left without a suitable towing car since the demise of the Opel Rekord and Ford Sierra.

In Australia, the Falcon sells from about $29 000 (R75 400) including local taxes.

It could sell for around R80-90 000 in South Africa, depending on what export credits Samcor might use to offset the 65 percent import duty levied on fully built-up imports.

Ford Australia supplied Falcon, Fairmont and Fairlane motor cars to South Africa until the late 1970s, before they were killed off by successive fuel crises.

Ford Australia seems confident that sufficient demand for powerful rear-wheel-drive cars still exists in South Africa.

Work resumes at VW plant

UITENHAGE. Full production resumed at the Volkswagen plant here yesterday after a strike which paralysed the vehicle manufacturer for three days. (192)

Several hundred National Union of Metal Workers of South Africa members went on strike to support demands for the reinstatement of a colleague fired for hitting a supervisor on the production line

ET 11/10/95

Sapa

Volkswagen SA pioneers new car paint

(192)
ET(BR)10/10/95

By Roy Cokayne

Pretoria Business Editor

ET(BR)

Volkswagen South Africa has taken the lead in the use of lead-free paint technology on locally manufactured vehicles

The technology is used to apply a cathodic electropaint undercoat to all vehicles built at the company's Uitenhage plant

The low-toxic electropaint, Aqua EC 3000, replaces the lead and tin compounds previously used in the undercoating process The technology has been introduced in collaboration with Plascon South Africa The company is the first local manufacturer to introduce this process

"This development not only keeps us abreast of environment-driven initiatives within Volkswagen and the global motor industry, but will result in savings for all vehicles passing through our paint shop," said Hans-Jurgen Wiegand, the company's technical director

Wiegand said Volkswagen was a leader in the field of environmentally friendly technologies and processes

Roger Dransfield, the director of automotive operations at Plascon, said the new process had positive implications for customers and employees and complied with laws on toxicity in Germany

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Volkswagen strikers' position 'unclear'

BD 9/10/95 (192)

Renee Grawitzky

IT IS unclear whether Volkswagen workers would return to work today as an urgent interdict granted to the company ordering the illegal strikers back to work has not yet been served

Shop steward Colin Hardt said it was not clear whether the company would serve the interdict today

The plant has been closed since October 4 when workers embarked on an unprocedural strike after a colleague was dismissed for assaulting a foreman The company said it had no choice in applying for the interdict as workers continued with unprocedural action

Chrysler to return to South Africa

(192)

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

CT(BR) 19/10/95

Chrysler Corporation, which disinvested from South Africa in 1983, will return to the country in the second quarter of next year through the establishment of a direct dealer network supported by a regional sales office

Jonathan Holcomb, the general manager of Chrysler's Latin American, Middle Eastern and African operations, said Chrysler initially planned to sell about 3 000 units a year but that this could grow to almost 10 000 vehicles.

Holcomb said Chrysler believed the South African market had the potential for volume growth well in excess of 300 000 units annually

The Jeep Cherokee and Jeep Grand Cherokee will be the first vehicles available

The Cherokee will be sourced from Toledo, Ohio, while the Grand Cherokee will come from Graz, Austria

Over the next two years Chrysler will introduce the Neon compact car, the Wrangler sport utility vehicle and Chrysler's industry-leading minivan

Chrysler previously assembled vehicles here It withdrew from South Africa and other international markets because of financial difficulties caused by a declining American car market and in support of the American government's actions against apartheid

When Chrysler is relaunched, it will have dealers in Johannesburg, Cape Town, Durban, Bloemfontein, East London and Port Elizabeth

This does not mean Chrysler will only have six dealerships — it is expected to have more than one dealership in some of these centres

Motor industry sources said they were surprised that Chrysler, like Hyundai, had opted for a direct dealer network, which is costly to establish, instead of linking up with one of the retail groups in South Africa

Ford Australia gears up for SA comeback

(192)(?) CT(BR) 19/10/95

BY ALEXANDER CORNE
SPECIAL WRITER

Melbourne — Ford Motor Company of Australia is planning to supply fully built-up Falcon motor cars to Samcor, according to a Ford Australia executive

Two six-cylinder saloons have been under evaluation by Ford engineers in Pretoria for the past few months.

While no dates for the start-up of sales have been finalised, the cars are unlikely to arrive before early next year. They will have to be slightly re-engineered to run on leaded fuel

The supply deal will be signed within one month, with both base and high-specification cars coming to South Africa, the exeutive said

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The car is sold in a variety of guises, and according to Ford Australia and Samcor is looking at all derivatives

Modest

These start with the basic FLi aimed at the fleet market and include a better-equipped Futura model, a more up-market Fairmont and Fairmont Ghia pairing, while a stretched-wheelbase pair called Fairlane and LTD offer limousine accommodation at a modest price There is also a voluminous Falcon wagon

Sporty drivers can opt for the XR6 version which has a race-tuned 164kW engine and sports suspension

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Duty

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Ford Australia supplied Falcon, Fairmont and Fairlane motor cars to South Africa until the late 1970s, before they were killed off by successive fuel crises

Ford Australia seems confident that sufficient demand for powerful rear-wheel-drive cars still exists in South Africa

Ugandan banks to axe staff after pay rise order

CT(BR) 19/10/95

Nairobi — Foreign banks in Uganda are restructuring their operations following a hefty industrial court award to employees which threaten the sector's future

The industrial court awarded bank employees salary increases of up to 80 percent, but the banks protested They described the awards as "too high and unrealistic" and refused to comply

The workers responded with a four-day strike that paralysed the entire sector

Normality returned only after successful negotiations were held between the Uganda Bankers' Association and the Bankers' union.

But now the sector is feeling the pinch and foreign banks are hitting back Three of them have started restructuring programmes that will see a cut-back in branch numbers and a substantial reduction of staff

Another way the banks hope to recoup the extra outlay is to increase the minimum balances for savings account holders But the increase could scare away customers The level of savings has been dwindling since the government imposed a 30 percent tax on deposits in 1987.
— Independent Foreign Service

Mercedes expects surge in SA sales

(192)

By Roy Cokayne
Pretoria Business Editor

CT(BR) 20/10/95

Mercedes Benz of South Africa expected turnover for this year to be more than 50 percent higher than it was last year, said Christoph Kopke, the chairman.

Mercedes Benz, 76,6 percent owned by Daimler-Benz of Germany, expects turnover to rise to R5,5 billion by the end of this year from R3,4 billion last year.

Kopke said Mercedes Benz was aiming to increase the value of its exports from R650 million this year to R1 billion over the next two to three years.

At a function in East London where he announced the company had been awarded ISO 9001 certification, Kopke said R90 million of this year's export turnover was attributable to exports to Africa. The remainder largely constituted components exported to Thailand, Europe and North America.

Kopke said Mercedes Benz now had a fully fledged export department which was responsible for exports to Zimbabwe, Zambia, Malawi and Mozambique while exports to Tanzania and Kenya were under negotiation.

Mozambique was the company's largest export customer this year and would account for about 40 percent of its African exports.

Mercedes Benz exported a broad range of products but specialised in about five or six components to enable increased volumes.

Kopke said profit after tax in the year to end in December was expected to be about the same as last year at DM53,3 million (R20,1 million), compared with DM7,9 million (R3 million) in 1993.

He said the growth had been achieved mainly through increased production volumes.

The company's profitability had been negatively affected by the government's decree of an excise tax on all fully built-up units. This was implemented shortly before last month's introduction of the motor industry development programme and had cost Mercedes Benz about R20 million.

Kopke said Mercedes Benz was expected to produce 41 800 vehicles this year compared with 23 300 last year.

The company would invest DM100 million over the next two to three years, the vast majority of that on a new paintshop, he said.

Motor parts industry 'under threat' from policy changes

CT(BR) 20/10/95 (192)

By Jon Beverley

Special Writer

While the motor industry is expected to export products worth more than R3,2 billion this year (against R2,6 billion last year), of which components represent two-thirds, storm clouds are gathering for the component-making industry

John Brandtner, the outgoing president of the National Association of Automotive Component and Allied Manufacturers, told the annual meeting in Durban yesterday that as a result of government policy moves, manufacturers and workers were under pressure

It appeared, he said, that vehicle manufacturers were being favoured One of the developments which troubled the association was the way in which duties had been altered, and as a result of a customs duty loophole the manufacturers were being given an estimated bonanza of R1 billion

Brandtner said manufacturers and parts makers were emerging from a heavily protected system Such changes in government policy, and approach, he said, were too sudden and threatening

He added that although the new government deal did allow them substantial opportunities to export parts, the bureaucracy surrounding this move was "user-unfriendly"

Exporters were being burdened with costly, cumbersome, restrictive export reporting mechanisms

He said there was a need for a body to monitor the industry, adding that the three-year reviewing process on the progress of the industry was too long and that businesses could collapse long before that.

"We have been aware of this country's vehicle affordability crisis and the industry's drain on the country's foreign exchange reserves," he said

"If South Africa is to develop an appropriate motor industry that produces affordable vehicles, and compete successfully on international markets, the government should attend urgently to our continued concerns about the implementation of the motor industry development programme," he said.

M-B sees increased demand for trucks

(192) ARG 21/10/95

JOHN VILJOEN
Business Reporter

THE next three years will see a strong demand for heavy trucks to replace ageing South African fleets, according to Mercedes-Benz South Africa (MBSA) chairman Christoph Köpke

"The average age of heavy trucks in South Africa is 15 years and that is not viable," he told a media briefing at MBSA's East London plant this week

In the 1980s, South Africa's truck industry saw sales of 28 000 units a year, which dropped to 6 400 at its worst point

MBSA planned to produce 3 600 heavy trucks this year, up 47 percent from last year's 2 442

With 11 new truck makes entering the South African market in the past 18 months, bringing the total to 15, it is a particularly competitive market sector

To protect its market share, MBSA has cut its heavy truck prices over the past two years Mr Köpke this week hinted at further price cuts

Another area with growth potential is the production of buses MBSA had the lion's share of a 3 000-unit market in the 1980s Production has sinced dropped closer to 400, but he is optimistic that this will now show growth

DRIVING MERCEDES: MBSA chairman Christoph Köpke

MBSA expects total turnover to grow to R5 billion for the year — by September it had reached R4 billion By year-end this will mean an improvement on 1994's R3,4 billion of 50 percent in rand terms and 30 percent in Deutschmark terms

MBSA ranks third of Mercedes-Benz plants outside Germany behind the United States and Brazil and ahead of Spain

After-tax profit has grown from DM8 million (R20 million) in 1995 terms, to DM53,3 million (R133 million) last year A similar bottom line is expected this year, in spite of stronger sales

Mr Köpke attributed this to production line changes to accommodate new models, pressure on margins in the heavy truck market and excise tax on built-up units

Earnings from exports were showing strong growth, Mr Köpke said MBSA aimed to increase exports of R650 million this year to R1 billion within three years.

South African-made cars exported to the rest of Africa would account for R95 million of this year's figure

Other typical exports were aluminium components — car jacks were produced in South Africa and supplied to the mother company in Germany, alloy wheels, leather upholstery (80 percent of the leather trimmings in Mercedes-Benz S and E class cars produced in Germany is made here), and catalytic converters

Turning to production, Mr Köpke said MBSA planned to produce a total of 41 800 units this year, up from 23 300 last year

This includes 29 500 passenger cars (20 229), 8 700 one-ton vehicles (626) and 3 600 trucks (2 442)

This represents a 70 percent increase in volume Last year's passenger car figures included 5 558 Mercedes Benz C-class vehicles MBSA will have stepped this up to 10 900 by the year-end

Sales in the South African vehicle market had dropped from 450 000 in the 1980s to present levels of around 350 000, which was shared between 50 different models "By any world standards, there is no way that can work," Mr Köpke said

South African prices were between 15 and 30 percent higher than those in the United States which, with 12 million units sold a year, was the world's most competitive market

Plant gets international production quality rating

MERCEDES Benz of South Africa this week became the country's first motor manufacturer to be awarded the ISO 9001 TüV certification for production quality at its East London plant.

The certification audit was conducted by TüV Cert (Technischer Uberwachungs-Verein) which is the internationally recognised European certification institution. TüV has been appointed to certify all Mercedes-Benz plants around the world.

The ISO 9001 certificate is the most comprehensive and sought after listing of the ISO 9000 series. It encompasses design and development, through the manufacturing process to feedback from actual product performance in service, back into the design and manufacturing processes.

An annual audit will be done by TüV to ensure that documented standards are maintained and that new processes and modifications are accommodated.

Automakers shares 'hot'

CT(BR) 23/10/95 (192)

By Roy Cokayne

PRETORIA BUSINESS EDITOR

The R25 million public share offer by Automakers, the holding company of Nissan South Africa which will be listed on the JSE tomorrow, was 37 times oversubscribed and attracted subscriptions of more than R935 million

John Newbury, the chief executive of Automakers, said the unprecedented demand for shares was a major vote of confidence by the man in the street in Automakers and its brands Nissan, Nissan Diesel and Alfa Romeo

Newbury said that in order to be as fair as possible in the allocation of shares and to give every subscriber an opportunity of becoming an investor in Automakers, all subscriptions will receive a minimum of 100 shares

"Thereafter, subscriptions will be allocated on a pro-rata basis," Newbury said.

The oversubscription makes it the most sought-after public offer this year It follows strong institutional demand for the private placing of 38 million shares in the company

The public offer was for 5 million shares at 500c each and there was a preferential offer of 5,48 million shares at the same price, which was fully subscribed

"Following our listing tomorrow, we will have a very broad and well balanced share register This will be made up of extensive public, staff and institutional participation, including our majority shareholder Sankorp, together with Mitsui & Company and Nissan Diesel of Japan," Newbury said

The listing of Automakers follows a decision by Sankorp to reduce its shareholding from absolute to effective control Sankorp will retain a shareholding of more than 50 percent, while Mitsui & Company and Nissan Diesel will hold a total of 12,9 percent

☐ See Page 18

BACKGROUND&ANALYSIS

Automakers takes Japanese on board

(192) CT(BR) 23/10/95

THE SPIRA INTERVIEW

The investment by the Japanese in Automakers, scheduled to list on the JSE tomorrow, is highly significant for South Africa, since once one Japanese company has made such a move "there's almost peer pressure on other Japanese companies to follow suit"

So suggests Automakers chief executive John Newbury, who points out that the purchase of a 12,9 percent stake in Automakers by Nissan Diesel and Mitsui is one of the first major investments by the Japanese in South Africa

"I expect this move to lead to further Japanese investment in this country"

Eyebrows have been raised over the absence of Nissan Motor Company among Automakers' foreign shareholding complement Did this reflect a lack of confidence?

"Not at all' Newbury responds "Nissan has been involved in a substantial restructuring exercise in the course of which it took $3 billion in operating costs out of its operation So it would have been difficult for them to have come in

"They're nevertheless very pleased with the way the listing is going and I have every confidence that Nissan will become a shareholder further down the line

"Nissan is of course, indirectly involved via Nissan Diesel, an independently quoted company of which Nissan Motor Company owns 40 percent

Newbury indicates that Automakers relationship with Mitsui has evolved over many years

"The confidence Mitsui has shown by investing in Automakers — after a thorough due diligence exercise — was strong encouragement for Nissan Diesel to consider their presence here

"Further, Nissan Diesel has much confidence in the future of South Africa in general and in Automakers in particular We've represented them for 30-odd years They see us as their partners It s an evergreen relationship"

Newbury found that the investment by the Japanese had made an enormous difference to the confidence shown in Automakers by the domestic institutions

"They knew that the Japanese are cautious and that they invested in a company in which they didn't have to invest, because they had a presence here anyway through their representation via Automakers Obviously they invested because they believed they would get good returns That helped a lot with the institutions"

The original intention was that controlling shareholder Sankorp would retain 55 percent of the Automakers equity But Newbury said demand for the shares from the institutions had been so strong that, to give the institutions more, Sankorp was going to reduce its interest to 51 percent

He said that three institutions wanted to take all the shares on offer At the final count Automakers had 22 institutional shareholders

All Automakers staff have been allocated shares The company also offered the National Union of Metalworkers of South Africa, (Numsa), shares because in the modern environment it is important to communicate well with the unions

We told them what we were doing as far as the staff allocation was concerned and how we would be funding it They were happy with that But Numsa doesn't have a share portfolio and it chose not to take the shares we offered I don t feel unhappy about that It would have been discourteous had we not spoken to them"

Will ownership of the shares provide further incentives for the Automakers staff?

'I think they will feel they have a little more ownership, that they're that much more part of the company'

Has the listing process benefited Automakers and Nissan in other ways?

"People have become much more aware and positive about Nissan than they were previously Before we were just one of many manufacturers We're now in a situation of top of-the mind awareness'

The listing could not have come at a better time in the context of exceptional motor vehicle sales

Newbury says this was a prior consideration, as was the time needed to complete the negotiations with the Japanese 'October is normally a good month for the vehicle industry, though we did not expect sales to be as buoyant as they have been"

He sees the car industry continuing to prosper during the rest of this year and into next year "In our calculations for the listing, we were conservative on our sales figures, because while volumes are good, competition is fierce

John Newbury, taking Automakers to the JSE

PHOTO JOHN WOODROOF

"There's also a lot of aggressive competition from imports So while the volumes might be there, the quality of business is not particularly good

"Our forecasts were a little conservative, but not extremely conservative We re going to have to work hard to do the job we've indicated we would do in the prospectus I'm confident but not euphoric"

Ever since Automakers announced it would list, the Toyota share price has been moving higher Newbury was confident it would happen, because suddenly someone was talking about the vehicle manufacturing industry

"When I talked to the institutions about motor vehicle manufacture in South Africa, that added to confidence in the industry I'm very happy that the Toyota share price has gone up Toyota didn't like the way in which we presented comparisons between them and ourselves Yet from tomorrow, Toyota and Automakers will be the only motor manufacturers listed on the JSE and there'll obviously be ongoing comparisons"

Newbury says the two companies will continue to be aggressive competitors, but with respect for one another, as has been the case in the past

He believes the only other possible vehicle manufacturing listing could come from Samcor, 'though the Ford investment in Samcor has probably rendered the possibility more remote, since Anglo has thereby diluted its interest in Samcor

The German manufacturers would not list, because with 100 percent ownership they could decide whether they wanted to make their profit here or in Germany If they listed they would lose some flexibility

"Yet it would be exciting if we had more manufacturers listed on the JSE The industry is, after all, a big part of the economy If you look at other industrialised countries, most of the major manufacturers are listed

"If there were more such listings here it would be good for the industry and good for the country It would indicate more stability in the industry in the longer term and it would get more recognition."

Other than the stake in Automakers taken by the Japanese, Newbury discloses that "a couple" of brokers had indicated to him that they had substantial offshore funds wanting to buy a stake in the company

"That s encouraging, because if we wanted to expand our activities outside South Africa, there could well be a positive audience It's something we might contemplate in the future"

Is Newbury concerned that everything Automakers does from now on will be totally transparent?

"Not at all I appreciate that we'll be directly answerable to our shareholders, though that won't be very different from the past Sankorp has been a tough shareholder — and that's been fine with me"

Automakers disappoints on JSE debut

BD 25/10/95 (192)

John Dludlu and
Adrienne Giliomee

AUTOMAKERS, holding company of car manufacturer Nissan SA, made its debut on the JSE yesterday, hitting the R5,70 mark within the first few minutes

This was below market expectations of between R6 and R6,20, but still above the R5 issue price The share hit a high of R6 and a low of R5,40, closing at R5,65 after 443 deals

But dealers said the listing was disappointing because the massive oversubscription had depressed the share price "One had many little transactions involving small shareholders and this could not lift the share price to higher levels," a dealer said

Dealers said some investors had borrowed money to subscribe for the counter, but this had backfired when the issue was oversubscribed and shareholders were allocated only a portion of their application "Investors who took an overdraft were really hammered Their interest on the basis of allocation came to R1,30 a share If you consider the share price rose only to 65c above the listing price, they lost 65c a share "

Automakers group financial manager Alastair Cunningham said the company had expected the share to trade at a premium to the offer price

Judging by the demand for the share offer, which was 37 times oversubscribed, the company saw great upside potential in the price

The company offered 5-million shares to the public at R5 a share, and 5,48-million preferential shares were taken up in a private placing

Sanlam chairman Marinus Daling said the offer had generated much interest among institutional investors, prompting Sankorp to reduce its shareholding in Automakers to just above 50% Sankorp previously held 100% in Automakers *the treasury department," he said.* *See Page 21*

PHOTO: JOHN WOODROOF

on a complete re-examination of how Guardbank ran its business."

Energy minister denies report

STAFF WRITER

Johannesburg — Minister of Mineral and Energy Affairs Pik Botha categorically denied he supported a proposal for a five-year extension of Mossgas' life with a capital injection of R800 million, as alleged by a weekend newspaper

He said the newspaper's editorial on the subject was "equally fallacious", based as it was on the newspaper's own "inaccurate reporting", although he had provided the newspaper with a clear written response

CT(BR)30/10/95

Midas chief to stand down

(192) CT(BR) 30/10/95

By CHARLOTTE MATHEWS

Johannesburg — Sarel de Vos, the chief executive of motor spares group Midas, has decided to step down from his position at the end of November "owing to personal circumstances", McCarthy Retail chief executive Terry Rosenberg said in an announcement last Friday.

Midas is 80 percent held by McCarthy Retail.

Asked to elaborate, McCarthy Retail chairman Brian McCarthy said De Vos had made it clear when he was appointed that he would not stay on until retirement.

In addition, his wife had recently been unwell

Rosenberg said De Vos had made a major contribution to the group, particularly in the past three years when he had led the company from a loss to a healthy profit.

"We remain excited by the opportunities and future prospects of Midas," he said.

De Vos will remain chairman of the National Automobile Parts Association and the Midas Parts Centre chain

McCarthy said no successor to De Vos had been chosen.

Star - 10/10/95

VW strike ends with court order

(192)

Port Elizabeth – Volkswagen workers return to work today, having lost more than R2,2-million in wages and their employer at least R39-million in lost turnover since an unprocedural strike at the Uitenhage plant began last Wednesday

The National Union of Metalworkers of South Africa (Numsa) convinced its VWSA membership at a mass meeting at the plant yesterday to return to work, after the company was granted a Supreme Court interdict against the workers on Friday

Numsa regional secretary Bimba Mangqabashana said workers had initially wanted to defy the "apartheid" interdict, but agreed that it was equally vital to consider the consequences of their action.

Mangqabashana said interdicts to which a union could not immediately respond unnecessarily "soured relations" between the company and workforce

The strike began after the company dismissed a black worker for assaulting a coloured supervisor

Numsa claims the worker hit the supervisor after being hit himself – Own Correspondent

Striking VW workers return to work

ARG 10/10/95 (192)

PORT ELIZABETH
Workers and management at Volkswagen South Africa's Uitenhage plant have agreed that work will resume today after a wild-cat strike which began last Wednesday, company and union officials said

The workers, members of the National Union of Metalworkers of South Africa (NUMSA), downed tools after the dismissal of a colleague who allegedly assaulted a supervisor

"The company and the union have requested all employees to report for duty at the start of their respective shifts and to continue to work normally," Volkswagen SA spokesman, Raymond Hartle said

"NUMSA's undertaking to return to work and to follow the established procedures ends the three-day closure of VWSA's Uitenhage plant, following an illegal strike," he said

The union's Eastern Cape regional secretary, Bimba Mangqabashana, earlier said that workers would go back to their jobs and talks would continue

"We have managed to persuade workers to go back to work while negotiations continue with management that both the dismissed employee and the supervisor be suspended with full pay," he said

VWSA, a subsidiary of Volkswagen AG, produces 300 cars a day

The striking workers met yesterday to decide whether to comply with a Supreme Court order, obtained by the company on Friday, compelling them to resume work

At the weekend VWSA ran radio and newspaper advertisements explaining why it was important for workers to resume work

Every day the strike continued, workers were losing R750 000 in wages and the company between R13 and R18 million in lost turnover

The regional economy would be negatively affected, suppliers, dealers and their workers could be adversely affected, and the relationship between VWSA and its workers could suffer

During the strike workers lost a total of R2 million in wages and the company R54 million in turnover — Own Correspondent and Reuter

BMW to invest R1 billion in Rosslyn plant

CT (BR) 24/1/96 (192)

By Roy Cokayne

Cape Town — BMW SA will invest about R1 billion in its manufacturing facilities at Rosslyn near Pretoria and could create between 3 000 and 7 000 jobs among its local suppliers over the next four years

The announcement was made by BMW SA managing director Rainer Hagemann at the BMW pavilion at the V&A waterfront yesterday, when he conveyed a message from Bernd Pischetsrieder, BMW's management board chairman Pischetsrieder's message said the investment would be primarily to upgrade and increase the capacity of the local manufacturing facilities to meet increased domestic and export demand

BMW's German board remained committed to South Africa, he said The company was encouraged by the improved market conditions and was pleased with the government's professional approach to economic management, he said

Hagemann, said the investment would be evenly spread over the next three years, with a lesser amount invested in 1999

The plant's production capacity would be increased from 16 000 vehicles to about 25 000 vehicles

Hagemann said the financing had not been completed but would come from within BMW

He said the investment would create jobs, but because of the sharp productivity drive at BMW, these would be limited to local suppliers and dealers

"We have 3 300 people in our own organisation and our suppliers and retailers have about 10 times that number If we look at the whole network, we are looking at between 10 percent and 20 percent more jobs being created," he said

He said local BMW exports this year would amount to between R800 million and R900 million and imports to R1,3 billion. BMW expected to sell 25 000 cars in 1999, of which between 15 000 and 16 000 would be for the local market However, the volumes for the export market had not been determined, he said

"We will move slowly with meeting the market demand in South Africa and for exports in the next two to three years

"It is a process of building capacity at the plant and bringing it up to world competitive standards with the increased production only kicking in in the fourth year," Hagemann said

The investment announcement follows Pischetsrieder's visit to South Africa in 1994 when he challenged the local firm to qualify as a member of BMW's global manufacturing network

He said it would be a daunting task to improve quality, productivity and delivery efficiency to globally competitive standards

Pischetsrieder said BMW's board was satisfied with the progress the local firm had made and it would become a fully fledged member of the global network

He said, however, that the head office remained deeply concerned with the level of crime in South Africa, particularly vehicle theft and hijacking

☐ Background· Page 19

Mercedes-Benz SA reports 400% increase in export market

(192)

CT (BR) 25/1/96

By Roy Cokayne

Pretoria — Mercedes-Benz of SA's exports have grown 400 percent in the past two years and it anticipates exporting products worth R650 million this year

The company's marketing manager for passenger cars, Eric Scoble, said the group's exports were mainly to the passenger car division of Mercedes-Benz in Germany and included leather, alloy wheels, catalytic converters, glass and some smaller components

The company was supplying leather and catalytic converters for the original equipment market and the remainder of the products to the after market

However, he said the strength of the rand was making it increasingly difficult for motor manufacturers to export, although it was good news for the pricing of vehicles

Scoble doubted completely built-up vehicles would be exported from South Africa He said there was not one manufacturer in South Africa that could produce vehicles cheaper than its parent company

However, he said that any company that wanted to be a major player in the vehicle market would have to be an exporter

Scoble said the company's passenger car market share grew for the fifth consecutive year, reaching 11,3 percent at the end of last year from 10,9 percent in 1994

In the light commercial vehicle sector, the company achieved a 5,5 percent market share with the Colt range after only a year in this market The bakkie range captured 8,1 percent of the one-ton pickup segment, he said

Scoble said the company foresaw a marginal increase in its market share this year, and hoped to attain 12 percent of the market after the launch of the new E-class and Honda Ballade The company did not expect growth in the industry this year to match that of last year, but Scoble said that total vehicle sales could grow between 5 to 10 percent if the economy grew 4 percent as predicted

Scoble said two factors could make the market do better this year than forecast — a drop in interest rates, which were expected to be reduced by 2 percentage points during the year, and pricing, which was dependent on the rand exchange rate "holding up"

Scoble predicted the "cheaper segment of the car market would be the biggest sector by 1998 — with the two bottom segments accounting for 80 percent of sales

BMW

(192)

CASH WITH STRINGS

FM 26/1/96

German car giant BMW is ready to invest R1bn in its SA subsidiary — but only if government gets a grip on soaring crime

Group chairman Bernd Pischetsrieder says BMW plans to spend the R1bn between now and 1999 But he adds "Should crime continue to escalate as it has in the past year, this will force us to reassess the investment"

He singles out vehicle theft and hijacking as particular worries and says authorities must give urgent attention to issues such as central vehicle registration, border control and police-pound management

Hagemann

The R1bn is intended to raise capacity at BMW's Rosslyn, Pretoria, plant to 25 000 cars/year on a single shift — or up to 50 000 potential full capacity Last year the local company built 18 000 cars

Pischetsrieder says the investment will enable BMW SA to become a fully fledged member of the BMW global manufacturing network He says it is a reward for the company meeting its parent's challenge to become a world-competitive manufacturer and supplier

Pischetsrieder, who has criticised government in the past for lack of clear investment guidelines, says he is now encouraged by local market conditions and government's "professional approach" to managing the economy

By becoming part of the global network, BMW SA will have increased access to export markets Last year the company exported 3-Series cars to Australia and Pakistan Southeast Asia and the southern hemisphere will remain prime target markets but others are also in the sights In the medium to long term, it is hoped that exports will account for a third or more of total production

Suggestions that BMW SA will become the sole supplier of right-hand-drive cars are, however, off the mark Britain is the biggest single market for right-hand-drive BMWs and its closeness to the main German car plants means it will continue to be supplied from there

All depends, though, on SA's crime rate BMW SA MD Rainer Hagemann accepts it is unrealistic for crime figures to drop immediately At the least, government must show commitment to tackling the problem and take suitable action Hagemann says "If it takes the right decisions, this investment will be in no danger But if the situation deteriorates seriously and it becomes impossible to conduct business in normal circumstances, the question of our future plans will come up"

If all goes according to plan, especially export targets, Hagemann hopes BMW will be able to avoid any duties on imported cars and components Under industry rules, export values can be offset against import costs to achieve a full rebate on import tariffs

He discloses that the R1bn investment from Germany may not be the last The Rover group, which is owned by BMW and has its own small assembly operation in SA, has been considering adding cars to the Land Rover and Range Rover models available locally If that is the case — and Hagemann stresses there are several "ifs" — "we could be looking at another BMW investment through Rover" ■

Shape up or we'll ship out, warns BMW

(192)

M+G (BM) 26/1-1/2/96

Lynda Loxton

IN September 1994, Munich-based BMW chairman Bernd Pischetsrieder caused a stir when he warned the luxury automaker's South African subsidiary that it either had to shape up to international standards or BMW would pull out.

This week, a long process of painful adjustments to become more competitive, meet international standards in quality, productivity and delivery bore fruit when Pischetsrieder announced that BMW had decided that enough improvements had been made to qualify the local company as a "member of the BMW global manufacturing network"

As a result, it has decided to invest R1-billion in South Africa over the next four years to increase capacity in the South African plant to meet increased domestic and export demand

BMW South Africa managing director Rainer Hageman told a media briefing in Cape Town this week that the challenge had been "daunting" but that it had been tackled with determination.

But Pischetsrieder's good news had another caveat — the investment could be reconsidered if progress was not made in curbing the escalating levels of crime in South Africa, particularly of vehicle theft and hijackings

BMW, which recently donated 100 new cars to the South African Police Services highway patrol in Gauteng, was, however, "optimistic that crime levels will be suitably addressed"

The R1-billion would be invested evenly over the next four years, but mainly in 1996 to 1998 and would help increase production from the present 16 000 cars to about 25 000

Hageman said the investment would create more jobs downstream rather than in BMW itself

"The drive for more productivity means that productivity will go up steeply so that the additional jobs that we can have on our own plant will be limited," he said

"But if you look at the whole network, at our suppliers, our retail organisations, we are basically responsible for more than 20 000 people,and there will be a lot of extra activity."

Hageman said exports were expected to pick up slowly. BMW SA had already started exporting to Australia and Pakistan and would also look to South East Asia.

"The effect of the process of building the capacity of our plant and bringing it up to world competitive standards will only effectively kick in in the fourth year and only then will we be able to move towards a different level of capacity," he said

It was, however, important to export as much as possible as this enables BMW to import cars and components without paying duty This would enable it to price its cars competitively and keep pace with export companies that did not produce for the local market.

BMW has 8% of the local marketshare and Hageman said it accepted the fact that this could shrink somewhat because of the increasing competition in the domestic market

COMPANIES

Car makers geared up for R5bn export drive

ST(BT) 28/1/96 (192)

By DON ROBERTSON

MOTOR manufacturers plan to spend more than R5-billion over the next four to five years to boost export production.

Capital spending will involve tooling for new vehicles upgrading facilities and increasing component manufacture

BMW finalised its capital programme this week with the announcement of a R1-billion injection to lift production to 25 000 units a year from the current 16 000 on a single shift. By adding a second shift, output could double to 50 000 units annually

BMW's spending programme, announced by chairman Bernd Pischetsrieder had the proviso that crime in South Africa needed to be addressed

"Should crime continue to escalate as it has in the past year, this will undoubtedly force us to reassess the considerable investment we intend making over the next four years," he said.

With BMW SA now a member of the BMW global network, the capital commitment will be used to increase production levels for the domestic and export markets including those in Australia, Pakistan and south-east Asia. It is hoped that the value of exports will increase to about R900-million in 1996

Toyota has committed R1,4-billion for new models, parts systems and factory improvement, of which R450-million will be spent this year Exports are likely to reach R180-million this year

Delta Motor Corporation, which sells Opels and Isuzus, began its investment programme last year and has confirmed spending of R600-million to the year 1998 About R260-million of this will be on model facelifts and the commissioning of the Struandale plant, which was recently bought from Samcor A further R280-million will be committed to new products and updates Exports this year should top R500-million.

Mercedes-Benz has a "special project" costing R230-million this year and has allocated R540-million until 2000 Exports are expected to reach R850-million this year

Samcor, which recently introduced the Ford Escort, has trimmed its spending programme for the current year, with only R126-million earmarked for the engine plant. Expenditure in following years will be at "normal" levels.

Volkswagen, which launched a new Audi A4 last year, will also keep spending down in the current year at about R200-million. Exports, forecast at R426-million in 1996, are expected to grow to R1-billion by 1997

Nissan has embarked on a R170-million programme to boost production, productivity and quality at its Rosslyn plant and will spend a further R400-million over the next three financial years on new models and facilities.

Dealers such as McCarthy Motor Holdings and Imperial Motors will also commit large sums for establishing of dealer networks

Chrysler this week announced it would be establishing a dealer network at a total cost of no less than \$20-million (R72-million). Chrysler will sell a range of fully imported cars from mid-year onwards, including the Grand Cherokee, the Jeep Wrangler and the Chrysler Neon.

ACCOMMODATING INVESTORS Norvest members Tom Davies, Keeve Steyn, Max Silverman and Kevin de Villiers

R&D essential for SA success, says Manuel

(192)

By Thabo Leshilo

Johannesburg — South African companies must invest vigorously in the development of their employees or risk failure in the harsh global economy, the minister of trade and industry, Trevor Manuel, warned at the weekend.

"As you invest in technology upgrade and in research and development, you need to invest, contiguously, in the people who actually work on the shop floor unless we get that dimension right, becoming global players will remain a pipe dream," said Manuel

He was speaking at the 25th anniversary celebration of Tente Castors in South Africa The minister also turned the first sod for the Boksburg-based company's R3,5 million warehouse and assembly complex.

CT (BR) 29/1/96

Innovate

Tente Castors is the leading manufacturer of wheels and castors in the country. It is a wholly owned subsidiary of Tente Rollen GmbH& Company of Germany, with a turnover of R250 million

Manuel congratulated the company for its innovation and investment in the development of new products, particularly its research into anti-theft castors

He committed the government to helping create an environment conducive to competitiveness and efficiency. That, he said, was vital to enabling firms to create jobs, upgrade the skills of workers, innovate and seize opportunities in the world economy

"We have the vision of an economy with an industrial base that is focused on quality and excellence and that will bear its seal proudly," Manuel said

Dieter Fricke, the president of Tente Rollen, said the investment in the new warehouse reflected the parent company's confidence in South Africa

MARK OF APPROVAL

PHOTO JOHN WOODROOF

Internationally recognised quality control systems were essential if South African companies were to compete in the international trade and service sectors, the chairman of Trencor, Neil Jowell, said at an award ceremony at the weekend

Independent Express, a courier company in the Trencor group, was accredited with top quality achievement The picture shows Andrew Loveall, the managing director of Independent Express, with the award

The company, which is the only South African courier firm to achieve the accreditation, provides express and courier document, parcel and airfreight services nationally and to more than 100 countries internationally — Francoise Botha

Strike at BMW over bonus tax

X(192)

By Ross Herbert

CT(PR) 30/1/96

Johannesburg — A wildcat strike at BMW's Rosslyn assembly plant near Pretoria halted production on Friday and yesterday as workers expressed anger at the amount of taxes on holiday bonuses

About 2 500 production workers, who received a special bonus on Friday because the company had an unusually good year last year, walked off the job when they got their pay cheques

"This is an extraordinary and unusual situation The reason for the strike is, to put it mildly, great disappointment over the amount of tax withheld," said Chris Moerdyk, the head of public affairs for BMW SA

"It's ironic that usually strikes are related to not enough pay, not too much," he said

The company frequently pays a quarterly bonus based on profit.

Because of especially good production and exports last year, the company included an extra bonus in pay cheques distributed to workers on Friday

The company normally communicates with workers about bonus calculations through shop stewards, but the system apparently failed, focusing attention on the significant negative costs of failing to communicate

Management and shop stewards were taken by surprise by bitter complaints from workers over the size of the tax bite

Workers continued to negotiate with management late yesterday and sent a delegation to complain to the receiver of revenue

Moerdyk said the strike would last through today, but that if workers returned to work tomorrow, the plant could make up lost production without major cost.

Samcor announces large cut in prices

BD 30/1/96 (192)

Edward West

SAMCOR yesterday announced price cuts of between 2% and 9,5% on several of its models after benefiting from reduced import tariffs, improved efficiencies and a favourable exchange rate.

The cuts came at a time when other manufacturers have forecast vehicle price increases equal to at least the inflation rate this year.

With the introduction of the motor industry development programme, designed to make the industry more competitive, vehicle manufacturers have begun responding by aggressive pricing to grow market share and to enable them to become more cost effective in future, an industry source said

He said the first signs of this trend was last year's introduction of new entry level models such as Volkswagen's Citi Golf Chico and Samcor's Midge and Tracer Vehicle manufacturers received an incentive in terms of development programmes for low cost cars.

There had been some antagonism to the programme by the unions and motor component manufacturers who did not believe it would lead to greater affordability. However Samcor and a number of other manufacturers were setting the pace in proving them wrong, the source said

Samcor MD Jim Miller said the pricing actions had been made possible through greater efficiencies within the company, the benefits of a more favourable exchange, as well as reduced government tariffs and taxes.

"Since we announced the first major price reductions in July last year with the introduction of the successful Ford Tracer 1,3 and the Mazda Midge 130 models, we have become the first SA motor manufacturer to be presented with the ISO 9002 quality award by the SA Bureau of Standards."

In the latest cuts the prices of the 1,6l Tracer and Midge models were reduced by nearly 6%, while Ford Bantam and Mazda Rustler bakkie prices fell between 7,5% and 9,5%

The price of the flagship of the recently relaunched Ford Escort 1,8l Gh fell R3 200 to R79 950, with prices of the Ford Telstar and Mazda 626 ranges falling between 6,5% and 9,5%

Star 31/1/96

Chaos as VW workers seek apology

(192)

Own Correspondent

Port Elizabeth – A mass meeting of Volkswagen workers broke up in chaos yesterday with union officials demanding an apology from managing director Heinrich Holtmann for a perceived "derogatory" remark about President Nelson Mandela.

According to the National Union of Metalworkers, about 4 500 of its members walked out of their quarterly meeting with management after Holtmann "failed to apologise" for his comments

Last night Volkswagen executives were trying to defuse the potentially explosive situation.

The confrontation between Holtmann and the mass gathering of workers was disclosed by Numsa last night

The union claimed Holtmann, responding to dissatisfaction from employees over tax levels, "instructed the employees to go to Mandela and ask him to appoint the previous managing director, Peter Searle, as the finance minister to curb the tax problem".

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Motor traders warn of unleaded fuel 'disaster'

ARG 31/1/96

The Argus Correspondent

THE Motor Traders' Association today warned that unleaded fuel could create untold disaster in South Africa when it becomes available from tomorrow, February 1.

Chairman Roy Close said that while the reasons for using lead-free fuel were sound, serious problems could arise in vehicles that had had engines and cylinder heads repaired, especially minibus taxis.

"Just wait until the first minibus taxi blows a cylinder-head gasket because of unleaded fuel," he said.

"It will cost between R3 000 and R4 000 to repair, and all hell will break loose."

He said there was "hardly a minibus taxi around" that had not had its engine overhauled.

"Those who can least afford it will be the hardest hit."

The latest lists of cars which can be expected to run safely on unleaded fuel did not even state that this applied only to engines in original condition.

Some would need only minor adjustments, but those that should not use unleaded fuel at all included models older than 15 years and some high performance cars.

Many motorists will simply buy unleaded fuel because of the lower price and will pay a frightful penalty.

Lawnmowers, industrial and outboard motors could also be at risk with the new unleaded fuel.

The major manufacturers have set up helplines on the following numbers: BMW 011-313 2422; Delta 0800-422 777; NAAMSA 012-323 298; Nissan 0800-112 448; SAMCOR 0800-110 821; Toyota 0800-139 111, Volkswagen 0800-434 737; and Zenex 0800-117 707.

MANUFACTURING – MOTOR INDUSTRY

1996 – 1997

Picture CAROLINE SUZMAN

GEARING FOR GROWTH . . . John Newbury hopes the group's new pricing policy will result in it increasing its market share, but earnings are likely to be hit by fiercer competition

ST (BT) 1/9/96

Rivals put the brakes on Automaker's profits

(192)

MOTOR INDUSTRY

By DON ROBERTSON

DEREGULATION in the motor industry — and the resulting increase in competition — prevented Nissan SA holding company Automakers from achieving its prospectus forecast of R156,8-million attributable profit for the year to June

This disappointed chief executive John Newbury, but the achieved profit of R127,8-million was better than forecast at the interim stage and 2% higher than the 1995 pro forma figure of R125,7-million

Earnings of 72,4c a share have been produced against the pro forma 78,6c, out of which a total dividend of 15,3c has been declared The balance sheet remains strong net asset value has risen to 465c a share from 263c and the net debt equity ratio has improved to 28,6% from 33,9%

Newbury says despite rising input costs, aggravated by the retreating rand, motor manufacturers were precluded from increasing retail prices while trying to remain competitive as the low-priced, entry-level cars grabbed a growing share of the market

The previous policy of quarterly retail price increases was abandoned and Automakers and other manufacturers had to forego upward price adjustments of at least 5,5% This would have represented additional annual sales of more the R170-million and would have taken the group a lot closer to the prospectus forecast

"Automakers resisted the pressure to enter the price war for a considerable period, resulting in a consequent reduction in market share and a build-up of inventory

"The situation has been addressed through our new value pricing policy (in May) which should ensure growth in market share over the forthcoming year," says Newbury

Total vehicle sales during the financial year fell 3,3% to 56 522 units, reducing the company's share of the market to 14,8% from 17,2% in the previous year

Newbury, however, is hopeful that sales during the current year will rise by about 7%

Competition is expected to continue for the next 12 months with at least three new models due on the market before the end of the year, and a further drop in the rand is expected Earnings are thus not expected to match last year's figure

Car manufacturers forced to lift prices

BD 2/9/96 (192)

Edward West

A VIRTUAL hiatus in new car price increases appears to have ended as a number of manufacturers bow to rand depreciation cost pressures and lift prices today

Manufacturers due to increase prices today are Nissan SA, Samcor (Mazda and Ford) and Audi

The average increase in new vehicle prices in the first six months this year was only 1,5% — well below that of previous years Over the past 13 years the compound new car price inflation rate has averaged 15,65%

Econometrix economist Tony Twine said a number of "small rolling price changes" were expected before the end of the year as the depreciated rand pushed up costs and forward cover began "running out"

"We would have to see a price increase of at least 15% by the end of the year if production costs and retail pricing structures were to remain in balance," he said Net pricing to dealers — effectively wiping out discount structures — was one way manufacturers were whittling away at the 15% without increasing prices

Automakers CEO John Newbury said last week that despite the competitive market it was unlikely local manufacturers could afford to cut margins any further, because of the weak rand

Nissan SA said at the weekend it would increase prices today, but by late on Friday the extent of the rise had not yet been determined A spokesman for Samcor, which assembles Ford and Mazda vehicles, said the same

Audi planned to lift its prices 1,5%-3% today, but parent Volkswagen SA said it would hold prices at this stage, after increases of 2%-3% in July with the launch of a new Jetta range

Toyota SA did not intend increasing prices today as it had lifted prices 2%-3% at the beginning of last month — the first increases in a year

Mercedes-Benz SA (MBSA) and BMW SA also increased prices 1,5%-3% at the beginning of August, and Delta Motor Corporation put up prices 2,5%-3% in June last year

However, MBSA spokesman Ben van Rensburg said the manufacturer would lower the prices of its Colt bakkies this week, effectively pushing the price war raging at the entry level segment of the vehicle market into the light commercial vehicle market

BUSINESS DAY, Monday, September 2 1996 3

Motor manufacturers reap devaluation windfall

BD 2/9/96 (192)

Ronny Tshabalala

TOTAL exports of motor vehicles and components could reach R4bn this year as the effect of the rand's devaluation is felt, manufacturers said at the weekend

BMW SA said it intended increasing exports to R1bn from last year's R850m after becoming part of the global BMW manufacturer network Spokesman Deon Ebersohn said from 1999 BMW SA aimed to export more than 30 000 units a year

"We intend to make a gradual increase and export 800 cars to Europe and America this year, and up to 9 000 to the rest of Africa," he said.

BMW also expected to earn substantial foreign exchange from the export of local leather, which supplied about 70% of the group's global requirements

Mercedes Benz-SA said turnover from exports would increase to about R760m this year from R670m in 1995, and reach R940m in 1997

Spokesman Annelise van der Laan said the value of component exports jumped as the rand declined "as we invoice in international currencies such as the German mark, US dollar and Belgian franc".

Volkswagen SA spokesman Raymond Hartle said the group wanted to offset the effect of the rand devaluation on imports by increasing exports to R500m in 1996, with a further 21% increase in 1997

The group's exports consisted largely of components and engine parts following the company's decision to end the fully-built-up export programme last year.

Nissan SA said it would make a substantial investment in Zimbabwe for the assembly of light commercial vehicles in support of its export drive into the continent This followed an agreement with Quest Motor Corporation of Zimbabwe in which R8m was pledged for the assembly of one ton petrol and diesel bakkies

Nissan Africa MD Dave Manly said agreement had been reached for Nissan SA to represent Nissan Japan in sub-Saharan Africa

"We are currently exporting vehicles to Africa, but have recently enjoyed success in opening up new markets in other diverse right-hand drive vehicle markets such as Fiji and Papua New Guinea "

Nissan had launched its one-ton bakkie in Kenya and would sell up to 2 000 Unos to Singapore in a R50m contract

Toyota SA said it aimed to increase its vehicle exports to Africa by 30% to 3 500 units this year, compared to 2 710 in 1995. Toyota Exports GM Steve Stephenson said the R10m business for the supply of alloy wheels to Europe, a joint venture with Toyota UK, would also be expanded.

Toyota had invested R50m in a tool and die facility near its Durban assembly plant to make left-hand-drive models intended for export in August, he said.

Mercedes distances itself from 'ground-breaking' wage agreement

Reneé Grawitzky

THE "ground-breaking" three-year wage agreement signed last year in the motor vehicle manufacturing industry could be in jeopardy because of Mercedes Benz SA's decision last week to distance itself from a final employer offer on the basis that it deviated from the agreement's spirit and principles

The move follows reports that Mercedes had resigned from the Automobile Manufacturers Employers Association, which is party to the national bargaining forum in the industry.

At the time, the association said such a move would not affect the current wage round. This coincided with a confirmation by Naamsa vice-chairman Christoph Kopke (also Mercedes MD) that the association's final settlement offer was 8,5%

Besides the move by Mercedes, it was understood the parties had acknowledged that the agreement had become problematic and had to be reviewed because of problems with its interpretation and implementation.

BD 2/9/96

National Union of Metalworkers of SA (Numsa) negotiator Tony Kgobe said the union was prepared to settle on the final employer offer of 8,5% across the board and 10% on the minimum. However, it would not sign without Mercedes being party to it.

At the final meeting last week, Mercedes advised that it was not prepared to settle with the union on 8,5%, but was prepared to settle on 5,9% (the inflation rate for May), with the difference up to 8,5% being negotiated at plant level.

(192)

Kgobe said the company's view was that the employers' final offer had deviated from the three-year agreement, which stated that any wage adjustment above the inflation rate for May was a deviation

At the outset of negotiations, differences arose between the parties over the interpretation of the clause linked to wage increases in the second and third year of the agreement

Legal opinion first found that the increase should be linked to the inflation rate, but a later opinion indicated that 8,5% was acceptable

Mercedes said on Friday that throughout the negotiations its view was that it was not prepared to move beyond the inflation rate, "in the absence of sound economic rationale"

The move by the other employers to 8,5%, when the agreed CPI link was 5,9%, "has not been substantiated on the basis of economic rationale", Mercedes said

The company raised a number of

Continued on Page 2

Agreement

BD 2/9/96 (192)

Continued from Page 1

questions about the future of the industry and whether the agreement had facilitated improvements in performance, productivity and reduced industrial action.

Kgobe questioned why a difference in understanding existed between Mercedes and the other six employers and union "if not to destroy the three-year agreement".

He said when the final offer was tabled Mercedes was still part of the association and at no stage did it indicate dissociation from the bargaining forum. "They are bound by that offer," Kgobe said.

Mercedes Benz said it had applied for an exemption from the forum on the basis that its offer on actual wages should be linked to the CPI, and that all other negotiations in respect of the future of the company and job security should be concluded at plant level. It warned that if the exemption was not granted by the parties, the company would propose arbitration to resolve the issue

Employers' body, Mercedes at odds

BD 3/9/96 (192)

Reneé Grawitzky

THE Automobile Manufacturers Employers' Organisation (Ameo) yesterday denied claims by Mercedes-Benz SA that its final pay offer contravened the principles of the industry's three-year wage agreement

Mercedes' 3 000-strong work force is to decide today whether to take industrial action against the company's refusal to endorse the agreement.

Last week Mercedes distanced itself from a final employer offer, claiming it did not comply with the intention of the agreement Mercedes said the agreement was intended to ensure that increases would be linked to the inflation rate and that parties could negotiate at company level "on all key aspects affecting the future viability of the company and job security"

The employer body said its settlement offer was in accordance with the wage principle An informal arbitration ruling by mediators Charles Nupen and Clive Thompson early in the process indicated that the relevant clauses relating to wage adjustments if inflation fell below 8,5%, or rose above 14%, implied the agreement could be adjusted only by the (May) inflation rate plus 2%. However, the unions were not bound to the inflation rate as a basis for across-the-board pay rise demands they wished to table

Ameo said a subsequent formal mediation opinion indicated that the only appropriate settlement range consistent with the agreement would be between 5,9% (May inflation) and 8,5%.

A plenary meeting of the national bargaining forum today will try to finalise the wage agreement The National Union of Metalworkers of SA said last week it would accept the final employer offer of 8,5% across the board and a 2% increase on the minimum if all employers were bound by the offer

An Ameo source said that, despite the withdrawal, it represented six of seven main employers and most workers. Numsa spokesman Tony Kgobe said Mercedes workers had shown dissatisfaction by boycotting a broadcast by MD Christoph Kopke on Friday

Confusion over auto workers' pay deal

Reneé Grawitzky

THE Automobile Manufacturers Employers' Organisation (Ameo), the National Union of Metalworkers of SA (Numsa) and the SA Workers' Union yesterday signed an agreement for an 8,5% increase — while Mercedes-Benz SA declared that a separate plant-level agreement of 5,9% had been reached.

Confusion reigned last night as union sources said that no agreement had been signed with Mercedes.

Shop stewards at the plant said they were awaiting feedback from shop stewards who attended the plenary meeting of the National Bargaining Forum yesterday.

Mercedes, however, said Numsa members had accepted a proposal linking actual wage increases to the inflation rate for May, which was 5,9% This agreement, Mercedes said, would form part of a comprehensive framework which would be concluded at plant level within three months.

The move by Mercedes to negotiate a separate deal followed its withdrawal from the employer body and claims that Ameo's final wage offer contravened the spirit of the three-year agreement signed last year.

Mercedes stressed that it continued to abide by the National Bargaining Forum agreement.

Industry sources said Mercedes' position could cause difficulties as the three-year agreement was signed between unions and the employer body, not individual employers.

At the plenary meeting yesterday, Mercedes advised the parties that it was at odds with Ameo and the unions over interpretation of the agreement. It believed the agreement restricted parties to inflation-related increases.

An Ameo spokesman said inflation-related increases applied only if inflation fell between 8,5% and 14%. Once inflation fell outside these parameters, the parties were obliged to negotiate across-the-board increases in a settlement range between the actual inflation rate for May (5,9%) and the applicable cut off parameter of 8,5% This had been confirmed by two mediators

Mercedes said that it was considering applying for exemption from the section in the agreement relating to across-the-board increases, and was prepared to go to arbitration on the interpretation of the deal.

Numsa said it would respond once it had received notification of the application for exemption Ameo said the parties were not in dispute and were happy with the agreement. Therefore there was no mechanism in the agreement for arbitration

BD 4/9/96 (192)

Prosecution of Sol Kerzner questioned

'Signing of offer was technically wrong'

Wage agreement has Mercedes up in arms

(192) CT (BR) 5/9/96

By Roy Cokayne

Pretoria — Mercedes-Benz South Africa would challenge the Automobile Manufacturers Employers' Association (Ameo) and two labour unions in court if necessary, after this week's signing of an 8,5 percent wage agreement

The indignation expressed by Mercedes yesterday has led to confusion, given that George Stegmann, the chairman of Ameo, said the agreement applied to all Ameo members with the exception of Mercedes, which had withdrawn from Ameo last month

"If the future of Mercedes is prejudiced by the conduct of the parties at the National Bargaining Forum, it will take whatever steps are necessary to protect itself," said Ian Russell, a management board member for manufacturing and human resources at Mercedes

Russell said the National Union of Metal Workers of South Africa (Numsa) had proposed two motions at the bargaining forum on Tuesday The first involved acceptance of the 8,5 percent wage offer by Ameo and the other that the signatories to the offer were the same as those to the original forum agreement signed last year

"Ameo went along with Numsa's motion, knowing full well that Mercedes was no longer a member of the association Ameo had no right to sign on behalf of Mercedes and acted improperly

"The signing of the offer was technically wrong and a deliberate misrepresentation of the status quo Ameo has undermined the letter and spirit of the agreement to the prejudice of Mercedes," he said

Russell said Mercedes was prepared to disclose in court why some motor industry employers moved above the consumer price index, adding that the agreement would only have credibility "if those issues are answered"

Russell said Mercedes had informed the National Association of Automobile Manufacturers of South Africa that it was quite prepared to go to arbitration or to the courts

Russell said there was an easy solution to the dispute, which was to grant Mercedes exemption from the agreement and allow it to review its position in two years' time when the agreement expired

Russell said there was an unequivocal acceptance at plant level of a proposal by Mercedes to link actual wage increases to the CPI

However, Numsa said it had not yet been officially informed about Mercedes' intention to apply for exemption from the bargaining forum

Enoch Godongwana, Numsa's general secretary, said yesterday that there was "no agreement" with its plant-level members at Mercedes and only a "draft proposal was submitted"

Godongwana said Numsa had not received anything from Mercedes indicating it was applying for exemption from the agreement

Godongwana said an incorrect perception was being created of a difference of opinion between Numsa officials and shop stewards at the Mercedes plant in East London

"There is no difference of opinion at all Mercedes is trying to discredit and publicly undermine the agreement," he said

Union gives Mercedes SA conditional go-ahead

(192) BD 5/9/96

Reneé Grawitzky

THE National Union of Metalworkers said yesterday it would be prepared to back Mercedes-Benz SA's exemption from the automobile agreement if it provided proof that above-inflation pay rises would threaten its survival and viability in SA.

This followed claims by Mercedes that its future in SA could be prejudiced by the conduct of the parties in the National Bargaining Forum and the approach of the employer body, the Automobile Manufacturers Employers' Organisation, to pay talks

Numsa general secretary Enoch Godongwana said Mercedes argued that other employers in the bargaining forum had misinterpreted a three-year agreement However, management had told workers at the plant that above-inflation increases would threaten the future of the SA operation

Godongwana said the union would not support an exemption based on Mercedes' public stance, but would support it if the company's future depended on it

In Pretoria yesterday, Mercedes SA MD Christoph Kopke indicated that future investment strategies relied heavily on the company's ability to show that increases would not be granted above the inflation rate for May (5,9%) unless they were linked to performance

SA car sales hit flat spot, but the industry is not running on empty

(192) BD 6/9/96

Edward West

NEW car sales fell moderately in August compared with the same month last year after above-average growth in the previous few months, the National Association of Automobile Manufacturers (Naamsa) said yesterday

Sales totalled 20 433 units, 3,7% down on August 1995 and 5,4% lower than July's figure Light commercial vehicle sales fell 2,6% to 11 038 units year-on-year and 3,9% compared with July

The medium and heavy commercial vehicle market turned in a mixed performance, with sales rising 47% to 544 units in the case of medium-sized vehicles and heavy truck and bus sales virtually unchanged at 639 units

Naamsa said total year-to-date vehicle sales were 3,6% up on the same period last year at 257 591 units Sales for the rest of the year would be supported by new model introductions and expected purchases by the car rental sector

Overall new vehicle sales were expected to exceed last year's levels by about 3% The association said the cost-raising effect of the weak rand had resulted in various manufacturers increasing prices in recent months, and while further increases could be expected vehicle price inflation should remain below the forecast 1996 consumer price index increase.

The top-selling passenger car seller by a long margin was Volkswagen, which sold 5 279 cars in August, followed by Samcor with 4 212 sales and Toyota SA with 3 125 cars sold.

McCarthy Motor Holdings chairman and CEO Brand Pretorius said from a vehicle retail perspective the motor industry appeared to be stable, and trading conditions relatively healthy

The market for new vehicles was being inhibited by a logjam in the used vehicle market, but this was unlikely to be a long-term problem. "Once this blockage is cleared there is potential for the new vehicle market to enter a more positive phase," he said.

Nissan SA marketing services director John Jessup said August's sales decline was expected "after two months of demand bolstered by purchases ahead of anticipated price increases"

Naamsa said a positive development was the wage agreement between the industry's major employers — with the exception of Mercedes-Benz — and the industry's trade unions.

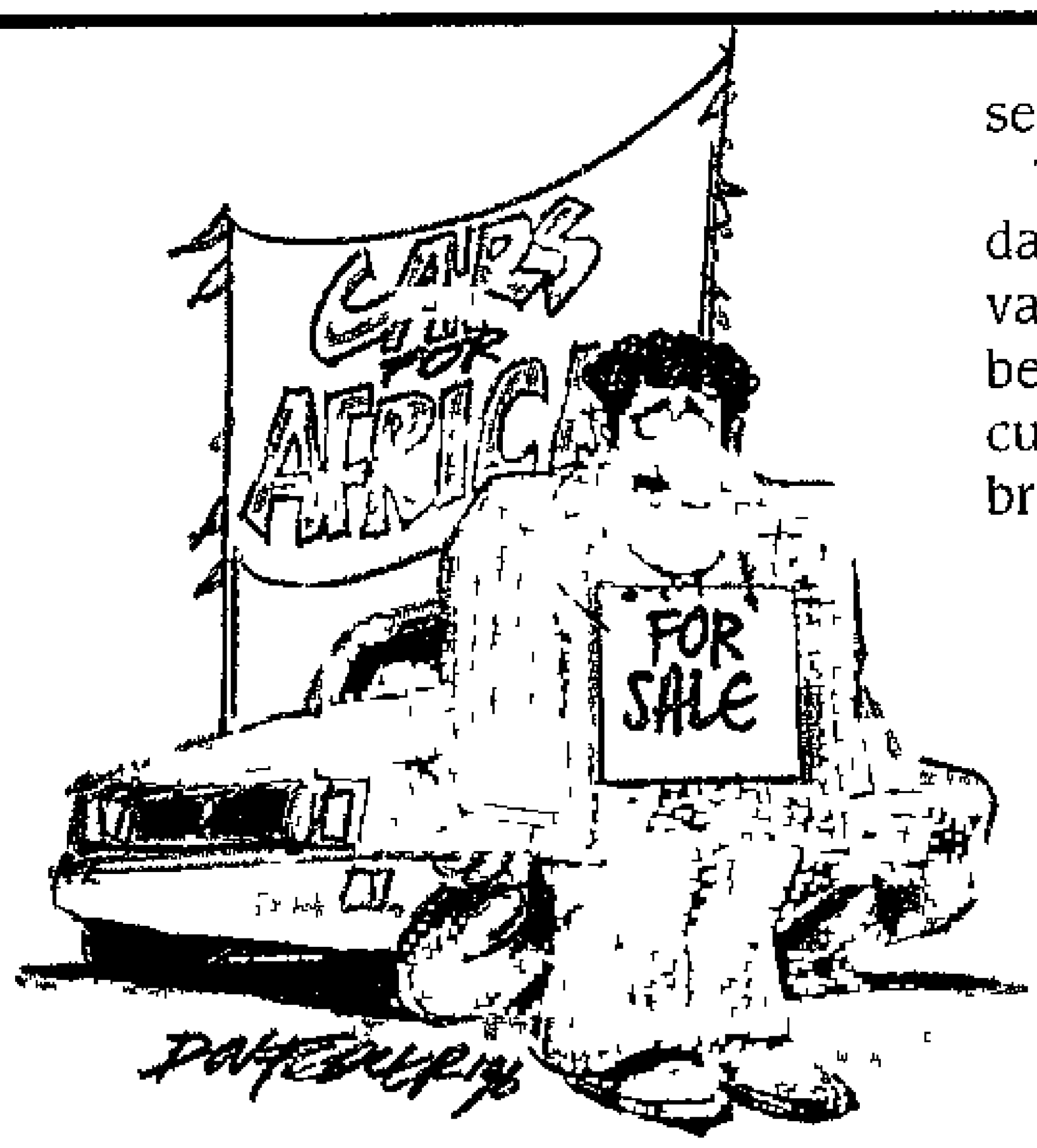
MOTOR INDUSTRY (192)

SURVIVAL OF THE FITTEST

FM 6/9/96

One in three new-vehicle dealers in SA must go if the rest are to survive, says McCarthy Motor Holdings director Ray Nethercott

Most of the casualties have to be in metropolitan areas, where there are too many dealers chasing too few sales, says Nethercott, who is also immediate past president of the National Automobile



Dealers' Association

He says there are about 1 500 franchise dealers scattered around SA "My prediction is that we need to cut that by a third to 1 000 if we are to remain viable " On average, local dealers sell fewer vehicles than their overseas counterparts — 19 a month compared with 30 in Australia, 47 in Britain and 50 in the US

Despite suggestions by vehicle manufacturers that SA dealers are greedy for profits compared with those overseas, he says independent research proves otherwise In the US, dealers' average return is 1%-1,5% on sales before tax, SA dealers ask for 3%

An investigation by Deloitte & Touche showed that, with SA's higher interest rates and costs of doing business, real returns would work out much the same "Due to the high cost of borrowing funds to risk trading in the SA market, automotive dealers here require double the return that our colleagues in the US are getting "

In any case, he says, the 3% is a target The actual average rate of return for SA dealers is 1,9% "At that level, you simply are not profitable " Manufacturers aren't making life easier by expecting dealers to bear the brunt of sacrifice involved in the continuing price war at the entry-level end of the market, where profit margins have become wafer-thin

With the overall car market showing limited actual growth, the real shift is in the market profile as small cars take an ever-growing share of the overall cake For dealers, that means more sales of the lowest-margin products

That is not a recipe for survival, says Nethercott, who points out that the same manufacturers who criticise dealers for wanting "unrealistic" returns are themselves earning much more

The price war has brought an added danger to dealers, says Nethercott the value of their used-vehicle stock has been slashed by the spate of no-frills, cut-price cars that manufacturers are bringing to the market Customers' trade-in values are also hurt

"Every time you reel down your prices, you bring down the value of the dealer stock and of the consumer's asset that he is driving We have customers coming in for trade-ins who are getting up to 20% less than they think they should and they blame us

"Suddenly we become Ali Baba and the 40 thieves Of course, when we point this out to manufacturers, they are a little deaf " ■

AUTOMAKERS (192) AM 6/9/96

LOWERING EXPECTATIONS

Future historians seeking to illustrate the story of the SA motor industry at the end of the 20th Century may one day choose Automakers as their case study

Listed in October 1995, weeks after implementation of government's motor industry development programme (MIDP), Automakers' performance thus far is a prime example of the difference between expectation and reality

Automakers is the holding company of Nissan SA and is also responsible for Nissan Diesel, Fiat and Alfa Romeo It not only serves the local market but has a growing export business

Before the listing, chairman John Newbury offered bullish performance forecasts They were based on (with hindsight) highly optimistic visions of the MIDP's effects Automakers' first interims, announced in February, were a severe disappointment, causing Newbury to play down expectations for the rest of the year Year-end results are much more in line with revised forecasts

Turnover for the year to end-June was R3,43bn, up 7% on the previous year's R3,2bn Pre-tax profit rose at the same rate, from R235m to R251m EPS were down 8% from 78,6c to 72,4c — in part because of the listing which raised the number of shares from 160m to 185m After an interim dividend of 5,3c, the group declared a final of 10c

The accounts include pro forma and actual results for 1995 Finance director Gavin Stewart explains that the figures include outstanding loans from controlling shareholder Sankorp — loans which Automakers assumed (accurately) would be capitalised when the listing took place Pro forma figures show the result of that capitalisation

Pre-tax profit, at R199m, is down 4% on 1995's pro forma R208m, while attributable profit is up 2% to R128m

This all falls well short of pre-listing forecasts of R286m operating profit on turnover of R3,7bn Attributable income was expected to be R155m

The problem, says Newbury, is that the market has become far more competitive than anyone dreamed before the MIDP arrived Forecasts were made on the assumption of at least two full price increases between then and financial year-end Instead, many prices went the other way In the entry-level segment, a fierce price war involving Automakers, Volkswagen and Samcor in particular cut margins to the bone

Despite this week's price increase by the same companies, Newbury expects the competitiveness to remain intense this financial year Though Automakers' operating profit of R251m equates to 7,3% return on turnover — the sort of return many overseas vehicle manufacturers would love — Newbury insists there is little room for more cuts in margins

Lost market share by Automakers' products made target-hunting even more difficult but Newbury suggests a 6%-7% rise in sales volumes in this financial year — above forecasts for overall industry growth

The collapsible rand dealt another serious body-blow to expectations In the past six months, says Newbury, it has fallen by 11,6% against the yen and 22,9% against the Italian lira — the two currencies in which Automakers conducts almost all its foreign transactions Import bills have consequently soared and the competitive market hasn't allowed Automakers to recover the losses

If the recent interim results of Toyota — SA's only other listed motor company — are anything to go by, Automakers' final results are not as poor as some would suggest Toyota, which has also lost market share, saw turnover down 11,4%, operating income up 6,4% and attributable income up 6,5% Operating profit worked out to 3,3% of turnover Toyota's advantage is that experience allows it to set more achievable goals Once Automakers does the same, its reputation is likely to improve *David Furlonger*

DIFFERENT STROKES

FM 6/9/96

Despite path-breaking moves towards plant-level bargaining by Mercedes-Benz of SA (MBSA), motor industry wage talks affecting other manufacturers are expected to produce a settlement this week

The settlement will be based on the 8,5% increase plus 2% for grades one to four, first tabled by the Automobile Manufacturers Employers' Organisation (Ameo) on July 25 and accepted by the National Union of Metalworkers of SA (Numsa) and the white artisan SA Workers' Union on August 29

Ameo chairman and Delta Motor Corp human resources director John Stegmann says the deal includes a 7,5% increase for artisans on grade five, giving them a new minimum of R17,44/hour and a maximum of R23,55/hour

The new minimum for grade one workers will be R11,91/hour and maximum R13,70/hour Grade four employee wages would be R15,86/hour to R18,24/hour The increases are to be implemented next week, backdated to July

"We are satisfied the settlement is in accordance with the letter and spirit of the three-year agreement signed between Ameo and the unions in June last year," says Stegmann, adding "That is also the view of the unions "

The 1995 "agreement on a new industrial relations dispensation for the auto manufacturing industry" that Stegmann refers to was hailed as a ground-breaking agreement covering wages, conditions and training strategies

This year's wage talks were the first to be conducted in terms of the agreement That's because wages — the only issue up for negotiation — get discussed only if inflation (measured by the official consumer price index) dips below the laid-down mark of 8,5% or rises above 14% May-on-May inflation was 5,9%

"It would have been a tragedy had we faltered at this stage of the three-year agreement," says Stegmann, who confirmed that MBSA resigned from Ameo on August 22 He said this was "regrettable" since it was a founder member of the national bargaining forum Other members are BMW, Delta, Nissan, Samcor, Toyota and Volkswagen

John Stegmann

Stegmann acknowledges that "all the parties to the three-year agreement recognise that there are still some warts in it Negotiations have been protracted this year, so there is a degree of different interpretation of it" — which is at the heart of MBSA's divergence

For example, Stegmann says employers are not comfortable with the agreement's provisions on productivity and efficiency There appear to be problems over plant-based incentive schemes which led to a strike at Toyota earlier this year, adherence to industrial action procedures, delivery on education and training, and interpretation of inflation-linked wage increases when the consumer price index moves out of the set range

Ameo and the unions this week agreed to meet to iron out these problems

Meanwhile, MBSA has announced that Numsa has accepted "a proposal at company level which links the actual wage increase to the consumer price index as part of a comprehensive framework for conclusion of the MBSA plant negotiations within three months "

According to the company, management and the union have worked for the past 18 months "on strategies and plans which have the best chance of securing the company's profitability and employment security" Some of the key issues are internationally competitive performance targets, human resource development plans, new product strategies and "a performance-based compensation model which ensures employees are not financially prejudiced "

MBSA confirms it will abide by the national bargaining forum's three-year agreement but "does not agree that Ameo and Numsa can adopt a motion forcing MBSA to accept a position which is contrary to the fundamental principles of the agreement and not in MBSA's or its employees' best interests "

It has formally applied for an exemption from the Ameo offer at the forum and believes the agreement "has sufficient flexibility to cater for the proposal " It is prepared to have arbitration on the issue as the dispute relates to interpretation of the agreement and the "conduct of certain parties during negotiations " ■

Exports may reduce deficit

BD 9/9/96

Ronny Tshabalala

(192)

EXPORT growth was expected to reduce the motor industry trade deficit over the next five years, in spite of rapid growth in imports, sources said on Friday

Imports, including fully built and completely knocked down vehicles and components and accessories, increased 15% to R13,5bn last year from R10bn in 1994. Over the same period exports more than doubled to R2,1bn from R1bn.

Imports had exceeded exports by more than R10bn last year, figures supplied by the customs and excise department showed. But exports, aided by the ability of motor manufacturers to offset import duties with export credits, were expected to grow by about 35% to R4bn this year, making it the largest and fastest growing sector.

The trade balance would narrow over the medium term because the growth rate of exports was outstripping that of imports, albeit at a lower rate.

Motor Industry Forum chairman Anthony Black, said. "As the rand weakens export values will increase and imports are expected to decrease." The weak rand would also discourage imports to an extent

CT(BE) 9/9/96

Mercedes and workers agree

(192)

By Roy Cokayne

Pretoria — Mercedes-Benz of South Africa's agreement with its workers on base rate increases linked to the consumer price index is regarded by industry analysts as a trade-off to ensure the company's continued viability and for the retention rather than retrenchment of workers

The agreement was signed last week after lengthy discussions between the company management and the National Union of Metalworkers of South Africa (Numsa) This will result in an increase of 5,9 percent for Mercedes's workers compared with the 8,5 percent increase signed earlier last week between Numsa and the Automobile Manufacturers Employers Association

Ian Russell, a Mercedes management board member for manufacturing and human resources, said the agreement was a framework covering strategic aspects which would ensure the future viability of the company and employment security

"Important issues covered are product strategies and employment security as well as a performance-based compensation model to ensure that employees are not financially prejudiced"

Mercedes workers are 'not worse off'

(192) BD 10/9/96

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) said yesterday the plant level agreement reached last week with Mercedes Benz SA would ensure workers would not be worse off than workers in the rest of the industry

Numsa spokesman Tony Kgobe said that workers would in reality ultimately receive a 8,5% increase as provided for in the agreement reached between the union and employers within the national bargaining forum (NBF).

The agreement signed with Mercedes provided for an inflation-linked increase on the actual rate while hourly paid workers would receive the difference between the inflation increase (6%) and the increase granted at the NBF (8,5%) on a weekly basis.

Numsa indicated that workers would not be prejudiced in terms of the calculation of benefits would which be based on an 8,5% increase.

Mercedes said the differential for hourly paid workers would form part of an overall compensation model to be negotiated within three months. Mercedes said in effect the 2,5% difference between its increase and that of the industry would be given in return for accepting new and higher standards leading to improved productivity

Mercedes backed a number of regional job creation initiatives and economic regional structures, a commitment at a time when the company says it is carrying excess staff

VW Group to boost SA industry

CT (BR) 11/9/96 (192)

By Roy Cokayne

Port Elizabeth — The local motor components industry is set to receive a massive boost from a programme the Volkswagen Group has launched to draw local suppliers into its global supplier network.

Heinrich Holtmann, the managing director of Volkswagen South Africa (VWSA), said a market worth DM50 billion was accessible to the local automotive component industry.

But he told a supplier conference, hosted by VWSA last Sunday, that the local automotive components industry would have to ensure that it could compete with international players.

The purpose of the conference was to bring the local and overseas automotive supply industry together to facilitate investment in the local components sector.

Holtmann said the message to the conference from Jose Lopez, the chairman of the VWSA board and person responsible for production and purchasing for the Volkswagen Group, was that he was "opening up the whole VW Group purchasing power to South African manufacturers".

"There is no limit and no specific disadvantage to South African manufacturers competing on a fair basis for this value," he said.

Holtmann said the VW Group recently approved a five-year plan for VWSA which includes introducing five new models in the next three years.

He said the introduction of those models would entail high investment and maintain the company's competitiveness.

Holtmann said VWSA's export target for this year was R500 million. But the company would probably fall short of that, achieving exports worth about R400 million.

But he said the export target for next year was R650 million and, to maintain its competitiveness in the market, R1 billion in exports by 2001.

Holtmann said it was essential for VWSA to embark on an export drive because of the limited internal market.

Asked if the conference amounted to forcing suppliers to invest if they wanted a long-term relationship with Volkswagen, Holtmann said: "We want to be here in South Africa. They (suppliers) must listen to the customer. Their motivation to invest in South Africa is that it is a win-win situation."

INSIDE BUSINESS

Car industry faces the future

CT(BR) 11/9/96 (192)

The local motor manufacturing industry will never be the same again The introduction of the Motor Industry Development Programme (MIDP) last September will change forever the way local motor manufacturers do business, if it has not already done so

Judging by the recent financial results of the two listed motor manufacturers, Toyota South Africa and Automakers, the effect of the MIDP varies thus far from one manufacturer to another

For the year to June, Automakers' attributable profit rose a pedestrian 2 percent to R127,8 million, R29 million lower than the R156,8 million attributable profit forecast before Automakers' listing last October

Automakers blamed the opening up of the South African vehicle market, particularly the MIDP, which "resulted in a period of intensive competition in the market place"

Automakers was also not able to recover inflationary increases, particularly as a result of the depreciation of the rand, through vehicle prices Tougher competition resulted in prices remaining stable or falling

JABULANI SIKHAKHANE

Contrast Automakers' performance with Toyota, which, despite a 11,4 percent drop in its interim turnover, still managed to lift operating income by 6,4 percent Directors attributed this to, among others, benefits of the MIDP

John Newbury, the chief executive of Automakers, said yesterday that the programme resulted in the opening of the local market too suddenly for the local manufacturers to adjust to the new environment Within a year, tariffs on imported vehicles fell from 115 percent to 65 percent

The South African motor industry problems stem largely from the wide range of low-volume models produced

Tony Twine, a motor industry analyst at Econometrix consultancy, noted that the programme was designed to encourage local manufacturers to rationalise their product lines, produce whatever makes economic sense to make locally and import the rest of what the local market needs

He said that, including imported vehicles, passenger car sales for this year should be about 265 000 But there are no fewer than 330 derivatives of passenger cars available on the market, meaning that each derivative, on average, is chasing about 800 potential sales

Within the Toyota Corolla model range, for instance, there are about six derivatives (sub-models) ranging from a Corolla 130 to a Corolla 180i GSE A Nissan Sentra has about nine derivatives

Because of this high number of derivatives chasing fewer potential sales, the profit contribution that each derivative has to make towards the manufacturer's cost is very steep

So, any pressure on profit margins affects the company's profit severely

Tiger Wheels turns good profits

(192) CT (BR) 12/9/96

By Jonathan Rosenthal

Johannesburg — Tiger Wheels, the automobile wheel manufacturer and tyre distributor, lifted turnover 51 percent to R360 million and attributable income by 49 percent to R21 million for the year to June 30, the company said yesterday

During the year the company issued 4 million new shares which slightly diluted earnings a share

Earnings a share rose 44 percent to 52c, while total dividends for the year were increased by 50 percent to 21c a share

Eddie Keizan, a joint chairman, said sales and profits at the Elandsfontein aluminium wheel manufacturing plant increased in line with expectations But the move at Babelegi did not achieve budgeted volumes and profit

More than 60 percent of wheels were exported in the year under review "Retail sales showed a healthy increase with margins under pressure in a competitive market," Keizan said By year-end, there were 20 Tiger Wheel and Tyre stores, of which three were franchised

Tiger Wheel's associates in Britain and the US showed significant growth, resulting in a 67 percent increase in the share of associates' profits to R862 000

The R54 million in capital raised through the rights issue in May would be used to fund new retail stores and ongoing capital expenditure in the group's two manufacturing plants

Tiger Wheels revs up its revenue

(192) BD 12/9/96

Edward West

TIGER Wheels lifted bottom line profit 49% to R21,7m in the year to June after the strong interim performance was maintained in the second half

Earnings for the year were equivalent to 52c (36c) The annual dividend was increased 50% to 21c (14c) The dividend was declared in scrip with an option to convert to cash

CE and joint chairman Eddie Keizan said the company planned another year of sustained growth, but expectations were tempered by the possibility of more competitive markets, at home and abroad, and mounting consumer pressure for price containment With nearly R57m in the bank, Tiger Wheels was poised to embark on a new phase of expansion

Turnover increased 51% to R360,6m Pre-interest income was 45% higher at R30,5m, with the interest bill increasing 17% to R3,2m

Pre-tax profit was 50% higher at R27,4m — out of which the tax bite was R6,6m (R4,3m) Debt was low due to the R54m raised in May's cash issue

The funds raised would be used for new retail stores, an enlarged holding in US associate Just Wheel and Tyres, continued capital expenditure for the group's two manufacturing plants and other still to be unannounced projects

Tiger Wheels' associates in the UK and US both showed significant growth in the year, reflected in the increase in income to R862 000 from R516 000 by associates

Sales and profits at the Elandsfontein aluminium wheel manufacturing plant increased during the year in line with expectations

The output from the Babelegi plant was higher, but budgeted volumes and profits were not achieved due to the move to continuous production

Competition may pound stamping industry

CT (BR) 13/9/96 (192)

By Jonathan Rosenthal

Johannesburg — South Africa's R1,9 billion-a-year automotive stamping industry could be destroyed by increased competition, high raw material input costs and the effects of the motor industry development programme, an industry spokesman said yesterday

"South Africa is in danger of being without an automotive stamping industry within a few years if it is not transformed fundamentally," said Joe Panzer, the chairman of the automotive stamping platform, an industry body representing employers, labour and the government

The automotive stamping industry, which employs about 5 000 people, comprises a handful of large companies that produce body panels for assembly into built-up motor cars The industry is largely tied to domestic motor manufacturers, but obtains about 20 percent of its turnover from exports for the after-sales market

A report released last month by the Industrial Development Corporation found that the industry was hobbled by high raw material prices, low productivity and quality problems on its inputs and products

Panzer said that the industry was highly capital-intensive, with tooling for a new car model costing between R150 million and R200 million The average production run was about 1 200 stampings before the presses were reset for another stamping, compared with runs of about 5 000 by stampers in the US or Europe The domestic vehicle industry, with about 39 different models of passenger vehicles, produces an average of 8 000 cars for each model yearly

Though the motor industry development programme was intended to reduce the proliferation of models produced and increase production runs, it has not benefited the stamping industry

Companies often exported batteries and similar mass-produced items to earn development programme credits to offset tariffs on the import of semi-knocked down stampings for car bodies, Panzer said The industry's survival depended on its ability to win export orders from large foreign motor vehicle assemblers, he said Wages in the industry were 66 percent lower than in the US, and poorer productivity and lower production runs resulted in a labour cost per unit which was 71 percent higher than in US, he said

Cost competitiveness was also hindered by the higher price paid by domestic manufacturers for Iscor steel compared with the steel producer's export steel price The disparity between domestic and US steel prices has fallen from about 22 percent to about 3 percent because of the rand's devaluation

John Barnard, an Iscor divisional marketing manager, said the difference between the local steel prices and the price allowed for secondary exports was about equal to the cost of transporting the steel to foreign markets

"Domestic manufacturers could qualify for secondary export prices if they exported their final product, provided certain conditions are met," Barnard said

"Iscor has also committed itself to working with the industry to rationalise product lines and to improve its delivery performance, which could result to savings in the industry"

The domestic vehicle industry consumes 200 000 tons of Iscor steel a year, including 140 000 tons of sheet metal for the pressing industry It uses 580 different steel products, many of which vary only slightly in terms of surface coatings, width or thickness This range of products results in stockpiles of about two months' worth of raw materials being maintained, costing the industry about 2 percent a month on its raw material inputs

MOTOR INDUSTRY (192)

BRONCO-BUSTING

FM 13/9/96

Following months of intense price competition among entry-level car manufacturers, are we about to see the same in the bakkie market?

Mercedes-Benz of SA (MBSA) this week hacked 15% off prices of several Mitsubishi Colt bakkie models However, MBSA chairman Christoph Kopke thinks a price war in this sector is unlikely For one thing, he says, buyers of commercial vehicles are far more brand loyal than car buyers For another, the Colt price reductions are not permanent and will probably start to rise again in about two months — though not to the same level as before Köpke thinks they will go up 3%-4%

"There's an element of promotion, of pushing sales of certain models," says Köpke He adds that the price reductions are possible now because the company has lifted local content in the Colt range to its most economic level and is also feeling the benefits of highly advantageous forward cover in Japanese yen

Kopke hopes that the cuts will improve Colt sales by 20%-25% Even then, it will fall well short of the main players in this market — Delta, Samcor, Nissan and the runaway market leader, Toyota Still, one rival marketer says his company would be "looking very closely" at the effects of the MBSA move

One effect will be to edge the company even further into the (by SA standards) high-volume league. It's only a couple of years since MBSA was sitting well down the overall sales table Honda Ballade was the main car seller, with luxury Mercedes feeling the pinch of a sustained buying-down process into less expensive models. Its heavy trucks continued to perform well in a stagnant market Since the launch of the more affordable C-Class and, more recently, the Mitsubishi Colt range, MBSA's volumes and market opportunities have risen sharply.

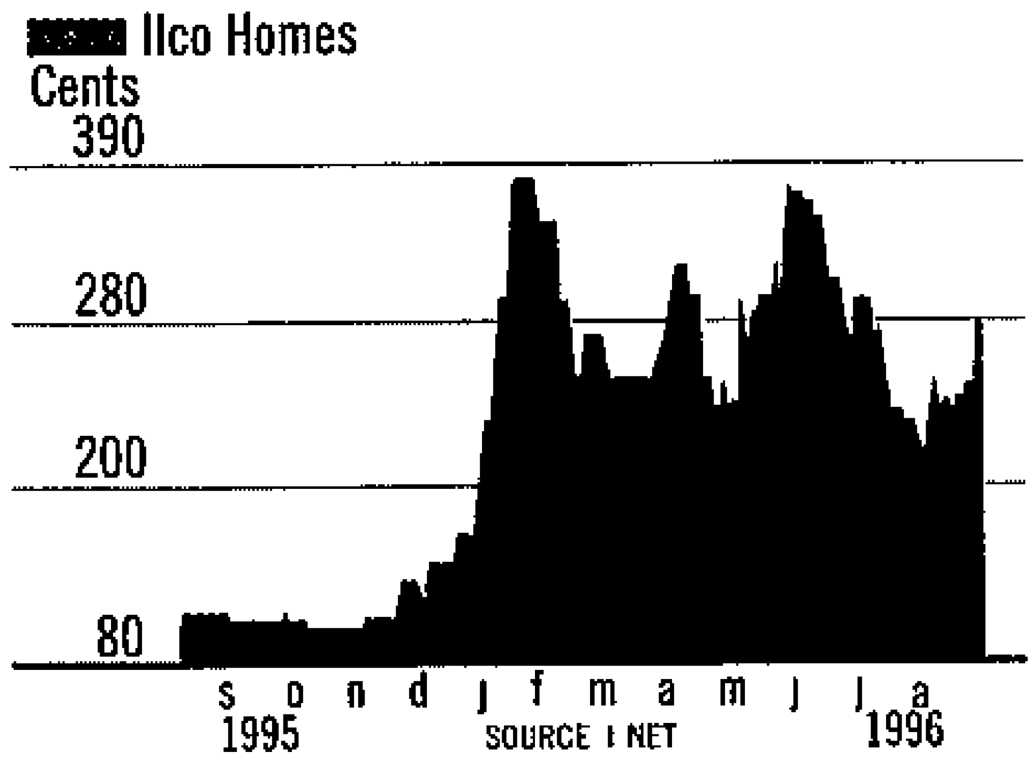
Kopke suggests that the chief victim of any Colt sales advance in the next few weeks could be Samcor's Ford and Mazda bakkies If that happens, it will be particularly ironic — Mitsubishi approached MBSA to build the Colts after Samcor, which assembles other Mitsubishi products, turned down the chance It argued that there would be a conflict of interests with existing Ford and Mazda bakkies ■

into a mix of residential, retail, commercial and leisure — came in December

The rezoning has redefined Ilco's business The ambitious Century City (CC) development on the site will largely dominate its future activities

In the nine months ended March 31 (now the company's financial year-end), Ilco made a R2,9m operating loss (year to June 30 1995 R10,7m) This follows a programme of cost and asset reduction to liquidate debt It includes restructuring costs and initial expenditure relating to the CC project

The change in year-end and in the nature of the business makes comparison of income and balance sheet figures meaningless In any event, Ilco's future activities differ so fundamentally from its past that its financial structure will change greatly



A portion of the CC site has been sold to Tsogo Sun, a consortium of Tsogo Investments and Southern Sun (SA Breweries) Tsogo Sun has advanced R30m to Ilco pending transfer If transfer is not effected, the loan must be repaid

Monex Development Co (MDC) was one of Wragge's companies It has sold its business to Ilco's holding company, Holdem Holdem has changed its name to MDC and has been recapitalised through an injection of funds by shareholders to enable it to repay an Ilco loan of R20,4m Ilco's R20m of preference shares will be repaid with the proceeds With the Tsogo Sun loan in place, Ilco's debt equity ratio remains more than 2 1

Ilco — or Monex, as it's soon to be called — should succeed if Wragge's team is successful in selling its vision of CC It's a massive city-within-a-city concept, a multibillion rand project that will take years to complete Monex is building it with local and international partners Its infrastructure — ring roads, interchanges, rail links, landscaping and stormwater — is expected to cost more than R200m

Sceptics should recall that it was Wragge who promoted and developed Tyger Valley — Cape Town's most successful and still growing shopping centre — from a denuded clay quarry and that it has attracted huge infrastructural and nodal development around it

Wragge is set on doing it even bigger with Monex — with or without the Olympics — and there are many reasons why CC should succeed But it will require vast funds and there's no telling yet how these are to be raised

Wragge is an entrepreneur The undertaking is fraught with risk But if CC succeeds, it's likely to be highly rewarding for shareholders *Gerald Hirshon*

BEARING MAN (192)

UNDULY BEARISH RATING

FM 20/9/96

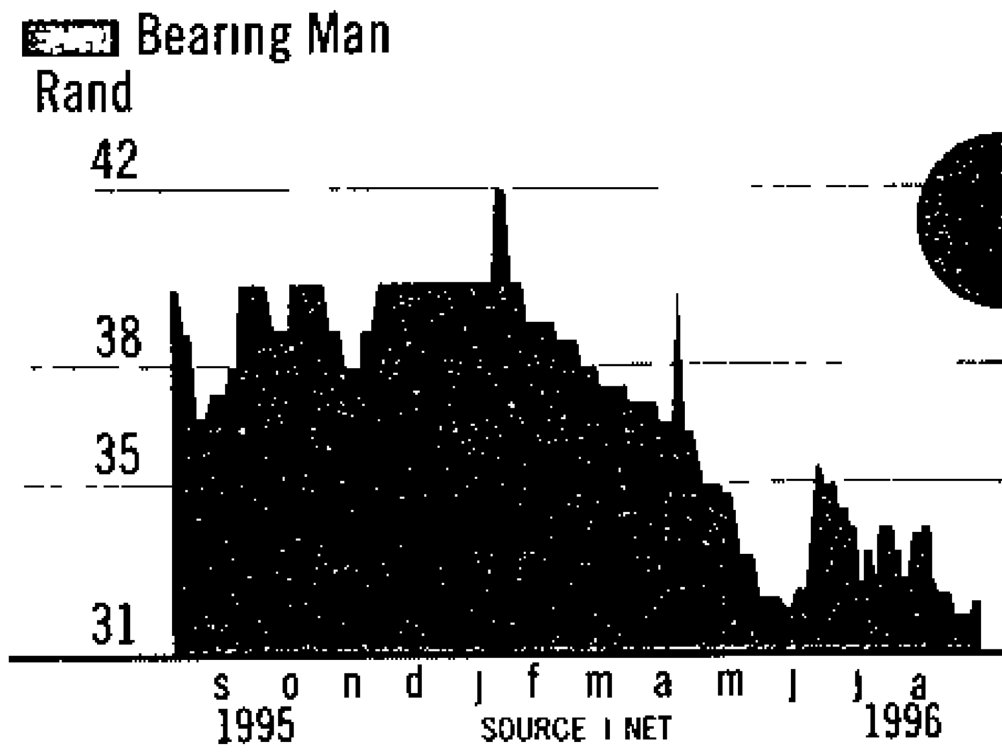
Fears as to what the disintegration of the rand might do to Bearing Man are clearly reflected in its share price, which has peeled from a high of R42 last January to around R32 now — this after an

- **ACTIVITIES** *Imports/distributes bearings, seals, power transmission products and other engineering consumables*
- **CONTROL** *AVI (through Aveng) 55,2%*
- **CHAIRMAN** *D Royston MD G T Till*
- **CAPITAL STRUCTURE** *10,5m ords Market capitalisation R336,6m*
- **SHARE MARKET** *Price 3 220c Yields 3,3% on dividend, 8,1% on earnings, p e ratio, 12,3, cover, 2,5 12-month high, R42, low, R32 Trading volume last quarter, 19 000 shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	14,9	16,7	9,5	23,0
LT debt (Rm)	3,9	0,4	0,0	15,5
Debt equity ratio	0,38	0,30	0,10	0,35
Shareholders' interest	0,46	0,46	0,53	0,46
Int & leasing cover	4,8	11,8	15,1	7,2
Return on cap (%)	18,5	20,8	21,5	21,3
Turnover (Rm)	154,9	200,0	262,3	310,4
Pre-int profit (Rm)	19,9	26,3	38,4	49,0
Pre-int margin (%)	12,6	13,2	14,6	15,8
Earnings (c)	114	148	207	262
Dividends (c)	40	56	87	105
Tangible NAV (c)	522	611	911	1 066

almost unbroken upward run since the group was put together in its present form more than four years ago

The concern is understandable, in that most of the group's activities involve the distribution of imported products These now have to be paid for in mini-rand, which will push up costs significantly



What remains to be seen is whether these higher costs can be passed on without a disproportionate effect on turnover volumes or if they are going to crunch margins Also, Bearing Man has traditionally concentrated on a premium-quality product line — there are cheaper alternatives in many instances And the question arises will customers buy down?

However, it's also necessary to ask whether the market has not overreacted This is not the first crisis that the group has faced

The four-year track record cited by chairman David Royston of a 42% compound growth rate in earnings off a 25% annual turnover increase is testimony to the success of the 1992 merger of AVI's bearing interests with those of Bearing

DATES TO REMEMBER

Last day to register for dividends:
Friday Sep 27: AVI 30c, Automakers 10c, BTR Dunlop 15c, Concor 45c, Gentyre 67c, G5Hold 13c, Goldstein 13c, Group 5 13c, Harvest 14c, JCI ▲53c, Micor 15c, RL Props ♣5,48c, Sasfin ▲18,5c, Tiger Wheels ▲21c, Tihold ▲16,8c, WBH-Ovcon 8,5c
Meetings:
Monday Sep 23: Genbel, Gensec
Wednesday Sep 25: Managed Care, Samancor
Thursday Sep 26: Advent Prop (Sandton), Barplats, Gentech (S) (Sandton), Klipton, Ilco (Strand), Messina, Sowits, Transpaco (Sandton)
Friday Sep 27: Bloch (Kuils River), Cemenco, Educor, Implats, Publico, Publico Hold, Sub Nigel (Nigel), Toco (Jet Park)

All meetings are in Johannesburg unless otherwise stated
S = Special meeting ♣ = Per combined unit ▲ = Cap award option

Man and management's proven ability to grow the business without sacrificing the underlying quality of its earnings

The group itself is confident that, despite the currency, it can continue to generate real growth provided the economy hangs together — a view at total variance with the scenario implicit in the market's assessment

So far, evidence supports management's view The second half of the financial year to June 30 1996 showed little evidence of a slowdown Turnover growth increased from 16% in the first six months to 20%, while earnings accelerated from a 12% increase to 38%, to give 27% growth for the full year

While it can be argued that the full impact of the weaker rand will be felt only in the current year, effects will be countered at least partly by the further expansion of the group's distribution network (including acquisitions) and new products — among them the German Nord range of geared motors, launched in June, for which Bearing Man has the exclusive SA franchise

The financial report at June 30 also showed little evidence of strain from the weaker rand, except perhaps for the uptick in the ratio of net working capital to turnover from 30,7% in 1995 to 32,8% — largely because of a 20% increase in year-end stock

In rand terms, this ratio increase represented an additional investment in working capital of about R6,5m, helping push debt to R38,5m (1995 R9,5m) The more important reason, however, was the R33,9m spent on capex, including a new R20,3m Johannesburg distribution and warehousing facility, also reflected in a further hefty increase in total assets employed from R178m to almost R230m

Borrowings, now 34,6% of shareholders' funds, are higher than management would like but, as Royston says, future cash generation should correct this in the near term However, gearing is hardly more than moderate Existing debt is amply supported by an interest cover of more than seven times and a cash flow which could repay all outside borrowings within 14 months So the only real downside is that management would probably prefer to have greater flexibility in considering future expansion opportunities

Though the group has more than doubled its asset base since 1993, the gross profit return has remained fairly constant at around 21% Similarly, net return on equity has remained within 22%-24%, with the 1996 figure of 24,5% establishing a new record — again bucking the market's expected profit collapse

Fortunately, since June indications of reasonable support at current levels suggest that, firstly, further downside potential is limited and, secondly, that the share is probably a buy after its decline

However, to repeat the *FM*'s assessment of a year ago, limited marketability remains a negative and the share's investment attractions would be enhanced by a share split *Brian Thompson*

SUPER GROUP (MOTOLINK)

LONG ON IDEAS

This company, which began life rather modestly, is now paraded as an embryo Imperial-in-the-making That's quite a claim which CE Larry Lipschitz modestly — and rightly — eschews "It's always nice to be compared with a group which has the kind of track record Imperial can demonstrate, but it's not a comparison we make — it's others who say they can see the similarities "

Motolink started life as a collection of auto dealerships, a short-term insurer focused exclusively on the motor industry and an autoelectrical wholesaler

At least one broking analyst is less than complimentary about this assortment "They (founders Larry Nestadt and Errol Grolman) were right to identify the sector

ISSUES

COMPANY AND TERMS:	Last day to register	NIL PAID LETTERS: Listing begins	Issued	Listing closes	Last day for splits	Date offer closes	FULLY PAID LETTERS OF ALLOTMENT: Listing begins	Issued	Listing closes	Last day for splits	Shares listed	Shares issued	PRICES OF LETTERS: Take up price	Price Sep 9	Price Sep 16 (cents)
CONS MODDER — Cap award 10 new shares for every 100 ords held	20 09 96														
HARWILL — Proposed rights offer Details to be advised	20 9 96														

RESULTS AND DIVIDENDS

		Pre-tax profit Rm 1995	1996	% change	Earned cents per share 1995	1996	Paid 1995	1996	Sector	Dividends Amount cents	Register by	Payable about
AVI	P	815 2	1023,9	+26	▼139	▼162	28	30	Ind Hold	‡30 00	27 9 96	18 10 96
Berzack	P	33 4	42,6	+27	●▼120	●▼147	33,5	35	Engineering	†22 50	18 10 96	4 12 96
Bivec	P	33,4	41,9	+25	●▼86	●▼104	23 5	24,5	Engineering	†15,50	18 10 96	4 12 96
Concor	P	29,9	33,4	+11	180	●217	52 5	60	Building	†45 00	27 9 96	31 10 96
Decor	P	2,5	4,4	+77	●▼14	●▼22	4	9	Stores	†6,50	4 10 96	25 10 96
Glodina	I	2,8	(1,6)	—	●11	●(7)	#	#	Clothing	—	—	—
Harvest Sec	I	2 5	4,5	+78	13	●19	12	14	Invest Trusts	*14 00	27 9 96	11 10 96
Hyprop	I	14,3	15,9	+11	♣33	♣37	♣34 24	♣36 637	Prop Loan Stock	♣*36 637	4 10 96	15 10 96
ICH	P	3,2	11,7	+266	23	84	24	84	Diamonds	—	—	—
JCI	P	276,0	748 0	+171	●192	●▼457	40	77	Min Houses	▲†53 00	27 9 96	6 11 96
Macadams	I	2,0	5,7	+183	11	21	2	#	Food	—	—	—
Marlin Corp	I	§1,2	§5,0	+317	▼3	●▼3	#	#	Other Metals	—	—	—
Minaco	I	0,2	1 1	+450	●0,5	●2	#	#	Other Metals	—	—	—
Minorco	I	$425,0	$362,0	15	▼94c	▼141c	76,73	94 563	Min Houses	*94 563	1 10 96	31 10 96
Momentum	P	§98 1	§139,3	+42	73	103	40,5	57	Insurance	†38,50	18 10 96	31 10 96
NSA Invest	P	§9,0	§33,5	+274	●37	●65	#	#	Invest Trusts	—	—	—
Randgold	I	119 9	♠70,5	41	●▼316	●▼♠126	10	#	Min Hold	—	—	—
Rand Leases Prop	P	2,5	1,3	-48	♠13	♣9	#	♣5 476	Prop Loan Stock	♣†3 302	27 9 96	30 11 96
Tiger Wheels	P	18 3	27,4	+50	●36	●52	14	▲21	Motor	▲‡21,00	27 9 96	30 10 96
Tihold	P	10,2	15 1	+48	29	42	11 2	▲16,8	Motor	▲‡16 80	27 9 96	30 10 96
Voltex	P	105,6	124,5	+18	■18	■22	6,95	7 25	Electronics	▲†4 50	25 10 96	4 12 96
Wesco	I	70,0	88 3	+26	153	355	—	—	Motor	—	—	—

P = Preliminary ▼ = After exceptional items ‡ = Annual ● = Weighted earnings per share † = Final I = Interim # = Dividend passed ♣ = Per combined unit ▲ = Capitalisation award option
§ = Net attributable profit * = Interim dividend $ = US dollars c = US cents ♠ = Forecasted figure ■ = Fully diluted

Corolla launch is first phase of R1,4-bn plan

(192) Sowetan 26/9/96

THE launch of the new Toyota Corolla is the first phase in the Toyota South Africa's five-year R1,4 billion investment plan

The programme provides for investment in several new models together with tooling and manufacturing facilities that will continue to raise standards and include the highest level of support possible for local content

"Our objective is to achieve world class manufacturing standards together with a real reduction in the cost of our vehicles in line with the expectations of the Motor Industry Development Plan," says executive chairman Bert Wessels

"Our new Corolla, which comes to South Africa within 12 months of its launch in Japan and ahead of its launch in major Western markets, boasts the highest quality standard ever achieved by Toyota South Africa"

The company initially invested R305 million in tooling and facilities for the new Corolla "Of this amount R99 million was spent on facilities – the buildings and support infrastructure for the manufacture of the new model – and R206 million on tooling

"This is substantially more than we have spent on any previous new model By way of example, the Camry – the last major new model introduced by Toyota, required an investment of R234 million in 1992 and the Corolla that we are replacing now was the subject of a R96,3 million investment, but that was back in 1988"

Wessels says Toyota SA has chosen to continue its commitment to local content at a time when the MIDP offers flexibility to move away from local component sourcing

Axe may fall on 900 workers at Nissan

(192) BD 27/9/96

Reneé Grawitzky

NISSAN SA plans to retrench close to 20% of its workforce within the next two months if negotiations with the National Union of Metalworkers of SA (Numsa) fail to produce alternative ways to cut costs

Numsa general secretary Enoch Godongwana told the union's congress in Johannesburg yesterday that Nissan was planning to retrench 900 workers, while a few months' breathing space had been negotiated at Mercedes-Benz Samcor, which manufactures Ford and Mazda vehicles, was also considering retrenchments

The union said although talks were continuing with Nissan on proposed lay-offs the company had turned down several alternatives It was also refusing to disclose information on executive pay Numsa said one of the reasons for job losses could be that the Nissan Sentra was not selling well

Nissan said a re-engineering process, started six months ago to ensure it stayed competitive and to protect market share, had showed that certain activities were not part of the company's core business Although some production workers would be retrenched, most job losses would come from jobs not directly related to production or from "indirect labour" Such areas included security, cleaning and catering

Numsa said the parties met in mediation last week to ascertain whether the information the union was demanding was relevant to the process

The union proposed a number of cost-cutting mechanisms and asked for a review of executive and management packages and levels of management to see where cuts could be made

The firm had focused on the workforce instead of looking at other areas to cut costs, the union said The union was also challenging the re-engineering as it had not been involved in the initial stages, representatives said

Nissan had given 200 to 300 salaried staff notice of their impending retrenchment, while 600 hourly paid workers would be notified in October

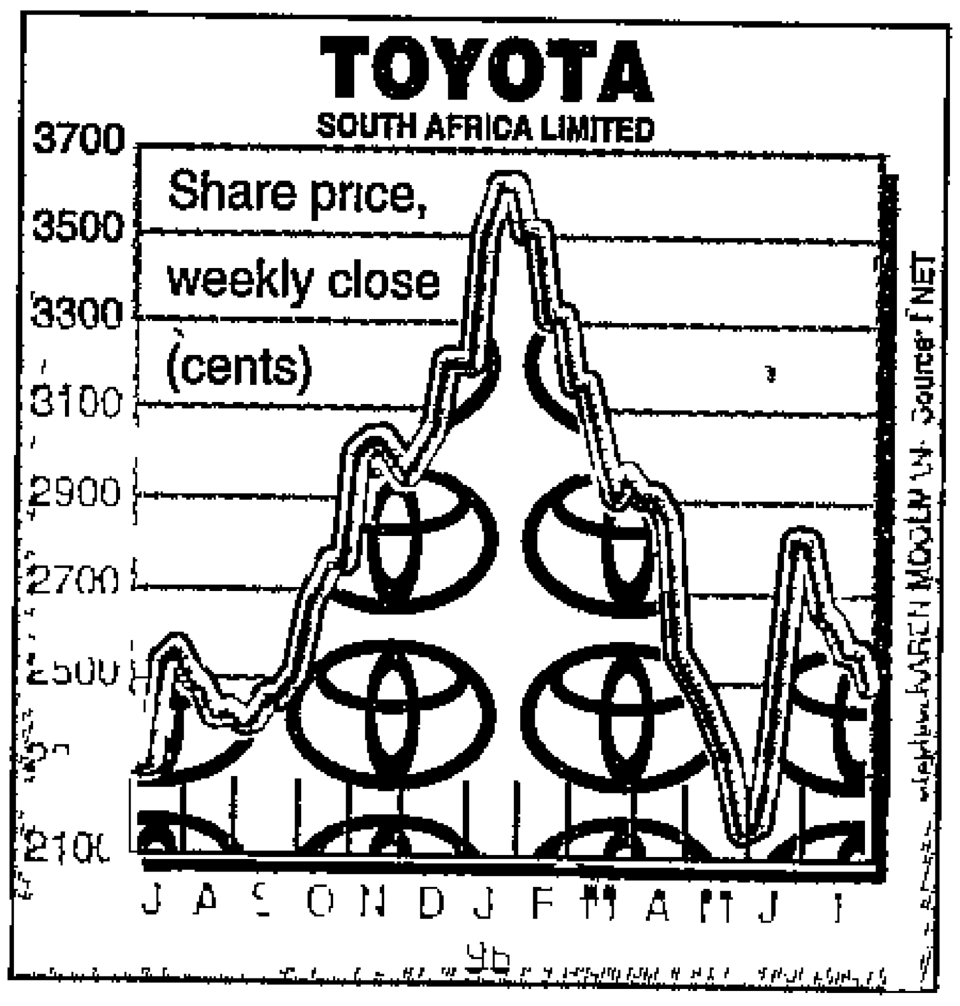
See Pages 3 and 6

Toyota SA is 'happy with Johnnic as shareholder' (192)

BD 1/8/96

TOYOTA SA has diplomatically snubbed a proposed tie-up with the Japanese Toyota group, claiming it is satisfied with Johnnic as its shareholder

Edward West reports that the group — unveiling its results for the six months to June — said yesterday that more direct involvement by Toyota Motor Corporation had "value-adding potential".



But Toyota SA executive chairman Bert Wessels, whose company, Wesco Investments, holds just more than 50% of Toyota SA, said management was happy with Johnnic retaining its stake, "either under its present control or, in the event of the proposed transfer of control, black business interests"

Johnnic and parent Anglo American have been negotiating to sell Johnnic's 21,4% stake — worth R218m yesterday — to Toyota Motor Corporation

The National Empowerment Consortium, which is negotiating to buy Anglo's 48% Johnnic stake, has also been drawn into the discussions

Wessels, who said last month Toyota SA was not involved in the negotiations nor had any influence over the outcome, declined to comment further.

Toyota SA lifted attributable in-

Continued on Page 2

Toyota (192)

Continued from Page 1

BD 1/8/96

come 6,5% to R57,1m for the six months, despite falling turnover as sales were lost to industrial action and the surge in market share for low-entry vehicles

Share earnings rose 6,5% to 140,3c while the interim dividend was held at 24c

Wessels said the market was "tough all round", but Toyota hoped to restore market share to 25% from 22,1% by year-end Profit was expected to be on par with 1995 if there were no major industrial relations disturbances — which would be a good result considering market conditions, he said

Turnover fell 11,4% to R2,8bn Sales volumes were lower due to a 22-day strike which resulted in a loss of production of 7 000 units Sales volumes were also lower due to an increase in the comparative turnover from rugby World Cup-related higher car rentals in the first six months of last year Sales amounted to 42 147 units, 9,5% lower than the 46 603 units sold in the first six months of last year,

Operating income increased 6,4% to R141,8m Margins improved due to cost-containment measures, improved efficiency and benefits from the Motor Industry Development Programme These included lower import tariffs and import duty rebate incentives

Total debt to total assets was 47,3% at the interim stage, but was expected to be lower by the end of the year

Toyota SA income rises despite strikes

CT (MR) 1/8/96 (192)

By James Lamont

INDUSTRIAL EDITOR

Johannesburg — Toyota South Africa boosted its operating income by 6,4 percent in the six months to June 30 from the same period last year despite a fall in turnover due to strike action, the company's interim results, released yesterday, show

Despite an 11,4 percent decrease in turnover in the period, the carmaker pushed up its operating income before interest and tax from R133 million to R142 million

Turnover fell from R3,1 billion to R2,8 billion

The company was hit by 22 strike days during the period and lost 7 000 units of its planned production

Sales also fell because of a drop in rentals from last year, when they were stimulated by the many visitors for the Rugby World Cup

As a consequence, the company's share of the local market fell from 25,2 percent to 22,1 percent Sales were 42 147 units, a decline of 9,5 percent from the 46 603 units sold last year

However, net attributable income rose to R57 million from R53,6 million

Earnings a share also rose, from 132c to 140c

The company declared an interim dividend of 24c a share This is unchanged from last year's dividend

The company's gearing fell slightly, with the debt-to-assets ratio dropping from 49,7 percent to 47,3 percent

According to the company's directors, margins rose because of contained costs, improved efficiency and the introduction of the government's motor industry development programme

They said they expected profitability this year to be similar to last year's, provided there were no big industrial relations disturbances in the rest of the year They also hoped to maintain a retail market share of 25 percent

Japanese talks on SA Toyota set to succeed

(192)

Edward West

BD 2/8/96

TOYOTA Motor Corporation (TMC) of Japan's negotiations for Johnnic's 21,4% stake in Toyota SA were expected to succeed, although the local motor firm backed the National Empowerment Consortium's (NEC's) bid, JSE analysts said yesterday

The development followed Anglo American's plans to dispose of its 48% controlling stake in Johnnic, with the NEC as a potential buyer Toyota SA said at the release of its results yesterday that although a deal with TMC would add value to the company, it was satisfied with Johnnic, or a potential black business, as a major shareholder.

Toyota's share price moved up 50c or 2% to close at R25 yesterday on the release of the half-year results which showed a 6,5% increase in attributable income to R57,1m off lower sales volumes and turnover.

An analyst said he believed the firm would report a 10% earnings increase by the end of the second half, with market share expected to be boosted by the launch of a new range of Corollas and Conquests The lack of an entry level model, slow export growth and exposure to the rand were mentioned as possible factors which could have a negative effect on earnings growth

Possible benefits to Toyota SA from a deal with TMC included a possible international manufacturing sourcing set-up, such as by BMW SA via local manufacture of the BMW 3-series for the global market

New price hikes in sight for motorists

BD 5/8/96 (192)

Edward West

SA MOTORISTS must brace themselves for rising transport costs — in spite of this week's cut in petrol prices — as vehicle insurance and spare parts prices are likely to rise in coming months because of the rand's recent declines, industry sources said

Spokesmen from short-term insurance companies said on Friday there was a real possibility that insurance premiums would have to increase later this year due to the effect of the rand's depreciation — 20% against the dollar this year — on the price of spares.

The relative stability in premiums over the past 18 months was likely to come to an end, they said.

Santam said it had prevented a general premium increase on its personal insurance business for the past 20 months — mainly through stepped up security measures such as requiring the installation of anti-theft devices in vehicles, but selective premium increases existed in areas where branches became unprofitable

Mutual and Federal said it had not increased rates over the past 18 months on some insurance portfolios, though there were instances where some portfolio rates were increased. The level of crime was still high, though the level of escalation had stabilised

Two thirds of all vehicle claims related ~~to~~ accidents, for which spare parts were bought.

Rolf Gudegast, director of leading automotive and accessories retailer Midas, said only a substantial improvement in the rand's value over the next month could prevent the prices of imported vehicle parts from rising sharply.

Federal Mogul finance director Mark Levy said the only reason spare parts prices had not yet increased substantially was because most companies had excess stock at the beginning of the year and had been feeding it to the consumer at lower prices.

A number of crucial vehicle parts are imported from the Far East and Europe. These include many engine parts, water and fuel pumps, CV joints and various valves, while many of the locally manufactured parts contain imported components

Reinie Booysen reports that petrol prices will fall by 6c/l on Wednesday, while diesel will be 4c/l cheaper.

The falls would have been even greater if government had not decided to increase tax on petrol by 1,5c/l, and the Multilateral Motor Vehicle Fund (MMF) levies by 1,5c/l on petrol and 1c/l on diesel The hikes lift total tax on 91 octane unleaded petrol to 65,4c/l, on 93 octane leaded to 71,6c. The MMF levy now totals 10,5c for petrol and 6,8c for diesel.

T&N prepares to expand over next five years

(192) CT (BR) 6/8/96

By Shirley Jones
KWAZULU NATAL EDITOR

Durban — T&N Holdings' engine-products division, the second-largest contributor to the company's bottom line, is tooling up for a metamorphosis within the local spare-parts market over the next five years and significant export growth

The engine-products division comprises AE Engine Parts, AE Goetze, Glacier Vandervell, AE Valves and Glacier Bearings

Leigh Briggs, the executive director of Glacier Vandervell, said yesterday that plant which was being commissioned at the Westmead factory and new machinery destined for AE Valves and AE Goetze in Roodepoort, would diminish production costs through increased automation

Briggs said the company was facing aggressive pricing within the local aftermarket, or spare-parts market, which was becoming more competitive as duties were driven down

He said the new technology would enable the company to contain price increases and cut prices on some ranges in line with the trend towards lower prices for new cars

That, he said, and an ability to consolidate the production division's position within world markets, was facilitated by an accelerated transfer of technology and expertise from the British-based T&N, the majority shareholder in the South African group

AE Engine Parts remained a sound performer though it was less high profile than T&N's heat transfer group, which was the main contributor to the recent rise in turnover

Glacier Vandervell has maintained its growth into the past financial year and turnover increased 25 percent on the first half of 1994, Briggs said

The commissioning of the company's recently installed plant would boost capacity by between 25 and 30 percent A second expansion later in the year would consolidate this, he said

That was aimed primarily at the export market A small batch producer in world terms, Glacier Vandervell exports half its production to Britain and the East

Over the past three years, it has developed a range of bearings for the Japanese aftermarket which are routed through the company's Hong Kong distributor

"This is where the growth potential lies There are indications of 40 percent growth per annum in that market," he said

Briggs said the company could expand its range of spares for Japanese vehicles to other global markets That, he said, was likely to prove a valuable niche as sister companies within the T&N group did not operate in this market, having tooled up for European original equipment applications

He said Glacier Vandervell was also beginning to investigate opportunities in the US market

TOOLING UP *Leigh Briggs, the executive director of Glacier Vandervell, left, and Chris Van Vuuren, the projects manager, with the company's recently installed new bore-broach machine* PHOTO TERRY HAYWOOD

Vehicle manufacturers start talks on wages with unions

CT (BR) 7/8/96 (192)

By Roy Cokayne

Pretoria — The vehicle manufacturing industry is discussing wage increases with unions despite a three-year agreement signed last year

Among other things, last year's agreement laid down wage rates and policy

Harry Gazendam, the deputy chairman of the Automobile Manufacturers Employers' Organisation, said yesterday that the talks were triggered by May's consumer price index (CPI) of 5,9 percent

The agreement set wage rates by a formula that would apply for as long as inflation measured by the CPI was within a range of 8,5 and 14 percent.

Gazendam said the discussions between employers, the National Union of Metalworkers of South Africa (Numsa) and the South African Workers' Union were to determine to what extent the formula now applied

He said meetings had taken place over the past six weeks, including a full meeting of the Auto National Bargaining Forum earlier this week, "but no solution is imminent"

The labour unions are believed to be demanding sharply higher wage increases because the CPI is not within the agreement's parameters These demands are apparently being resisted by the motor manufacturers

Gazendam said Charles Nupin and Clive Thompson of the University of Cape Town, who had helped negotiate the original agreement, were appointed the facilitators and "they are attempting to facilitate a solution".

Numsa spokesmen were unavailable for comment

Truck prices set to climb — industry

(A2)

Ronny Tshabalala

BD 14/8/96

TRUCK prices, kept stable for the past months through tough competition from foreign manufacturers, were likely to increase soon following the devaluation of the rand, industry sources said yesterday

Delta Motor Corporation product communications manager Craig von Essen said new entrants from abroad had forced the industry to become more competitive

The deterioration of the rand may necessitate price increases, but the industry had become so competitive that "it is not easy to increase prices anymore," Toyota SA marketing manager Johan van Zyl said Toyota was closely monitoring the situation

Iveco International marketing manager Mark Warner said the company had lost market share in the medium-sized truck sector after price rises in May It had "no intention of increasing prices at this stage"

Although the rand devaluation had put pressure on all truck manufacturers, it was not possible to pass the full cost to customers, Nissan Diesel SA sales GM Pieter Ackerman said Nissan was implementing cost saving

"This process is continuing with the full involvement of Nissan Diesel Japan who have an investment in Automakers, our holding company," he said

The truck industry is not large by world standards About 26 firms produce or distribute vehicles in a market not expected to reach 14 000 unit sales this year

Motor groups in wage talks

CT (PM) 14/8/96 (192)

By Roy Cokayne

Pretoria — Negotiations between South African vehicle manufacturing and labour unions over wage increases are "delicately poised", industry sources said yesterday

The negotiations are taking place despite a historic three-year agreement signed last year that laid down wage policies and wage rates

"This benchmark agreement is being severely tested It remains to be seen if the parties to the agreement can get their constituents to abide by the conditions and processes of the agreement," an industry spokesman said

The CPI figure for May fell outside the parameters laid down in the agreement, so the labour unions are believed to be using the fact to demand wage increases sharply higher than the CPI. These demands are being resisted by the car manufacturers

Industry sources said a meeting of the Auto National Bargaining Forum (NBF) had taken place on Monday Another meeting was scheduled for later this week

Labour analysts said an extremely bad signal about the state of the country's labour relations would be sent out if the discussions failed and the agreement was not kept intact

Automakers wins export deal

(192)

By Roy Cokayne

CT (BR) 20/8/96

Pretoria — Automakers, the licensed manufacturer and distributor of Fiat Uno in South Africa, has won a contract worth more than R50 million to supply the Fiat distributor in Singapore with more than 2 000 Unos over two years

Singapore is one of several new export markets, where the demand for the Uno is strong, to which Automakers has gained access Dave Manly, the director responsible for the Automakers group's export activities, said the contract might be extended Automakers had also been asked to supply semi knocked-down Unos to India

Exports of Unos were also being negotiated for Sri Lanka, Bangladesh and other right-hand drive territories, he said

Unions appear to have shifted position

Car industry talks may be settled soon

21/8/96 CT(BR) 2↑(192)

By Roy Cokayne

Pretoria — Negotiations between South Africa's motor manufacturing employers and its labour unions over wage increases are still unresolved But it appears that the parties have moved closer to one another

The employers and unions have agreed not to make any official statements to the media about the status of the negotiations at present

An industry source, however, said the labour unions had changed their position after two meetings of the Auto National Bargaining Forum last week

The source said the position of the unions would be presented to the employer mandating body, the National Association of Automobile Manufacturers of South Africa, this week

He said there was still no consensus between the employers and the unions, but the difference between them was "very small and with common sense they should be able to make it (an agreement) fly"

Another source suggested that an agreement between the employers and unions could be achieved before the end of this week

The source said the seven chief executive officers in the South African motor industry had to meet to determine whether the position of the unions was "acceptable to the employers"

He said if the union's position was unacceptable there was a possibility that the unions could "call a legal strike ballot" or change their position again

The negotiations between South Africa's motor manufacturing employers and its labour unions were described last week as being "very delicately poised"

The negotiations are taking place despite the existence of a three-year agreement signed last year which laid down wage policy and wage rates

The labour unions are using the fact that the consumer price index in May this year was not within the parameters laid down in the agreement to demand wage increases sharply higher than the index, the source said

The motor manufacturers are resisting the demands made by the unions

Toyota enters market for entry-level owners

(192) CT (BR) 21/8/96

By Roy Cokayne

Pretoria — Competition in the entry-level segment of South Africa's passenger vehicle market is hotting up with Toyota South Africa's announcement last night of its entry into this market

Toyota announced the launch of its repositioned and revamped Conquest 5-door hatch line-up, the most significant element of which was the Conquest Tazz, which had a retail selling price of R35 905, including VAT

It would compete head-on with Samcor's Ford Laser 1,3 Tracer hatch and the Mazda 323 130, both of which retail for R34 985, the Fiat Uno Fire selling for R34 990, manufactured and marketed by Automakers, the holding company of Nissan South Africa, and Volkswagen South Africa's Citi Golf Chico at R35 070

Johan van Zyl, Toyota's managing director for marketing, said the entry-level market now represented close to 25 percent of all new car sales.

"Further interest could drive that interest up as high as 30 percent in the not too distant future

"At this magnitude, the entry-level segment becomes an essential element of a balanced marketing strategy which Toyota cannot ignore

"The Tazz will be pivotal to our passenger vehicle sales performance in the coming months, when we fully expect to regain our position of leadership in the passenger vehicle market, once we again have full representation in the key market segments," Van Zyl said

Francois Loubser, Toyota's director of marketing, planning and communication, said the low price of the Conquest Tazz had been achieved by improving manufacturing and marketing efficiencies

Loubser said the company had achieved further cost reductions by excluding specification items which added significant costs but did not feature that highly in customer expectations of an entry level vehicle

Busaf first with safer bus bodies for Translux

(192)

By Roy Cokayne

CT (BR) 22/8/96

Pretoria — Busaf has become the first South African manufacturer of bus and coach bodies to produce a coach that fully complies with European regulations governing rollover protection

A series of Panorama 2000 coaches has been produced for Translux Express and all future Translux coaches will be built to this specification

"Translux follows an ongoing programme to promote passenger safety in its fleet," Ted Stanton, Translux's chief engineer, said recently

"Together with Busaf, we have examined the requirements for seat belt, seat anchorage and rollover safety compliance, motivated their development locally and implemented them"

Compliance with the rollover regulation is not a statutory requirement, but the Coach Operators Association has recommended that all coaches, irrespective of their star grading, should comply with this specification from January 1 next year

The European standards are accepted worldwide and monitored by the United Nations

The South African Bureau of Standards specification, which incorporates the requirements of the European regulations, requires a passenger vehicle to be rolled over under specific, controlled test conditions

Strict limits are laid down for the resultant deformation of the structure and intrusion into the passenger survival space

MURRAY & ROBERTS (192) FM 23/8/96

TRAIN BOGY

Any hopes that Nigel-based Union Carriage & Wagon (UCW) has of recovering US$55,6m from Siemens AG of Germany appear tenuous at best Last week, the Murray & Roberts (M&R) subsidiary was refused leave to appeal in a dispute on payments for the supply of electrical train units to Taiwan

The case arose after UCW had been awarded a multimillion-dollar subcontract from Siemens to build 72 body shells and assemble 36, three-carriage electric trains for Taiwan's rapid transport department The total contract was for $352m

UCW paid the German company $55,6m in equal proportions against a down payment by Siemens and a back-to-back performance bond for due completion of work

The $55,6m comprised a $27,8m advance payment by Siemens and an equal sum in performance quarantees by UCW These were provided in letters of credit issued by Nedcor (*Business* April 26)

Siemens then pulled down the entire sum, as it believed UCW did not have the "workmanship and ability" to deliver, even within a 19-month extended delivery period It cited failure by UCW to meet certain criteria in drawings supplied to it UCW then sought to interdict Siemens, but Mr Justice R van Schalkwyk ruled in the Rand Supreme Court in April that the special nature of a performance guarantee meant that a breach did not have to be proved for payment to be made

Last week's ruling by the Appeal Court in Bloemfontein does not necessarily mean an end to M&R's options A spokesman says that negotiations with Siemens have already started in a bid to "amicably" settle the matter "We are now investigating the full history of the contract We can either go to arbitration or, alternatively, negotiate a settlement," he said

But the spokesman ruled out any restoration of the contract to UCW due to "time constraints"

If the matter goes to arbitration, proceedings will be held in Geneva under the International Chamber of Commerce The hearings, which are expected to start in June next year, could last up to a year

Siemens says that the units will now be manufactured in Austria by SGP Verkehrstechnik, which designed the 140km/h hi-tech trains ■

Costs simply can't be passed on to consumers, says Holtmann Even so, at 5% the company's return is among the top three in the VW world — and above the German parent's figure of less than 1%

One area where VW SA is under-performing — at least by its own standards — is exports The end of the contract to supply Jettas to mainland China has not been replaced with orders of a similar magnitude Over-calculations have also forced the company to re-think targets This year's export goal, formerly R500m, has been revised to R400m Next year's has come down from R1bn to R650m

By retaining the CitiGolf as its staple seller, VW is able to hold down capital spending In the four years from 1996 to 1999, total plant capex will be R600m — small by modern standards With current annual production of 80 000, the plant is well within its 120 000 limit But in 2000, with the possibility of a replacement for the CitiGolf, bills will rise "There will be a major increase in our spending from that point onwards," says Holtmann ■ END

VOLKSWAGEN SA (192)

PRIDE OF PLACE

FM 23/8/96

Heinrich Holtmann is becoming accustomed to looking down from his sales pinnacle on the rest of the SA motor industry Since May last year, when it launched the budget CitiGolf Chico, Volkswagen SA has enjoyed almost unbroken leadership of the monthly new-car sales table

Holtmann's predecessor as chairman, Peter Searle, once declared he had no

Heinrich Holtmann *tasting the high life*

interest in the No 1 slot What mattered to him was profitability and customer satisfaction But then, most said that at the time With no sign of Toyota's long-term domination being eroded, there was no point in saying anything else

Now the situation has changed and, having tasted the high life, Holtmann is anxious to retain it There's no instant financial bonus to be gained from being No 1, he admits "The big advantages are motivation of the people who work for you, and a stronger relationship with your dealer network And of course pride So we want to remain there "

VW's share of the car market has gone as high as 25% recently Holtmann would like to see it reach 27% before year-end That may be difficult Toyota, whose market dip has been hastened by lack of an entry-level car and the elderly status of its Corolla range, is about to remedy both problems A new Corolla range is due next month, and the company is this week announcing details of a no-frills, budget-priced Conquest In addition, Delta is on the point of launching its new Opel Corsa small-car range, and at least one other major manufacturer has plans to introduce a significant new face in the same market segment

Holtmann, though, says VW must not over-react to these moves Despite challenges from other manufacturers in the last year or so, VW's own market share has not suffered On that basis, he suggests the new Corolla/Conquest combination will hurt other mass manufacturers — Nissan, Samcor and Delta — more than VW Still, given the fact that VW's growth has owed more than a little to Toyota's own shrinking market share, there is no doubt that the renewed Toyota push will have a significant impact

VW's own immediate product plans are designed to minimise the peril Having just announced an uprated Chico at no extra cost, VW is about to introduce a new product to fill the market gap between the CitiGolf and Jetta Holtmann won't identify the product, beyond saying "we are entering an area we have not been in before "

He adds that VW's improved sales performance has done wonders for the company's profitability With manpower 10% down and production 40% up since early last year, VW SA enjoyed an 8% return on sales before tax in 1995 This year the figure is expected to be below that — the result of intense price competiton and a depreciating rand

BMW keeps R1bn growth drive on the road, for now

ST(BT) 25/8/96 (192)

By SVEN LUNSCHE

BMW chairman Bernd Pischetsrieder arrives in South Africa this week to detail the German luxury car maker's R1-billion, four-year expansion programme

But his announcement will be accompanied by warnings that a further increase in crime will force the group to review its investments in this country

BMW's programme was first unveiled in January as an effort to improve productivity and the export orientation of the local operation

Even then, Pischetsrieder warned that soaring crime would endanger the plans This time, however, it is believed that the warning will be accompanied by contingency plans to switch production to other plants should the local subsidiary fail to meet export targets Industry sources say once that happens South Africa is unlikely to regain the investments

On the other hand, a successful implementation of the investment programme could eventually result in BMW SA becoming the sole global manufacturer of right-hand drive BMWs

Pischetsrieder's visit, ostensibly to introduce new local managing director Peter Forster, will temporarily calm the waters after both BMW and rival Mercedes Benz warned that the increase in violent crime was forcing them to reassess their local operations

It is also the only bright light in an investment climate that has darkened considerably since the murder of AEG executive Erich Ellmer by car hijackers last week.

The government's tame response to the unceasing crime wave has angered local and overseas businessmen who view crime as the major threat to new investments and economic confidence

Car hijackings and other violent crimes are seen as a more significant deterrent to investment than government's passivity on the economic front

BMW spokesman Chris Moerdyk says the success of the company's expansion programme will depend on whether suppliers of car components can be persuaded to set up shop in South Africa "Unless crime can be controlled it is difficult to see how this will happen," he says

BMW is the country's top exporter of cars and components Export earnings of about R1-billion are expected this year

However, only 10% of this income comes from the exporting of cars The bulk — 70% — is derived from the production of leather upholstery

"Within a few years we want to sell 50% of our cars overseas, a target we can meet only if component suppliers are manufacturing locally," says Moerdyk

Soaring crime was also adversely affecting BMW's local market as well as its ability to attract key technical staff to the country, he said

South Africa's big trading partners warned this week that the government's failure to deal with crime would seriously threaten new offshore investments

Fritz Keller, president of the German Chamber in South Africa and senior partner at lawyers Lindsey Keller, fears that the enormous publicity surrounding the Ellmer murder will negatively affect investment plans by German companies

A questionnaire by the chamber earlier this year revealed that 16 out of 30 German executives surveyed had experienced violent attack The findings were conveyed to the SA government

Charles Cullimore, director of the London-based Southern Africa Business Association, is more cautious, arguing that it is impossible to say whether anyone considering direct investment in South Africa has been put off by the high crime level

"But the crime level is potentially damaging for newcomers to the region The attractions of South Africa for direct investment remain strong, however. Other things being equal, people will be attracted to a more peaceful environment"

"The government has said it intends to clamp down but investors want to see evidence that it is getting crime down"

CRIME WARNING: Bernd Pischetsrieder may be forced to switch countries

Mercedes opts to bargain alone

BD 27/8/96 (192)

Reneé Grawitzky

CENTRALISED bargaining in the automobile manufacturing industry could be in jeopardy after Mercedes-Benz of SA (MBSA) pulled out of the employer association representing the seven main manufacturers within the industry's national bargaining forum.

The move last week, which comes during wage talks with the National Union of Metalworkers of SA (Numsa) and two other unions within the bargaining forum, was precipitated by an attempt by MBSA to table a wage offer separate from the other employers in the earlier stages of the negotiations

Automobile Manufacturers Employers' Association sources were quick to dispel claims that this would have an effect on the current negotiations and the future of the industry's centralised bargaining

The association said the move by MBSA would be resolved through internal employer association/National Association of Automobile Manufacturers of SA (Naamsa) structures

Industry sources said although MBSA had been the main employer pushing for the establishment of the forum in 1992, it became evident during the 1994 national strike that the company wanted to withdraw from the centralised bargaining structure

Sources indicate that this could partly be attributed to the fact that in recent years MBSA entrenched strong plant level arrangements which it feared could be undermined by industry regulation However, other sources said the three-year agreement was an attempt to devolve more and more issues to plant level

Numsa's automobile negotiator Tony Kgobe said MBSA's decision to pull out of the employers' association could put a strain on collective bargaining and the national bargaining forum

Kgobe said MBSA's move did not mean it was withdrawing from the forum, but rather that it would negotiate separately to the employers' association

However, the move would be discussed by a national shop stewards' council tomorrow which would also consider "the way forward for the wage dispute, where strike action could not be ruled out", Kgobe said

Negotiations resume on Thursday with the parties effectively 1,5% apart in terms of across-the-board increases and 2% apart on increases on the minimum rates

Kgobe said employers were offering 8,5% across the board and 10% on minimum rates while Numsa was demanding 10% across the board and 12% on the minimum rate

Industry sources have warned that Numsa's threat of strike action could well play into the hands of those companies who had excess stock and needed to get rid of it before their new product lines were released on the market However, those companies whose products are currently in high demand and have to meet international contracts or face direct foreign competition from companies such as Hyundai, could be severely affected

MBSA had failed to respond by the time of going to press

Mercedes SA walks out of motor body

(192)

CT (BR) 28/8/96

By Roy Cokayne

Pretoria — Wage negotiations within the Auto National Bargaining Forum will continue despite the resignation of Mercedes-Benz of South Africa from the Automobile Manufacturers Employers' Organisation (Ameo)

Ameo, a body within the National Association of Automobile Manufacturers of South Africa, represents seven major manufacturers on the forum

A spokesman for Mercedes-Benz confirmed the company had resigned from Ameo The spokesman refused to comment further until after a meeting of the manufacturers' body later this week, at which the company's departure would be discussed

An industry source said it was Mercedes-Benz's right to resign or remain a member of Ameo The source said the company's resignation should have "little effect" on the wage negotiations

The source said the negotiations would continue according to the existing mandate of the manufacturer He said Ameo's position, as tabled, was still valid

The source admitted that Ameo's offer was higher than Mercedes-Benz was prepared go in this wage round

"If Mercedes-Benz was prepared to give more than Ameo tabled, it would make little sense for them to resign," he said

"Obviously Mercedes-Benz believes it can negotiate a more acceptable position from a financial viewpoint from outside the forum

"If MBSA succeeds in negotiating a better deal, it will be significant for the whole country," the source said

Industry sources have suggested that Mercedes-Benz's resignation was prompted by its insistence that Ameo's wage offer must be in line with the parameters laid down in the historic three-year agreement struck by the industry last year

In terms of that agreement, wages and wage policy were laid down for the next three years in relation to the annualised rate of inflation in May of each year, as measured by the consumer price index (CPI), provided inflation was not higher than 14 percent and not lower than 8,5 percent

The annualised rate of inflation in May this year was 5,9 percent, which prompted the motor industry labour unions to initiate negotiations for wage increases sharply higher than May's CPI

Though confirmation of the figures was not available, it is believed the employers are offering 8,5 percent across the board and 10 percent on minimum rates

The labour union is demanding 10 percent across the board and 12 percent on minimum rates

BMW plans to invest $220m in Rosslyn plant

(192) BD 30/8/96

GERMAN luxury car maker BMW planned to more than double the capacity of its SA plant by 1999 with an investment of about $220m, company chairman Bernd Pischetsrieder said in Pretoria yesterday.

The billion-rand investment over four years at the Rosslyn plant near Pretoria is aimed primarily at the export market in right-hand drive vehicles

BMW was confident that enough progress had been made "to convince us our SA subsidiary would be capable of matching German quality and delivery standards", Pischetsrieder said.

In a warning to organised labour, Pischetsrieder said contingency measures would remain in place in Germany to enable BMW to make good any lost production in SA.

"We are hearing a lot of militant rhetoric from South African labour leaders What we at BMW would like to start hearing now are some assurances, some guarantees that our export programme will be supported by organised labour and not torpedoed by them," he said

Pischetsrieder repeated his warning, made from Germany in January when the planned expansion was first unveiled, that the company would be forced to review its SA investment if crime continued to escalate. Attacks on German company executives in SA, some fatal, have received extensive coverage in Germany.

BMW's investment is aimed at increasing production 250% by 1999 and will result in an increase in employment at BMW of 25%

Employment at local suppliers to the company would increase 100%, Pischetsrieder said

Local media have speculated that BMW might source all its right-hand drive models from SA if the expansion proceeds according to plan. — Sapa-DPA.

Automakers overtakes its forecast at interim

(192) BD 30/8/96

Edward West

NISSAN SA holding company Automakers lifted attributable profit a modest 2% to R127,8m in the year to June, well below its R156,8m listing forecast but slightly up on the revised R125,8m forecast made at the interim stage.

Share earnings fell 8% to 72,4c against a pro-forma 78,6c — earnings were diluted by a 16% increase in the number of shares in issue following the October listing. A final dividend of 10c was declared, bringing the total for the year to 15,3c.

CEO John Newbury said the new financial year would be tough, but the group would compete aggressively in the months ahead and total sales volume for the new financial year was expected to be about 7% ahead of the past year.

He said given the current status of the vehicle market and the weakening of the rand exchange rate, earnings for the 1997 year were expected to be lower than those reported for the 1996 year.

Turnover increased 7% to R3,43bn, mainly as a result of increased exports and parts sales. Operating profit before depreciation increased 5% to R315,5m. After depreciation operating profit increased 7% to R251,4m. The overall margin was maintained at 7,3% against pro-forma 1995, but was lower than the 7,8% forecast.

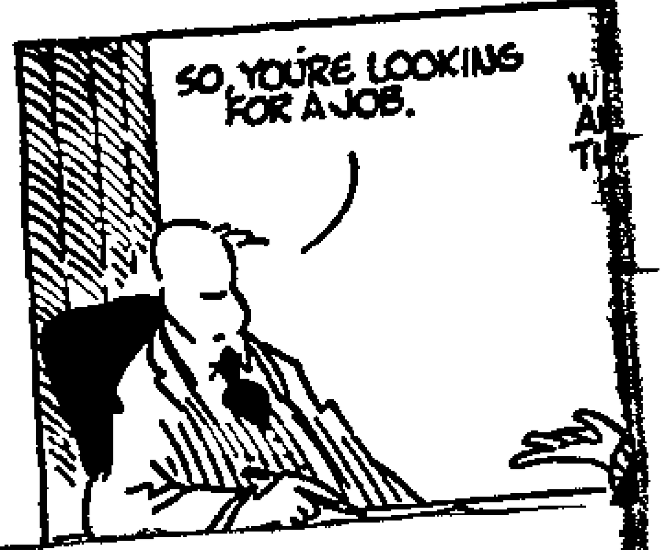
A near doubling in the interest bill to R52,8m from R27,1m from higher interest rates and cash utilisation lowered pre-tax profit 4% to R198,6m. Tax was 13% lower at R70,6m, which left taxed profit 1% higher at R128m. Gearing fell to 29% from 34%.

Newbury said one of the reasons why the group had not achieved its forecast was the inability to increase prices in the competitive market. Prior to listing the motor industry increased prices once a quarter, but the average industry increase since October was only 1,5%.

The rand depreciation had added to cost pressures; the influx of imported models had been greater than expected and legislation to prevent a tariff loophole in the import of vehicles from the customs union countries had not materialised, he said.

The group's retail sales fell to 14,8% in 1996 from 17,2% in 1995.

EXECUTIVE SUITE



MOTOR INDUSTRY DEVELOPMENT PROGRAMME

BAD SIDE EFFECTS

(192)
FM 30/8/96

One year into its existence, the Motor Industry Development Programme (MIDP) shows signs of costing the industry hundreds of millions of rand more than intended It has also turned the industry into a net user of forex and threatens to put half SA's components manufacturers out of business

The programme, which came into effect on September 1 last year and is scheduled to run until January 1 2002, was designed to encourage exports, allow more affordable vehicles, stabilise employment and create a world-competitive industry

It has gone some way to achieving these goals but, according to two men involved in its implementation, it is also having less welcome effects Roger Pitot and John Brandtner were both members of the government-appointed task group that made recommendations for long-term industry policy

Pitot is group treasurer at Samcor and a member of the National Association of Automobile Manufacturers' MIDP committee Brandtner is past president of the National Association of Automotive Components and Allied Manufacturers, and chairman of the Alfred Teves automotive components group

According to Pitot, preliminary figures suggest vehicle manufacturers are paying a combined R200m a quarter more in customs duties than envisaged There are several potential reasons for this One is that manufacturers still aren't exporting enough The programme allows companies to claim import duty rebates equal to the full value of exports Despite busy export programmes, it's possible they are not growing fast enough to offset import duties

A second possible reason, which Brandtner endorses, is that companies are using too many imports and not enough local components A third is that the initial 27% duty-free allowance — which allows manufacturers to claim rebates on that proportion of their business — is too low

Brandtner isn't surprised at the skewed nature of the figures He says the programme, far from government's original intention of reducing model complexity and improving unit costs, has achieved the opposite Two years ago the SA market offered 270 model variants, including 60 imports "This year we have on offer 369 model variants of which 140 are imported" Local components producers struggle to cope, so vehicles companies buy more from overseas Lower-volume models once made here, are now more often imported

Put all this together, says Brandtner, and it "hikes the industry's net usage of foreign exchange to a forecast of just under R12bn for 1996 That means we are spending R12bn more on imports than we are earning on exports"

Part of the problem, says Brandtner, is that there has been little or no monitoring of the programme Despite repeated requests, only recently was a monitoring committee put in place

"They're only beginning to compile statistics that will be able to tell us if the industry is getting healthier or sicker," says Brandtner "Right now we are looking at data that is woefully out of date, or is too new for us to be able to set any trends for proper decision making That means we are running blindly"

That's not quite fair, say government sources Vehicle manufacturers have all responded to detailed questionnaires from the monitoring committee and conclusions are already being drawn Components companies have proved far slower in responding The fact that there are many more components companies than vehicle manufacturers is a contributing factor

An added problem, in terms of calculating duty tariffs, says Pitot, has been that many customs staff, who monitor figures, accepted government packages to take early retirement last August, just before the programme came into being After-effects of that are still being felt

As a manufacturer, Pitot believes the programme has gone a long way to achieving its stated objectives Consumers, in particular, are feeling the benefits of lower prices and the industry is working hard to meet the MIDP's requirements, particularly stemming from progressively declining import duties

But he admits that life is much tougher for the components sector "I can foresee half SA's components manufacturers going out of business in the next five to 10 years Those that survive will either be producing high-volume components for high-volume local vehicles or they'll be exporting Those that can form alliances with local vehicle manufacturers and overseas components companies are the ones that will thrive" ■

Automakers' earnings edge up 2%

By Roy Cokayne

CT (BR) 30/8/96 (192)

Pretoria — Automakers, the listed vehicle manufacturer, raised attributable earnings by 2 percent to R127,8 million for the year to June 30 compared with the pro-forma R125,7 million of the previous year, figures released yesterday show.

The earnings were achieved on a 7 percent increase in turnover to R3,4 billion compared with pro-forma turnover of R3,2 billion, largely due to exports and parts sales.

The results were in line with forecasts made at the time of its interim report, but the company's attributable earnings were 18,5 percent lower than its forecast target of R156,8 million for the year, when the company was listed last October.

John Newbury, Automakers chief executive officer, said the group's attributable earnings were satisfactory. However, he said he was disappointed the group had not been able to achieve its forecast target.

Newbury attributed the failure to meet this target largely to budgeted price increases at the time of listing, based on historical price increases but which the company was unable to implement as expected because of intense competition.

Earnings a share were 8 percent down at 72,4c compared with a pro-forma 78,6c.

Gavin Stewart, the group financial director, said the earnings were lower because of the "dilution factor coming through". The number of shares in issue rose by 16 percent from a pro-forma 160 million to 185 million on June 30.

The interest bill was much higher and net interest paid rose from a pro-forma R27,1 million to R52,8 million. Stewart said that was a consequence of the company not generating the expected profit, which harmed its cash flow.

A final dividend of 10c a share was declared, increasing total dividends for the year to 15,3c. The dividend was covered 4,5 times by earnings.

Cash generated by operating activities rose by R17,4 million to R241,1 million. However, capital invested and a substantial tax payment resulted in a negative cash flow of R172 million during the year.

The balance sheet remained strong with a net debt-to-equity ratio of 29 percent, compared with 34 percent previously.

Newbury said Automakers expected similar operating conditions for the next financial year, with market pressures and the declining rand resulting in expected earnings being lower this year.

Capital expenditure of R313 million, split between models and facilities, was planned for next year.

Stewart said this would largely be generated internally, though the company could use foreign funds, particularly for models coming out of Italy. The group sold 56 522 units at retail this year, which represented a decline of 3,3 percent compared with the previous year.

☐ See Business Watch

BMW warns that unions could scuttle its investment plans

(192) Star 31/8/96

Big business and labour have welcomed a R1-billion export programme for BMW's Rosslyn, Pretoria, plant

However, the car manufacturer has warned that any labour unrest could scuttle the project

BMW AG in Munich warned that contingency measures would remain in place to allow the company to fill any gap created by any breakdown in production and export supply from the South African plant

On arriving for a two-day visit to South Africa this week, BMW AG chairman Bernd Pischetsrieder expressed the need for a more co-operative labour environment and the necessity of dealing with escalating crime in South Africa

However, fears about crime and union action did little to put a damper on enthusiasm from local unions and commerce

Mahlomola Skhosana, deputy secretary-general of the National Council of Trade Unions – the second-biggest labour federation in the country – welcomed the announcement

Of the Germans' concern about militant union rhetoric, Skhosana said the company would have to do the right thing to avoid conflict

Germany was a highly unionised country and all BMW was expected to do in South Africa was to maintain acceptable standards, he said

South African Chamber of Business economic policy director Ben van Rensburg said the programme was an important contribution to the Government's macro-economic policy, intended to improve exports, investment and job creation

It was encouraging that the German business community was still prepared to invest in South Africa following the crimes committed against visiting businessmen.

Pischetsrieder's announcement quashed speculation that BMW AG's investment in its South African subsidiary, announced in January, was in jeopardy because the firm was considering withdrawing

Pischetsrieder said the export programme would see an employment increase of about 25% within BMW South Africa and about 100% among local BMW suppliers

It was expected to create between 3 000 and 7 000 jobs among its local suppliers

Pischetsrieder said the export programme would be in place by 1999 and would necessitate the introduction of a full second shift at BMW's Rosslyn plant

We are encouraged by the macro-economic plan and trust they will be determined to put this to work

Despite putting contingency measures in place to back up BMW SA, Pischetsrieder said BMW AG was confident that enough progress had been made "to convince us that our South African subsidiary would be capable of matching German quality and delivery standards"

He said exports of BMW cars to Australia in recent years had shown that South African-assembled models were in line with worldwide BMW quality standards

"We are encouraged by the South African Government's macro-economic plan and trust that it will be determined to put this to work, as this is a prerequisite for our future extended operation in South Africa

"To make our export programme work, we need to encourage many more of our suppliers to set up operations in South Africa

"We also need to assure our export customers that the supply of BMW cars from South Africa will be reliable Right now we are finding this difficult because of the attitude of organised labour

"We are hearing a lot of militant rhetoric from South African labour leaders What we at BMW would like to start hearing now are some assurances, some guarantees that our export programme will be supported by organised labour, not torpedoed by it," Pischetsrieder said

What we would like to hear are guarantees that our programme will be supported by labour, not torpedoed

The current level of crime added to the difficulty of enticing foreign suppliers into the country, he said, reiterating his warning issued in January that if crime continued to escalate, BMW would be forced to review its investment in South Africa

New cars are still only for the wealthy

The development plan for motor manufacturing in SA is now a year old, and the industry is in turmoil. **Edward West** investigates

(192) BD 4/12/96

ONE year after the introduction of the motor industry development programme (MIDP), a mixed bag of indicators shows that some key objectives of the programme are not being met

Component manufacturers and dealers, in particular, are critical of the programme There are no hard statistics on the programme's progress yet Indeed, a lack of information is one of the problem areas raised

The motor industry is one of SA's "problem" industries in terms of international competitiveness, and the development programme was introduced in September last year to soften the blow of a lower tariff regime under the general agreement on tariffs and trade (GATT) So far, it has turned the industry on its head

For instance, the number of imported cars is expected to double to 33 000 this year over last year There are 369 vehicle models now, 140 of which are imported This compares with 270 models at the start of the programme, of which only 60 were imported

Margins are under pressure throughout, and massive cuts in the number of component manufacturers and dealerships have been forecast

But the programme's progress needs to be measured against its objectives These are to promote affordability, narrow the foreign exchange deficit, make the industry more competitive, and contribute to economic growth and human resource development

The fact that vehicles have become more affordable is well known Small car prices have plummeted in an unprecedented price war

But the affordability concept needs to be put into context If it means cheaper cars enabling more buyers to come to the market, then the programme's objective has not been met This is because sales growth is expected only to equal economic growth of about 3% this year

Much of the growth in the small car market has been at the expense of medium and luxury car sales and the used car market

If affordability is taken to mean a reduction in the cost of making cars, the programme's objective has again not been met

The programme's small vehicle incentive (SVI) allows manufacturers to cut the price of a small car by up to R5 000 through its import duty rebate structure SVI and other duty-related incentives have enabled some car manufacturers to escape paying any duties at all

Views on SVI differ, with parts makers complaining it will substantially shrink their markets by promoting imports, while motor manufacturers say it will result in economies of scale and eventual rationalisation of locally produced models It has undoubtedly been the major reason for the lowering of prices of small cars

Because the incentives have proved to be relatively simple to attain, it has been argued that the reduction in duties on cars to 61% from 115% has become almost meaningless in terms of promoting competitiveness

Already, predictions have been made that many of the new marques in SA are not expected to remain here for long because of the numerous incentives granted to local manufacturers

Some dealers, such as McCarthy Motor Holdings — it has been able to obtain duty rebate credit from catalytic converter exports — have offset the price of its imported Peugeot line with programme incentives Other importers will not be so lucky

The promised open window of foreign competition to the local assembly industry under GATT, which has drawn some foreign entrants to the market, has been left only half open by the programme And devaluation of the rand has compounded the problem

Other factors which have cut car prices have been the running out of amortisation costs, a temporary saving, cutting dealer margins, which has little effect on manufacturing competitiveness; and the fact that component manufacturers have not increased prices for almost two years

Pressure on margins means the number of dealerships, it has been predicted, will fall by about 400 to 1 200 by 2000, and showrooms are expected to become much less elaborate — as has happened in the US and Europe

And SA's leading component manufacturer Dorbyl predicts the number of component manufacturers will fall to just 30 players from the current 160 as the programme progresses This tracks the international trend of consolidation of parts makers as a result of changing production methods

Industry imports are estimated to rocket 25% to R16bn this year, which highlights the possibility of another development programme objective not being met the narrowing of the gap between exports and imports Exports are expected to grow 19% to R4bn, with the growth slower than in previous years due to the cessation of Volkswagen SA's exports to China

Component manufacturers, rightly or wrongly, have complained that SA's exports comprise mainly low-value-added components such as converters, tyres and engine blocks They believe high value component production could be stymied through the programme because of the emphasis on production of low cost vehicles Whatever the truth of the matter, exports will have to grow at a much faster rate

The programme has resulted in a slight rise in employment by vehicle assemblers, but as far as dealers and component manufacturers are concerned, it is expected to bring substantial cuts in job numbers — a process which is said to have already begun

Component manufacturers and motor dealers (many recently had margins clipped by 8%-9% by the trend towards cheaper models) intimate that they have borne the brunt of the industrial restructuring so far while motor assemblers have done little to improve their efficiency

But there are signs of change Nissan SA has had to retrench hundreds of employees, Toyota Motor Corporation of Japan recently upped its stake in Toyota SA, and negotiations towards the same end were believed to be under way between Nissan SA and Delta Motor Corporation with their respective overseas principals Ties with an overseas parent are seen as essential to becoming internationally competitive

Export markets for manufacturers have been widened with inclusion in parent global sourcing strategies, a trend particularly evident with the German-linked companies, while considerable new investments have been made on plants — estimated at more than R1,5bn this year

However, the productivity of SA's vehicle manufacturers, which is not necessarily linked to the low level of capital intensivity, remains well below world norms, and to assess the development programme realistically it has to be understood that SA will never be an exporter of large numbers of cars and components on the scale of other developed countries — at least not during the lifetime of the programme, which ends in 2002

One must accept also that the ownership of a new car will remain almost entirely the preserve of a minority in SA for years to come — and the industry's fortunes are thus inextricably tied to SA's economic future

All that can be said of the development programme is that a start has been made on trying to attain its objectives

Commercial vehicle manufacturing has already been substantially pared as a result of much lower tariff barriers — comparatively far lower than those for passenger cars However, car makers are likely to remain relatively heavily protected during the lifespan of the programme, and the fortunes of the manufacturers will remain reasonably secure

A documentary account of the programme is expected early next year, providing the first opportunity for informed public debate And government plans a mid-term review in 1998

While vehicle manufacturers are reluctant to have the programme changed because of long investment planning lead times, parts makers are eager for amendments to prevent what they perceive as further dissolution of their industry

Vehicle prices, it has been forecast, will continue falling in real terms over the programme's course, possibly close to international norms The high number of fully built imported cars which characterised the first year of the programme will probably decline

Exports of car parts look set to continue growing into niche markets, and the programme might even be tinkered with to build in protection measures for the component industry But do not expect any fireworks in the demographics of motor ownership — cars will remain the preserve of the rich for some time to come

A year after the introduction of the motor industry development programme, indicators show that some key objectives of the programme are not yet being met

Picture FINANCIAL MAIL

VEHICLES *Analysts divided over implications for the economy*

Meaning of car figures disputed

CT(BR) 5/12/96 (192)

ROY COKAYNE

Pretoria — The 18,4 percent improvement in new-car sales last month, though encouraging for the future of the local motor industry, might not represent an accurate picture of what was happening in the economy, economists said yesterday

The sustained sound performance of the passenger car market could herald the start of an upswing in the economy rather than being just a temporary phenomenon, said Graham Hardy, the marketing director of Volkswagen of South Africa

But Tony Twine, the motor industry analyst and a director of Econometrix, did not believe these numbers provided an accurate picture of the state of the economy

Hardy said the motor industry had always been a key barometer of the wellbeing of the South African economy, and the recent high sales volumes could not only be explained by the introduction of new products and pricing strategies

"It is possible we are seeing in the motor industry the first indicators of an upswing in the economy There are very definitely positive factors at work on a macroeconomic level, which are impacting favourably on our industry"

Hardy said the sustained strong sales of new vehicles had confounded critics who believed the higher-than-normal sales would taper off

Twine said sales last month were in line with expectations but passenger vehicle sales figures were "flying"

He said there were a number of reasons for this there had been several new model launches, some customers had held back sales for the new models, some of the new models were volume sellers, and car hire companies were apparently buying slightly more vehicles than a year ago

Some pre-emptive buying had been sparked by the slump in the rand and fears of price increases Big marketing efforts with cut-price financial packages were buoying the figures

But Twine said some warning signals were evident from commercial vehicle sales, and a genuine loss of momentum was visible among light commercial vehicles (LCV)

Sales in this segment were heading for 130 000 this year "but the going rate is pointing to a lower figure for next year", Twine said

"LCV sales are possibly providing a more truthful picture than passenger vehicle sales"

Twine said medium commercial vehicles were doing well, which could indicate that the retail trade and distribution sector in the economy was still buoyant However heavy-truck sales, which had so far followed fixed investment trends fairly closely during this upswing in the economy, were "getting down to zero growth year on year"

Jim Miller, the managing director of Samcor, said this year would be remembered as the year when a lot of the changes that were expected by some in the industry because of the motor industry development programme started to happen "big time"

"The winner this year has been the consumer, and consumers will continue to be the winner next year That is what tariff reductions are all about," he said

Gary Jackson, Samcor's executive director for marketing and sales, said entry-level vehicles continued their domination of the market last month, and the introduction of a number of new models over the past two months had again influenced the total market positively

But he said this month's sales were expected to show a decrease compared with last month

MOTOR INDUSTRY (192)

DEFYING THE ODDS

FM 13/12/96

Despite being a bellwether barometer, new vehicle sales are tending to obfuscate rather than clarify economic trends

New car sales rose 5,9% in the first 11 months but this has been attributed to seasonal purchases in the car rental sector and competitive finance packages from manufacturers

Nevertheless, the industry continues to maintain its growth momentum New passenger car sales were up 18% in November compared with the same month last year

But economists' predictions vary Some see warning lights as sales of commercial vehicles consolidate in line with the slowdown in most sectors of the economy Yet others point to the industry's buoyancy having confounded critics who believed the higher-than-normal sales would taper off

National Association of Automobile Manufacturers (Naamsa) executive director Nico Vermeulen says small passenger cars again benefited the most, which tended to cloak the pressures in the larger, more luxurious segments

With the prime borrowing rate at the main commercial banks raised one percentage point to 20,25% in November, Vermeulen warns "The new vehicle market is expected to come under greater pressure in coming months as a result of high interest rates and the slowdown in economic activity"

But he says the car market continues to benefit from recent new model introductions, attractive incentive packages and competitive pricing November sales were much higher than in 1995, though down on the record sales in October

Delta Motor Corp sales and marketing director John Cuming says October sales were inflated by rental purchases and last month's sales should rather be compared with November last year

Exchange rate pressures are also expected to translate into price increases next year, though industry pundits say every effort will be made to keep the price moves below inflation

Import duties will fall further in January but buyers are not likely to see prices slide because of the negative impact of the exchange rate

In November, Toyota SA recaptured its top spot in passenger vehicle sales at 5 351 VW SA was runner-up at 5 035 ■

NOVEMBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
Toyota	New Corolla	2 919		
	Corolla/Conquest	1 855		
	Camry	448		
	RAV4	66		
	Landcruiser	60		
	Lexus	2		
	Other	1	5 351	22,6
VW	Citi/Golf	2 059		
	Golf/Jetta	1 209		
	Polo	1 280		
	Audi A4	430		
	A6	55		
	A8	2	5 035	21,3
Samcor	Tracer/Midge	1 919		
	Telstar/626	353		
	Ford Escort	981		
	Falcon	319		
	Mazda Etude	381		
	Pajero	74		
	Spacegear	10		
	Other	10	3 984	16,8
Delta	Astra/Kadett	1 382		
	Corsa	1 424		
	Saab	20		
	Suzuki	23		
	Other	2	2 851	12,0
M-Benz	C-Class	560		
	E-Class	290		
	W140	28		
	SLS	8		
	Honda Ballade	1 206		
	Other	2	2 094	8,8
Nissan	Sentra/Sabre	886		
	Maxima	18		
	Fiat Uno	1 054		
	Alfa	53		
	Sani/Patrol	24		
	Other	3	2 038	8,6
BMW	3-Series	1 194		
	5-Series	212		
	7-Series	18	1 424	6,0
Daewoo	Cielo	586		
	Espero	37	623	2,0
Land Rover	Discovery	99		
	Defender	74		
	Range Rover	13	186	0,7
Subaru	Legacy	1		
	Impreza	1	2	0,0
Dacia	Crystal	7	7	0,0
Chrysler	Grand Cherokee	48		
	Jeep Cherokee	26		
	Neon	8	82	0,3

	1996	1995	% change
November	23 677	19 995	+18,4
January to Nov	232 158	219 253	+5,9
Oct (27 814) to Nov			-14,9

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	3 792	34,6
Samcor	2 488	22,7
Delta	1 920	17,5
Nissan	1 541	14,1
VW	580	5,3
M-Benz	551	5,0
Land Rover	86	0,9
Dacia	5	0,0

	1996	1995	% change
November	10 963	10 566	+3,7
Jan to Nov	121 208	119 297	+1,6
Oct (12 158) to Nov			-9,8

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	152	30,6
Nissan	94	19,0
Delta	71	14,3
M-Benz	66	13,3
Iveco	62	12,5
Samcor	50	10,1
AAD	1	0,2

	1996	1995	% change
November	496	380	+30,5
Jan to Nov	5 111	3 901	+31,0
Oct (671) to Nov			-26,1

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	178	26,8
Toyota	138	20,8
MAN	94	14,2
Nissan	87	13,1
Delta	57	8,6
Tyco	41	6,2
Iveco	29	4,4
Scania	20	3,0
Freightliner	10	1,1
ERF	7	0,7
AAD	3	0,1

	1996	1995	% change
November	664	667	-0,4
Jan to Nov	7 608	7 220	+5,4
Oct (730) to Nov			-9,0

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	9 433	26,3
Samcor	6 522	18,2
VW	5 615	15,7
Delta	4 899	13,7
Nissan	3 760	10,5
M-Benz	2 889	8,1
BMW	1 424	4,0
Other	1 258	3,6

	1996	1995	% change
November	35 800	31 608	+13,3
Jan to Nov	366 085	349 698	+4,7
Oct (41 373) to Nov			-13,5

Motor industry set for bumpy ride

(192) M+G (BM) 17-23/1/97

Entry-level cars are proving to be the motor industry's success story as new vehicle sales face a difficult year, reports Max Gebhardt

AFTER four successive years of buoyant sales, the motor industry is steeling itself for this year's slowdown in the economy While car-makers remain bullish for future prospects in the industry, 1997 should see the first decline in new car sales since 1991

Most leading car manufacturers say they will have to cut costs this year as the high levels of private sector credit extension and household debt and the prevailing high real interest rates deflate the last four years' upswing in sales

The National Association of Automobile Manufacturers of South Africa (Naamsa) is expecting car manufacturers to face a difficult first half this year, as pressure on private disposable income and the slowdown in economic growth hits consumers' pockets

Although the growth in new vehicle sales wasn't as significant as the 1994/95 year-on-year growth, which saw car sales rise by meteoritic 24%, Naamsa executive director Nico Vermeulen said last year's figures were still noteworthy given the fact that 1995 represented a relatively high base

Figures released by the industry this week showed that sales of new vehicles had risen by 4,5% to 393 026 units in 1996

The new vehicle manufacturing industry's sales revenue rose above inflation, by about 9,5%, on the back of the continued improvement in sales to an estimated R31-billion in 1996 from R28,3-billion in 1995

'Manufacturers at the moment perceive that the momentum is going out of the upswing'

Volkswagen emerged top of the stakes, selling one out of every four cars purchased last year

Vermeulen was also happy with the results of the motor industry development programme (MIDP), implemented in 1995, to reshape the future of the South African industry.

"The MIDP has been successful in achieving various key objectives; namely, a substantial improvement in vehicle affordability in the domestic market, further growth in the vehicle market — particularly in exports — and an improvement in overall efficiencies and international competitiveness of the South African industry," he said

Naamsa did take a swipe at "certain stakeholders", who it said are sectionally lobbying the government to modify the development programmes in the MIDP It said the approaches of these stakeholders are regarded as "premature, unscientifically based and protectionist in nature

"Vehicle manufacturers and a number of component suppliers had embarked on major investment programmes on the basis of the MIDP and, while additional benefits of the development programmes would take some time to materialise, the industry requires certainty and stability in government policy, particularly for long-term planning purposes," it said

It is anticipated that the MIPD would contribute to neutral balance of payments by allowing producers to import vehicles and components free of duty equivalent to the value of their exports

Naamsa expects the aggregate value of exports of components and vehicles to exceed R5-billion during 1997 compared with R4-billion in 1996

This development programme, though, has been at the expense of local dealers and component manufacturers, according to some, with imports still exceeding exports by an estimated R12-billion

But this will not be enough to halt the expected slide in the new car sales for 1997, which Naamsa forecasts to fall to 388 000 units

Industry analysts say car manufacturers have been riding the back of an overly optimistic market and last year's growth can be attributed to a number of factors that won't be evident this year

According to Econometrix economist Tony Twine, manufacturers had benefited from the pre-emptive buying splurge by consumers in the latter half of 1996 as fears of a downturn in the economy took hold

Delta Motor Corporation's director of sales and marketing, John Cuming, says the relatively high number of new vehicle launches that took place during the year would have contributed substantially to the increase of new car sales

This view is echoed by Johan van Zyl, managing director of vehicle marketing for Toyota

"The passenger market performed well to achieve growth of 5,6% This was largely driven by intense new model activity, linked to aggressive marketing campaigns and the growth of the entry-level segment," he said

Van Zyl said he didn't expect new model activity to reach the fever pitch of 1996 in the coming year

"It is our view that some imported models that joined in the new model frenzy recently may not survive," he added

As a result, car manufacturers are taking a cautious view of the road ahead and are predicting intense competition in the entry-level market.

"Manufacturers at the moment perceive that the momentum is going out of the upswing and they will start looking at tightening their belts in the coming year," Twine said

Although last year was full of impending doom as the rand took a nosedive and the slowdown became evident, consumers emerged with the best deal in the car market

Analysts are describing 1996 as the year of the entry-level car Since 1990 this market has grown remarkably from below 2% to nearly 30% of the total new car market sales last year, while the luxury car market, according to Naamsa, continued to experience difficult trading conditions

Despite the 25% depreciation in the rand since February, the prices of some smaller models are 18% lower in real terms than a year ago, while the average car price is down 5% in real terms

According to Van Zyl, while overall prices did come down in real terms during the year, cost pressures currently being faced by the industry are extreme

"This will impact on vehicle prices in 1997 The first moderate increases for the year have already been applied," he said

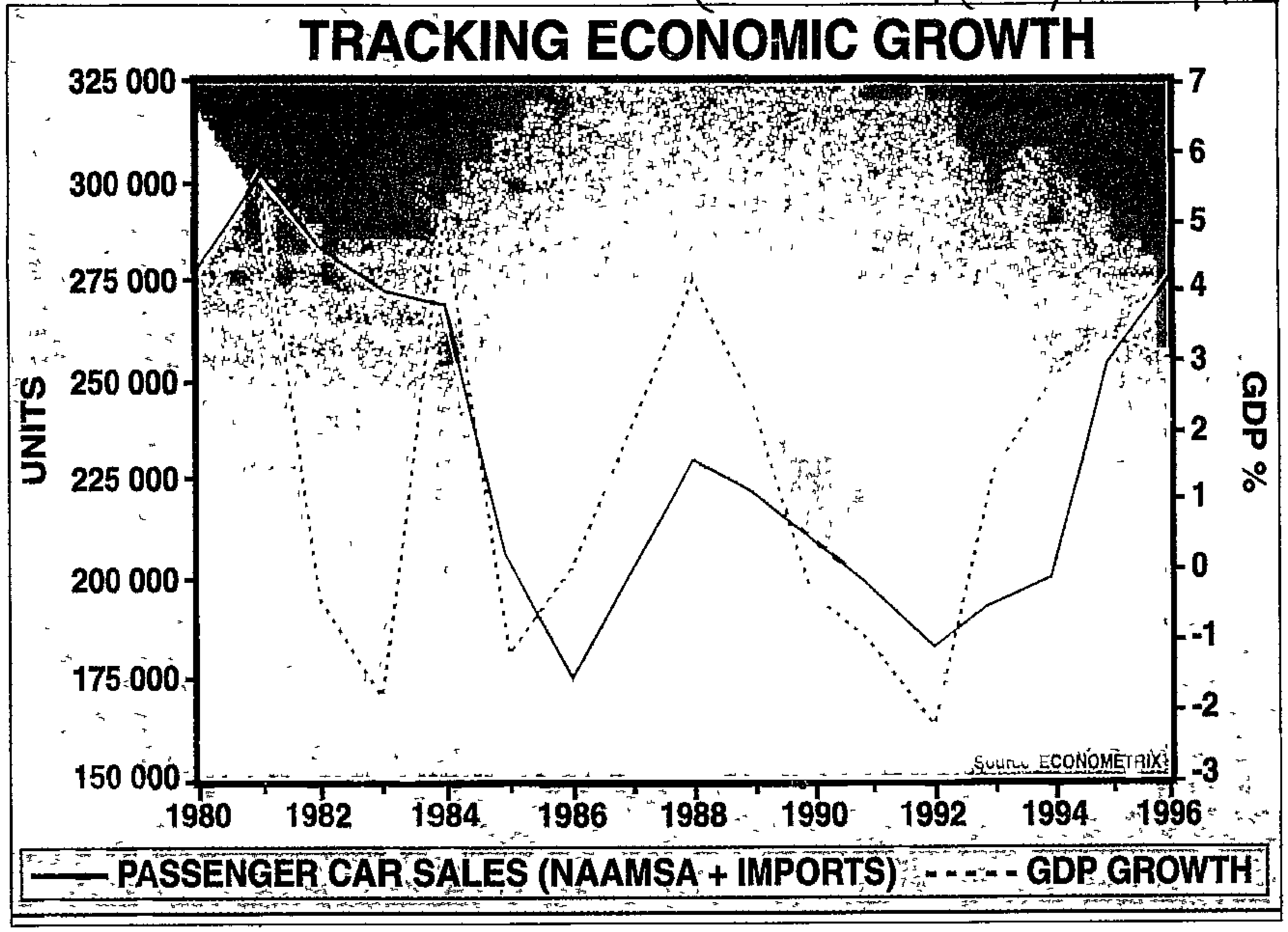
Vehicle prices are expected to increase by between 9% and 11% in 1997, but fierce competition in the entry-level market should keep prices fairly static.

"With the lifting of trade barriers against South Africa, our local motor industry has entered an era of competitiveness that has not been experienced for many years, if ever," says Delta's Cuming

Twine said that intense competition in the industry has prevented the old reflex action by manufacturers of rewriting the price ticket on new cars But the influx of new models below the R40 000 price level, the latest being the Opel Corsa, has not significantly altered the buying patterns of new cars

The private individual still accounts for only 20% of new car purchases, while the rest is taken by fleets In the entry level, this pattern is slightly higher at roughly 35% to 65% respectively

But while the fierce competition might be good for the man in the street, this phenomenal growth in cheaper cars has been at the expense of the second-hand car market According to industry analysts, the used car market has seen a drop in value by an estimated 25% to 30%



Breaking the trend: As the economic downturn takes effect, car sales are predicted to taper off

GRAPHIC RUSSEL BENJAMIN

TRANSPORT *Market for local component makers starting to shrink*

Import of more built up cars will lower SA's forex reserves

(192) CT (BR) 8/11/96

ROY COKAYNE

Pretoria — The motor industry's net use of foreign exchange will surge to a forecast R11,6 billion this year because an estimated 30 000 completely built up (CBU) vehicles have been imported, Johan Meyer, the president of the National Association of Automotive Components and Allied Manufacturers, said yesterday

This compared with the 2 500 CBUs that were imported each year during the Motor Industry Task Group deliberations in 1992 Even greater use of foreign exchange is likely in the future, Meyer told the Auto Africa conference yesterday

He said this was contrary to one of the objectives of the Motor Industry Development Programme, which envisaged the motor vehicle industry's burden on the country's foreign exchange reserves being reduced by an increase in exports

"The combined effect of lower duties, export credits, the duty free allowance and the small vehicle incentive is to reduce, and in cases even nullify, effective import duties on CBUs and completely knocked down vehicles," he said

As a result, the use of foreign exchange on imports was growing faster than foreign exchange earned on exports, and the local assembly market for component manufacturers was starting to shrink, hurting employment and stunting the industry's growth, Meyer said

The export credits earned were in balance with, and in some cases exceeded, the import duties payable Further exports would therefore either encourage CBU imports or encourage manufacturers to replace local components with completely knocked-down imports This would consume more foreign exchange and further damage employment, he said

Fuel levy 'needed to fund costs of road infrastructure'

CT (BR) 8/11/96

ROY COKAYNE

Pretoria — A dedicated fuel levy of about 8c a litre is required to supply new road infrastructure, maintain or upgrade existing infrastructure or provide intermodel facilities, says Nazir Alli, the chief director for national roads in the department of transport.

Based on the national road network, excluding toll roads, the levy could be reduced to about 5c a litre after 2006 However, some adjustment would obviously have to be made when the primary road network was expanded in the future, Alli told the Auto Africa conference in Johannesburg yesterday

"This will enable the Roads Agency to address the current backlog over the next 10 years and also to address new needs which, through traffic growth and pavement deterioration, become essential," he said

Alli said funds allocated by the exchequer for roads were less in real terms today than they were 30 years ago, but traffic volumes had grown by more than 3 percent a year over the past 20 years

"Based on an expanded national road network of 20 000km, which we ultimately need for the growth strategy, the current annual financial requirement to eliminate the backlog over the next 10 years will be R1,860 billion in 1995 rand This backlog needs to be addressed as a matter of urgency," he said

Alli said the non-toll national roads were funded by allocations from the exchequer and the amount provided was equivalent to a fuel levy of 4,1c a litre

But he said this was insufficient to maintain the non-toll network and funding through a dedicated fuel levy, and toll charges seemed the only viable alternative

MOTOR INDUSTRY (192)

WAITING IN THE WINGS?

Delta Motor Corp, the Port Elizabeth-based manufacturer of Opel and Isuzu vehicles, could soon rejoin the General Motors fold it left nearly a decade ago

Delta was created in 1987 by a local management buy-out of GM's failed SA operation Executives of both companies admit there are now talks about GM reclaiming a share in the business David Herman, MD of GM subsidiary Opel, which is based in Germany, confirms "We are discussing the future "

He says the need for SA motor companies to increase exports is likely to generate considerable investment needs Delta and Opel, for instance, will have to double their countertrade by the year 2000 if Delta is to avoid punitive duty payments A formal link, rather than a purely supplier-customer one, will make it easier for Opel, or GM, to offer Delta the necessary support

"Whether that will lead to an acquisition in Delta, is what we are talking about," says Herman "Whether it will be through Opel or GM, I don't know But I don't believe it is inevitable and it is too early to prejudge the outcome "

Delta MD Willie van Wyk says "We see some form of integration with GM as having attractive possibilities " He says there are several areas in which Delta could benefit from direct GM input SA motor company managements are generally inexperienced in the global auto industry in which they must now operate GM, with its operations all over the world, can clearly provide guidance

SA companies also need help with exports and several have already found that an investment link with a foreign multinational can ease the way SA managements are also beginners in transforming operations into lean businesses, he says

Van Wyk says the question of whether GM will invest in Delta is still "conceptual" but adds "We have not actively gone out to seek an investment from GM " And on the question of whether GM would prefer a minority shareholding or overall control, he believes the US corporation would prefer the former

"The success of this business is solely due to the efforts of the local management and work force GM has tremendous respect for that and I would be surprised if it wants to disturb the situation

"If it does want to come in, I think it would like to position itself initially with a minority shareholding My bet is that it doesn't have plans to take over Delta in a majority role or as a whole "

Delta is the only SA motor manufacturer still wholly owned locally Mercedes-Benz, BMW and Volkswagen are all controlled from Germany, Ford US is a major shareholder in Samcor and wields management control, a minority Japanese stake in Nissan could increase substantially if, as expected, Sankorp reduces its controlling interest, and Toyota Motor Co of Japan recently bought Johnnic's 24% share of Toyota SA ■

FM 15/11/96

OCTOBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	CitiGolf	2 706		
	Golf/Jetta	1 594		
	Polo	1 793		
	Audi A4	602		
	A6	57		
	A8	3	6 755	24,3
Toyota	New Corolla	3 736		
	Corolla Conquest	2 161		
	Camry	581		
	RAV4	98		
	Landcruiser	70		
	Lexus	3		
	Other	1	6 650	23,9
Samcor	Tracer/Midge	3 338		
	[illegible]	295		
	Ford Escort	986		
	Falcon	282		
	Mazda Etude	427		
	Pajero	96		
	Spacegear	20		
	Other	10	5 454	19,6
Nissan	Sentra/Sabre	1 452		
	Maxima	127		
	Fiat Uno	1 558		
	Alfa	54		
	Sani/Patrol	20		
	Other	1	3 112	11,2
M-Benz	C-Class	595		
	E Class	290		
	W140	28		
	SLS	17		
	Honda Ballade	1 286		
	Other	11	2 227	8,0
BMW	3-Series	1 288		
	5-Series	281		
	7-Series	43	1 612	5,8
Delta	Astra/Kadett	1 404		
	Saab	20		
	Suzuki	31		
	Other	3	1 458	5,2
Daewoo	Cielo	323		
	Espero	45	368	1,3
Land Rover	Discovery	96		
	Defender	64		
	Range Rover	11	171	0,6
Subaru	Legacy	4		
	Impreza	3	7	0,0
Dacia	Crystal	2	2	0,0

	1996	1995	% change
Oct	27 816	21 662	+28,4
January to Oct	208 483	199 285	+4,6
Sept (19 927) to Oct			+39,6

Source: NAAMSA

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	4 071	33,5
Delta	2 280	18,8
Samcor	2 098	17,3
Nissan	1 934	15,9
M-Benz	873	7,2
VW	821	6,8
Land Rover	74	0,6
Dacia	7	0,1

	1996	1995	% change
Oct	12 158	11 762	+3,4
Jan to Oct	110 245	108 731	+1,4
Sept (10 256) to Oct			+18,5

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	191	28,7
Delta	137	20,6
M-Benz	124	18,6
Nissan	98	15,0
Samcor	58	8,7
Iveco	47	7,1
AAD	10	1,5

	1996	1995	% change
Oct	665	391	+70,1
Jan to Oct	4 609	3 521	+30,9
Sept (513) to Oct			+29,6

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	244	33,0
Toyota	124	16,8
Nissan	91	12,3
MAN	77	10,4
Delta	68	9,2
Iveco	48	6,5
Tyco	31	4,2
ERF	22	3,0
Scania	14	1,9
Freightliner	13	1,8
AAD	8	1,1

	1996	1995	% change
Oct	740	794	-6,8
Jan to Oct	6 954	6 553	+6,1
Sept (638) to Oct			+16,0

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	11 036	26,7
Samcor	7 610	18,4
VW	7 576	18,3
Nissan	5 235	12,7
Delta	3 943	9,5
M-Benz	3 468	8,4
BMW	1 612	3,9
Other	899	2,2

	1996	1995	% change
Oct	41 379	34 609	+19,6
Jan to Oct	330 291	318 090	+3,8
Sept (31 334) to Oct			+32,1

FRANCHISING

COLOUR BLIND

Whites still operate most of SA's franchise outlets but other groups are catching up, says Bendeta Gordon of consultancy Parker Gordon Associates

The company's second national survey on franchising shows that, at the start of 1995, whites owned 91% of 7 010 franchised outlets, compared with Indians' 3%, coloureds' 1% and blacks' 5% By this year, whites owned 86,2% of the 10 063 outlets, blacks 6,5%, coloureds 2,1% and Indians 5,2%

Franchise turnover has risen from R12,5bn at retail level in 1995 to R21bn in 1996 The number of franchise chains has risen from eight in the Sixties to 236 this year but only 17 are international

Gordon reasons "The franchises most likely to succeed are those that provide basic commodities and services at an affordable, reasonable price This means the swing is towards satisfying the requirements of the black market

"Internationally based franchise operations are designed to satisfy needs in a developed market

"Their upfront fees, which vary from US$200 000 upward, make the capital required too high to establish a feasible

Automakers lifts exports by 250%

(192)

ROY COKAYNE

CT(BR) 20/11/96

Pretoria — Automakers, the holding company of Nissan South Africa, has achieved record levels of vehicle exports through its specialist export company, Nissan Africa, the company said yesterday

Volumes in the first five months of its financial year — from the end of June — already exceed that achieved in the previous 12 months Export sales for the present financial year to date were 250 percent higher than the same period last year.

Dave Manly, the managing director of Nissan Africa, said Automakers would have exported 2 600 units to right-hand drive countries by the end of this month, 66 percent higher than the same period last year

He said that exports of vehicles this month alone would exceed 600 units

"The majority of our African export business currently centres around our successful one-tonner Hardbody pickups, but exports of passenger vehicles and other commercial vehicles is also growing," Manly said.

He said Automakers' export drive had gathered momentum this year after the signing of an agreement with the Nissan Motor Company of Japan, in terms of which, Nissan Africa became responsible for sub-Saharan Africa.

Automakers' export performance was further enhanced by their export of completely knocked down kits to Zimbabwe, he said. "We expect our export activities into Africa and elsewhere to continue to expand in the future," he said.

TIGER WHEELS (1923)

RISING EXPORT SALES

FM 22/11/96

Much of SA's manufacturing industry may battle to survive into the next century But Tiger Wheels continues to improve productivity, international competitiveness and profitability

It now exports about two-thirds of its aluminium alloy wheels to 40 countries from plants in the former Bophuthatswana and Elandsfontein

Tiger Sports Wheels (TSW) is a globally known brand, sold to original equipment producers including Toyota and Opel and the aftermarket

In SA the group retails wheels and tyres through 21 stores nationwide Internationally, though, its market share is small Joint chairman Eddie Keizan reckons that though organic growth through local customers will continue, the export market will account for most of the company's medium-term growth Tyres are a significant part of the local retail market and are exported to the UK in particular

While the order book grows, local and international competition increases

FINANCIAL MAIL · NOVEMBER 22 1996

- **ACTIVITIES** *Manufactures aluminium wheels and distributes aluminium and steel wheels, car tyres and body parts*
- **CONTROL** *Tiger Wheels Holdings*
- **CHAIRMAN** *E I Keizan and M B Glatt*
- **CAPITAL STRUCTURE** *36,6m ords Market capitalisation R563,6m*
- **SHARE MARKET** *Price 1 540c Yields 1,4% on dividend, 3,4% on earnings, p e ratio, 29,6, cover, 2,5 12-month high, 1 770c, low, 780c Trading volume last quarter, 390 016 shares*

Year to June 30	'93	'94	'95	'96
ST debt (Rm)	1,9	2,2	2,2	5,9
LT debt (Rm)	4,6	5,5	18,2	17,6
Debt equity ratio	0,15	0,18	0,31	n/a
Shareholders' interest	0,49	0,46	0,42	0,57
Return on cap (%)	14,3	16,4	15,8	13,3
Turnover (Rm)	104,2	156,0	238,6	360,3
Pre-int profit (Rm)	6,8	13,3	21,0	30,6
Pre-int margin (%)	6,6	8,5	8,8	8,5
Earnings (c)	15,6	26,0	36	52
Dividends (c)	6	10	14	21
Net worth (c)	71	98	136	286

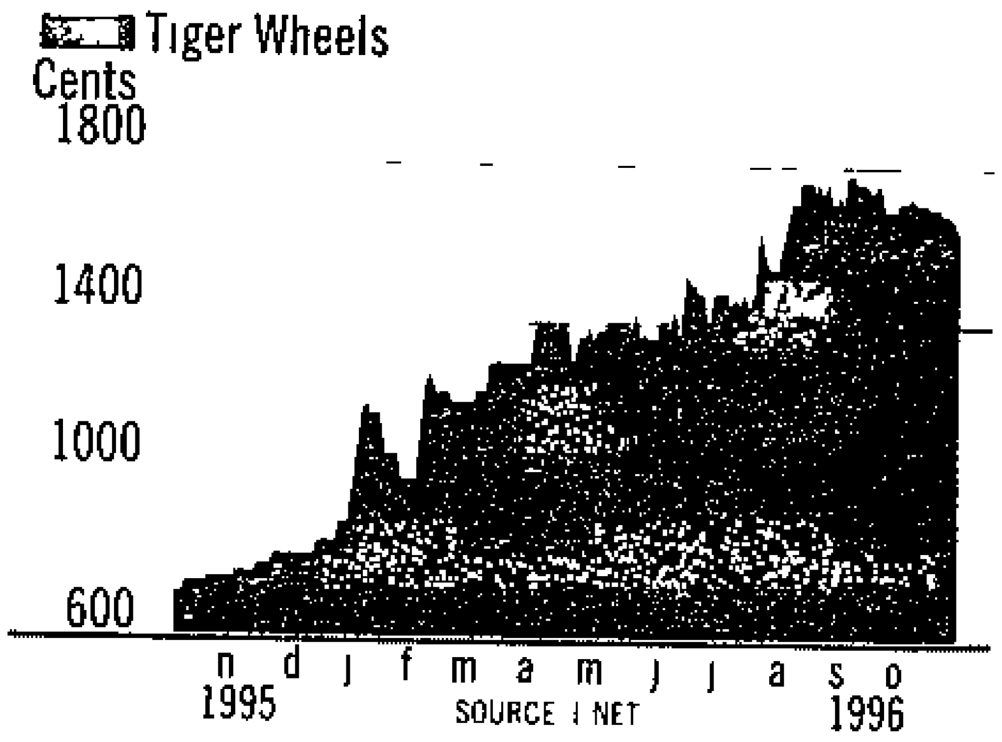
This, says Keizan, accounts partly for a slightly narrower pre-interest margin on sales which increased by 51% to R360,6m during financial 1996 "We are working on reducing operating costs and improving productivity," he says "But we will sacrifice margins to expand the order book if necessary"

Last year, margins were under pressure from the cost of increasing capacity This process — moving from shift production to continuous manufacture — proved tougher than expected

"The transition required a change of culture from labour and management," he says "And the plant gave problems because we had no time for preventive maintenance" Production has now improved and labour and operations management are adapting to the change Keizan expects the benefits to show in the 1997 accounts

The group owes much of its edge to technology — hi-tech design and manufacture and comprehensive quality control During financial 1997 the CAD/CAM computer design equipment will be moved to the Elandsfontein factory Capital expenditure on modernising equipment will decrease the R57m cash pile

The balance sheet has strengthened A rights issue of 4m ords just before year-end pushed shareholders' funds from R55m in 1995 to about R130m last year Gearing is effectively nil Stock was rela-



tively high at year-end, Keizan contends this is inevitable as exports grow "Now we are continuously building large orders to ship overseas"

Cash flow is also healthier, with cash generated from operating activities up tenfold to more than R10m

The counter has rand hedge advantages Tiger's historical p e ratio is a demanding 29,6 on its current trading price of R15,40 — which seems expensive The motor sector average p e of 6,6 is indicative of problems in the industry

But Keizan is "cautiously optimistic" about 1997, the share has rewarded investors and there is no apparent reason to assume profitability improvements will not be sustainable in the medium term *Michelle Joubert*

(192) FM 22/11/96

SALDANHA STEEL

LOAN MELTDOWN

Was the decision by the European Investment Bank (EIB) not to award a US$74m loan to Saldanha Steel an administrative foul-up — or dirty tricks?

The EIB, whose experts had been assessing the impact of the loan for months, had decided it was justified and wanted it to go ahead So did all but two or three of the EIB's 24 directors who sat to make the final decision in Luxembourg on November 12

The board, however, was faced with a "negative opinion" — a "no" — which it had received from the European Commission (EC) at the end of October. Negative opinions are extremely rare, and to overrule it would have needed a unanimous decision by the EIB board

There were 25 directors present on November 12, one was also a EC director, who did not vote. But two or three of the remaining directors, clearly lobbied, gave it the thumb's down And that was enough to seal the loan's fate

It had been known that a faction within the EC was opposed to the loan, ostensibly to protect the European steel industry as it sinks into ever-deeper decline "People are being sent home jobless and they're closing down plants It would be quite difficult for the EC to say yes to financing a project of the same kind outside the European Union," says an EIB spokesman

However, he adds "There can be occasions when we may have a slightly different view from that of the EC The EIB considered Saldanha Steel a good project, which it still does There's nothing that would say no to it It's more an opportunity decision by the EC "

The EIB spokesman denied that the EC's negative opinion was a slap on the wrist for SA for its handling of the *Sarafina 2* debacle, when European Union (EU) funds earmarked for an Aids awareness programme were diverted by SA Health Minister Nkosazana Zuma into the controversial musical without EU approval

In Brussels, EC officials were in meetings and not available for comment

Saldanha Steel seemed to be expecting the bad news Executive chairman Bernard Smith pointed out that the loan had not been budgeted for, so if it fell away it would be "unfortunate, but not the end of the world " ■

Bearing Man always on call to keep the country's wheels turning

ST(BT) 24/11/96

The largest bearings distributor in South Africa has built up a reputation as a one-stop, same-day replacement part supplier, writes ZILLA EFRAT

(192)

Top 100
Sunday Times

Bearing Man
Number 8

1991 R10 000 | 1996 R106 543

Picture: RICHARD SHOREY

BEARING MEN . . . David Rayston, Richard Savage, Christopher Garety, Greg Till and Reg Sherrell have sealed exclusive distribution rights to 20 brands

Cont.

BEARING Man has often been viewed as an upstart "It came from the back and has overtaken everyone," says assistant managing director Christopher Garety

In just over 21 years, it has grown from a single store into the country's largest bearing distributor Today it has more than 60 outlets and annual sales top R310-million

Since Bearing Man's listing on the JSE in 1984, its share has surged to a peak of R42 in January this year, from a low of 240c in December 1988 It is currently trading around R33,50

The company entered the Top 10 for the first time last year when it was placed sixth This year it is eighth

An investment of R10 000 five years ago would now be worth R106 543, an annual compound average rise of 60,5%

While selling parts to farmers, Bearing Man founder and managing director Greg Till realised bearings would always be needed They are used wherever there is a moving part and are required by just about every industry

He and his wife, Relle, opened their first bearings shop in Durban in 1974 Within three years, they had outlets in Cape Town, Johannesburg and Pinetown, all targeting the replacement or after-market

A major turning point came in 1977 when Japanese bearings manufacturer Nippon Thompson awarded it exclusive distribution rights for the IKO range in South Africa Other exclusive agreements followed with some of the world's major manufacturers

Today, Bearing Man has exclusive rights to 20 brands and shared rights to another 12

Bearing Man also grew by starting its own retail and wholesale outlets and by taking over independent local distributors Many of its acquisitions are still run by the original owners

Over time it diversified into seals, geared motors, belting and power transmission products — developments which gave it vast synergies as these products are all sold to the same customer base

In 1991, Bearing Man took over the bearings division of Anglovaal's Steelmetals, which had the sole SA rights to distribute the products of NSK of Japan, the second-largest bearings manufacturer in the world

To pay for the acquisition, Bearing Man issued shares to Anglovaal which became its largest shareholder with a 55% stake

Garety attributes Bearing Man's success to its philosophy of selling only quality branded products and being able to supply these from stock

'When it comes to staff, customers and suppliers, our concern is to have only long-term relationships'

In a market where the products are mature and the number of suppliers endless, Bearing Man has sought to differentiate itself through its service

It has positioned itself as a "one-stop shop" organisation which is available 24 hours a day, seven days a week and on public holidays It has an after-hours toll-free number and staff home numbers are widely distributed

Garety says "In the replacement market, the products we sell are the kind the customer never knows he is going to need until he needs it

"And, when he needs it, he needs it then or he cannot continue with the job Down time is very expensive and Bearing Man's goal is to be able to deliver from stock 'today' "

He adds "When it comes to staff, customers and suppliers, our concern is to have only long-term relationships In that way we are very conservative and do not like change

"Bearing Man has an 'employ for life' philosophy and we allow our staff to grow as we grow

"We expect our 700 employees to work hard and in return they are well rewarded Our packages are far better than the industry average, and our staff loss is very small "

In June this year, Bearing Man announced a tie-up with German group Nord, one of the world's top manufacturers of precision-engineered geared motors It has been appointed Nord's exclusive suppliers in South Africa and will assemble Nord products at its new R20-million warehouse and distribution centre at Drosty Park, east of Johannesburg

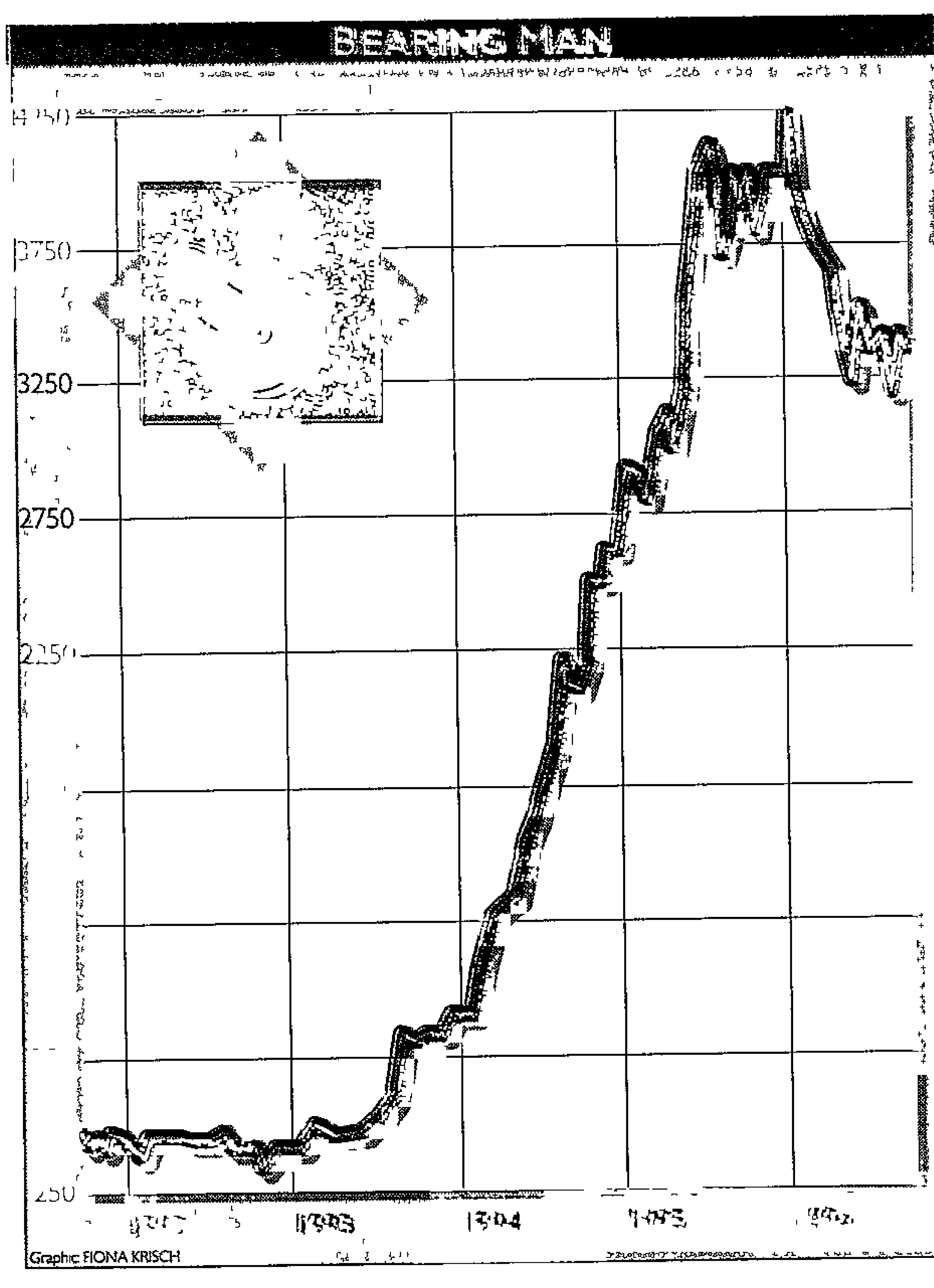
Ahead of this move, which paves its entry into a market worth more than R150-million a year, Bearing Man has sent nearly 60 staff members to Germany for training

It is also adding space at Drosty Park, once the site of the Meyer and Charlton Gold Mine Building will be completed this month but the benefits of the Nord deal are expected to kick in only in the longer term, says Garety

Although most Bearing Man products are imported, sales do not fall when the rand weakens because they are products industry cannot do without, says Garety, adding that a falling currency has advantages

"Customers may postpone replacement and keep old machinery and equipment going longer This means more repairs, more maintenance and a constant need for our products "

Bearing Man's shares are tightly held, but it has decided to go ahead with a share split — a move which is likely to improve its tradeability and, possibly, its rating



Graphic FIONA KRISCH

In the year to June, attributable earnings before exceptional items grew 26% to R27,6-million on the back of an improvement in operating margins from 14,6% to 15,8% — the result of economies of scale and managerial cost controls

A final dividend of 71c was paid, bringing the total for the year to 105c (87c) per share

Borrowings, 34,6% of shareholders' funds at June, are a little higher than the board would like, but are expected to come down soon with the help of future cash generation

Looking at the current year, Garety says Bearing Man is expecting a real rise in earnings

However, sustaining the rapid pace of growth seen in the past will be difficult

The group will open five new branches in the next six months and is looking at expanding into Zimbabwe, Botswana and Swaziland It already has two branches in Namibia

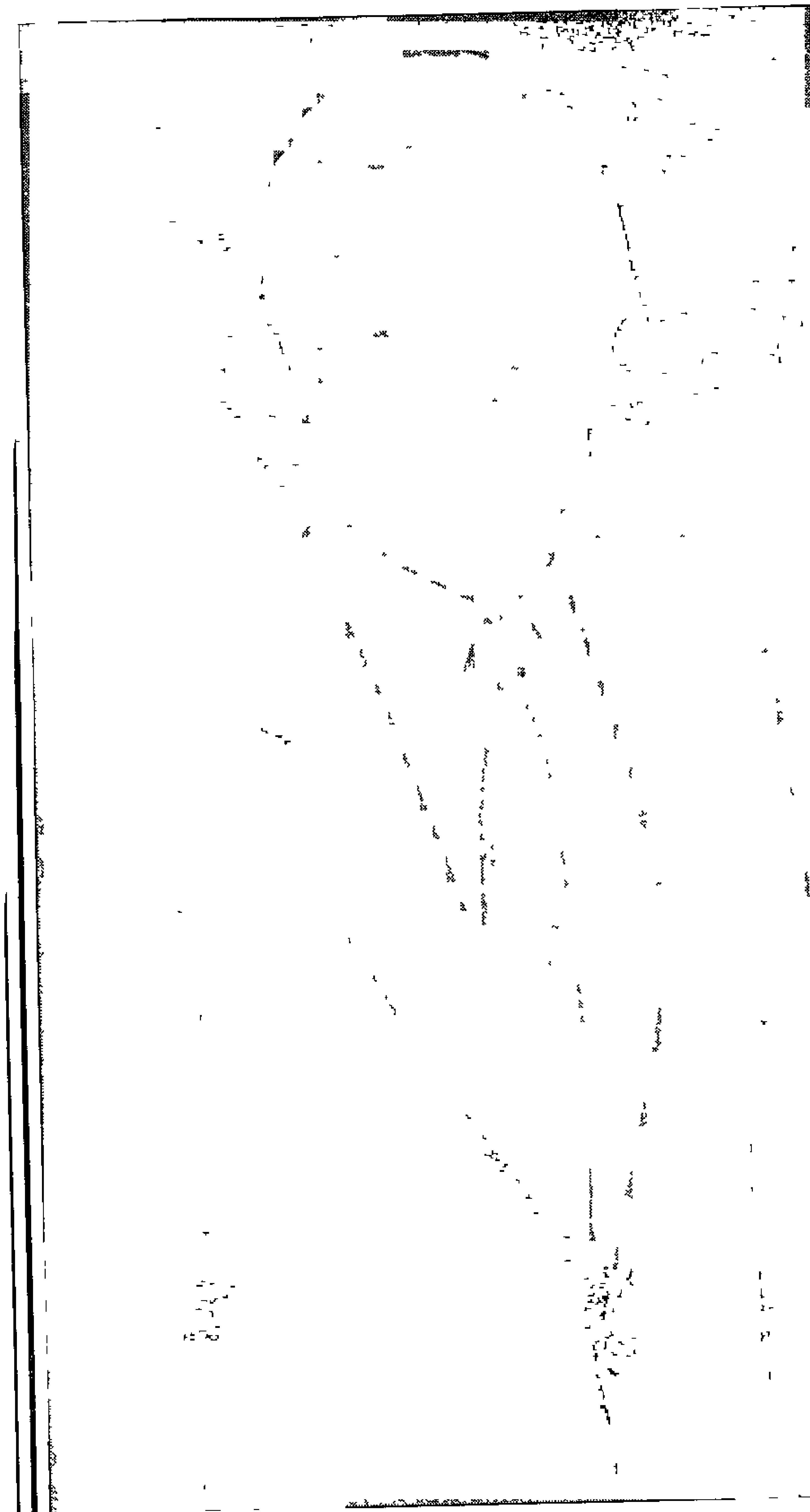
However, Garety says "Our focus is on South Africa The further away one goes, the harder it is to keep management control

"In the meanwhile, we try to do what we do a little better and work a little smarter "

Manufacturers and car dealers need to share the profit drive

(192) ST(Bot) 24/11/96

Dealers have been the casualties of manufacturers' race in the entry-level car market, writes DON ROBERTSON



PROFIT SHARE .. McCarthy Motors chief executive Brand Pretorius suggests multi-franchising may make dealerships more viable

KEEPING cars affordable will be the major challenge facing the motor industry next year But this will require a closer relationship between dealers and manufacturers

Their goal will be made all the more difficult by the rand continuing to decline against the currencies of component suppliers

The rand has lost 30% in value since February and is likely to lose more ground before year-end

A depreciation of this magnitude translates into an increase in production costs of about 15%, as at present currency levels, about 50% of a vehicle consists of imported components

In spite of this, vehicle price rises this year will be kept at about 5,2%, perhaps the lowest in history In 1992, prices were lifted by 11,2% and by a whopping 17% in 1993 Price hikes in 1994 were between 9% and 11% and rose by a further 10% in 1995

Manufacturers have had to absorb these production cost increases, and have also encountered the problem of low-priced entry-level cars and the increased competition they created

There is also the threat of imports

The "unwilling" strategy adopted by car makers fed through to the retail side, forcing dealers to accept substantially lower margins It is in this respect that dealers and manufacturers will need to co-operate

South Africa has about 1 500 dealers retailing about 380 000 new and used vehicles a year This is almost half the number operating in the US, where sales reach almost 10 million

But in the US, the number of dealers is being trimmed

Bill Lynch, chairman of Imperial Holdings, says dealers' margins have been halved in the past year, but manufacturers continue to make good profits

"Dealers have taken the brunt of the competitive market conditions and it will be necessary for manufacturers to look after them or there will be casualties," he says

The solution is to reduce the number of dealers so that volumes through outlets increase The problem will worsen each year as import duties come down and by the year 2002, when the import duty will fall to 40%, imported vehicles will grab an even bigger share of the market

Brand Pretorius, chief executive of McCarthy Motor Holdings, agrees, saying dealer viability is being threatened by the lower margins He also suggests dealer rationalisation and multi-franchising might be the answer, particularly in rural areas

Pretorius believes manufacturers should make a real effort of take costs out of the manufacturing process This would allow dealers' margins to be restored with quality and service maintained

Mercedes-Benz, Volkswagen and Samcor have been fairly successful in achieving this, he says

Apart from increasing competition, the low-priced entry-level car has created a substantial increase in the level of second-hand stock In the past year, motorists have tended to buy new entry-level cars, rather than used vehicles It can cost a dealer as much as R500 a unit each month to finance these vehicles

It has also had an impact on the value of used-car stock

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA, says that 15 months ago, the price of a 1,3 litre car was about R41 000 Today the price has been reduced to R32 000, which affects the value of used stock

This is particularly true for dealers, who, a year ago, negotiated buy-back agreements with rental companies

Lynch believes excess stock will be reduced to more reasonable levels by the middle of next year, while Pretorius expects this to occur in the first three months of next year

High levels of used stock also have an impact on a dealer's ability to trade freely, says Pretorius, as they are reluctant to offer reasonable trade-in prices

This, in turn, can affect new car sales where current stocks are also at high levels

Over-ambitious sales targets set by some manufacturers, their long-term commitment to CKD suppliers and the need to keep plants operating have led to an excess of new cars on dealers' floors

Looking further ahead, manufacturers will face a greater threat from imports

An example of this was given by Delta managing director Willie van Wyk who said that if the company planned to retain the price relationship between locally made and imported vehicles, the cost base had to be reduced by R525-million over the next seven years or exports increased from the present R500-million to R2,3-billion a year

The solution, it would appear, will be for manufacturers to substantially increase the level of exports from the current R4-billion to earn credit rebates and so reduce the price of imports.

In spite of these difficulties, manufacturers retain an air of optimism Delta has committed capital expenditure of R1,2-billion over the next five years, with Toyota planning to spend R1,4-billion and BMW R1-billion.

Other manufacturers will also spend considerable amounts upgrading plant and introducing new models.

Ruboct helps Bearing Man expand

(192) CT (BR) 25/11/96

Stuart Rutherford

Durban — Bearing Man, an importer of a wide range of engineering consumables, is set to enter the lucrative Gauteng belting market following its R1,15 million acquisition of liquidated Johannesburg company Ruboct, trading as EMS Belting

Mark Wilson, the divisional head for belting at Bearing Man, said the move was significant for the company as Gauteng represented up to 50 percent of the total belt volume in the South African market Before its liquidation, Ruboct had a turnover of about R8 million

Wilson said the company had already set targets for market share and hoped to take a "fair percentage" of the light-to-medium belting markets

William Fordham, the financial director of Bearing Man, said the company already had belting operations in Port Elizabeth, East London, George, Durban and Richards Bay Another operation in Cape Town is planned for early next year

Fordham said the equipment and stock from the purchase of Ruboct would be used to supply the new belting plant at Bearing Man Park in Johannesburg

"For some time we have been acquiring relatively small operations because we have a well-established base So in terms of acquisitions it is about average," he said

The Johannesburg operation will stock a complete range of belting and accessories and offer on-site back-up and an advisory service

BUS IMPORTS (193) FM 1/11/96

BLUNTED ARROW

The Golden Arrow bus company, which runs Cape Town's metropolitan bus operations, has had 33 imported buses impounded by the Department of Trade & Industry (DTI)

Twenty of the double-decker buses —

bought from Citybus in Hong Kong — are rusting in a Table Bay pound, the other 13 are somewhere in Durban's port The original deal involved 98 buses, costing R160 000 each, which are second-hand but have been upgraded New, local buses — which Golden Arrow says are unavailable until 1998 — would cost R900 000 each

Golden Arrow, which says its current fleet is seriously overstretched, was refused an import permit for the Hong Kong buses last year However, another company, CED Marketing, had a permit to import second-hand buses from the UK When the purchase option expired, CED still held a permit, and it was on this that the Citybus vehicles were imported

The first 20 arrived on July 23, customs duty was paid and the buses released A week later, following complaints by local bus builders, the vehicles were impounded by the DTI

At the time, Port Elizabeth bus-builder Busaf MD Rob Duff complained "We are amazed that the buses have been allowed into SA when current legislation forbids such imports The fact that the buses are in SA suggests one of two possibilities — either they are here illegally or some irregularity in the issuing of permits has occurred We're concerned this situation may be setting a precedent"

Golden Arrow claims that there has been no violation of the principle of the permit issued to CED On the other hand, it appears that Golden Arrow and CED may have taken a calculated risk in importing a make of bus different from that specified on the permit

The matter may yet reach court — but meanwhile the Hong Kong buses, which Golden Arrow says it needs to maintain its fleet as inexpensively as possible, are quietly rotting away And if there are no equivalent local vehicles, what are Golden Arrow, and other SA bus companies, supposed to do? ■

Cape firm to be taken over

Harvey's Curnow in R150-m deal after loss

ARG 4/11/96 (192)

LLEWELLYN JONES
BUSINESS REPORTER

Struggling Cape Town-based car refinish supply group Harvey's Curnow is to be taken over by the Johannesburg-based Klifridge Investments group in a R150 million deal after a R3,9 million loss by Harvey's in the seven months to August.

Klifridge Investments Holdings owns Rand Stadium Toyota, Marouns Auto-Paint Centre, The Spares Shoppe and Marjon Manufacturing, the largest remaining independent manufacturer and distributor of auto-electrical components

Harvey's major shareholders, Elzet Automotive and AECI, were no doubt spurred to look for new partners as the company struggled

In a statement to shareholders, Harvey's directors said the company should be "refocused with broadened product lines to serve the needs of body shop customers"

To bring effect to this "refocusing", Harvey's has set aside R3,7 million in write-offs for restructuring

According to Anthony Kairuz, managing director of Klifridge, this "inevitable restructuring" with the strength of the Klifridge Group, would culminate in the long-awaited turnaround for the Harvey's business

Mr Kairuz expected the combined group to make a R20 million profit within the first year

The reverse takeover of Harvey's was orchestrated by Ventures and Acquisitions, a Johannesburg-based investment bank, which will also hold a strategic stake in the restructured group

David Hilewitz of Ventures and Acquisitions said the management skills, technical ability and product mix of the Marouns Group would be cloned into the underperforming Harvey's Curnow outlets

This, with rationalisation and elimination of common overhead, should see the combined group yielding a return of 56 percent on assets

"Klifridge is pregnant with acquisitive opportunities for all of its divisions and the strength of its debt-free balance sheet, with its cash generation capabilities would facilitate these opportunities," Mr Hilewitz said

Harveys Curnow moves into red after reverse takeover

(192) BD 4/11/96

Samantha Sharpe

CAPE TOWN — Car refinish supply group Harveys Curnow posted a R3,9m loss in the seven months to August from a R410 000 profit for the six months to July last year after a "disappointing" trading period and the costs of rationalisation after a reverse takeover ate into the bottom line

This was shown in a 12,2c loss a share compared with 1,3c profit in July last year No dividend was declared

Group chairman Peter Brunnschweiler said Harveys Curnow had agreed to buy automotive group Klifridge Investment Holdings in a R150m reverse takeover deal. This would effectively give Klifridge ownership of the newly structured group.

He said the reverse takeover, funded through the issue of new shares, had resulted in rationalisation costs of R3,7m, which had been provided for in the group's latest financial statements

It had also led to a change in the group's year-end to August, resulting in a seven-month trading period

Group turnover rose to R48,73m from a previous R38,47m in the review period, with operating income falling to R1,3m versus R1,56m A surge in the group's net interest payments to R1,3m from R792 000 brought the company to a loss before abnormal items of R58 000, compared with a R769 000 profit seven months earlier.

Rationalisation costs of R3,7m were provided for in a charge to abnormal items, bringing the loss before tax to R3,8m compared with R769 000 profit last year A R78 000 tax charge showed the loss attributable to shareholders to the R3,9m figure

Klifridge group spokesman Anthony Kairuz said the earnings of the newly restructured Klifridge group were expected to reach R20m after tax in the year following the reversal

The impact of the takeover would result in an increase in the issue of shares in Harveys from 31-million to 484-million in order to settle the purchase price and recapitalise the group

Chrysler fares well in return to SA

(192)

Edward West

THE first Chrysler dealerships have opened in Durban, Sandton and Cape Town and more are expected to be set up in Port Elizabeth, Germiston and Pretoria, as the US-based motor group expands into the local 4x4 and car market segments

Chrysler franchise executive Neville Frost said the first three distributorships had been licensed to Wheels of Africa, a firm distributing Hyundai cars and Volvo trucks

A Chrysler spokesman said the group was happy with SA sales so far About 50 of its top-of-the-range Grand Cherokee jeeps sold in the first month

The group returned to SA in July Sales of the Neon sedan had been slower, but were expected to improve

The Chrysler spokesman said that local sales of up to 3 000 vehicles were expected next year

BD 5/11/96

Precision Exhaust buys new presses to boost exports

CT(Bol) 6/11/96 (192)

STAFF WRITER

Pretoria — Precision Exhaust Systems, the Port Elizabeth-based catalytic converter manufacturer, has commissioned two new 800-ton presses as part of a R16 million expansion project that will considerably boost export earnings

The expansion project will increase capacity to 10,6 million stampings a year at the manufacturer's Aloes Industrial Park site and complement Precision Exhaust Systems' existing 2 000-ton transfer press

Delta Motor Corporation's Andre van Rooyen said the expansion was planned to meet the demands of a R120 million export contract signed last year for the supply of stainless steel stampings to Europe

"Our ability to establish strong countertrade links with trading partners in Europe and elsewhere forms an integral part of our forward planning, as evidenced by the signing of the stampings contract with Delphi Energy and Engine Management Systems in France It involved an initial investment of R16 million for the purchase and relocation of two presses from France"

The enlarged press shop had created spare capacity of three million parts a year, some of which had already been sold to Delphi in Brazil

"New contracts have also been entered into with Delphi in France and a local competitor, with the remaining capacity expected to be sold in the next 18 months," Van Rooyen said

COMPANIES

Motor development programme 'inefficient'

(192) BD 6/11/96

Edward West

THE one-year-old Motor Industry Development Programme has drawn fire from motor component manufacturers who say the industrial structural adjustment plan is not meeting its objectives

Car component manufacturer T&N Holdings has called on government to put the programme under public scrutiny so that deficiencies and problems can be addressed in its early stages The programme is to end in 2002

T&N said there was little evidence to suggest the programme would result in an improved contribution to economic growth and enhanced human resource development In fact, some vehicle assemblers were retrenching staff

National Association of Component and Allied Manufacturers president Johan Meyer said the programme's objectives could not be met in its current form

"We have been warning against the uneconomic proliferation of models for years," he said

Component manufacturers had effectively been left with no protection in the programme, as assemblers were reaching the point where incentives, duty rebates and the rebates of duties offset by exports had nearly eliminated import duties

T&N CE Ted Waalburger said the "goal posts" had been shifted He questioned whether the actual intention of the programme was to have a doubling of the small vehicle incentive, which ultimately came from the taxpayer's pocket

Another problem was the export of low value-added products such as seat covers, catalytic converters and wheels

Waalburger said exports had grown as a result of the programme, but in areas of high raw material content and low value addition, with the result that the skills and technological base of the industry was being denuded

Vehicles were also being imported as semi-knocked down units to avoid duties

There was little assistance to allow component manufacturers to become competitive, and the only option to smaller companies with no international links or capital for upgrading was to merge with larger concerns or "simply be swallowed" Some form of supply-side measures were necessary, Waalburger said

Meyer said the Motor Industry Development Council had been meeting several times a month to oversee progress on the programme "Setting up data capturing processes has been slow and is still incomplete," National Association of Component and Allied Manufacturers executive director Clive Williams said

T&N divisional executive Gavin Simpkins said it was unthinkable that more than one year down the line the feedback mechanism to gauge the progress of the programme was still being designed

Public 'should scrutinise objectives of MIDP'

(192) CT (BR) 6/11/96

ROY COKAYNE

Pretoria — The objectives of the motor industry development programme (MIDP) should be subjected to detailed public scrutiny so that problems can be addressed before the rest of the programme is implemented, Ted Waldburger, the chief executive of T&N Holdings, has said

Waldburger made the call in anticipation of the upcoming mid-term review of the development programme in a T&N Holdings publication, Auto Africa Review, just released

The MIDP is an eight-year programme and is scheduled to be completed in 2002

Waldburger said an objective was to enable the vehicle and components sector to contribute more to economic growth and ultimately outperform gross domestic product and start to reduce foreign exchange drainage

Another objective was to develop the human resource base of the industry so it could provide stable employment

But Gavin Simpkins, a divisional executive of T&N Holdings, said that a year into the programme there was little evidence the measures would result in growth

Simpkins said there were also indications that the industry was heading for a reduction in human resource development with the recently announced retrenchment programmes of some large vehicle assemblers and component manufacturers

'A holistic means of monitoring the MIDP is needed for the industry to succeed against global competition'

He said the programme had been designed to transform the vehicle and components manufacturing sectors, but more than a year down the line the mechanisms to gauge its success were still being designed

He cautioned against drawing ad hoc conclusions about the effect of the programme, particularly at this early stage

"What is required is a holistic approach to monitoring the programme if the motor industry is to have a reasonable chance of success against global competition

"Failure to correctly assess the cause and effect of measures implemented to achieve the programme's objectives is likely to result in increasing job losses, a drain on balance of payments and loss of valuable technology from South Africa," he said

Waldburger said the programme would stand or fall by the strength of its objectives

There was evidence the goalposts had been shifted, referring to the doubling of the small-vehicle incentive and the export of low value added products like seat covers, catalytic converters and wheels

Waldburger questioned whether it was the intention of the programme to promote these niche markets at the expense of the entire sector

"Exports have grown as a direct result of the implementation of the MIDP, but in areas of high raw material content and low value addition, with the result that the skills and technological base of the industry is being denuded"

Waldburger said another problem was vehicles being imported as semi knocked down units to avoid import duties

He said these vehicles contained no parts supplied by local companies and should thus be classified as completely built up units

Simpkins said the programme could be distilled into the simple concept that vehicle manufacturers could import components duty free for assembly in South Africa, which meant that the local content requirement had been eliminated in a single stroke

Duty-free import components eliminated the local content requirement in a single stroke

"This is because the programme encourages greater imports of components for vehicle assembly while the small vehicle incentive has supported a shift to low-priced small vehicles," he said

Car makers 'still under pressure'

CT (BR) 6/11/96 (192)

ROY COKAYNE

Pretoria — The "surprisingly robust" 24,8 percent increase in the volume of new car sales last month compared with October last year tended to disguise the continuing pressure in other segments of the new car market, Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa) said yesterday

Vermeulen said trading conditions continued to be extremely difficult in the medium, large and luxury segments of the market

"Naamsa expects that there will be some consolidation in the market Trading conditions remained extremely competitive and exchange rate-related cost pressures could result in price increases in the months ahead

"However, vehicle price inflation for 1996 as a whole is expected to remain below the increase in the consumer price index "

Total new vehicle sales so far this year were up 3,8 percent compared with the first 10 months of last year, Vermeulen said

Virtually all the major manufacturers attributed the strong sales performance last month to the introduction of new models, extraordinary sales to the rental industry, attractive pricing and financial packages and pre-emptive buying by consumers in anticipation of price increases

John Jessup, the marketing services director of Nissan SA Marketing, said sales last month were driven by strong purchasing ahead of expected price and interest rate increases following the decline of the rand

As a result, the increase in sales could continue into November However, Jessup said this would be at the expense of sales in the new year as the market was pulled forward in anticipation of increases in prices and interest rates

Graham Hardy, the marketing director of Volkswagen of South Africa, said strong demand for the new Volkswagen Polo Classic pushed total sales of its passenger vehicles to a record high of 6 755 vehicles last month

Hardy attributed the month-on-month sales growth to relentless competitor activity

Gary Jackson, the executive director of marketing and sales at Samcor, said although the extraordinarily high deliveries to rental companies last month had not significantly affected Samcor, the company showed substantial growth with total sales up 39,4 percent compared with September Jackson said Samcor's total sales of 7 610 were a record for the company

Bert Wessels, the executive chairman of Toyota South Africa, said Toyota had the best production month it had ever had last month Wessels said the company achieved a new record of 12 027 for vehicles dispatched in one month

Number of local car makers 'unlikely to change'

Edward West (192) BD 7/11/96

THE Motor Industry Development Programme is unlikely to result in any changes in the number of local vehicle manufacturers over the next decade, says Toyota SA executive chairman Bert Wessels

He told a motor industry conference yesterday that model rationalisation was turning out to be a slow, but inevitable process Toyota intended reducing the number of its passenger car models to two from three, cutting the number of light commercial vehicles on offer to two or three from four, and replacing all six heavy commercial vehicles manufactured by Toyota with semi knocked-down assembly

Vehicle manufacturers would have to reduce prices at least 20% in real terms by 2002— the year the development programme was scheduled to end — if they wished to prosper Prices were expected to increase only 2,5% this year, but real price reductions were unlikely next year because of the rand's decline Price cuts averaging 3% in real terms were expected from 1998 until 2002, he said

Of concern was that about 10% of the 33 000 vehicles imported into SA last year were used imports from customs union countries Government allowed the import of used cars by customs union countries and these vehicles were finding their way into the SA market Discussions were under way to disallow local registration of these vehicles, he said

Motor Industry Development Council chairman Anthony Black said the increase in imported vehicles — up to just more than 30 000 units last year from about 15 000 the year before — was not unexpected

He said motor manufacturers were expected to invest about R1,6bn in capital expenditure this year, compared with more than R800m last year

Motor industry 'needs foreign equity'

(192) CT(BR) 7/11/96

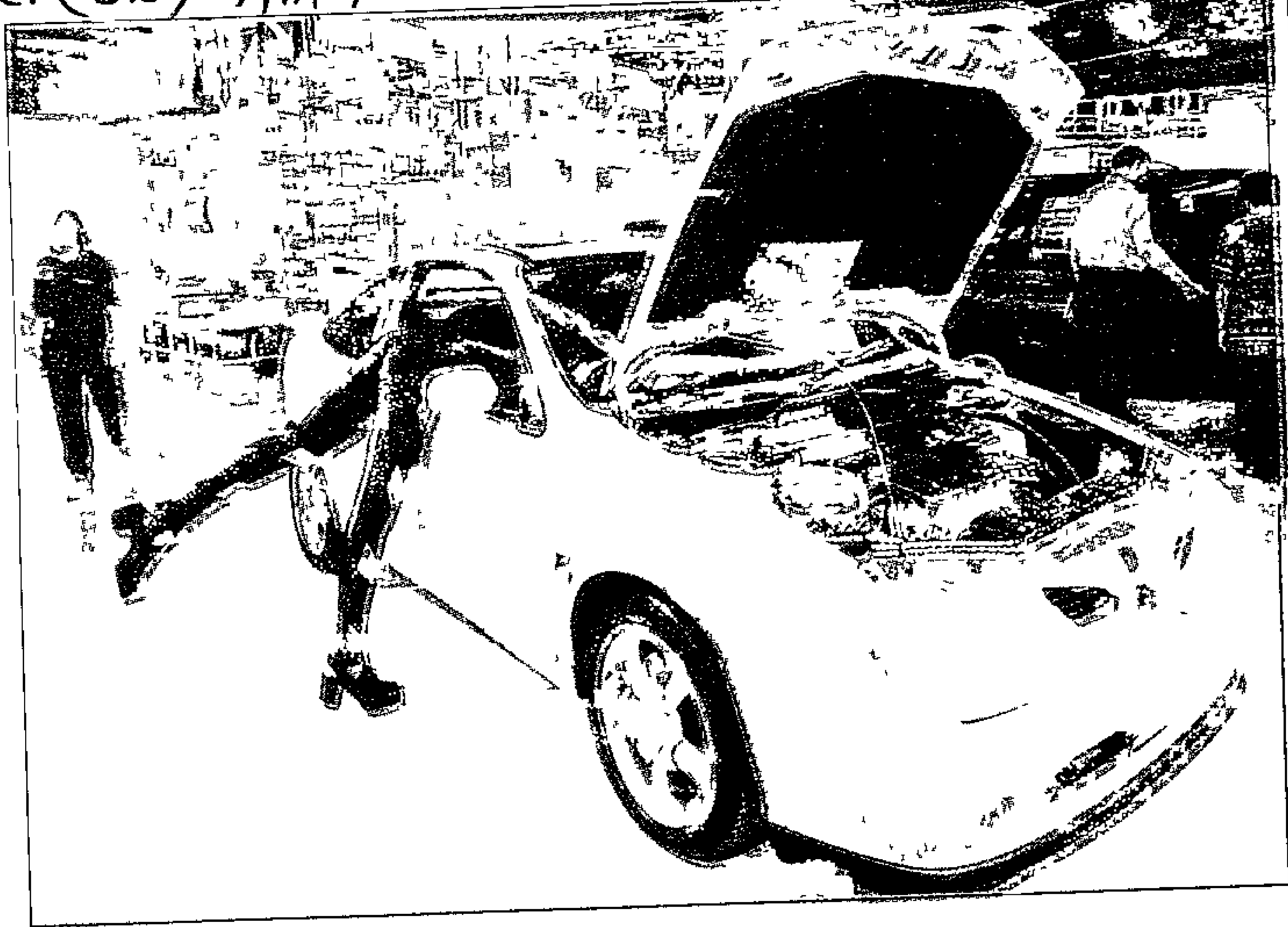
Roy Cokayne

Pretoria — South Africa's motor manufacturing industry could forget about prospering in the longer term unless principal suppliers or franchisers had equity in local companies, Bert Wessels, the executive chairman of Toyota South Africa, said yesterday at the Auto Africa conference in Johannesburg

Local competitiveness had to be increased and, while the principal suppliers did much in this regard, they would do much more if they had equity in local motor manufacturing companies Technology transfer would also take place more quickly, Wessels said

Prospering meant growth of 4 percent a year, a 24 percent return on net assets and 6 percent earnings on turnover, he said

However, Wessels said his expectation was that South Africa's motor manufacturing industry would survive in an open market if it did most things right and "almost prosper" if it did all things right



FOREIGN LEANINGS *A visitor at the Auto Africa conference in Johannesburg takes a closer look at the wares on display*

PHOTO JOHN WOODROOF

Wessels emphasised that, for the vehicle manufacturing industry to survive in South Africa, it would have to achieve at least a 20 percent cost reduction during Phase VII of the motor industry development programme and produce world-class products, quality and services

Increased vehicle and part exports were mandatory, while lean vehicle and part distribution and delivery reliability were essential, he said

Jim Miller, the managing director of Samcor, said South Africa's motor manufacturing industry may survive in the future but this depended on how the industry and government responded to the challenges they faced

Miller said that the government had to create a level playing field and its policies and the investment environment had to be predictable

Tony Twine, a motor industry analyst and a director of Econometrix, said the challenge for the South African motor industry was to produce 2 million vehicles a year within the next 10 years

Twine said if the industry achieved this, it could claim to be a "truly adult motor industry" and would be able to play in the global market But he said this volume would only give the South African motor industry a 4 percent global market share

Speaking at the same conference, Les Kettledas, a deputy director-general in the labour ministry, said South Africa's new labour law revolutionised dispute resolution and could be expected to lead to more disputes being resolved through mediation or arbitration

"Strikes, lockouts and court cases will not disappear But hopefully they should become the exception rather than the rule"

Kettledas said he expected the Commission for Conciliation, Mediation and Arbitration to set a new pattern in South Africa, avoiding unnecessary disputes

He said the new labour law introduced a new labour court with supreme-court status and with greater expertise in the adjudication of labour disputes

"So many strikes could have been easily resolved if the right people were there at the right time Figures or statistics overseas show a high rate of settlement If we can cut down on the number of production days lost, we will have created a changed perception," he said

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ANS-7

UK's Peter Hain to bat for SA on trade pledges

(392)

Ian Hobbs BD 8/11/96

LONDON — Shadow cabinet member Peter Hain will open a sustained assault on Britain's and Europe's failed promises to back SA with major new long-term trade, aid and investment when he meets government leaders in Cape Town today.

The former activist leader and prime target of Bureau of State Security dirty tricks and death squads, who will have special responsibilities for SA if, as predicted, a Labour government comes to power next year, said the United Kingdom and Europe owed an "enormous debt" to SA.

He will guarantee unprecedented support to extract this debt when he is met in Cape Town by ANC chief whip the Rev Arnold Stofile and other government officials.

The 47-year-old SA-raised shadow employment secretary said he would fight like an evangelist to shame the European Union into activating the deliberately obstructed free trade agreement with SA without further delay.

"Britain and western Europe, with the exception of Scandinavia, profited massively and indecently from propping up apartheid. They have an enormous debt to redeem, but their reticence now that democracy has come to South Africa is sickening."

Hain, a graduate political scientist, holds that short-sighted British and European self-interest and the slack support of international capital, currency and financial markets are partially responsible for the new SA's economic malaise.

But he predicted that Far Eastern "tiger economies" were waking up to the potential of investing in a subcontinent which he believed would be stabilised by SA.

"I have no doubt whatsoever that SA is the most exciting investment opportunity in the world," he said.

While in Cape Town, Hain will ask the truth commission to investigate new evidence of attempts by the Bureau of State Security in the 1970s to murder him.

Hain, who presented British parliamentary motions that have resulted in moves for former spymaster Craig Williamson's extradition to face terrorism allegations in London, will also present the truth commission with confidential new evidence that could help solve the Hain clone bank robbery — the most bizarre dirty trick ever tried by the bureau.

Former bureau agents have since admitted knowledge of the operation in 1975 when a Hain lookalike was used to rob a branch of Barclays Bank near his London home, at a time when he was leading protests against Barclays' involvement in SA. The cash grab was carried out while Hain was shopping near the bank, and anonymous calls to the police identified him. He was taken to trial but won the case convincingly.

Sharp decline in number of SA car dealerships is foreseen

Edward West (192) BD 8/11/96

LOCAL vehicle component manufacturers and motor dealership margins were being squeezed while the margins of motor vehicle assemblers were improving, a situation which could see a sharp decline in dealerships in the next few years, industry organisations said yesterday.

National Dealers' Association chairman Derek Dickson said at the Auto Africa Conference yesterday that in four years there would be at least 400 fewer motor dealerships than the current 1 400.

Although motor manufacturers needed higher rates of return because of their bigger capital investment, "something is wrong with the trend when manufacturers' profitability has continued growing since 1992 while dealers' profitability has declined".

National Association of Automobile Manufacturers of SA director Nico Vermeulen said there was pressure on margins throughout, and although assemblers' margins had increased last year after high sales and a one-off benefit of the changeover to the motor industry development programme, margins were likely to be lower this year.

National Association of Automotive Component and Allied Industries Manufacturers president Johan Meyer said component manufacturers had been forced by the development programme to curtail price increases over the past year, in spite of raw material and wage cost increases.

Vermeulen said some job losses could have occurred through the programme in its first year of existence, but the job losses had been made up through increased capacity in other areas of the industry.

The score card for the programme looked positive, he said.

MOTOR INDUSTRY (1:92)

BOOMERANG EFFECT

FM 7/2/97

Suggestions that Australia should slash tariff protection for its car industry to almost nothing could open up a major export market for SA — whose own development plan, ironically, is based on Australia's experience.

Some SA manufacturers have already begun exporting to Australia, or made plans to do so. Others are certain to follow if, as an Australian government commission has recommended, import tariff protection drops to 5%.

Under a government plan that began in 1988, Australia is on course to reduce protection against imported cars to 15% by the year 2000. SA has opted for 40% by 2002.

Once cushioned by duty tariffs of 115%, SA's seven major vehicle companies all say it will still be worth their while to continue manufacturing locally at 40% if they can develop export markets.

Australia, by contrast, has already seen companies quit as protection has diminished, and only four remain: Ford, General Motors Holden, Toyota and Mitsubishi. At 15%, they say it will be touch-and-go whether it's worth their while to continue local manufacturing. At 5%, without structural adjustments to domestic and regional trade agreements, it certainly won't.

The Productivity Commission has recommended that tariffs drop to 5% by 2004 regardless of import restrictions by Australia's trading partners. It also suggests scrapping export incentives in 2000. Holden, in a private submission to government, says 5% is not unreasonable — but not so soon and only after other countries have reduced their protection.

Wayne Booker, vice-chairman of Ford Motor Co in the US, says his company will certainly reassess its presence in Australia if duties drop to 5%. He adds there is no danger of abandoning current investment plans, which include a new version of the best-selling Ford Falcon range. But thereafter, probably from about 2005, investments could dry up and Ford might become solely an importer of cars into Australia.

If other companies follow suit, SA is an obvious source. Motorists in both countries drive on the left, and SA plants have plenty of capacity to meet the extra load. BMW SA is already the sole supplier of certain 3-Series models to Australia. Mercedes-Benz of SA chairman Christoph Kopke says his company has a programme to export C-Class cars to that country, and may eventually also supply Hondas. Another company says it has agreement in principle from its Japanese supplier to build thousands of bakkies each year for the Australian market.

Jim Miller, MD of the SA Motor Corp (Samcor), which builds Ford and Mazda cars and is part-owned by Ford US, says Australia is one of several potential markets eyed by his company. Miller, who previously ran Ford New Zealand and knows the Australian market well, says: "It is certainly a market we must consider."

Christoph Kopke

Australia already imports nearly half its cars. Last year, the industry built about 310 000 vehicles. Most of those were in the upper-medium segment, mainly the Ford Falcon and Holden Commodore. Unlike SA, where soaring fuel prices and other costs have pushed local consumers towards small cars, the relative cheapness of petrol in Australia has sustained that country's preference for larger cars. This, however, may change.

According to Holden, the Falcon and Commodore are the only two car lines to approach world-class manufacturing volumes. Toyota and Mitsubishi have concentrated their efforts on other sectors but analysts say they may switch their interest to the high-volume upper-medium sector. If they do, what was a two-car sector will become a four-car one, average volumes of each car will fall and none will be viable.

Like SA, the Australian motor industry depends on exports for long-term survival. Nearly all its markets are in Asia. Under a regional trade agreement, developed economies like Australia's are due to reduce duties to zero by 2010, developing nations should follow suit by 2020. At this stage, Australia is almost alone in setting out a timetable for its industry, and there are fears that trading partners will take advantage.

According to Holden: "There should be no move towards reduction of Australia's year-2000 automotive assistance arrangements until the full elimination of the various assistance regimes in the region is not just agreed, but legally committed by the nations involved." *David Furlonger*

Car makers see slow sales

VEHICLE manufacturers are taking a cautious view of sales prospects for the year, with most predicting unchanged or reduced volumes

December's sales figures will be released by the National Association of Automobile Manufacturers of SA early this week and should push the 1996 figure to a total of about 390 000 units, roughly 3,5% above the 376 784 sold in 1995

A snap survey conducted among major manufacturers shows total sales forecasts ranging from 367 000 to 391 000, but all agree that stiff competition, and the switch to smaller cars, will limit price rises to between 8% and 10% this year

The industry will be hard-pressed to hold price rises to these levels, as the decline in the value of the rand effectively means an increase in production costs of about 19%

All manufacturers have or will be increasing prices this month by between 2,5% and 4%

The Motor Industry Development Programme has been in operation for just over a year It has resulted in an increase in exports and a general reduction in prices

Exports of vehicles and components are expected to top the R5-billion mark, substantially higher than the R2,2-billion of three years ago

One intention of the MIDP was to reduce the number of models available in the country It has failed dismally in this respect

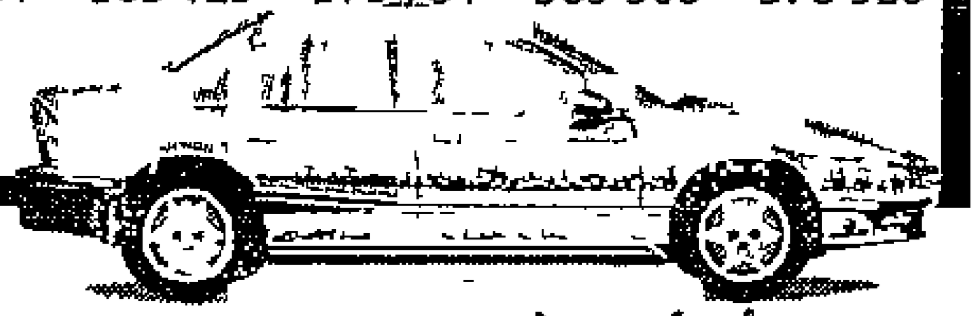
Two years ago motorists had a choice of 270 models, of which 60 were imports There are now 369 models, 140 of them imports

But while the current year's forecasts are tempered with cau-

ANNUAL NEW VEHICLE INDUSTRY SALES PERFORMANCE BY SECTOR

	1991	1992	1993	1994	1995	Estimate 1996	Forecast 1997
Motor cars	197 750	183 662	195 032	191 979	236 584	242 000	234 000
Light commercials (up to 3500kg)	100 391	91 606	95 150	102 186	128 397	135 000	131 000
Medium commercials (3501–7500kg)	4 127	3 278	2 927	3 360	4 139	4 500	5 800
Trucks and buses (+7500kg)	5 807	5 413	4 942	5 598	7 664	8 000	8 180
INDUSTRY TOTALS	308 075	283 959	298 051	303 123	376 784	389 500	378 980

Graphic FIONA KRISCH Source NAAMSA



(192) ST(BT)12/1/97

Manufacturers are taking a cautious view of prospects for 1997, writes DON ROBERTSON

tion, largely because of high interest rates and a reduction in disposable income, the longer-term outlook is promising

Bert Wessels, chief executive of Toyota, says the total vehicle market, including semi-knocked down (SKD) and completely built up (CBU) imports, will grow by 15,8% from the 1996 base of 410 000 to 475 000 by 2002, when import tariffs will be only 40%

CBU imports are expected to increase from the current 25 000 to 75 000 during the same period, while CBU exports will reach 50 000 from the current 10 000

Top-seller Toyota forecasts car sales for this year of 234 000, 134 000 light commercials, 6 000 medium commercials and 8 000 heavy trucks and buses

Toyota has been restricted in exports because of its franchise agreement with Toyota Japan The purchase of an interest in Toyota SA by the Japanese group late last year has opened up new avenues for exports and plans are for the sale of 3 000 vehicles to the rest of Africa

The company now exports left-hand drive Stallions and Ventures to Cameroon, Nigeria and Gabon, and later this year will sell to Zaire, Madagascar, Angola, Algeria and Morocco It also exports alloy wheels to Europe

Mercedes-Benz has taken a different view on prospects, predicting car sales of only 215 500

The company says the war in passenger cars and light commercials cannot be sustained

Mercedes expects light commercial sales of130 000 units, medium commercial volume of 6 600 and truck and bus sales — a division it dominates — of 7 420

BMW is looking for car sales of 242 500 this year The German manufacturer has been the most successful SA exporter and hopes to export 4 000 Three Series cars overseas worth R600-million

BMW SA is also the major supplier of leather upholstery for the world market and these sales should take total exports to about R1-billion this year Export forecasts for 2000 are R2,5-billion

Nissan is less optimistic with a forecast of 367 000, made up of car volumes of 227 000, light commercials of 125 650, mediums of 6 000 and heavy trucks of 8 350

Volkswagen predicts car sales of 242 000 and light commercials of 135 000 The export target for the year is R900-million compared with R300-million last year Exports of about 2000 CBUs worth R160-million are forecast

Delta comes in at the top of the forecast stakes with car sales of 245 000, light commercials at 133 000, mediums at 5 400 and heavy trucks at 8 200 Exports are forecast at R500-million

Automakers shares rocket in hectic trading

CT (BR) 17/1/97 (192)

Roy Cokayne

Pretoria — Automakers' share price rocketed 40 percent yesterday to 286c from its 204c record low on Wednesday, in one of the biggest one-day moves in JSE history Automakers manufactures and distributes Nissan and Fiat in South Africa

Hectic activity saw 3,3 million shares change hands — the biggest single-day volume recorded since the shares were first listed in October 1995 A cautionary was issued yesterday afternoon and a company spokesman said an announcement would be forthcoming next week

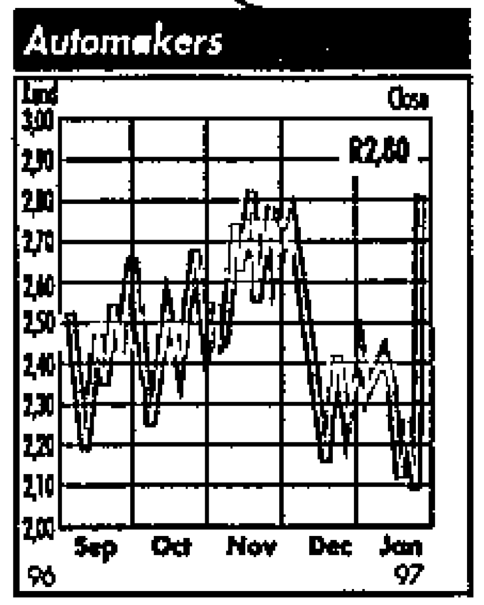
Johan Kleynhans, the director of group affairs and communication at Nissan SA, said a detailed announcement would be issued next week

Two Japanese companies, Mitsui & Co with 8,6 percent and Nissan Diesel Motor Company with 4,3 percent of Automakers' shareholding, invested in the company shortly before it was listed in October 1995

Analysts lent credence to yesterday's speculation in Business Report that negotiations were in progress between Automakers and Nissan Motor Company of Japan, aimed at the Japanese acquiring a meaningful stake in the South African company.

Such a move would be highly beneficial to Automakers, since it would open export doors hitherto closed to it because the Japanese company, without an equity stake, has been unwilling to grant Automakers permission to sell to countries where Nissan Japan was active

Should Nissan Motor Company acquire a stake in Automakers, it would probably help Automakers break into new export markets And motor industry analysts agree that exports can save the South African motor industry



At the time of the Automakers listing, Nissan Motor Company declined to take an interest in the company because, in the words of chairman John Newbury "Nissan has been involved in a substantial restructuring exercise in the course of which it took $3 billion in operating costs out of its operation So it would have been difficult for them to have come in"

What could have persuaded Nissan Motor Company to agree to buy equity in Automakers was the opportunity to purchase shares at well below the R5 issue price If a deal has been struck with Nissan Motor Company, the Japanese could well have bought in at a bargain price in the region of R2 a share

Automakers stock soars on rumours

BD ~~17/12/96~~ (192)

Josey Ballenger 17/1/97

MOTOR manufacturer Automakers' share price shot up more than 37% yesterday on rumours that Japan's Nissan Motor Company and Italy's Fiat would acquire Sankorp's majority stake in the company.

The share traded between 206c and 290c on the Johannesburg Stock Exchange (JSE) yesterday, before closing at 280c, 76c up on the previous day's 12-month low The price was at 650c a year ago. Its market capitalisation is currently R518m

More than 3,35-million shares, of 185-million shares in issue, changed hands in 419 deals worth R8,8m

A cautionary announcement was issued in the early afternoon — after the share price had already moved substantially — confirming that Automakers was involved in negotiations, but no further details were provided

Stockbroker Irish & Menell Rosenberg declined to comment on talk of insider trading in the shares, but one of its dealers confirmed the Securities Regulation Panel had phoned to find out why they were buying, and then selling, the counter in such volumes

He said Irish & Menell had bought 1,3-million of the 3,3-million shares traded yesterday, both before and after the cautionary had been issued. "We were active, but we were also big traders of other shares, and they didn't ask about those We decided to take a market position, and we were aggressive in it"

Market sources said Irish & Menell would probably have to present written documentation to the panel today

Rumours flew through the JSE yesterday that Nissan Motor Company of Japan — from which Nissan SA, Automakers' main subsidiary, has licensed its name — and Fiat, whose Unos are

Continued on Page 2

Automakers (192)

Continued from Page 1 BD 17/12/96

sold locally by Nissan SA, would enter a joint venture by purchasing Sankorp's 50,7% stake for R5 a share

Automakers was the biggest gainer on the JSE's main board yesterday and the third-most traded share in terms of volume

Automakers executive chairman John Newbury said yesterday that it had been "well reported that we are talking with our principal shareholder (Sankorp)" The talks were sensitive but a "full, detailed announcement" would be made soon The cautionary announcement said details would be released next week

Analysts and equities traders said a joint venture between Nissan and Fiat made sense, as both companies would benefit from the increased exposure to overseas markets Their market niches also complemented each other

Investec Securities economist David Galloway said "(The deal) would make perfect sense, because they could open up export markets in Africa"

Fiat did not have any upmarket products on the SA market, and Nissan was not in the lower end of the market

Automakers minorities to get big payout

BD 20/1/97 (192)

Shareen Singh

LOCAL Nissan assembler Automakers' minority shareholders are to be paid up to R274m in a scheme to delist the company ahead of bringing in an international group as the controlling shareholder.

Automakers controlling shareholder, Sankorp, will pay 411c a share for 66,6-million shares — a whopping 76% premium over the average closing share price in the past 20 days

On Friday the share price surged 17,9% to 330c amid rumours that Automakers was involved in talks with Nissan Japan — making it one of the top gainers on the Johannesburg Stock Exchange for the second day in row following the 12-month low of 204c reached last Wednesday

Sankorp, which holds 50,7% of Automakers, proposed the delisting because Automakers had performed below projections since its listing in October 1995

Market speculation was that Sankorp planned to sell the purchased shares to Nissan Japan — a deal which would give Automakers access to markets previously restricted by a franchise agreement with the Japanese motor manufacturer

The company was involved in negotiations which would make the foreign partner a major shareholder, but Automakers CEO John Newbury said nothing had been confirmed yet "Obviously we would like Nissan Japan to invest in Nissan SA, but we have not concluded any deal," Newbury said

Mitsui and Nissan Diesel, which held 8,7% and 4,3% respectively of Automakers' share capital, would retain their shares in the proposed scheme Nissan Japan already had a stake in both Mitsui and Nissan Diesel

Market sources believed the scheme would result in Nissan SA, which also markets the Fiat Uno locally, splitting its marketing operations into two separate companies, one to market Nissan vehicles and another to market Fiat The vehicle assembly operations were expected to remain in Automakers

Automakers said its board had approached Sankorp to make an offer to minority shareholders other than Mitsui and Nissan Diesel as a result of a range of factors which had affected performance since listing in October 1995.

These factors included the 28% deterioration of the rand against the dollar and 25% against the lira, competition from a growing number of imported models, the increase in interest rates and the increased competitiveness of the motor industry owing to the introduction of the motor industry development programme, an industrial structural adjustment programme

Despite dropping the price of some locally produced models by 10% six months ago, Automakers had lost significant market share which had affected profitability.

Group retail sales declined 3,3% to 56 522 in the year to June 1996 against the previous year — representing a 14,8% reduction in market share In the calendar year to December market share fell to 13,1%

Attributable earnings at the June 1996 year-end was R128m — significantly lower than the company's R157m prospectus forecast.

Tariff reduction 'will not affect car imports'

(192) BD 22/1/97

Ingrid Salgado

FURTHER tariff reductions this year on light motor vehicles would have a minimal effect on imports and would not go far in offsetting the rand's depreciation, the National Association of Automobile Manufacturers (Naamsa) said yesterday

The tariff reduction — from 61% last year to 57,5% at the beginning of this year — forms part of the motor industry development programme, an initiative to lessen the effect of a lower tariff regime under the general agreement on tariffs and trade The programme is scheduled to end in 2002

Other tariff reductions this year include cuts on light vehicle components from 46% to 43%, heavy motor vehicles from 36% to 32% and heavy vehicle components from 27,5% to 25%

Naamsa said the cuts on light vehicles were "modest" and not likely to lead to a rise in imported vehicles The largest cuts had already been made in 1994/95, when the tariff was 115%

The National Association of Automotive Components and Allied Manufacturers said tariff reductions on vehicle components would not lead to a surge in imports in the short term There would be a shift towards imports, but this was likely to be delayed

However, association executive director Clive Williams warned that the local component industry, which was working under "minimal real protection", would have to move rapidly to become world competitors because of duty-free allowances to importers He expected several businesses to merge or fold this year as a result

Naamsa placed doubt yesterday on whether the reductions would be effective from January 1 A customs and excise spokesman confirmed that the reductions had not yet taken effect, saying the notices had yet to be signed

A trade and industry spokesman said the ministry expected the current phase to start retroactively from January 1 "There is no need for the minister to authorise each phase," he said

MOTOR INDUSTRY

(192)

SMALL COMFORT

FM 24/1/97

What a difference a year makes This time last year, some motor industry executives were suggesting the vehicle market was on the brink of a sustained upswing This week the message is quite different After lower-than-predicted growth in the market during 1996, initial 1997 forecasts are for fewer sales

John Cuming, sales and marketing director for Delta Motor Corp catches the industry mood when he predicts a "marginal" market decline VW marketing director Graham Hardy and his Toyota counterpart, Johan van Zyl, are among several who share the view

Why? Cuming responds "High interest rates, continuing exchange rate deterioration and a further deterioration in business confidence" Hardy adds his reasons for the pessimism "The slowdown in the economy, an expected growth rate of 2% or less, and high rates of interest and consumer indebtedness"

It doesn't help that vehicle prices are expected to rise by about 8% during 1997 Given manufacturers' soaring cost pressures, that's not a bad performance, but marketers have repeatedly stated it will take several years of below-inflation price increases for the market to expand to anywhere near its potential That target has been achieved for a couple of years — average car prices rose 3%-5% in 1996 and commercial vehicles between zero and 2% — but a break in the trend may have damaging consequences

Manufacturers say it would be unrealistic to expect better The drastic deterioration of the rand against major currencies sent import costs soaring but intense competition allied to reduced industry protection and growing import levels prevented companies from recouping those extra costs Industry executives say they can no longer afford to withhold some of the additional costs that will arise this year

There is some comfort, though in small doses Sales of entry-level cars priced at less than R40 000 grew by leaps and bounds last year — according to Cuming, from 32 000 to over 50 000 Take that into account and it is clear the rest of the market actually declined With Ford due to launch its little Fiesta here soon and other companies concentrating more on small cars, this is the true growth segment of the market ■

DECEMBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
Toyota	New Corolla	2 336		
	Corolla/Conquest	1 096		
	Camry	612		
	RAV4	79		
	Landcruiser	70		
	Lexus	2		
	Other	1	4 196	23,7
VW	Citi Golf	1 287		
	Polo	1 141		
	Golf/Jetta	805		
	Cabrio	3		
	Audi A4	314		
	A6	32		
	A8	2	3 584	20,2
Delta	Astra/Kadett	1 146		
	Corsa	1 305		
	Saab	14		
	Suzuki	27		
	Trooper	3	2 495	14,1
Samcor	Tracer/Midge	1 493		
	Telstar/626	161		
	Ford Escort	336		
	Falcon	113		
	Mazda Etude	182		
	Pajero	73		
	Spacegear	11		
	Other	5	2 374	13,4
M-Benz	C-Class	697		
	E-Class	165		
	W140	13		
	SLS	8		
	Honda Ballade	884		
	Other	2	1 769	10,0
Nissan	Sentra/Sabre	633		
	Maxima	6		
	Fiat Uno	659		
	Alfa	21		
	Sani/Patrol	16		
	Other	1	1 336	7,5
BMW	3-Series	990		
	5-Series	261		
	7-Series	31	1 282	7,2
Daewoo	Cielo	348		
	Espero	28	376	2,1
Land Rover	Discovery	153		
	Defender	79		
	Range Rover	19	251	1,4
Chrysler	Jeep	53		
	Neon	4		
	Voyager	3	60	0,3
Subaru	Impreza	3		
	Legacy	1	4	0,0

	1996	1995	% change
December	17 727	17 304	+2,4
January to Dec	249 884	236 584	+5,6
Nov (23 676) to Dec			-25,1

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	3 745	44,8
Delta	1 555	18,6
Samcor	1 160	13,9
Nissan	915	10,9
VW	503	6,0
M-Benz	372	4,4
Land Rover	113	1,4
Dacia	4	0,0

	1996	1995	% change
December	8 367	9 100	-8,1
Jan to Dec	129 575	128 397	+0,9
Nov (10 963) to Dec			-23,7

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	85	24,6
M-Benz	62	17,9
Delta	59	17,1
Iveco	59	17,1
Nissan	49	14,2
Samcor	16	4,6
AAD	16	4,6

	1996	1995	% change
December	346	238	+45,4
Jan to Dec	5 457	4 139	+31,8
Nov (496) to Dec			-30,2

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	194	38,6
Nissan	65	12,9
Toyota	62	12,4
MAN	58	11,6
Tyco	40	8,0
Delta	34	6,8
Scania	13	2,6
AAD	13	2,6
Iveco	10	2,0
Erf	8	1,6
Freightliner	5	1,0

	1996	1995	% change
December	502	444	+13,1
Jan to Dec	8 110	7 664	+5,8
Nov (664) to Dec			-24,4

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	8 088	30,0
Delta	4 143	15,4
VW	4 087	15,2
Samcor	3 550	13,2
M-Benz	2 397	8,9
Nissan	2 365	8,8
BMW	1 282	4,8
Other	1 030	3,8

	1996	1995	% change
December	26 942	27 086	-0,5
Jan to Dec	393 026	376 784	+4,3
Nov (35 799) to Dec			-24,7

Toyota starts black empowerment plan

(192) Sowetan 24/1/97

By Isaac Moledi

IN a bid to increase its contribution to black economic empowerment, the country's leading motor manufacturer, Toyota South Africa, intends enlisting the services of more black-owned businesses in Gauteng and KwaZulu-Natal

The company says more than R3 million had been spent over the past two years and will be substantially increased this year

According to the company's marketing and accessories purchasing manager, Brian Hunter, the reason for the small business development at Toyota SA is two-fold.

"From a social responsibility point of view, Toyota recognises the need to contribute to the upgrading of local industry and to create employment for disadvantaged groups," he says

Adding that from a business point of view the support affords an opportunity to create a broader supplier base which will in the long term benefit Toyota, its dealer network and supplier base, as well as users of such goods and services

"Black dealerships have been an integral part of Toyota's marketing strategy for many years

Small business development is encouraged and promoted within our marketing strategy," says Hunter

AUTOMAKERS — 1

MINORITIES LEFT IN THE MUD

(192) FM 24/1/97

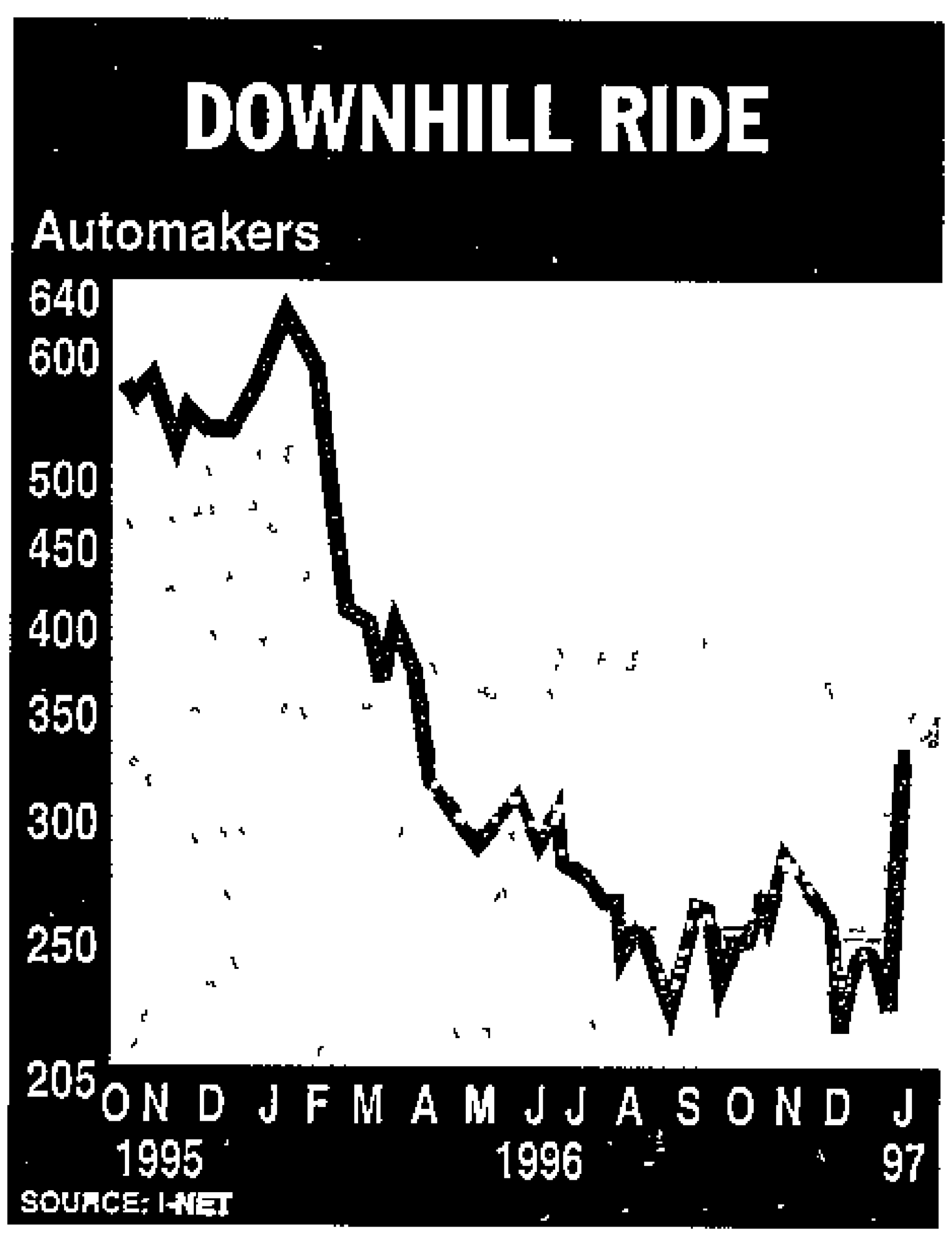
To say MD John Newbury is depressed would be an understatement After 12 years of toiling to turn Nissan SA into a successful motor company, he described the October 1995 JSE listing of holding company Automakers as the pinnacle of his career Amid much fanfare, Newbury and controlling shareholder Sankorp oozed confidence in the future

Fifteen months on, that confidence has turned to despair With the announcement that Automakers is to be delisted after failing to meet forecasts, Newbury admits he is "disappointed and saddened"

He is not the only one Despite Sankorp's offer to buy out minority shareholders at a premium to the market price, investors may rightly feel they are also hard done by

Investors who bought at higher prices are losing the opportunity to participate in any recovery in profits and share price in the future The buyout price offered by Sanlam for 66,6m shares is 411c each, a 76% premium on recent average closing prices — but that's still well short of the R5 issue price

And if minorities have been appalled at the share's trend since the listing, they have had salt rubbed into their wounds by the unusually active trading in the share during the hours before the company issued a cautionary announcement last Thursday (see next story) On Tuesday this week the share closed at 385c, having shot up from a 12-month low of 204c last Wednesday before Sankorp's offer



Given the bold forecasts made at the time, not just by Automakers and Sankorp but also by the sponsoring brokers Fleming Martin and SMK Securities, investors would be justified in questioning the offer Equally questionable now, of course, are the optimistic scenarios offered at the listing

This will be the second time Sanlam has delisted Nissan In 1985 it was taken out of Messina, which the assurer had acquired a year earlier, and placed as an unlisted company under Sankorp Nissan was making large losses then, too, but became far more profitable later None of this does anything for the confidence of minority shareholders

John Newbury

Automakers and Sankorp director Attie du Plessis acknowledges that the delisting would run against Sankorp's current strategy of withdrawing from controlling industrial companies "At the time (of the listing) we thought the new motor industry plan augured well for the industry," he says "But now it's apparent that regaining market share in this cut-throat environment will necessitate changes difficult to implement in a listed group"

Though Newbury says no formal proposal has yet been made, the intention is to offer the repossessed shares to Nissan Motor Co of Japan Sankorp now holds 50,7% of Automakers, two Japanese corporations, Nissan Diesel and Mitsui, hold 4,3% and 8,7% respectively The remaining 36,3% is in the hands of minorities

If Sankorp's offer is accepted, it would then hold 87% Newbury says the initial aim is to persuade Nissan Japan to take at least half of that "In the long term, I would hope they will take equity control of Automakers"

Newbury and Sankorp believe Nissan Japan may not bite if Automakers remains quoted Though the Japanese company owns full-scale subsidiaries in the US and the UK, they are not listed The only Nissan that is listed is the parent company on the Tokyo exchange

If the Japanese company doesn't come in, Newbury now believes Automakers' prospects are bleak "Without them, I don't know how successful we can be"

With equity control, Nissan Japan is likely to open more export markets to the SA company and offer favourable trading deals It's no secret that major foreign shareholders of other SA motor companies are being supportive of their offspring, to the extent of subsidising retail prices

Newbury argues the 411c offer to minorities is "most attractive To get the price up to 411c, you would have to get returns which we don't anticipate in the near future We've not had a good year and there will be no dividends this year

"I don't see any early improvement in that situation A lot of institutions have moved out Those that remain will find a lot more attractive stocks on the market Minorities will be crazy if they don't accept In my view, the price is going to go back towards the R2 area where it was before this offer"

An analyst reckons that without new entry-level vehicles, Nissan is not well placed to cope with current conditions, particularly high interest rates and intense competition "We can't predict when the cycle will turn," he says "In the short term, Sankorp's offer is generous"

But if Nissan Japan comes in and busi-

P.T.O.

Automakers crowded out as boom is lifted on SA car market

(192)

DON ROBERTSON

Looks at how competition can scupper the best-laid plans

ST(BT) 26/1/97

JOHN Newbury, the larger-than-life chief executive of Automakers, is a deeply disappointed man as he faces the next few weeks and the inevitable de-listing of the group from the JSE

When the company came to the market in October 1995, it represented the pinnacle of Newbury's career and the seal was seemingly set for large growth

But the golf-mad Newbury is a career opportunist who has seen many ups and downs in the motor industry After the horror of Automakers' market failure, he is reconciled to the public demise of the company and to his own financial loss

Conceding that he has a large personal investment in Automakers, he reluctantly adds "I will take a cold shower on this one"

Automakers, which manufactures and distributes Nissan, Fiat and Alfa Romeo, will probably disappear from the lists in the next two months, with most minority shareholders likely to accept an offer of 411c a share by former parent Sankorp

Prior to the Sankorp offer, investors made a massive raid on the shares, rocketing them from a record low of 204c to 385c with huge turnover and allegations of insider trading

Sankorp wants to withdraw the group from public attention and JSE requirements and offer its major supplier, Nissan Japan, a financial stake in the company

Newbury's sheer physical size and his articulate style are rare powers — and he is no stranger to controversy He has been accused of having considerable financial interests outside Automakers and, not that many years ago, it was suggested he had bought an island off the Mozambican coast This was denied

In the midst of the JSE feeding frenzy around Automakers, operations at Nissan headquarters in Sandton continued as usual this week, while Newbury was attending to normal business matters

"I will be visiting Japan in two to three weeks and maybe Italy, but this will be for normal product plans," he says

"Even if Nissan Japan does not invest, we have operated before as a wholly-owned subsidiary of Sankorp and we could do so again There are also other international opportunities to consider It would be ideal, however, to have Nissan Japan as an industrial partner and Sankorp as financial partner This would be an ideal relationship and I am confident that I can do a deal with them"

The possibility of creating two marketing divisions — one for Nissan products, the other for Fiat — is still on the cards, and Newbury is confident Nissan will recover market share with this year's new-look Sentra once the group is out of the public eye

Newbury says it was unwise to list Automakers, but prevailing assumptions made the move seem right "We were confident we would meet our forecasts, but we did not expect the rand to decline to the extent it did and we did not foresee the extent of the price war for cheaper cars

"There was a major onslaught in the entry-level sector, where we were dominant and held an element of strength with the Fiat Uno Competitors launched new models in this sector and Toyota cut 30% of the price of the Conquest Tazz We had never expected this level of aggression from them," he concedes

To counter these moves, Nissan was forced to slash its own prices by about 10%, hurting margins Cheaper prices helped recover some market share and Newbury says the company would have been in more trouble had prices not been cut

In certain models dealer margins were slashed to as low as 4% from 17% and some outlets were closed In addition, high interest rates, the rise in imported vehicles sparked by tariff reductions, and the inability to increase retail prices left Nissan with a considerable loss of market share

Total market share, including Fiat Uno and Alfa Romeo, tumbled from a one-time 21% to 16,1% in 1995, 13,1% last year and a mere 8,8% last month

Profitability in the six months to December was hurt and the board concluded that prospects were "not likely to improve in the short to medium term"

The first sign of trouble was when Newbury revealed that Automakers' financial performance for the year to December would not meet prospectus forecasts

Perhaps the reality of big business — the need to make profits — was not felt strongly enough Under the protection of giant insurance group Sanlam, Automakers was perhaps able to operate to operate without too much concern about returns In the big world of the JSE, management might have been found wanting, in a trend similar to the experience at parastatals such as Iscor and, to a certain extent, Eskom

The listing of Automakers at 500c a share in October 1995 captured massive attention The R25-million public offer was over-subscribed 37 times

But after the listing Sankorp still retained a 50,7% interest in Automakers Nissan Diesel held 4,3% and Mitsui 8,7%, coming in just before the listing as if in last-minute support from Japan

The addition of Automakers to the JSE meant that it could be measured against Toyota, and punters made a feast of comparing the prospects of the two

But last week Sankorp, of which Automakers was once a wholly-owned subsidiary, announced it would make an offer to buy back 66,6-million shares at a price of 411c a share, equivalent to the current net asset value

The prelude to eventual delisting has been as exciting as the listing 15 months ago

The shares, which reached a peak of about 650c in January 1996, plunged to a low of 204c on Wednesday, January 15 Then rumours that some deal was on the cards, possibly the purchase of a share in the company by Nissan Japan and Fiat of Italy, reached the market on Thursday and the share rocketed to 280c with turnover topping 3,3-million shares worth R8,8-million

Newbury says that when the company became aware of this activity on the Thursday, it appealed to the JSE to suspend the share The JSE always reluctant to do this, refused Later that day a cautionary announcement was made, urging shareholders not to trade in their shares

The splurge continued on Friday The shares gained further to 350c before ending at 330c on turnover of 2,1-million shares

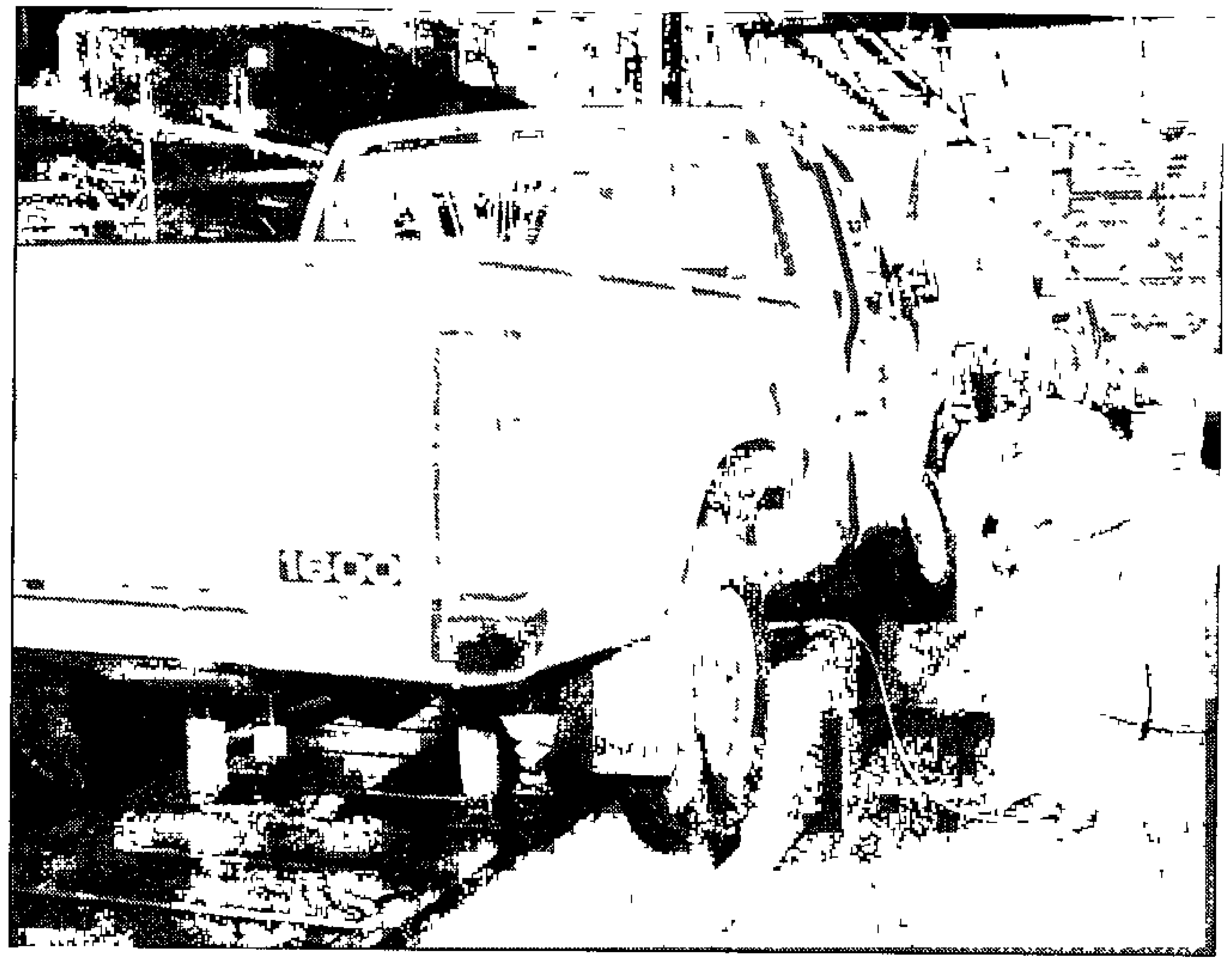
On the Monday, Automakers issued a statement giving details of the offer, but by then the onslaught was over The company expects to make a further announcement soon and could delist by mid-April

An interim report for the six months to December would normally be issued by then, but Newbury says that although more financial information might be required, the company will abide by JSE requirements

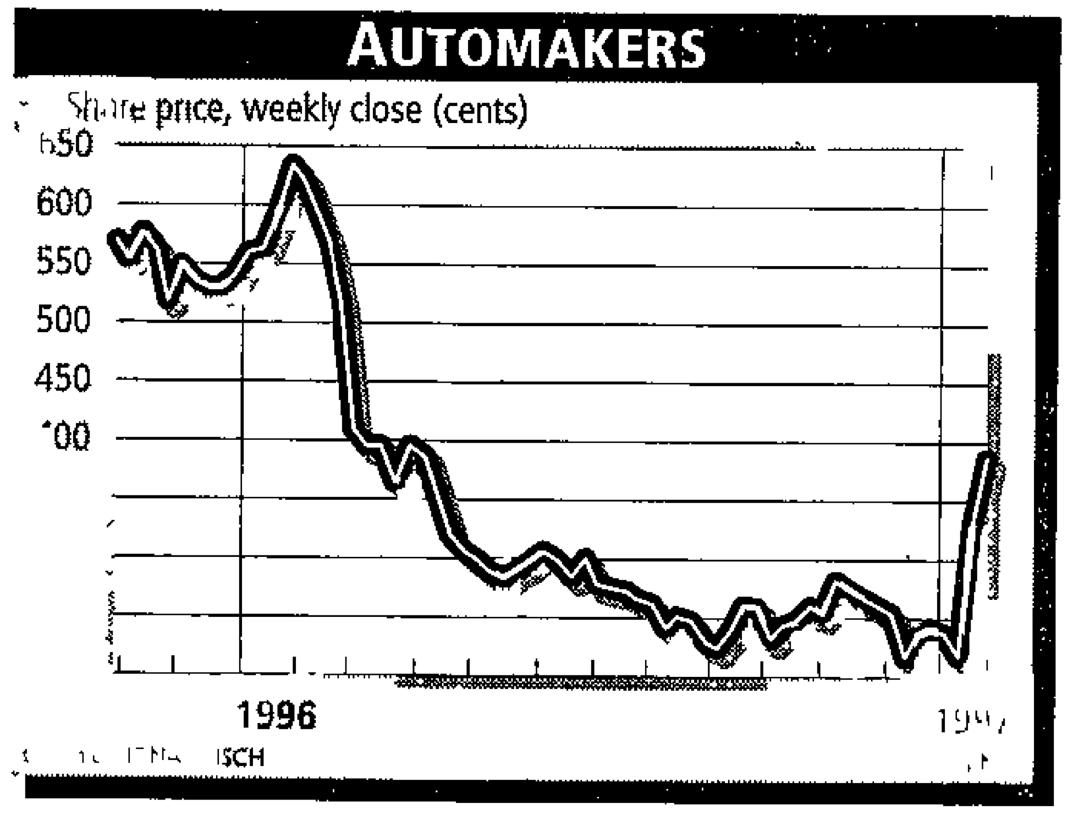
Shareholders are set to accept the offer — the shares are unlikely to rise to 400c again Staff members who were issued with 3,8-million shares at 500c might not be too happy with the proposal, but executives with 7,79-million shares are likely to agree

One of the reasons for listing the company was to "enhance investor and general public awareness of Automakers"

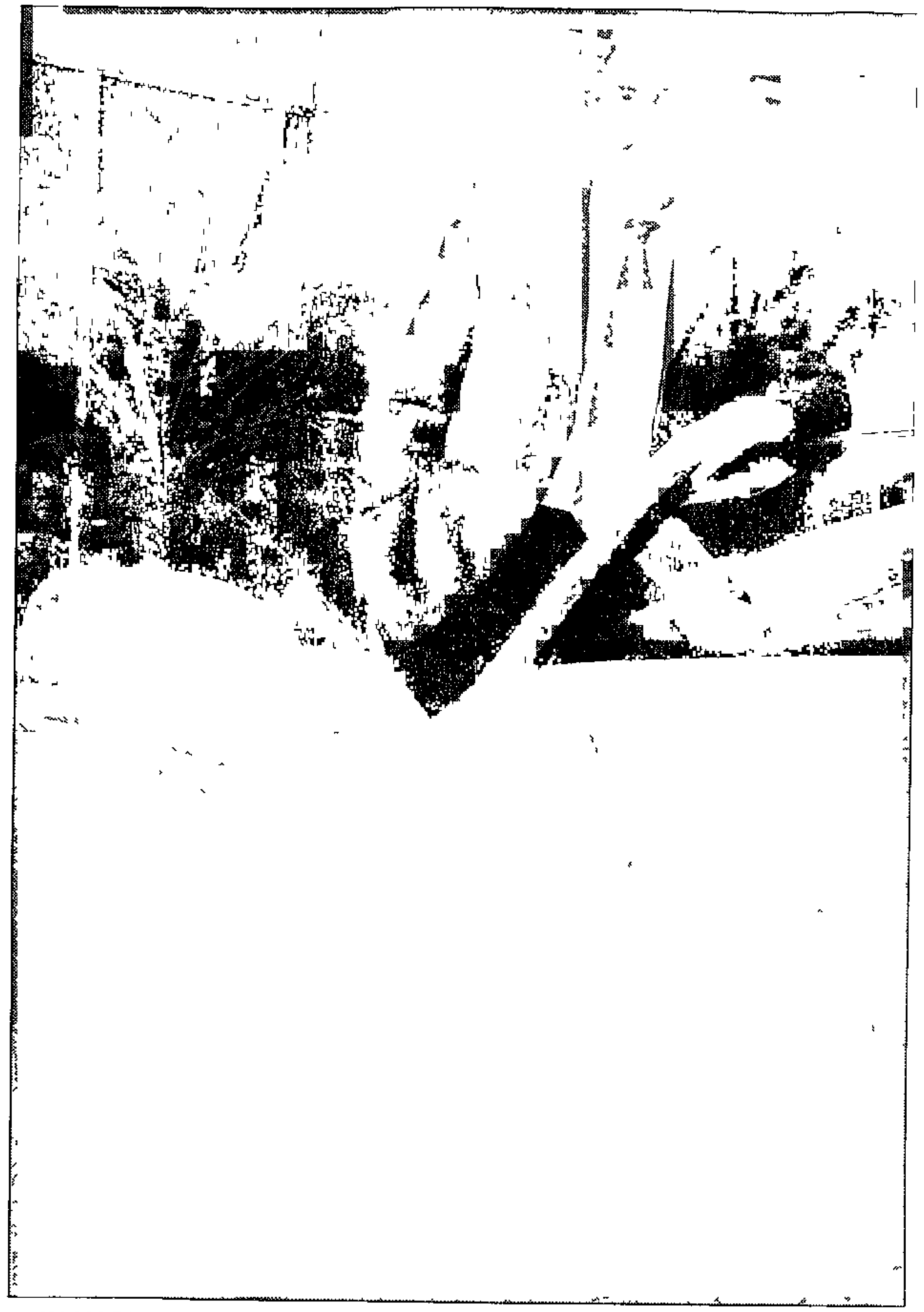
It has certainly done this



STILL ROLLING . . . operations at Nissan's production plant in Rosslyn, Pretoria, continued as usual this week despite the market activity surrounding Automakers



'We did not foresee the extent of the price war for cars'



IN HAPPIER TIMES . . . John Newbury, chief executive of Automakers, says he is ready to take the cold shower the company's de-listing will bring

FOREIGN AFFAIRS *After Syrian arms, there's now a Cuban deal*

Atlantis Diesel coup could offend US

CT (BR) 4/2/97 (198)

JONATHAN ROSENTHAL

Johannesburg — A R400 million contract to supply Cuba with 10 000 truck engines will boost Cape-based Atlantis Diesel Engines' turnover by 35 percent to about R1 billion a year, but could lead to a further deterioration in US-South African relations, international affairs commentators said yesterday

Ron Shires, the managing director of the state-owned engine manufacturer, said yesterday that the Atlantis Diesel contract was to supply the diesel engines to Unecamoto, which provides transport to Cuba's struggling sugar industry, in a project to modernise Cuba's decaying trucks

The contract would create 180 jobs and offset Atlantis Diesel's loss of domestic market share, which has been hard hit by tariff reductions

"Possibilities of supplying the Cuban market with additional products and parts can be expected in the future," Shires said

But the deal could run foul of US foreign policy Bruce Wharton, a US embassy spokesman, said he did not wish to speculate on any possible responses

He said "The fundamental policy line is that any transaction with Cuba, that supports the government of Fidel Castro, slows down Cuba's transformation to a democratic country"

But he acknowledged that many of the US's allies maintained trade relations with Cuba

He said Cuba was seen, along with Syria, Iraq and Libya, as a "terrorist supporting nation" by the US state department

Cuba, although it could not be linked to any acts of terror in 1995, provided refuge to members of the ETA, the Basque separatist movement

Greg Mills, the national director at the South African Institute of International Affairs, said the deal could "cast further doubts on our reliability in certain circles (in the US) coming so closely after the Syrian affair"

Antoinette Handley, the director of studies at the institute, said the US was likely not to favour the deal, but would probably be unable to act

Opposition was likely to stem from politicians like Jesse Helms, a conservative Republican senator, who condemned Canada last month for maintaining ties with Cuba Helms said the Canadian foreign minister's visit compared with British Prime Minister Neville Chamberlain's appeasement of Adolf Hitler in 1938

The US is coming under increasing criticism for its attempts to impose economic isolation on Cuba

Cape company in R400-m Cuban deal

(192) (744)

Atlantis Diesel to supply 10 000 engines to sugar industry

ARGT 4/2/97

(192) 4/2/97

LLEWELLYN JONES
BUSINESS REPORTER

Cape diesel engine manufacturer Atlantis Diesel Engines has signed a R400-million deal with the Cuban government agency, Unecamoto, which looks after the transport requirements of the country's sugar industry

In terms of the deal, Atlantis Diesel Engines (ADE) will supply Unecamoto with 10 000 diesel engines for commercial use over an 18 month period

ADE managing director Ron Shires said the engines would be used to repower Cuba's run down fleet of Russian-made vehicles

The company was confident that the deal would have no political ramifications and would not fall foul of the United States' Helms-Burton Act

The Act allows Americans to sue foreign companies or individuals deemed to have profited from investing in property confiscated by the Cuban government since the revolution in 1959

It has been widely opposed by the US trading partners

Yesterday the European Commission was due to press the World Trade Organisation to select a dispute panel to settle the ongoing row

"The real sensitivity lies in the use of confiscated assets – this is a straight forward sale," Mr Shires said

"We do not feel unduly concerned "

Mr Shires believed that the agreement demonstrated that ADE was emerging as a significant world class company

"We won this contract in the face of heavy international competition from Italy, the United Kingdom and South America "

"ADE is going out and winning contracts against all the big international players "

He said the Cuban contract would secure work for ADE's labour force and could mean an extra 180 jobs over the period of the contract

"We would like to see this as the beginnings of a relationship between ADE and Cuba Possibilities of supplying the Cuban market with additional products and parts can be expected in the future "

ADE had been predicting a 23 percent drop in truck engine sales to 9 500 units this year from 12 350 last year

"But this is only the beginning – we still have very ambitious plans beyond Cuba," Mr Shires said

ADE had seen strong growth in export contracts for diesel components in Europe, the USA and South Korea although he declined to give details

Before signing the deal with Unecamoto, ADE's export turnover on diesel components was expected to reach R160 million in the current financial year

ROY WIGLEY

Going places: managing director of ADE Ron Shires says the deal with Cuba 'is only the beginning We still have very ambitious plans beyond Cuba'

New twist in Automakers saga

(192) M+G (BM) 31/1 - 6/2/97

Mungo Soggot

THE Securities Regulation Panel (SRP) this week vowed to subpoena a *Mail & Guardian* journalist in the hope of furthering its insider trading probe at car manufacturer Automakers.

The *M&G* reported last week that the SRP planned to investigate the cause of a 37% increase in the price of Automakers shares on the Johannesburg Stock Exchange (JSE) on January 14. The article, based on interviews with a string of sources who spoke on condition of anonymity, said: "Unconfirmed reports suggest the probe focuses on a family member of a senior Automakers executive, who allegedly tipped off friends."

The share price surge came amid talk that Automakers's main shareholder, Sankorp, was poised to strike a deal with a foreign partner and preceded an announcement the following Monday that the company would delist.

At the time the panel refused to comment on the individual, while Automakers boss John Newbury and the individual himself dismissed the allegation.

SRP executive director Richard Connellan said on Wednesday the panel would subpoena *M&G* journalist Max Gebhardt to find out who his sources were. Connellan, whose panel has yet to prosecute a single case for insider trading, admitted he had not yet read the article.

He said this newspaper appeared to be under the impression it did not have to reveal its source. "Our legal advice is otherwise," he said. "We want to get all the pieces of the jigsaw puzzle."

The *M&G's* lawyer said a subpoena would be an "improper application" of the Companies Act which allowed the panel to subpoena for information on insider trading. He added that such an application of the Act was unconstitutional as it invaded journalistic rights.

Another company lawyer scoffed at the panel's strategy, suggesting it showed how desperate it was for a successful prosecution. "The *M&G* is presumably picking up the same gossip as everyone on the JSE. Why not pick on someone else?" He said the approach was "offensive. They [the panel] should do their own work..."

JSE president Roy Andersen said he was not in a position to comment on the SRP's strategy.

Connellan told *M&G* photographer Ruth Motau that he would consent to having his picture taken only when the *M&G* started co-operating.

Automakers leads legal car export list

CT(BR) 12/2/97 (192)

Roy Cokayne

Pretoria — Automakers, the hold ings company of Nissan South Africa, was the leading exporter of vehicles from South Africa with almost 25 percent of total exports, according to last year's Export Report for manufacturers released yesterday

The report,published by the National Association of Automobile Manufacturers of South Africa (Naamsa), revealed that Automakers accounted for 2 880 of the 11 553 fully built up vehicles exported by the South African motor industry last year Most of the exports were to African countries

Toyota South Africa was next at 21,7 percent, with 2 504 vehicle exports, it was followed by Delta at 20,6 percent with 2 380, Samcor at 15 percent with 1 771,, Mercedes-Benz South Africa at 9,6 percent and 1 109, BMW South Africa at 4,5 percent with 515, and Volkswagen South Africa at almost 2 percent with 224

David Manly, the managing director of Automakers' specialist export company, Nissan Africa, said export sales figures of fully built up vehicles by Automakers excluded the completely knocked down vehicle kits exported to Zimbabwe

"We are pleased with the success that our strategies for vehicle exports are starting to deliver In 1996 we embarked on several new initiatives in partnership with our principals, which saw the establishment of Nissan Africa and the expansion of our export efforts

"Among our successes, which have markedly contributed to our results, was the establishment of a new Nissan distributorship in Zimbabwe, Nissan Zimbabwe, as a wholly owned subsidiary of Nissan Africa

"This has served as a platform for us to commence the assembly of a range of Nissan Hardbody one-ton pickups in that country This project is proving to be very successful," he said

Manly said the Automakers Group had also boosted exports through shipments of Fiat Uno to Singapore and Nissan pickups to destinations such as Australasia

Tiger Wheels boosts income 56%

Ingrid Salgado BD 13/2/97 (192)

TYRE and wheel manufacturer and retailer Tiger Wheels boosted attributable income 56% to R13,1m for the half-year to end-December, helped by healthy sales as well as growth in all its divisions

Share earnings rose 39% to 28,8c on an increase in the number of shares in issue to 45,7-million No interim dividend was declared in line with company policy

Turnover increased 25% to R208m (R166m), helped by good export volumes Operating profit rose 29% to R16,7m (R12,9m). The group maintained operating margins despite pressure, Tiger Wheels joint chairman Eddie Keizan said

The group earned net interest for the first time since its listing, receiving R782 000 following last May's rights issue which raised R54m. Keizan said the funds would contribute towards organic growth in all divisions

Rolls-Royce subsidiary's boss positive about firm's prospects

BD 13/2/97 (192)

Ingrid Salgado

ROLLS-ROYCE subsidiary Northern Engineering Industries (NEI) lifted attributable earnings 61% to R26,4m for the year to end-December as focus on productivity and customer-driven management helped the bottom line

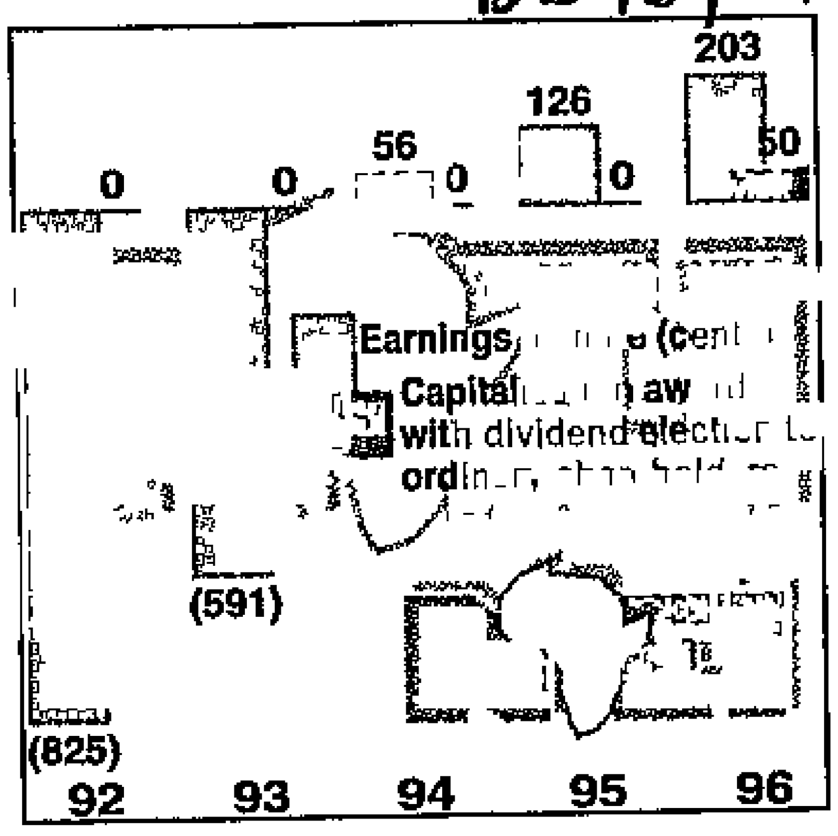
Share earnings soared a corresponding 61% to 203c (126c)

The board has decided to award capitalisation shares with the option of a final cash dividend of 50c a share

Group finance director Terry Rensen said yesterday the company was likely to expand this year and would make acquisitions to complement its business

NEI was ungeared at year-end with a cash balance of R48,5m, up 28% on last year

Rensen would not disclose details about acquisitions, but said that options ranged from "pretty big to modest"



Turnover rose 19% to R568m (R178m) as NEI increased market share Rensen said this was achieved through a "customer-driven" management approach

Operating profit increased 37% to R31,3m (R22,8m), helped by attention to cost containment and the group's focus on customers. This was reflected in improved margins to 5,5% from 4,8% last year. NEI said the results were achieved despite local infrastructural spending being lower than expected

"Industry, however, is beginning to commit itself to significant expenditure which is a positive signal for the future "

Rensen said the group was looking to the public sector, especially at local government level, to begin augmenting NEI's work in the private sector in the next year

The group was confident about prospects

NEI, which reported a 41% increase in profit before tax to R33,3m, said its second half profits were historically higher It posted a R21,6m profit in the last six months compared with R11,7m in the first half

NEI parent Northern Engineering Industries Africa Holdings lifted attributable income to R14,1m (R8,7m) Share earnings increased to 100,2c (62,3c)

MOTOR INDUSTRY (192)

HEAVY WEATHER

FM 14/2/97

Truck marketers are making light of the sales slump for heavy vehicles Sales in January were down nearly one-third on last year, but marketers lay the blame on lack of stock rather than falling demand

Brand Pretorius, chairman of SA's biggest motor retail chain, McCarthy Motor Holdings, says it's the fault of "a logjam in the body-building sector" Nico Vermeulen, director of the National Association of Automobile Manufacturers, puts it down to "the relatively late resumption of industrial activity in the new year compared to earlier years"

Annual start-up labour problems may have contributed to the problem, for the rest, such a shortage of supplies would suggest bad planning by some manufacturers

Just as likely, the drop in sales was also early confirmation of predictions that the heavy truck market will decline this year After enjoying strong sales during 1996, slowdown in economic growth and a drop in business confidence, and a shift towards smaller vehicles, is affecting the market's make-up

Sales of medium trucks, which offer many customers more flexibility, rose 20% in January, compared with 1996 Des Gush, head of Toyota's truck division, says many users are buying down to save costs Client preference is also pushing buyers into the smaller ranges as the retail trade dictates an increase in daily deliveries

Mercedes-Benz truck GM Geoff du Plessis thinks the sector could grow 11% over this year Du Plessis is also optimistic about the bus market By the end of 1998, he predicts, this market will have grown by 33% over 1996 because of increased tourism, export opportunities and a new mass transport policy due this year

Within the shrinking heavy truck market, though, there are still winners — and many of them are American Toyota's Peterbilt and Mercedes' Freightliner products are both picking up sales from a general drift towards US trucks

According to Freightliner GM Adolf Moosbauer, US trucks already account for 30% of SA's heavy-duty truck market This will rise to 40% this year and could possibly hit the 50% mark by the following year *David Pincus*

JANUARY VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	CitiGolf	1 651		
	Polo	1 139		
	Golf/Jetta	1 442		
	Audi A4	568		
	A6	60		
	A8	4	4 864	24,5
Toyota	New Corolla	2 429		
	Corolla/Conquest	1 326		
	Camry	342		
	RAV4	45		
	Landcruiser	42		
	Lexus	2	4 186	21,1
Delta	Astra/Kadett	1 540		
	Corsa	1 315		
	Saab	30		
	Suzuki	38		
	Trooper	1	2 924	14,7
Samcor	Tracer/Midge	1 087		
	Telstar/626	264		
	Ford Escort	618		
	Falcon	192		
	Explorer	6		
	Mazda Etude	335		
	Pajero	96		
	Spacegear	18		
	Jaguar	8		
	Other	4	2 628	13,3
M-Benz	C-Class	881		
	E-Class	303		
	S-Class	20		
	SLS	10		
	Honda Ballade	861		
	Other	5	2 080	10,5
Nissan	Sentra/Sabre	604		
	Maxima	15		
	Fiat Uno	768		
	Alfa	44		
	Sani/Patrol	7		
	Other	3	1 441	7,3
BMW	3-Series	782		
	5-Series	216		
	7-Series	21	1 019	5,1
Daewoo	Cielo	438		
	Espero	33	471	2,4
Land Rover	Discovery	85		
	Defender	46		
	Range Rover	7	138	0,7
Chrysler	Jeep	67		
	Neon	3		
	Voyager	3	73	0,4
Subaru	Impreza	3		
	Legacy	4	7	0,0

	1996	1995	% change
January	19 831	17 477	+13,5
Dec (17 681) to Jan			+12,2

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	2 097	26,3
Samcor	1 841	23,1
Delta	1 820	22,8
Nissan	1 041	13,1
VW	598	7,5
M-Benz	502	6,3
Land Rover	67	0,8
Dacia	1	0,0

	1996	1995	% change
January	7 967	10 021	-20,5
Dec (8 367) to Jan			-4,8

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	115	30,1
Nissan	82	21,5
Delta	62	16,2
M-Benz	50	13,1
Iveco	49	12,8
AAD	14	3,7
Samcor	10	2,6

	1996	1995	% change
January	382	282	+35,5
Dec (346) to Jan			+10,4

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	97	23,3
Toyota	85	20,4
Tyco	55	13,2
Nissan	49	11,8
MAN	43	10,3
Delta	34	8,2
Iveco	19	4,6
Freightliner	15	3,6
ERF	8	1,9
Scania	6	1,4
AAD	5	1,2

	1996	1995	% change
January	416	600	-30,7
Dec (502) to Jan			-17,1

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	6 483	22,7
VW	5 462	19,1
Delta	4 840	16,9
Samcor	4 479	15,7
M-Benz	2 729	9,5
Nissan	2 613	9,1
BMW	1 019	3,6
Other	971	3,4

	1996	1995	% change
January	28 596	28 380	+0,8
Dec (26 896) to Jan			+6,3

ST(BT) 16/2/97

Car makers buy their own products

(192)

SALES FIGURES

By DON ROBERTSON

MORE than 6% of new cars sold last year were bought by the manufacturers themselves, while 80% went to the public

Figures from the National Association of Automobile Manufacturers of SA shows that single-unit sales of new cars to manufacturers totalled 15 586 from production of 249 838 units

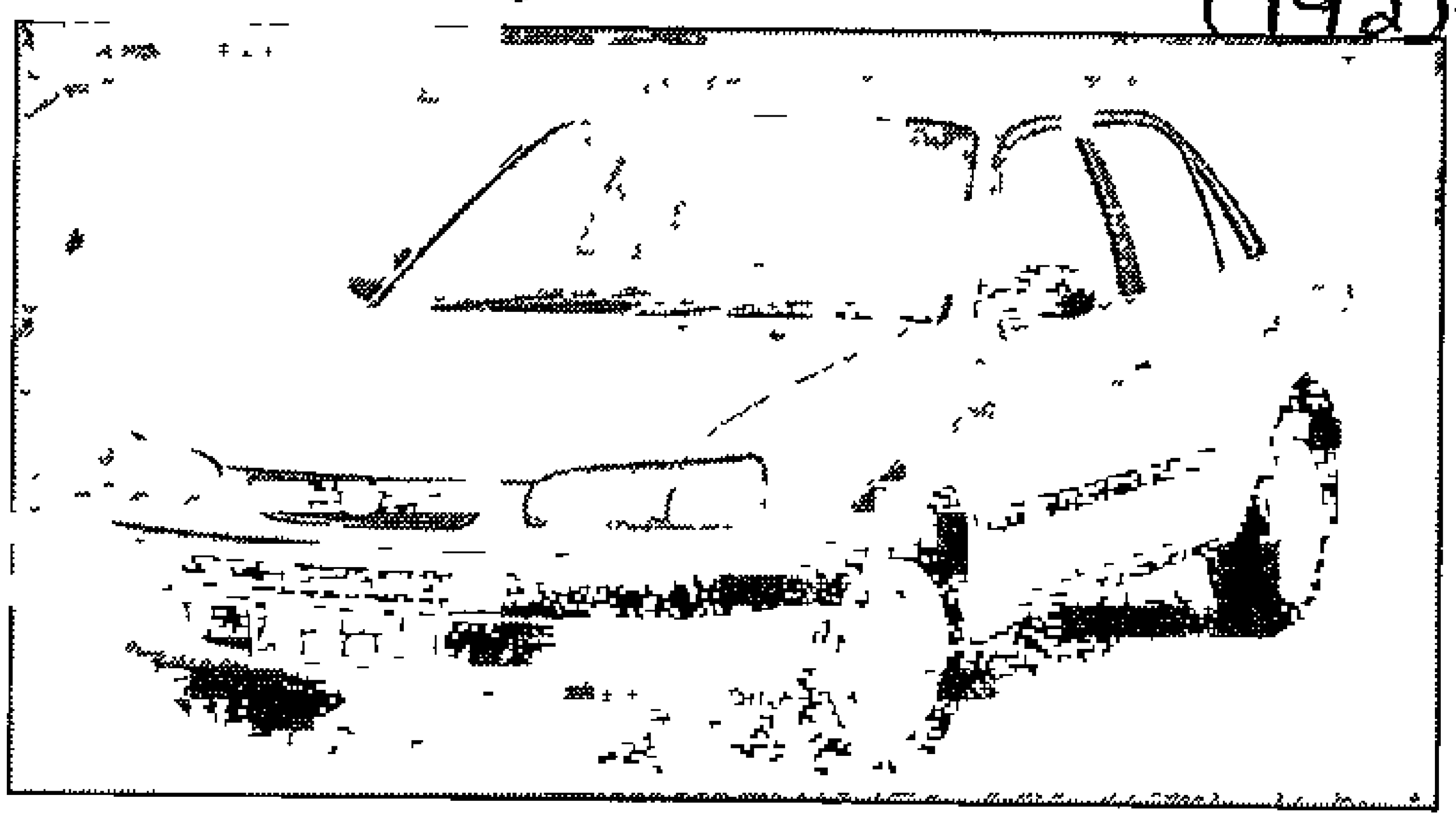
Single-unit sales are purchases by the manufacturers for their own staff They eventually find their way back into the market as used cars

A similar percentage of commercial vehicles were also bought by manufacturers Motor groups bought 3 056 out of 143 121 vehicles produced for own use

BMW, for instance, bought 2 385 of their own cars from a total production of 15 959, Delta absorbed 2 303 from an output of 22 554, Mercedes-Benz 2 194 from 25 182, Nissan 1 923 from 26 888, Samcor 1 775 from 46 985, Toyota 2 034 from 48 800 and Volkswagen 2 853 from 57 691

In the light commercial segment, Mercedes-Benz kept 451 vehicles for its own use, Delta 289, Toyota 318, Nissan 186, Samcor 152 and Volkswagen 94 from total production of 129 575

In all, 11 553 fully built up vehicles were exported last year



GOVERNMENT GARAGE: Toyota is the state's favourite

Toyota topped the list in the car stakes with exports of 765 cars, followed by Nissan with 722, Mercedes-Benz with 709, Delta with 529 and BMW with 515

In the light commercial vehicle sector a total of 7 125 units were sold abroad, headed by Delta with 1 687, Samcor with 879, Nissan with 744 and Toyota with 594

Government departments accounted for the largest individual sales category with purchases of 26 713 units

Toyota was the favoured car in government sales with 3 984, ahead of Volkswagen, Samcor, Nissan and Delta

Delta led the light commercial sector followed by Toyota and Samcor

Toyota was also the preferred supplier to the rental industry with sales of 4 577 (Volkswagen 2 544, Mercedes-Benz 2 911, Samcor 2 323, and Nissan 1 712).

USED VEHICLE IMPORTS

SECOND-HAND MENACE

FM 21/2/97 (192)

Thousands of potentially dangerous used vehicles are flooding on to the market Import agents are using forged permits to smuggle in the vehicles, mainly from Japan

Unhindered, local businessmen say, the imports could seriously damage the motor industry They point to New Zealand, where Japanese used vehicle exports have all but wrecked the motor sector

The imports here have also led to a stand-off between Customs and the Department of Trade & Industry (DTI) over the legality of allowing in some vehicles

Imports include cars and commercial vehicles By avoiding duties, they are sold for much less than equivalent SA vehicles Most of the vehicles are three to four years old, with limited distances on the clock — often as low as 40 000 km

In Japan, new vehicles are affordable but government regulations dictate that their value depreciates quickly After four years, they undergo tests described as "punitively expensive" to stay licensed

As a result, Japanese get rid of their vehicles fairly young and there's not much of a second-hand market Most used vehicles are exported

Police say shipments arrive in Durban every month Under the law, used vehicles may enter only with a special permit — either from the DTI or from the other states in the Southern African Customs Union Lesotho, Swaziland, Namibia and Botswana

SA issues permits only in special cases, such as returning residents, immigrants and diplomats It also levies an import duty on these vehicles — now 57,5%

Where another Customs Union country issues a permit, local customs officials must release the vehicle for direct transport to that country It is then that nearly all the smuggled vehicles find their way illegally into SA

These other countries are also supposed to levy the 57,5% duty and pay it into a Customs Union pool But because of the lack of controls, few of the permits are recorded What money is collected is often destined for back pockets

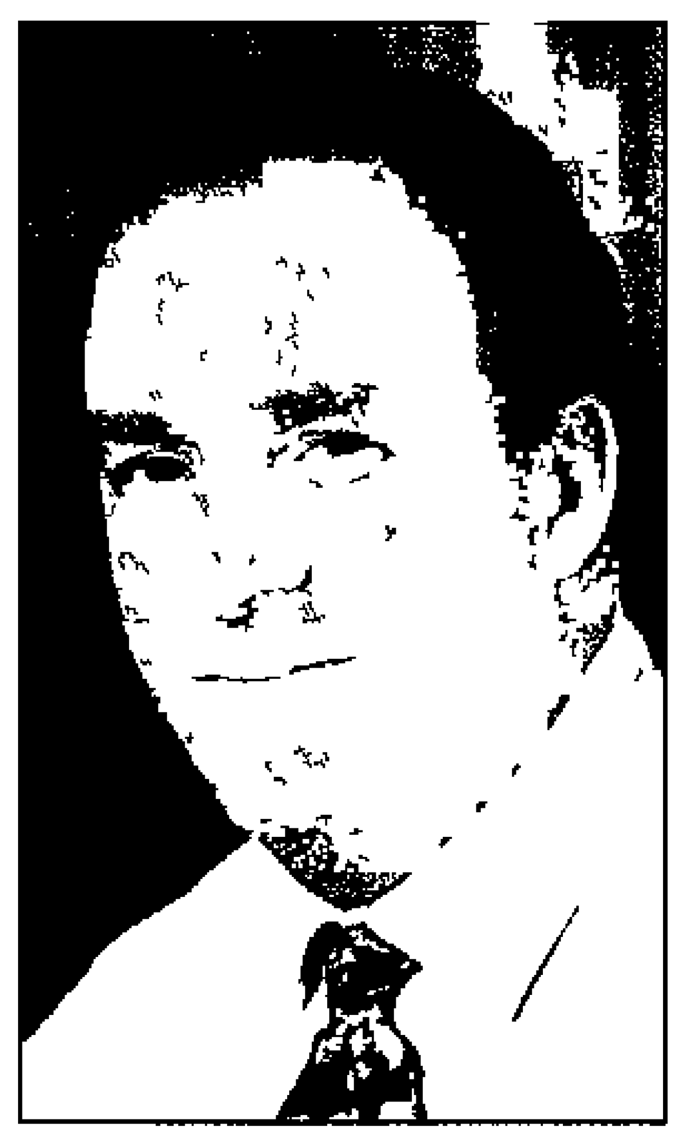
The most popular destinations for the Durban shipments are Lesotho and Namibia Police say clearing agents show up at Customs with permits and the vehicles are released on condition they are driven straight to the border But most disappear into the used vehicle market

Customs requires documentary proof within 30 days that the vehicles have left SA That's easily overcome Roger Pitot, a trade consultant specialising in the motor industry, says "On paper, most of the vehicles will go to other countries But police know they don't Bribery and falsification of documents are rife "

The situation has led to a dispute between Customs and the DTI After seizing 42 illegal imports, Customs sold them at an auction in Durban on January 16 The DTI says it must issue import permits before Customs is allowed to do so and it has refused to grant them A spokesman says "We have given Customs two options Either it re-exports the vehicles or takes them under supervision to be compacted at a scrapyard "

Customs says it doesn't need permits Says an official "Where a government department is involved, permits aren't required " In this case, he says Customs applied for clarification All 42 vehicles were sold but the deals are on hold until the matter is decided "I'm sure we will sell them at the end of the day," he says

Brand Pretorius



Jim Miller

Pitot says all kinds of used vehicles are arriving, with bakkies and minibuses particularly popular The latter, especially Toyota Hiaces, are in demand from taxi operators Pitot says vehicles may land here for as little as R10 000 Even after bribes and other costs, retail prices are much less than for local equivalents

Brand Pretorius, who chairs retail giant McCarthy Motor Holdings, says "It's impossible for dealers to compete on price "

In theory, that's great news for buyers The prospect of low-priced, low-distance vehicles should be welcomed But it's not that easy Nearly all these vehicles don't meet our safety standards Foreign-designed new vehicles built here or imported must undergo extensive modifications to suit driving conditions

Suspensions, cooling systems and brakes are among items that need adapting So do seats SA drivers need much bigger seats than those originally designed for Japanese

The biggest danger says Pitot, comes from minibuses Built for Japanese family use, they become potential high-speed bombs when packed with extra seats and sixteen or more adults Braking and roadholding could easily give way under pressure A major accident "is a highly likely consequence," says Pretorius

There's another, less deadly, problem Some spare parts may be almost impossible to find Breakdowns could result in long waits while parts are sent from Japan Says Pitot "I passed a 1500cc Toyota Corolla the other day That engine isn't available here If the owner has a problem, he's really in trouble "

Unhindered, imports of cheap used cars could hammer the motor industry Jim Miller, MD of SA Motor Corp (Samcor), was head of Ford New Zealand in the late 1980s when used car exports,

P.T.O.

mainly from Japan, landed. Since then, unable to compete on price, sales have plummeted and thousands of jobs have been lost there.

"The industry dropped 50% in one year and never recovered," he says. The situation has deteriorated. Last year, 130 000 used imports were sold in New Zealand. The market for new vehicles was 80 000.

Miller adds: "Among Japanese used vehicle exporters, reducing odometer figures and falsifying export documentation are commonplace."

A DTI spokesman says negotiations are under way with neighbours to lessen illegal imports. "I think we are making gradual progress," he says.

Businesmen, though, say the biggest obstacle is lack of co-operation from fellow Customs Union countries. Officials approve permits without knowing if the vehicles are needed. In some cases, it's suspected they are bribed to sign documents. Not long ago, says a government source, Lesotho cancelled a block approval for permits after SA protested.

An SA working party, including representatives from government, police and industry, is pressing for agreement among Customs Union countries on limiting permits.

The DTI wants all countries to keep a register. First prize, says Pitot, is a regional committee to oversee all permits, "but that is unlikely to be approved because these are all independent countries and they don't want others interfering in their decisions." *David Furlonger*

TRADE JARGON

- **Starburst:** A single sum of money is deposited in a bank, divided into dozens of fragmentary pieces and credited to multiple pre-existing dummy accounts.
- **Hopscotch:** Money is hopscotched around the world, from 10 to 20 banks, coming to rest in places like Swiss holding accounts.
- **Ricochet:** Money ricochets at lightning speed through electronic transfers to an end deposit point offshore.
- **Boomerang:** Money is transferred electronically across the world, before ending up where it started. ■

MONEY LAUNDERING

RINSING DIRTY NOTES

The starburst, the hopscotch, the ricochet, the boomerang. These are no echoes from the playground, but the grim argot of the money launderer — whose days, if the Department of Justice has anything to do with it, are numbered.

As the *FM* went to press, the first battery of money-laundering legislation was expected to be promulgated, making this lucrative industry a criminal offence.

Money laundering is rife in SA. Police estimate losses to white collar crimes are as much as R375bn, all of which must be washed. As at December 31, the Office for Serious Economic Offences was conducting 36 investigations involving R12bn.

Three new Acts — the Proceeds of Crime Bill, the Extradition Amendment Act and the International Co-operation & Criminal Matters Bill — were passed through parliament in the last session. They come as a package and Proceeds of Crime is the key Act, making money laundering a crime and enabling the courts to confiscate the proceeds of crime. Its regulations are now in place and the Acts will become law any day.

A fourth — and controversial — piece of legislation, the Money Laundering Control Act, has been inexplicably held up. This creates "accountable institutions" who will have to report all forex transactions over a rumoured R50 000, as well as all "suspicious" transactions, to a new body to be called the Financial Intelligence Centre. This is scheduled to pass through parliament this session.

The new legislation is not so much a reflection of government's concern at the mushrooming of commercial crime, as a bowing to international threat. It's been made clear that unless SA steps into line with the developed nations over combating money laundering, it will be frozen out on foreign trade.

Last year, the US passed a law that any foreign country wanting to do business in the US — have a dollar account there — must have acceptable money laundering legislation in place and must be seen to enforce it. "What Big Brother is doing is bringing everybody into line," says a senior consultant with KPMG's forensic investigation unit, Herman de Beer.

"That's the reason why this legislation is rushed. It also deals with our international relationships, specifically with Europe. If we want preferential trade treatment, the Europeans are insisting that we adhere to their recommendations. They don't want to deal with money launderers."

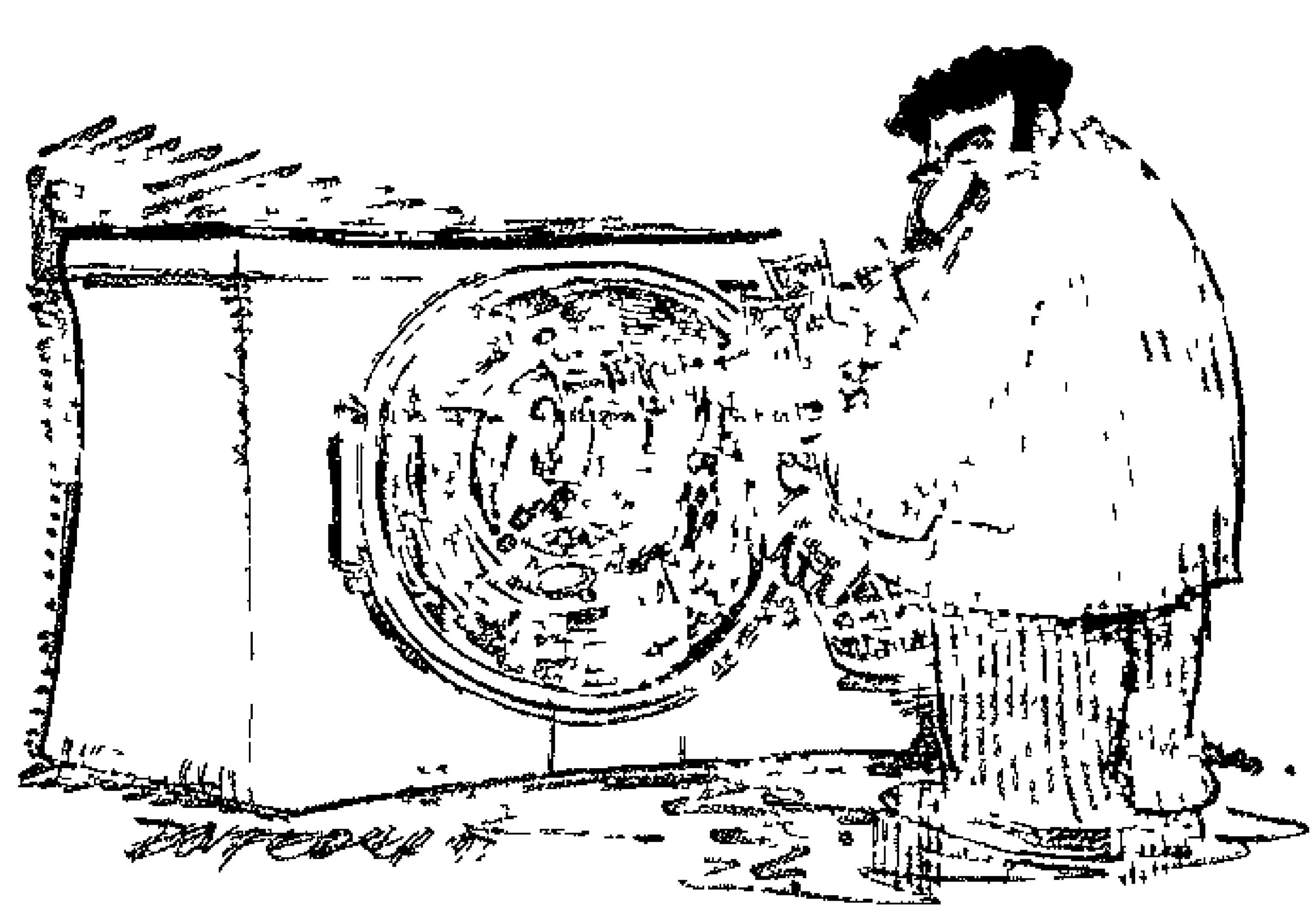
The key question in the financial world is: Who will administer the Financial Intelligence Centre?

Candidates in the running include the Department of Finance (highly unlikely), the Financial Services Board (a big question mark), the police (remote, insufficient man and computer power), the Reserve Bank, or a completely new State entity (impractical).

The Reserve Bank is favoured. As one top source puts it: "It is the most suitable body. They've got the computer systems, the expertise and the staff at hand. And they've got links with the banks. All they need to establish is links with other affected people." The decision will be taken at Cabinet level.

If the Reserve Bank is selected as the administrator, the job will go to the assistant GM at the Bank, Charles van Staden. He has been responsible for enforcing Exchange Control Regulations.

The SAPS estimates there are about 500 sophisticated crime syndicates operating in and from SA — about half are based in Johannesburg. The country is perfect for the money launderer. Geographically distant from the rest of the world, it has banks of international repute with hi-tech electronic transfer systems.



Says one investigator: "The person we're trying to catch is the man who will never be involved in car hijacking or drugs or weapons himself. He's a financier, a businessman. He washes money through layers of legitimate business. It's not a one-off thing,

Volkswagen SA, Numsa discuss restructuring plan

(192) BD 21/2/97

PORT ELIZABETH — Volkswagen SA (VW) and the Nation Union of Metal Workers of SA (Numsa) were to have another round of talks yesterday about the company's restructuring plans

The Uitenhage-based company confirmed earlier this month that it was considering major restructuring at the plant, sparking fears of massive job losses The company said its restructuring programme would aim to contain costs while meeting the demands of an increasingly competitive industry

VW spokesman Raymond Hartle confirmed that bilateral meetings were held this week Numsa regional secretary Silumko Nondwangu said the union would meet the company to hear presentations from division heads on their proposals for cost cuts

He said the union's role in shaping the company's restructuring programme flowed from agreements made in the industry's National Bargaining Forum

"It is a new role we have fought for In the event that the viability of a company is under threat (and where it would affect members directly) the agreement outlines the process that must be followed. There has to be a thorough process of negotiations The National Bargaining Forum agreement gives life to that process," he said —Ecna

Atlantis Diesel Engines' exports up

Samantha Sharpe (192)
BD 24/2/97

CAPE TOWN — Atlantis Diesel Engines (ADE) expected to bounce into the black in 1996/97 on an anticipated increase in export-driven turnover to about R800m, MD Ron Shires said at the weekend

While an increase in imported engines and built-up vehicles into SA had led to falling local demand for the group's products, ADE's successful foray into foreign markets meant it would source about half of its 1996/7 turnover through exports

Major export contracts for diesel components had been secured in Germany, the UK, South Korea and the US, Shires said ADE had also secured substantial export orders for fully assembled diesel engines from other third world markets

"The export of assembled ADE engines could also mean the ongoing supply of spare parts to these markets Much has been said since our new government took office about the importance of developing SA's exports. I am confident that ADE can take a meaningful lead in this regard," he said.

While slowing demand for ADE's engines had forced serious restructuring over the past 18 months, new export business meant it could increase its labour force by 200. ADE had also invested R96m in plant equipment

Good sales to boost Toyota's earnings

BD 24/2/97 (192)

TOYOTA SA would post a rise in earnings for the year ending December 31 last year boosted by its grip on vehicle sales, analysts said at the weekend

They said the results could even surprise with better results than anticipated and would continue its grip on vehicle sales despite an expected slowdown in sales this year

"There may be a surprise in the result Toyota is doing quite well with sales It is a strong player Sales (overall) may go down for 1997/98 but Toyota is doing better than the market," an industry analyst said

Analysts polled forecast earnings a share rising to between 490c and 530c with consensus at 515c — an improvement of 7,92% from 477,2c reported for the year ending December 31 1995

They expected a dividend range of 83c to 90c, with consensus at 86,6c

New car sales rose 5,62% to 249 884 units last year compared to 236 584 in 1995

Toyota topped individual manufacturers' sales for most months last year In January this year Toyota led the field with sales of 6 483, with its nearest rival Volkswagen netting 5 462 sales

Analysts said its share price lagged behind its earnings potential

"It is extremely undervalued The share price does not reflect the quality of the company it is," SMK's Franca di Silvestro said.

"I think they are going to have a better share than people expect them to "

Toyota Motor Corporation's relationship with the local manufacturer, following its purchase of a 28% stake valued at R446m in October last year, was a positive factor boosting confidence in the company, analysts said.

Toyota SA chairman Bert Wessels said at the time of the announcement the deal would help the company accelerate its production technology to world standards

A 15-day strike by Toyota workers in KwaZulu-Natal last March, which dented vehicle output by 6 450 vehicles and saw workers losing R1,2m a day, would not have a major effect on the results, analysts said — Reuter

Vehicle sector capex to total R1,8bn

(192)

CT (BR) 24/2/97

Pretoria — South Africa's new-vehicle assembly industry's capital expenditure was projected to total R1,8 billion this year, Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said last week. Vermeulen said the projected R1,8 billion capital expenditure this year comprised R1,1 billion on product, local content and export investments, R535,6 million on plant, machinery and production facilities, R36,9 million on land and buildings and R155,9 million on original equipment manufacturers support infrastructure, including research and development, engineering and technical. He said it was estimated that sales of semi-knocked-down and built-up imports not reported through Naamsa totalled about 22 000 new cars and 3 000 light, medium and heavy commercial vehicles last year compared to a combined total of 18 500 units in 1995. — Roy Cokayne

Compulsory use of catalytic converters 'will boost industry'

(192) BD 26/12/97

Janet Parker

GOVERNMENT's investigation into a national policy on vehicle exhaust emissions could boost the local emissions control industry if the use of catalytic converters is made compulsory.

Use of the pollution-reducing converters is voluntary in SA, and only a few luxury class vehicles have the part fitted as standard

Catalytic converters can be used only with unleaded petrol as the platinum used as the catalyst is deactivated by leaded petrol.

The converter controls the emission of noxious gases such as nitrogen oxides, carbon monoxide and unburned hydrocarbons

A spokesman for producer-importer Autocat said the SA converter market would be relatively small and have little impact on global supplies Johnson Matthey sales and marketing director John Smith said the SA catalytic converter industry was already exporting about 2-million catalytic converters a year, mostly to Europe

If their use became mandatory, "the local market, in some cases, would be affected positively"

Smith said converter sizes varied with car make and model, and it would probably be more economically viable to import those that would not be sold in large quantities.

Negative perceptions of cost and performance, associated with converters, could also cause concern among the motoring public if the new policy made fitment mandatory, he said

The need for a vehicle emissions policy was originally identified when the introduction of unleaded petrol was approved in 1991

However, when unleaded fuel was finally introduced last year cabinet requested an air pollution report, which found that "vehicle emissions were not the highest priority with regard to air pollution in SA".

The department of minerals and energy said globally, the drive to reduce atmospheric lead levels had been overtaken by the need to remove other noxious gases from vehicle emissions.

Competition knocks Toyota

CT(BR) 27/2/97 (192)

Roy Cokayne

Pretoria — Intense competition in the motor industry had a negative effect on Toyota South Africa in the year to December 31, resulting in operating income slumping 8,1 percent to R308,39 million from R335,76 million for the corresponding period the previous year, the company said

Operating income as a percentage of turnover decreased from 5,5 percent to 5 percent, though turnover rose 2,5 percent from R6,058 billion in 1995 to R6,208 billion last year

Net income attributable income to ordinary shareholders dropped 4,1 percent from R204,47 million in 1995 to R196,17 million, while earnings a share decreased from 502,8c to 482,4c A final dividend of 64c (56c), covered 5,5 times (6,3), was declared. Assets at the end of the year rose 12,4 percent from R1,426 billion to R1,602 billion

Bert Wessels, the executive chairman, said that reflected an increase in accounts receivable, which was the result of high turnover recorded in December last year compared with lower-than-normal turnover in December 1995 due to the annual shutdown starting a week earlier in that year

HOPEFUL *Bert Wessels, Toyota SA's executive chairman*

Debt increased 10 percent from R504,2 million to R555,4 million

Wessels said comparative figures for 1995 had been restated because the results of investments made during the years of sanctions in the offshore Tory Investment Group, had been consolidated for the first time last year

He said consolidation resulted in earnings increasing by R10,4 million for 1995 and R1,56 million for last year and net assets rising by R113,9 million as on December 31 last year, compared with R93,7 million on December 31 1995

Wessels said despite the intense competition, Toyota's local market share had declined from 24,7 percent to 23,9 percent last year and Toyota's market share had improved during the last quarter last year because of the introduction of the new Corolla and the Conquest Tazz

Turning to the group's prospects, Wessels said the new-vehicle retail market should continue growing moderately this year and indications were that the economy would be sluggish during the first six months but growth should accelerate thereafter

ATLANTIS DIESEL ENGINES (192)

ON THE BLOCK?

FM 28/2/97

If Cape-based Atlantis Diesel Engines (ADE) can continue its export-led success, it could become a prime candidate for privatisation.

ADE is 87,5% owned by the Industrial Development Corporation (IDC), with Germany's Daimler Benz holding the balance According to IDC GM finance Gert Gouws the public corporation could soon be looking for new strategic partners in ADE, reducing its shareholding to a minority stake

Gouws says IDC policy is to divest from "mature" (profitable) investments when the time is right. If this happens with ADE, "discussions will continue with Daimler Benz," he says

ADE MD Ron Shires cautiously states that any new strategic partner for the company would first be discussed with the IDC.

Ron Shires components export market in an upswing

Newly appointed IDC CEO Khaya Ngqula will shortly take over as chairman of ADE He would lead negotiations on privatisation

The background to these moves is that ADE has moved from being a lame-duck subsidised entity to a market-related going concern When import duties on commercial vehicles were drastically reduced 18 months ago, some market pundits predicted that it would not weather the storm Competition from imported engines and built-up vehicles would defeat the previously sheltered manufacturer

But while there has indeed been a drop in local demand for ADE engines, it has managed to close contracts for diesel components with clients in Germany, the UK, South Korea and the US An agreement to sell assembled engines to Cuba signed last December will take the assembly-line to virtually full capacity

ADE's transformation began in 1991 when it accepted that domestic demand would fall and began the "rightsizing" and re-engineering process Total exports are expected to surge in 1997-1998 to R500m from R180m the previous year

Turnover of roughly R800m is predicted for 1997-1998, half from exports to 14 foreign countries A return to profitability — after a loss last year — is expected Marketing continues apace

Shires anticipates that the components export market will increase in tandem with a slowdown in local engine assembly Exports in this category are expected to increase from R160m in 1996-1997 to R240m in 1997-1998 Obviously the weak rand is helping — but, in the Cuban deal, 30%-35% of highly priced components are still imported for local assembly However, "this deal could also mean the supply of spare parts to these markets," says Shires

Having gone through a serious retrenchment exercise over the past 18 months, new export business will mean increasing the labour force by about 200 And ADE has invested R96m in new plant and equipment to meet the increased demand *Piet Badenhorst*

Nissan SA retrenches first 200 of possible 900

BD 1/10/96 (192)

Reneé Grawitzky

NISSAN SA's retrenchment exercise kicked off yesterday when 200 salaried staff were given notice of their retrenchment, with the possibility of some concessions in the wake of an eleventh hour attempt by the National Union of Metalworkers of SA (Numsa).

A Nissan spokesman confirmed that an initial 200 of a possible 300 salaried staff were retrenched yesterday. He said the process would continue with the retrenchment of 600 hourly paid workers in October.

Numsa intended applying for an interdict against the company, preventing it from retrenching employees yesterday on the grounds the company had given workers short notice after failing to exhaust the consultation process prior to retrenchment.

Nissan said the union had attempted to use the interdict to postpone the retrenchments to coincide with the retrenchment of the 600 hourly paid workers at the end of October.

The union said agreement was reached yesterday prior to the commencement of the proceedings which provided for mediation to consider the retrenchment of the 200 to 300 salaried staff and the 600 hourly paid. The union said the company had not considered all alternatives, selection criteria and had failed to consult properly on retrenchment packages. The mediation process would ensure continuation of the consultation process to consider such issues.

The retrenchments, according to Nissan, came in the wake of a re-engineering exercise aimed at cutting costs to ensure the company remained competitive. The union argued, however, that the company focused on workers when looking to cut costs and did not consider management and executive packages.

Motor, clothing sectors making best of new era

(192)

John Dludlu BD 4/10/96

MORE than a year since government implemented strict restructuring plans scaling down protection, the motor and clothing sectors appeared to be adjusting to the changed circumstances, sources said yesterday

The National Association of Automobile Manufacturers of SA said the restructuring plan, known as the motor industry development programme, had helped make cars more affordable

The development plan had bolstered the sector's export performance Overall industry exports — including car parts and built-up vehicles — were expected to rise to R4bn from last year's R3,3bn. About R3,2bn would be component exports.

The Clothing Federation said its seven-year plan had encouraged manufacturers to develop niche markets

The industry, one of the most protected in SA, was facing a 6% slump in growth this year. However, Clofed executive director Hennie van Zyl attributed the sector's misfortunes to pressure from illegal imports and a wobbly export performance rather than the reduction of protection. This year tariffs dropped to 84% from 90%

The other factor cited as contributing to the contraction was the snail's pace at which steps towards regional economic integration were being taken and the state's delay in implementing supply-side support schemes.

Van Zyl did not feel the current restructuring initiative was "tight", but warned that it should not be hastened as had been hinted at by some observers lately. At this week's parliamentary hearings in Pretoria on tariff policy, business leaders criticised the state for not adequately marketing its "scattered" support schemes.

The industry, which has lost 17 000 jobs because of poor customs control, believed the implementation of its proposals could see it gaining 1% of the world's clothing trade, worth R600bn. "We believe we can create a quarter of a million jobs within a year," he said.

(192)

M+G 4-10/10/96

Money for costly resorts, but not for workers

While the makers of Nissan are laying off workers, they have bought two luxury retreats for executives and clients Mungo Soggot reports

IN the week that the company which builds Nissans kicked off a major retrenchment programme by sacking 200 workers, it has emerged that the car manufacturer has acquired two luxury retreats in the bushveld for its executives and clients

Automakers, which has performed dismally on the Johannesburg Stock Exchange since its listing a year ago, confirmed this week it had one lodge at a game park in Northern Province and another under construction in the exclusive Leopard Creek golfing resort in Mpumalanga

This week's lay-offs at the company's Rosslyn plant near Pretoria constituted the first phase of a retrenchment programme which will hit 900 employees

The company's representative, Johan Kleynhans, refused to say how much Automakers had paid for the retreats and how much it pumped into their monthly upkeep "We are not willing to disclose this to the press or the public"

He told the *Mail & Guardian* that the "motor industry, by its very nature, needs customer contact and corporate entertainment of various sorts It makes economic sense [to have company-owned retreats]," he said, adding that the lodges provided employment.

Automakers's chairman John Newbury

Kleynhans said he assumed the National Union of Metalworkers (Numsa) had raised the cost of the retreats during its talks with management Both retreats had been acquired around the time of the listing, but the Leopard Creek lodge was still being built. According to a representative of the South African Tourist Bureau (Satour), only members can obtain publicity material of the top-of-the-range resort

Numsa, which has vigorously opposed the retrenchments, said the splurge on the retreats was a prime example of expenditure that was unrelated to the business of making cars The union s Tony Kgobe who is heading talks with management, said Numsa also questioned the company s policy of running duplicate offices in Johannesburg and Pretoria

Kgobe said the company had not discussed with the union how best to cut costs but had simply told it there had to be cutbacks and asked for help in implementing them

He added that management had refused to discuss executives' salaries and managers packages, indicating these matters were not the concern of the union "We are dealing with people who are not open"

It was unlikely the company would stop its retrenchments without some strike action, Kgobe said The two sides had called in mediators from the Independent Mediation Services of South Africa who would start work next week

Automakers's shareprice on the JSE has plummeted since the company's listing in October 1995. It started out at 565c, sank as low as 214c a share last month and yo-yoed between 234c and 250c on Tuesday and Wednesday One industry analyst suggested this week's price stabilisation stemmed from speculation that Nissan Japan would step in and rescue the South African operation, which also builds Fiat Unos.

Automakers's performance has been hit by a number of external factors, including the rand's collapse which has kicked up import costs, and increased competition

The company's profits for the financial year which ended in June were R128-million — way off the R157-million it targeted when it listed.

Automakers's chairman, John Newbury, was not available for comment

Toyota poised for 'empowerment element'

BD 8/10/96 (192)

Amanda Vermeulen

TOYOTA SA is today expected to unveil the outcome of negotiations between Johnnic and Toyota Motor Corporation to sell Johnnic's 21,4% stake in Toyota SA to the Japanese group.

Johnnic CE Vaughan Bray said yesterday that a Toyota news conference scheduled for today was "related directly" to talks with Toyota Motor Corporation Toyota SA sources said the announcement had "an empowerment element" but declined to elaborate

Anglo American recently announced plans to sell the majority of its 48% stake in Johnnic to the National Empowerment Consortium

The Johnnic stake in Toyota, valued at just more than R274m on the JSE yesterday, would be excluded from this transaction if Johnnic sold its interests in the local vehicle manufacturer to Toyota Motor Corporation

Toyota SA chairman Bert Wessels said in August management was happy with Johnnic retaining its stake "either under its present control or, in the event of a proposed transfer of control, under black business interests"

WHEELING AND DEALING *Bert Wessels (left), Shinji Sakai and Vaughan Bray sign the deal which gives Toyota Motor a 27,8 [illegible] of Toyota SA* [illegible]

Toyota Japan buys into SA

(192) CT (BR) 9/10/96

ROY COKAYNE

Johannesburg — Toyota [illegible] Corporation [illegible] of Japan has bought the 27,8 percent stake in Toyota South Africa held by Johnnies Industrial Corporation (Johnnic) and its pension funds for R116 million or R39 17 a Toyota SA share.

The purchase of the 11 3 million shares in Toyota SA, the holding company for the manufacture and distribution of Toyota vehicles in South Africa was announced in Johannesburg yesterday. [illegible] one of the most significant recent [illegible] South Africa [illegible]

[illegible] industrial companies [illegible]

[illegible] said TMC had only decided to complete the purchase of the shares after receiving the support of the National Empowerment Consortium which was negotiating to buy an interest in Johnnic.

Sa[illegible] said TMC would transfer [illegible] technology to increase productivity, improve quality and lower cost. "As a result Toyota SA's competitiveness will be improved, enabling it to expand its exports and thus further contribute to the South African [illegible]"

[illegible] director [illegible]

[illegible] Toyota SA in the future.

■ Guy Oliver reports that the National Union of Metalworkers of South Africa (Numsa) welcomed Japan's Toyota Motor Corporation acquisition of 27,8 percent of Toyota SA yesterday, saying it relished the challenge of Japanese management techniques.

Japan's leading carmaker said the acquisition would be its first participation in the local operation. Enoch Godongwana, Numsa's general secretary, said the technical expertise the Japanese would bring would benefit both the company's shareholders and the union's members.

[illegible] ming' and some [illegible]

■ Business Watch [illegible]

In order to start your Earthcare Garden, you will need to collect the following:

Eggshells, mielie cobs, garden waste like leaves, old sticks, branches, cut grass, weeds and bark; decayed vegetables and fruit, vegetable and fruit skins and peelings, bones, stale and old food, and even feathers.

Toyota Japan pumps R446m into SA arm

BD 9/10/96 (192)

Edward West

TOYOTA Motor Corporation (TMC) of Japan has acquired a 27,8% stake in Toyota SA in a R446m cash deal, the largest direct investment by a Japanese company since sanctions against SA were lifted

The companies said yesterday the deal would accelerate the development of the local car maker's production technology to world standards in the face of growing competition

The stake, representing 11,3-million shares, was bought from Toyota's second biggest shareholder, Johnnic

A controlling stake in Johnnic is to be bought by the National Empowerment Consortium (NEC) from Anglo American in SA's biggest black empowerment deal

The Toyota deal took place at about R39,50 a share, well up on yesterday's market price but lower than the company's R46 a share net asset value

Toyota was one of the most actively traded shares on the JSE yesterday, gaining 390c or 12,4% to R35,80, just below its 12-month high of R36 Johnnic made a profit of about R40m on the deal based on yesterday's price

TMC Africa and Europe senior MD Shinji Sakai said it was essential to strengthen Toyota SA's operations to sustain growth in the light of growing competition induced by the liberalisation of tariffs and trade in SA

TMC, the third largest motor manufacturer in the world after General Motors and Ford, planned to play an active role in SA's economy through the transfer of production technology, he said

NEC chairman Wiseman Nkuhlu said the deal would not affect the purchase of Johnnic, as talks with TMC were already well advanced when the NEC struck its deal with Anglo

NEC deputy chairman Tommy Oliphant said "The deal will benefit us in term of skills and technology — this is part of empowerment"

Johnnic CE Vaughan Bray said the investment by TMC represented a "massive vote of confidence in our (SA's) future"

Toyota SA had not fitted into Johnnic's current investment philosophy of taking active control "It therefore made sense for us to redeploy the assets in operations in which we have a more active hand in management"

Had TMC taken a direct stake in Toyota SA, Johnnic's interest would have been diluted to 14%-15%, where it could no longer equity account earnings Bray did not foresee the sale of any other of Johnnic's assets, which include a 14% interest in SA Breweries

He said some of the money raised through the sale would be used to "fill the gap" created by following rights in the Premier issue

Johnnic would have had to fund about R123m to follow its rights in the R450m issue "Nothing specific" had been planned for the rest of the funds, Bray said

Toyota SA executive chairman Bert Wessels said TMC's interest in the

Continued on Page 2

Toyota SA executive chairman Bert Wessels, left, Toyota Motor Corporation Africa and Europe senior MD Shinji Sakai, centre, and Johnnic CE Vaughan Bray at the signing of an agreement yesterday for the Japanese multinational to buy a 27,8% stake in the local vehicle manufacturer from Johnnic Picture ROBERT BOTHA

Toyota

(192) BD 9/10/96

Continued from Page 1

business would lead to the expansion of the local company's export markets in Africa and eventually to significant participation in TMC's global markets.

Line management specialists from TMC, particularly in manufacturing, would be brought in from Japan, while a "significant number" of skilled workers would be sent to Japan for further training from next year.

Wessels said the first phase of a R1,4bn capital investment programme announced last year — a R400m investment in a new paint shop, the introduction of the new Corolla model and increased of plant volumes — had been completed.

Funding for the programme was expected to be raised internally, he said.

TOYOTA SA (192)

JAPAN DEAL OPENS DOORS

FM 11/10/96

The decision by Japanese motor giant Toyota to invest directly in Toyota SA has been expected for some time Only the amount and the timing were in doubt

The deal was finally done this Tuesday Toyota Motor Corp (TMC) paid R446m for all 11,3m shares previously held by Johnnic and its pension funds With 27,8%, TMC is now the second biggest shareholder The Wessels family-controlled Wesco holds 50%

Though chairman Bert Wessels continued to diplomatically claim until the last minute that there was "no need" for TMC to invest in his company, clearly there was Immediately after the deal was signed, he said the TMC association would open up new export markets to products made by the SA company

"It will lead to the expansion of Toyota SA markets in Africa and eventually significant participation in TMC's global markets "

It was precisely the lack of such expansion until now that has made a formal relationship so inevitable Toyota's export activities have not grown as quickly as hoped As Nissan discovered before it, a Japanese stake in the company opens the doors to all sorts of new opportunities

Given the fact that to succeed in the year-old motor industry development programme, motor companies must rapidly increase export earnings, a formal "marriage" between Toyota SA and its Japanese supplier was vital

Johnnic CE Vaughan Bray says the sale of the Toyota shares has the blessing of National Empowerment Consortium partners on Johnnic's board

He gives two reasons for agreeing to sell "Had TMC invested directly in Toyota SA rather than buying our shares, Johnnic's holding could have been diluted below 20% and we would no longer have been able to equity account the investment In addition, the disposal is in line with Johnnic's underlying philosophy of concentrating investment activities in areas where it can exercise direct management control "

Cash raised from the sale "will be redeployed within the group in other investments which meet this criterion "

Though Toyota SA is in the midst of a R1,4bn, five-year investment programme, Wessels says he hopes it won't be necessary for TMC to invest working capital into the company and that it will continue to generate funds internally

TMC senior MD Shinji Sakai, in Johannesburg to sign the deal, doesn't rule out the possibility of new capital "We are willing to talk about anything that is necessary to enhance the SA operation "

TMC is the biggest industrial company in Japan and the third largest motor manufacturer in the world after General Motors and Ford It has marketing operations in 160 countries and manufacturing plants in 25

With all this muscle, is the 27,8% stake in Toyota SA the limit of TMC's aspirations or will it eventually want more? Wessels is diplomatically ambiguous "Wesco will retain 50% in the company *at this stage* " ■

SEPTEMBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
VW	CitiGolf	2 410		
	Golf/Jetta	1 767		
	Cabrio	1		
	Polo	181		
	Audi A4	506		
	A6	47		
	A8	3	4 915	24,7
Toyota	Corolla/Conquest	3 821		
	Camry	445		
	RAV4	67		
	Landcruiser	81		
	Lexus	2		
	Previa	1	4 417	22,2
Samcor	Tracer/Midge	1 968		
	Telstar/626	224		
	Ford Escort	683		
	Falcon	241		
	Mazda Etude	339		
	Pajero	88		
	Other	18	3 561	17,9
M-Benz	C-Class	515		
	E-Class	305		
	W140	28		
	SLS	18		
	Honda Ballade	981		
	Other	14	1 861	9,3
Nissan	Sentra/Sabre	880		
	Maxima	18		
	Fiat Uno	860		
	Alfa	76		
	Sani/Patrol	19		
	Other	1	1 854	9,3
Delta	Astra/Kadett	1 560		
	Saab	22		
	Suzuki	26		
	Trooper	16		
	Other	1	1 625	8,2
BMW	3-Series	1 024		
	5 Series	224		
	7-Series	34	1 282	6,4
Land Rover	Discovery	123		
	Defender	97		
	Range Rover	13	233	1,2
Daewoo	Cielo	136		
	Espero	32	168	0,8
Subaru	Legacy	4		
	Impreza	3	7	0,0
Dacia	Crystal	5	5	0,0

	1996	1995	% change
Sept	19 928	22 029	-9,5
January to Sept	180 668	177 623	+1,7
Aug (20 420) to Sept			-2,4

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	3 374	32,8
Samcor	1 844	17,9
Nissan	1 613	15,7
Delta	1 532	14,9
M Benz	1 029	10,0
VW	688	6,7
Land Rover	169	1,6
Dacia	37	0,4

	1996	1995	% change
Sept	10 286	11 675	11,9
Jan to Sept	98 117	96 969	+1,2
Aug (11 038) to Sept			6,8

MEDIUM COMMERCIALS

	Number of sales	% of market
Toyota	157	31,3
Nissan	84	16,7
Delta	71	14,1
M-Benz	68	13,5
Iveco	59	11,8
Samcor	56	11,2
AAD	7	1,4

	1996	1995	% change
Sept	502	384	+30,7
Jan to Sept	3 933	3 139	+25,7
Aug (544) to Sept			-7,7

HEAVY COMMERCIALS

	Number of sales	% of market
M Benz	189	29,6
Toyota	117	18,3
Nissan	86	13,5
Tyco	79	12,4
MAN	55	8,6
Delta	49	7,7
Iveco	28	4,4
Erf	21	3,3
Scania	7	1,1
Freightliner	4	0,6
AAD	3	0,5

	1996	1995	% change
Sept	638	708	-9,9
Jan to Sept	6 214	5 759	+7,9
Aug (639) to Sept			-0,2

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	8 065	25,7
VW	5 603	17,9
Samcor	5 461	17,4
Nissan	3 637	11,6
Delta	3 277	10,5
M-Benz	3 147	10,0
BMW	1 282	4,1
Other	882	2,8

	1996	1995	% change
Sept	31 354	34 796	9,9
Jan to Sept	288 932	283 [illegible]	+1,9
Aug (32 641) to Sept			-3,9

Sour[illegible]

Picture ROBERT BOTHA

RIDING HIGH . . . Toyota SA's Bert Wessels, TMC's Sinji Sakai and Johnnic's Vaughan Bray set the deal's wheels in motion

Toyota SA set to move into top gear after Japanese deal

(192) ST (BT) 13/10/96

INVESTMENT

By DON ROBERTSON

THE R446-million Japanese investment in Toyota SA will boost bottom-line profits for shareholders through new and improved production technology systems and cost and distribution rationalisation

Sinji Sakai, senior managing director of Toyota Motor Corporation, is confident that the new association will bring benefits to all parties and "may result in much more on the bottom line"

In terms of the deal — the biggest investment by any Japanese investor — TMC has bought a 27,8% stake in Toyota SA from Johnnies Industrial Corporation

The deal, which has been on the cards since the middle of last year, was concluded at R39,46 a share, well above the R31 at which the shares were trading on Monday, but almost equivalent to the net asset value of R39,64 a share as at last December

Local shareholders welcomed news of the sale and pushed the price up by 480c to R35,80 a share with almost perfect timing as Sakai and Vaughan Bray, chief executive of Johnnic, signed the agreement in Sandton on Tuesday

The deal has the blessing of the National Empowerment Consortium, which is negotiating to buy Anglo American's interest in Johnnic.

The last hurdle in these negotiations was cleared on the same day as the TMC deal when the Securities Regulation Panel agreed to allow the NEC to buy more than 35% of Johnnic without having to make a similar bid to minorities.

The sale of the 11,3-million shares to the Japanese motor giant ends a 32-year relationship between the former JCI and Toyota SA and will leave its industrial arm, Johnnic, with a profit of over R420-million

Part of this surplus will be used to finance Johnnic's pursuance of the Premier rights issue The remainder will be used to acquire other investments

Although a significant investment for South Africa, the R446-million will have no impact on TMC which, according to a recent report, has a cash mountain of $13-billion

The Johnnic/TMC deal is similar to the Nissan agreement about a year ago, when Nissan Diesel and Mitsui invested R112,5-million in Automakers, the holding company of Nissan, ahead of its listing in October. Earlier, Ford had returned to the SA market by buying a stake in Samcor from Anglo American With Volkswagen, BMW and Mercedes-Benz wholly owned by their German parents, only Delta remains without a "big brother"

The TMC acquisition suits all parties involved When JCI was unbundled, Johnnic decided to shed its interests in which it had no direct management control Had TMC made a direct investment in Toyota SA, Johnnic's stake would have been further diluted

Toyota SA will benefit from technological transfers in the form of manufacturing and production efficiencies and rationalised distribution systems

It will also be allowed to expand its export markets in Africa and will eventually become a participant in TMC's global markets

It is unlikely that TMC will increase its current stake in Toyota SA above 27,8% Holding company Wesco has 50%, with 22% held by outside shareholders

Bert Wessels, chief executive of Toyota SA, insists that the Japanese purchase will not result in any change to the company's financial structure

In terms of a trust set up by the late Dr Albert Wessels, founder of Toyota SA, "control of the main company (Wesco) will always be in the hands of my children and their descendants"

N

Daimler-Benz head makes a case for belief in SA

(192) BD 15/10/96

Lukanyo Mnyanda

DAIMLER-Benz AG chairman Jurgen Schrempp has reaffirmed his company's commitment to SA's economic future, saying opportunities associated with investing in SA far outweigh the risks.

In a speech read on his behalf at the Sacob national convention yesterday, Schrempp said Mercedes-Benz would join an 80-member Baden-Wurttemburg government and business delegation which would visit SA next month. "I shall be seizing that opportunity to put my message across — the message that investing in SA is an investment that will pay rich dividends."

However, continued German investment would depend on whether government was seen to be doing enough to fight crime and restore political stability. "If government fails to take concrete and resolute action it makes it difficult even for someone like myself, who has a deep personal attachment to this country, to make a case for increased investment."

Schrempp, a former chairman of Mercedes-Benz of SA, also called on industry to pledge its support to government in its fight against crime, although the final responsibility rested with government. "Leadership will be the yardstick of our involvement, and I shall be doing all I can to help this process," he said

Sacob president Rudi Heine, left, addresses Sacob's annual congress yesterday at the World Trade Centre in Kempton Park. Also attending were labour deputy director-general Les Kettledas, top right, who delivered Labour Minister Tito Mboweni's speech, and Nedlac executive director Jayendra Naidoo. Pictures ROBERT BOTHA

BD 16/10/96 (192)

Numsa halts retrenchment of Nissan workers

NISSAN SA was prevented yesterday from issuing 600 workers with notices of their retrenchment at the end of the month after the National Union of Metalworkers of SA (Numsa) applied for an urgent interdict set for Friday.

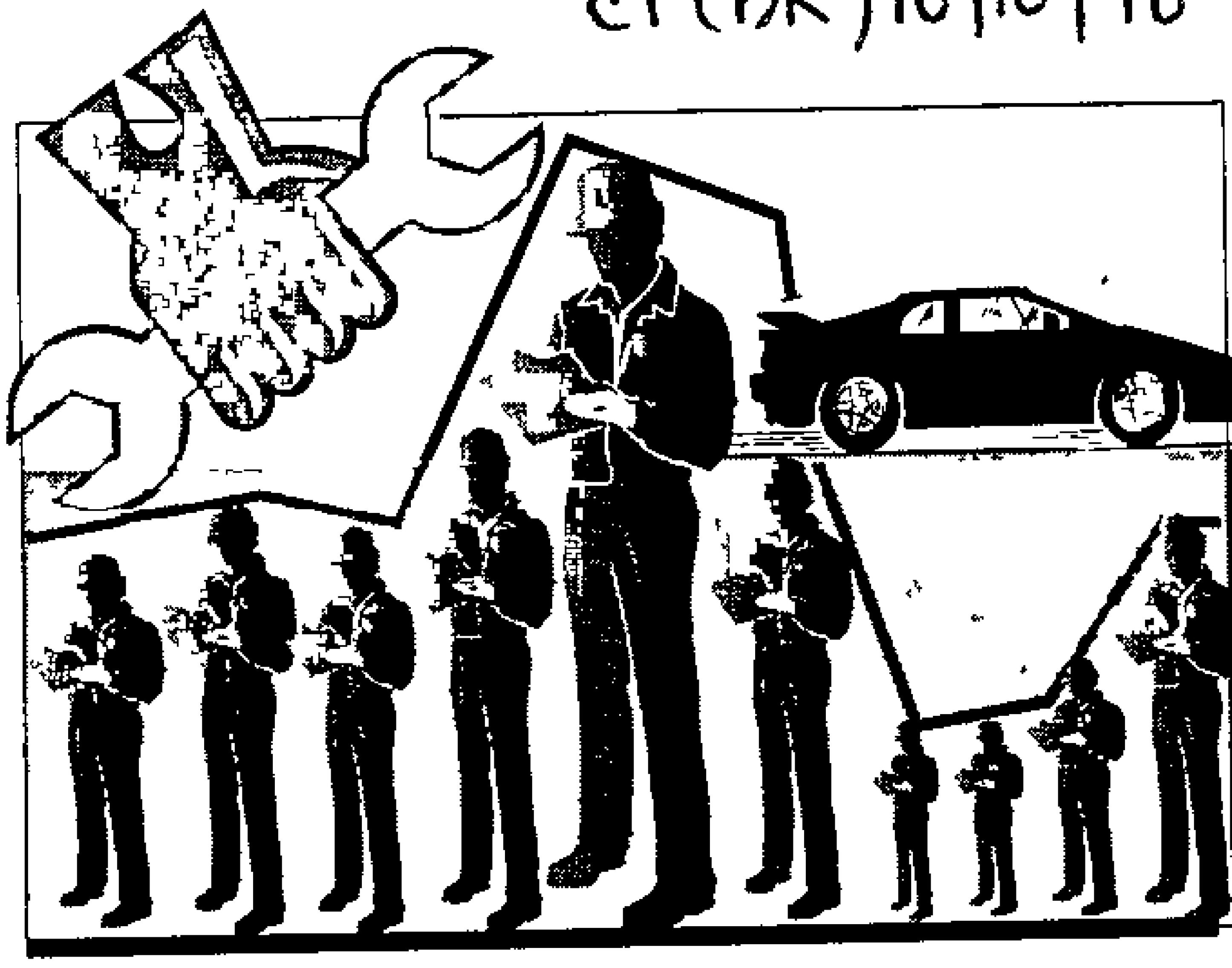
Numsa spokesman Tony Kgobe said the application was for the notices to be issued only once dispute resolution procedures in terms of the National Bargaining Forum had been exhausted.

The parties have been in mediation this week, but have been unable to reach agreement on the retrenchment exercise. The union has demanded a breakdown of overhead costs including the operating costs of a company game farm, golf development and timeshare as well as information relating to executive salaries.

MOTOR INDUSTRY

More jobs, more cars, more pressure

CT (BR) 16/10/96 (192)



ROY COKAYNE

Employment by South Africa's motor manufacturers has risen this year despite increasing pressure on costs because of the introduction of the motor industry development programme from last September

However, the sharp increase in motor vehicle production volumes appears to have obscured the rationalisation in the workforce that has taken place at virtually all manufacturers

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said the monthly average of 37 489 employees in the motor industry in 1994 increased to 38 613 last year

He said 38 791 people were employed in the last week of June this year

However, Vermeulen said the increase in the number of employees had taken place while production volumes increased last year by a huge 23 percent compared with 1994

Vermeulen said employment in the motor industry fluctuated according to natural attrition, resignations, dismissals and retrenchments, but was closely related to the performance by specific companies in the market place

Vermeulen said there was much debate when the development programme was introduced last year on how it would effect the industry and how it would achieve one of its major aims — making products more affordable

He said various manufacturers, because of efficiency improvements, believed vehicle prices could be expected to decrease in real terms by between 2 and 3 percent a year for the duration of the programme This meant a 14 to 20 percent reduction in vehicle prices in real terms by the year 2002

"One year into the programme, that has in many instances already been achieved This is the reality of tougher competition in the market place," he said

The pressure on motor manufacturers is probably best illustrated by Nissan South Africa, which, according to Naamsa sales figures, has been losing market share to other manufacturers this year This has led to the company launching a number of initiatives in an attempt to either boost sales or reduce cost inputs They include a rationalisation of the price of its total vehicle range, attractive financial packages for buyers and, more recently, a compulsory retrenchment programme involving salaried and hourly paid workers

Figures provided by Johan Kleynhans, the general manager of public relations for Nissan SA Marketing, show that Nissan has reduced the size of its workforce by almost 14 percent compared with last year If 600 hourly paid compulsory retrenchments that still have to be effected are included, the reduction in the size of its workforce rises to more than 24 percent

But Nissan SA is not unique in this regard

Jim Miller, the managing director of Samcor, said the company had not had any compulsory retrenchments in the 20 months he had been in charge, but there had been a reduction in staff

He said the lucrative engine-export contract clinched by Samcor's engine plant had led to employment in the plant rising from about 300 a year ago to about 700 employees at present

Samcor's salaried head count had dropped from about 900 last year to about 780 this year and it now had an hourly paid workforce of about 4 200 compared with 4 500 last year

Employment levels at Mercedes-Benz South Africa (MBSA) have fluctuated in the past three years Ian Russell, the management board member of manufacturing and human resources, said MBSA employed about 3 800 people at the end of 1994 and this had increased to 4 300 at the end of August last year, but fell again to 4 100 at the end of August this year

Russell attributed the increase in the number of employees last year to greater volumes, adding that MBSA doubled its production of C-Class passenger cars and Colt last year compared with 1994

But Russell said the development programme would require all operators in the motor industry to become more efficient and warned that this would hurt employment levels

Deon Ebersohn, BMW South Africa's media liaison manager, said the company's employment levels had been almost static at 1 800 hourly paid workers at its Rosslyn plant for the past five years Together with salaried workers, BMW employed about 2 200 people

Ebersohn said the only variation in employment levels occurred when BMW discontinued production of its 5-Series in October last year as part of its product rationalisation and in preparation for the launch of the new 5-Series About 120 employees were affected, but this was offset by the employment of about the same number people for its new Landrover line

Ebersohn said BMW expected employment to increase gradually as it prepared for global production

Raymond Hartle of Volkswagen South Africa (VWSA) corporate public affairs said the company had used natural attrition in the past two years to decrease the size of the workforce, although it had also had voluntary retrenchment packages "from time to time"

He said VWSA's total workforce had decreased from 8 840 in 1990 to 6 559 in January this year — a decrease of almost 26 percent in six years The reduction between 1994 and last year was more than 9 percent

Delta Motor Corporation sketched a rosy picture George Stegmann, the company's human resources director, said Delta had created more than 1 000 jobs in the Port Elizabeth area in the past 30 months These included about 650 jobs at the Kempston Road facility and 488 at the Struandale assembly plant, which would be commissioned at the end of the month

Bearing Man engineers growth

(192) ([illegible])

STUART RUTHERFORD

Durban — Bearing Man, the engineering consumables importer, is still forecasting real earnings growth for the financial year to June 30, despite the recent drop in the value of the rand.

Speaking at the company's annual meeting in Durban yesterday Greg Till, the managing director, said the group had maintained its margins and sales levels despite the difficult conditions

He said it had also been able to restrict price increases to between 15 and 20 percent, less than the drop in the value of the rand, because of the group's long stock-carrying periods

Bearing Man imports 90 percent of its products and has exclusive rights to 20 brands and shared rights to another 12

Till said Bearing Man had increased its number of outlets to 62 from 57 at the end of the last financial year and had recently opened in Germiston, Potgietersrus, Newcastle and the Strand.

This expansion is expected to continue throughout the year, and Bearing Man has made an offer to acquire the stock, fixed assets and trade names of Ruboct for R1,15 million

On the tie-up with Nord, the world's second largest manufacturer of geared motors, Till said the market had welcomed Nord products

He estimated this market in South Africa was worth between R150 and R200 million a year.

Initially, Bearing Man had been bringing in completed units from the German-based company, but it now planned to start local assembly at its facility in Bearing Man Park in Johannesburg This should be under way by January next year.

Till confirmed the company did not have any other major acquisitions or tie-ups planned, and said a decision on a share split would be made "soon"

CT (BR) 23/10/96

BMW to use radio-cassette players produced at new R25m Philips plant

Adrienne Giliomee (192) BD 23/10/96

PHILIPS is to invest R25m in a car sound assembly plant that will produce radio-cassette player combinations for export and sale to the local car-making industry

The project has been undertaken jointly by SA Philips and Philips Car Systems of Germany

SA Philips chairman and CE Bruce MacKenzie said the new plant would be one of Philips's international production centres, would be globally competitive and would meet universal quality standards.

The Martindale plant will be a mirror image of the Philips Car Systems factory in Wetzlar, Germany, and produce up to 150 000 units a year

MacKenzie said several new contracts had been signed as a result of the new investment BMW SA had placed an order for the supply of radio-cassette player combinations for installation in all 3-series models sold locally Philips car systems would also be included in the fully built-up 3-series vehicles exported by BMW, and would be exported as components for other BMW models in terms of the Motor Industry Development Programme (MIDP)

MacKenzie said similar agreements were being negotiated with other local automotive manufacturers

However, the success of the new Philips plant would not depend on the MIDP, MacKenzie said. "The plant will be an integral part of the international Philips supply network"

The first radio-cassette player-system would leave the assembly line in February next year, said MacKenzie

Samcor takes recycling route

(192) CT (BR) 24/10/96

Roy Cokayne

Pretoria — Samcor, the Pretoria-based manufacturer of Ford cars, has taken a leaf out of the book of US-based Ford Motor in regard to conservation and the environment

Alex Trotman, Ford's chairman and chief executive officer, told Detroit's business leaders recently that motor manufacturers had done more to conserve the environment than most people knew, and complimented the vehicle industry for using resources more wisely and finding ways to decrease environmental damage

He said Ford recycled plastic soda bottles to make luggage racks and door padding, turned old battery housings into splash shields and tyres into brake pedal pads In August, it began recycling commercial and residential carpet to be used in the engine-fan assembly on a specific mini-van

MANAGEMENT

Samancor MD eyes new links

(192) BD 24/10/96

David McKay

SAMANCOR's new MD from December 1, Wilrich Schroeder, says the company is considering more strategic alliances, including a number of possible joint ventures, to maintain its record of market growth

Samancor announced this week it was splitting its top management roles of executive chairman and MD Current chairman Mike Salamon will continue to run parent company Gencor's nickel division, where several new exploration projects are set to make this a key division of its minerals portfolio Samancor, which has concluded a string of joint ventures with Asian and European chrome and stainless steel producers, has focused on keeping up high volumes of contracted sales to its customer base

As a result it has moved from being a medium-sized company to a world player in a highly competitive market

Samancor produces manganese, chromium, silicon, dolomite and a number of other products, which are used in the manufacture of steel

Schroeder says it is also considering the possible repositioning of its non-core assets, which could mean sell-offs — although this was only one option

Samancor was still examining which assets could be termed non-core and how they would be used in the future

Other challenges for the company lay in improving its operating efficiencies — an important facet to surviving in the cyclical nature of the international metals markets This is particularly true of the ferrochrome market — a pillar of Samancor's business — where prices fell by nearly half from about \$0,76c/lb at the beginning of the year to about \$0,40c/lb in the third quarter this year

Ferrochrome prices have since firmed, but Samancor has already warned investors that profits for the 1996/97 financial year will be lower Schroeder recently said it would be a "rough year" for Samancor which reported record sales at its year-end recently

This illustrates the value of the strategic alliances where off-take from Samancor's furnaces is guaranteed This allows the company to maintain its volumes even when demand is not high "Strategic alliances are the mainstay of Samancor's marketing strategy, including joint ventures, and other arrangements," he says

SCHROEDER

Schroeder is the company's GM for chrome — a position he has held for six years He has also worked in Gencor's coal division

A replacement for Schroeder has yet to be announced Samancor is also looking for a new financial director since it announced that the current financial manager, Chris Norval, would be transferred to the group's business development division in London

Commenting on the management change, Schroeder said that Salamon had been overloaded with work in the past

He describes himself as a family man with an interest in outdoor life A farm in the eastern Free State keeps him occupied when he is not working at Samancor

Illegal car imports threaten SA dealers

(192)

JACK DEWES

CT (BR) 30/10/96

Port Elizabeth — Illegal imports of second-hand cars have become a big threat to South Africa's motor industry, said Philip Myburgh, the president of Motor Industries Federation (MIF)

"The MIF, in conjunction with many roleplayers, both in the commercial sector and government, are trying through various forums to stem the tide of this illegal practice, which could have a catastrophic impact on the market," said Myburgh

Speaking at the MIF's annual conference, Myburgh said New Zealand learnt a lesson in 1988 when the government allowed imports of used vehicles

"Within one year their own vehicle sales dropped from 120 0000 to 50 000 units," he said

This resulted in the loss of many jobs, "which is something we can ill afford", he said

Myburgh said the South African government's delay in implementation of its macroeconomic plan was making it difficult for the industry

"The South African new vehicle market trend has been downward since 1981, when cars peaked at 301 528 units," he said

"With the reduction of duties we have seen the re-entry into the South African market of various companies, which in the sanctions years divested from South Africa, as well as new motor companies from the Pacific Rim trying to grab a foothold in the local market," said Myburgh

The new entrants "have already claimed about 10 percent of the entire new vehicles sales market", with the result that "in real terms local manufacturers have seen no growth in the domestic market", he said

He said this put the squeeze on dealers' margins, who were already under the pressures of cost-cutting among manufacturers competing against imports

Profit was further affected by the swing towards smaller cars retailing at less than R40 000, which could account for 40 percent of new vehicle sales by 1999

NEW INVESTMENT

Opel expands its African horizons

(192) CT (BR) 31/10/96

Roy Cokayne

Pretoria — German company Adam Opel plans to increase its involvement in South Africa and to boost car exports from its Delta distributor here, David Herman, the chairman and managing director, said on Wednesday

"It must be our intention to develop Delta into an export source, and not just for the few neighbouring countries where it presently exports, but to demanding markets elsewhere," he said on Wednesday

"This is in our interest, because it will allow us to import and offer South African customers the full range of imports in small volumes, which could not be produced locally on an economic basis," he said

Herman was speaking at the official opening and commissioning of the R305 million Struandale assembly plant in Port Elizabeth, following the announcement by Delta Motor Corporation of a R1,2 billion investment in Port Elizabeth over the next five years

This includes R580 million to be spent on new products to be introduced over the next five years and a further R492 million on the construction and expansion of existing facilities

Willie van Wyk, the managing director of Delta, said the new facility had also provided an important economic injection for the Port Elizabeth-Uitenhage metropole through the creation of 488 new jobs He said more than 80 percent of the contracts for the re-equipping of the Struandale assembly plant had been awarded to local suppliers

The plant is the first new automotive assembly facility to be opened in South Africa in two decades and was purchased from Samcor in 1994 after it had been mothballed for nine years following the relocation of Ford's assembly facilities to Pretoria in the mid-1980s

The new Opel Corsa, which goes on sale in South Africa for the first time in November, is being assembled in the facility

Van Wyk said Struandale would augment the existing Kempston Road facility

"A large part of our investment will be channelled into developing and upgrading our existing Kempston Road facility over the next few years In fact, we have already been hard at work to change it from a brownfield site to one that is comparable to other world-class manufacturing facilities

He said in market share terms Delta felt vulnerable in a rapidly opening economy

"By mid-1997, when it is at full capacity, it will allow us to expand our current market share from the 10 to 13 percent range to between 15 to 18 percent — with the Opel Corsa complementing our existing Opel Kadett and Astra models — as well as our Isuzu commercial vehicle range," Van Wyk said.

The Struandale assembly plant gave a tremendous boost to Delta's transition to becoming globally competitive through the application of best lean-manufacturing principles

"Despite the fact that only 20 percent of our operation is automated, compared with about 85 percent in Europe and the United States, we have achieved very satisfactory results without replacing labour with machines"

Struandale vehicle assembly times of 30 hours compares to a world benchmark of 20 hours in Europe and the US. Incidentally, this is about a third more productive than the South African average.

"Another per year indicator of plant efficiencies is that the output of each employee will be about 44 units — compared with 50 for lean plants overseas — which is four times the South African average of 11 units"

Herman said that "Delta's engineering and toolmaking capabilities have long been recognised by Opel's engineers, as have the skills of South African suppliers"

He predicted that Opel sales would go from the present level of about 20 000 to more than 40 000 "within a very short period" and Delta would also continue its leading role in commercial vehicles with Opel's affiliate Isuzu

Herman said Opel had and would continue to support Delta in many ways Delta used Opel's brand name without fee and had sole distribution rights for its products not only in South Africa but also in Zimbabwe, Zambia, Malawi, Mozambique and Malawi

Herman said Opel also provided engineering support for assembly including leading manufacturing concepts

He was convinced the automotive assemblers would meet the challenge in co-operation with international partners but said the key to the future would lie at least equally with the ability of the supplier industry to reach international standards of quality, service and price

"Many have done it. But the future holds even greater opportunities For instance, our Delphi component division is in the process of allocating wiring harnesses to South African company Delphi Autocable

"Discussions are under way with other firms on exhaust components, head restraints, door panels, jacks, anti-theft systems, remote door locks and manifold castings

"But to my mind, the culmination of what Opel and Delta can do to achieve a win for ourselves and South Africa will come in the next few years through the growth in export of fully built-up units," he said

Herman said the South African market was important to all automotive companies and other investors and, with GNP growth of about 3,5 percent and population growth of only 2,1 percent, personal income would steadily grow

"From this year's market of 380 000, we expect the figure to become 450 000 by the year 2000 And inflation, even at an increased 7,0 percent in July, is still low enough to make car loans affordable to many people The country possesses a sound infrastructure, which will allow people to enjoy private mobility and efficient road transport," he said

Car industry gives star role to bit players

Car makers are driving components companies towards a consolidation of the global market, writes **Haig Simonian**

(192)
BD 31/10/96

EVERY Friday, at precisely 7am Detroit time, the top purchasing managers of General Motors, the world's biggest car company, pick up their telephones for a two-hour conference call

The discussion is scheduled to unite executives on five continents where they work without disturbing their sleep

On the agenda are the group's plans for future cars and trucks, and what these may require in the way of parts such as tyres, brakes and airbags

Such a call would have been inconceivable a few years ago Until the 1990s, even such multinational car makers as GM operated through separate regional divisions or subsidiaries

Each built different models, depending on its market Today, leading car makers plan new vehicles on a global basis Production runs for some popular cars will easily exceed a million units a year — double present volumes

Higher volumes and greater standardisation have triggered an upheaval among components suppliers In the biggest change in its history, the once-diversified components business is being rationalised as large specialists gobble up the minnows

"The number of suppliers for many key parts will be whittled down to two players, maybe three," says Richard Snell, CE of leading US components group Tenneco Automotive

GM's globe-spanning telephone call highlights the two fundamental trends shaping the process As economic growth spurs car ownership in new markets, car makers are building factories from Botswana to Brazil

But rather than designing different models for each region, they are standardising around "world cars" to contain spiralling development costs

While internationalising production and exploiting economies of scale, car makers are trying to cut the costs of future vehicles by buying more components from outside sources

Both developments are having a profound effect on the components industry, which depends largely on the vehicle makers for its livelihood "Globalisation is forcing people to act," says UK components group T&N's chairman Colin Hope

The changes are being dictated by multinational vehicle makers.

GM alone spends about $70bn a year on parts, says GM's US vehicle purchasing operation head Tom Fabus Ford's chief financial officer John Devine says "You go from making a product that is around 400 000 to 500 000 units to a product that is 1,5-million There is an enormous cost-saving there on parts"

Many new car and truck plants are in regions such as eastern Europe or China where the local components industry is in its infancy To ensure reliable and prompt supplies, car makers are inviting their components suppliers in more advanced economies to follow them into new markets

The reward for suppliers is not only new business but also the prize of becoming the exclusive worldwide source for a crucial component on a new, possibly global, car

Volumes can be very large Fiat expects to build about 1-million a year of its new Palio model when production peaks Output of its Ford Fiesta, manufactured in Europe and Brazil, and soon in India, should exceed 900 000 units a year by the end of the century

The changes in the industry have created the opportunity for components companies to make a wider range of parts and for the vehicle makers to turn to their suppliers for items they once made themselves

The main reason for outsourcing is cost Pay in the components industry is often considerably below that in car plants, meaning component makers can produce more cheaply than a car company

Such cost advantages are often multiplied by the fact that big components specialists supply more than one car maker, giving them greater economies of scale than those available even to a mammoth such as GM

Car makers' enthusiasm for outsourcing lay at the heart of the recent dispute between GM and the Canadian Auto Workers' Union, which also affected GM's US plants

Although the agreements being negotiated between the big three US car makers and the United Auto Workers' Union of the US may slow the trend towards outsourcing, details remain sketchy and it is unlikely that the move will be reversed

In some cases, car companies have sold components factories to parts specialists in return for long-term exclusive supply contracts GKN, the UK maker of constant velocity joints, is now Fiat's exclusive supplier of such joints in Italy and Poland TRW, the US auto components and aerospace group, has done the same with Fiat and Renault for steering gears and valves

Outsourcing can offer car makers more than lower prices. It can release precious working capital — otherwise tied up in a low-margin business — for more profitable investment in their core activities

Research and development costs are also borne by components companies Together, globalisation and outsourcing have triggered a wave of mergers and takeovers in the components industry as suppliers react to vehicle makers' needs for lower prices and global sourcing

This year has brought five $1bn-plus takeovers, while the total value of bigger transactions announced since January is nearly $15bn

Further consolidation appears inevitable, UK components group Lucas's former CE George Simpson says He expects the number of leading components companies to shrink to between 15 and 20 global groups over the next decade, compared with about 10 times that number today

Simpson, now CE of engineering and defence group General Electric Company, should know

His former employer recently completed this year's largest merger — a $4,9bn marriage with Varity, the big US components and engines group LucasVarity will be one of world's top three suppliers of braking systems

Acquisitions and big mergers are expected to accelerate as other companies with global ambitions sweep up smaller regional components makers

US components companies have been among the most aggressive acquirers internationally US body components group Dana's chairman Woody Morcott expects foreign sales to reach 50% of turnover in 2000 against 31% in 1994

In certain products, the biggest rationalisations have already taken place

Car seats have now been concentrated among three producers — Johnson Controls and Lear of the US and Canada's Magna, the braking business is dominated by Bosch, LucasVarity and ITT of the US, Arvin and Tenneco Automotive account for the bulk of exhaust systems and shock absorbers, Autoliv and Morton will dominate airbags and seatbelts

Yet consolidation is still resisted, especially in Europe French car makers reacted angrily to signals from Carlo De Benedetti that Cerus, his French holding company, was prepared to sell its 28% stake in Valeo, the French-based lighting and parts group

Peugeot-Citroen chairman Jacques Calvet and Renault chairman Louis Schweitzer came out against Valeo falling prey to a US counterpart The stake now looks set to be sold to Compagnie Générale d'Industrie et de Participation, a French holding company

Another arranged marriage took place this month to ensure Bertrand Faure, a French seating and interiors company, remained in national hands after a Peugeot-Citroen subsidiary bought a majority stake in the holding company that indirectly controls the group

Such hostility partly reflects car makers' fundamental worry over consolidation While their search for economies of scale has led them to promote rationalisation among suppliers, the process will inevitably make them more dependent on their suppliers

John Waraniak, co-author of a report on suppliers by management consultants AT Kearney and the University of Michigan, confirms components companies and car makers are becoming more interdependent

Instead of inviting suppliers to annual bidding contests, vehicle makers are forging longer-term bonds with suppliers by global supply deals and outsourcing, says the report That means the car makers are helping to create companies that will be more equal partners than the smaller, regionally based manufacturers they dominated in the past

Already many of the new vehicle plants being built around the world envisage much closer interdependence, with large parts of the shop floor run by components companies The vehicle makers will remain in charge, but the balance is shifting towards their suppliers — Financial Times

Million sellers of 2000

Estimated production of top-volume platforms

Manufacturer	Platform	Core car	Volume
Toyota	Corolla	Corolla	1,4
Volkswagen	A	Golf	1,4
General Motors	Delta	Astra	1,3
Ford	CW170	Escort	1,1
Ford	BW153	Fiesta	1,0
Volkswagen	A0	Polo	1,0
General motors	Gamma	Corsa	1,0

Graphic SARAH EVANS Source AUTOMATIVE NEWS FT

Top five platforms, 1995

Production in major markets

Company	Platform	Europe	US	Japan	Total
[illegible]	Corolla/Prizm	0	319 5[illegible]	[illegible]	[illegible]
Volkswagen	Golf/Jetta	731 087	115 602	0	846 689
[illegible]	F-series	0	771 81[illegible]	[illegible]	[illegible]
General Motors	C/K	0	713 827	0	713 827
[illegible]	Punto	666 705	0	[illegible]	[illegible]

Graphic SARAH EVANS Source AUTOMATIVE NEWS FT

MANUF. — MOTOR INDUSTRY

1997

TOYOTA (192) FM 7/3/97

INEVITABLE SLOWDOWN

Has Toyota SA been secretly payrolling the British Conservative Party? An interesting thought, given Toyota Japan's recent threat to halt UK investments if the government doesn't take the country into a single European currency

But no The Tory Investment Group, whose existence Toyota SA has just formally acknowledged, is a Guernsey-registered company created in the late 1980s to help overcome trading difficulties during sanctions An inactive company, it was bought "off the shelf" as a conduit for components exports

Now the need for secrecy has passed, Toyota SA has incorporated its offshore company into group financial results, and is reassessing its strategic importance Some 1995 figures have been restated, but the Tory operation is fully included for the first time in the 1996 financial results to the end of December Net assets increased by R113,9m

It's a welcome fillip given the general disappointment that has greeted Toyota's 1996 results Turnover improved a miserly 2,5% to R6,21bn Operating income fell 8,1% to R308,4m, and attributable income by 4,1% to R196,2m Though EPS fell 4,1% to 482,4c, a final dividend of 64c pushed the year's total to 88c, up from 80c in 1995

Such a performance was always on the cards The extreme competitiveness of the SA vehicle market in 1995, punctuated by fierce price wars, has strained most companies Though total market sales rose 4 3%, and Toyota's own climbed slightly, margins were painfully tight On average, truck prices remained static and car prices rose by about 3%

For most of the year, the rand's decline against major foreign currencies caused significant cost increases which market forces prevented manufacturers from passing on to consumers The same pressures will exist in 1997

Contrary to the view of some analysts who predict a slight market fall this year, Toyota SA chairman Bert Wessels predicts modest growth Toyota's own sales, particularly of cars, should be more buoyant

Bert Wessels *predicts modest growth in Toyota's sales*

The company's lost market share in 1996 owed much to the age of its mainstay Corolla range and the lack of an entrant in the rapidly growing entry-level price segment When Toyota plugged the gaps late in the year, with the launch of a new Corolla range and the budget-priced Tazz, sales jumped This improvement should be sustained during 1997

There's also reason for optimism in the involvement of Toyota Motor Co of Japan The Japanese company became a major shareholder in Toyota SA last year when Johnnic sold its stake

Apart from possibly being more generous in the pricing of components, Toyota Motor Co will be able to pass on its expertise in lean manufacturing It is also expected to offer the SA company greater access to export markets

Toyota SA financial director Pieter Robinson remains upbeat "The company has put on a sustained good performance over a long time Considering market conditions last year, the fall in attributable earnings was disappointing but not a disaster "

David Furlonger

DOWN A GEAR

Year to December 31	1995	1996
Total assets (Rbn)	2 805	3 141
Turnover (Rbn)	6 058	6 208
Pre-tax profit (Rm)	335,76	308,39
Attributable (Rm)	204,47	196,17
EPS (c)	502,8	482,4
Dividends (c)	80	88

Nissan's big brother in Japan comes to the rescue

(192)

A burst of new models will see Nissan claw back some of its lost market share, writes DON ROBERTSON

ST(BT) 9/3/97

AFTER nine months of intensive negotiations, Automakers chief executive John Newbury has finally persuaded Nissan Japan to buy a major stake in the group.

Nissan Motor Corporation (NMC) will buy a 50% stake in Automakers, holding company for Nissan SA, for R360,7-million by taking 92,5-million Automakers shares up at 390c each.

The deal depends on minority shareholders accepting an offer by Sankorp, Automakers' largest shareholder, to buy out their 66,6-million shares at 411c and to de-list the company.

Last month's offer by Sankorp sparked a flurry of activity. Automakers' share rocketed from 206c to 380c in a matter of days amid claims of insider trading.

Rumours then were that NMC would acquire a significant shareholding in Nissan SA, which also manufactures the Fiat Uno and distributes imported Alfa Romeos.

The Japanese group is due to take full control with its own half share, the 4,3% held by Nissan Diesel and 8,7% held by trading group Mitsui. Both these stakes were bought before Automakers was listed in October 1995.

Newbury, fresh from a consultative trip to Italy, says he is extremely excited about prospects for the group, following the collapse of his listed company after only 14 months on the JSE.

The benefits to Automakers will, however, take some time to be realised. "There will be a lean year, but many years of feasting after that. Our share of the market fell to 13,1% last year, but we hope to push this up to 20% by 2000," he says.

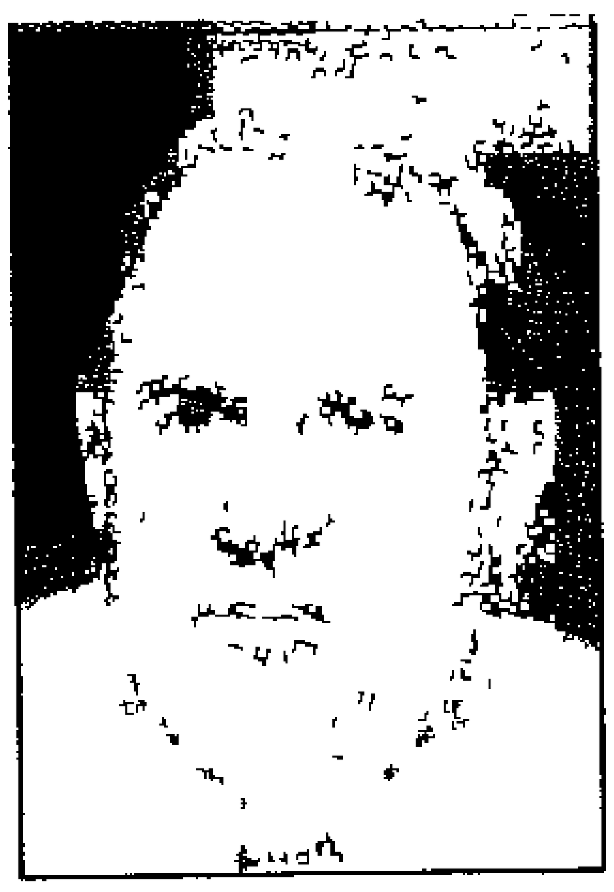
One consequence of the deal is that the introduction of new Nissan models will be expedited.

"An aggressive burst of new models will be introduced in the next few years which will substantially beat the opposition. We now have access to any new models introduced in Japan," Newbury enthuses.

Nissan SA will become part of the global group and link up with integrated component production elsewhere in the world. Increased exports are expected, especially through Nissan Africa's export arm.

There will also be the transfer of production processes, technology and staff as well as new appointments to the board.

Production changes are expected. Further investments in tooling and equipment will be made.



JOHN NEWBURY

One factor which might have stymied the deal was a possible clash between Fiat and Nissan in view of their joint SA manufacturing facility. Neither company has a similar relationship outside South Africa. Nissan, however, has welcomed the tie-up, while Fiat has also accepted the deal.

A result of this will be the introduction of a Fiat Palio model to replace the Uno.

"We could prove to be the matchmaker for bigger global ties between the two groups," says Newbury.

The NMC deal is seen as a suitable response to the recent agreement in which Toyota Japan acquired a 27,8% interest in Toyota SA and the purchase by Ford of a 45% stake in Samcor. Toyota this week announced a R1,7-billion, four-year investment plan for two new models. Delta is now the only manufacturer with no direct financial link to its supplier.

Documents relating to the de-listing will be posted to shareholders on Friday. They will contain interim results for the six months to December. Newbury will not reveal details of the results, but concedes that had they been good, the plan to de-list might not have been rushed through.

● South Africa and Japan have reached agreement on ending double taxation for companies of the two countries and to promote increased flow of capital, goods and people. Trade value between the two countries, measured in US dollars, increased from $3,3-billion in 1990 to $5-billion in 1995.

Sankorp offers R4,11 a share to minorities

Nissan to buy half of Automakers

(192)

CT(BR) 10/3/97

ROY COKAYNE

Pretoria — Nissan Motor Company of Japan will acquire a 50 percent stake in Automakers, the holding company of Nissan South Africa, for R3,90 a share, or a total of R360,75 million, effective from July 1 this year, Akio Sumitomo, a director of Nissan Motor of Japan, said on Friday

The acquisition is conditional on minority shareholders accepting an offer by Sankorp, the investment corporation of Sanlam and Automakers's largest shareholder, made on January 20 this year, to buy their shares at R4,11 before the delisting of the company

Sumitomo said Nissan Motor's decision to acquire an equity share in Automakers was "to further consolidate the business foundations in the South African market and to strongly expand the Nissan market share in Africa"

He said it intended to introduce new vehicles into the South African market that were superior to those of their competition

Sumitomo said Nissan Motor had been unable to participate in the equity of Automakers for many years because of sanctions legislation during the apartheid era

Sumitomo said the investment, alongside the shareholding already made by Nissan Diesel and Mitsui in Automakers, was probably one of the most significant and important South African investments by any Japanese company

After the acquisition, the other main shareholders of Automakers will be Sankorp with 37 percent, Nissan Diesel (4,3 percent) and Mitsui (8,7 percent) Nissan Diesel and Mitsui both acquired their shareholding before Automakers' listing on the JSE in October 1995

When it made its offer on January 20, Sankorp indicated there was a possibility of an international corporation acquiring an equity stake in Automakers

Sankorp spokesmen were unavailable to comment on the difference in the price paid by Nissan Motor Company and the offer to minorities

However, a spokesman for Automakers said the offer to minorities was based on Automakers's unaudited net asset value a share of R4,11 as at December 31 last year while the price paid by Nissan Motor was based on the forecast net asset value a share on July 1 this year

Sumitomo said Nissan Motor had considerably expanded its overseas business over the past few years as the pioneer of the globalisation of the Japanese car industry

"Vehicle demand in South Africa accounts for more than 60 percent of the total demand of Africa and we regard South Africa as an attractive market in which we believe the vehicle demand is expected to increase to approximately 500 000 units early in the new decade," Sumitomo said

Govt delays cost motor industry an extra R100m

(192)

Edward West BD 10/3/97

GOVERNMENT red tape could see the motor industry fork out more than R100m in additional duties to government this year after customs department lawyers delayed a planned reduction in tariffs, industry sources said at the weekend.

In terms of the motor industry development programme (MIDP) — a plan implemented in September 1995 to improve the competitiveness of the motor industry and make vehicles more affordable — government was meant to have gazetted a planned phased reduction in vehicle tariffs from January 1 this year

The planned reductions are to 57,5% from 61% in the case of fully built vehicle imports, to 43% from 46% in the case of spares, and to 32% from 36% for fully built trucks

A National Association of Automobile Manufacturers of SA (Naamsa) spokesman said the implementation of the tariff reduction was also delayed last year, but the problem of overpayment of duties had been solved by simply making the lower tariff retrospective until January 1

"This year the customs department's legal staff say they cannot make the duty reduction retrospective

"The unnecessarily high tariff being paid for completely built-up units and other imports since January is worth well above R100m

"The industry is having to pay for this unnecessary delay by government," the spokesman said.

He said the tariff reductions were essential not only to improve the competitiveness of the motor industry and to maintain the credibility of the MIDP, but in terms of SA's commitment to the General Agreement on Tariffs and Trade In addition, the delay in lowering the tariffs had thrown vehicle manufacturers' pricing strategies into disarray

Customs and excise department spokesman, Christo Henning said a statement on the issue would be released by the department today after numerous requests for information closes plant

Volkswagen locked in talks after strike

BD 19/3/97 (192)

Reneé Grawitzky

VOLKSWAGEN management was locked in talks with National Union of Metalworkers of SA (Numsa) representatives last night in an attempt to resolve a dispute which closed the Uitenhage plant on Monday.

Monday afternoon's closure affected 4 500 workers, after a group of employees embarked on an unprotected strike over a number of grievances.

The company attributed the action to worker concerns over a number of cost-cutting measures which formed part of ongoing discussion linked to organisation-restructuring strategies.

Last year the company lost four days as a result of strikes, two of which were attributed to national strikes. The last major strike occurred in 1995 over an assault which resulted in three days of production being lost.

The company said workers had reacted to proposals to increase insurance costs of company-leased vehicles, attempts to ensure stricter enforcement of the company's absenteeism policy and erratic production in the paint shop as a result of introducing stricter quality control measures.

The union said the action related to problems in the paint shop which had been raised with the company on numerous occasions. The other issues were being addressed in a broader forum on Volkswagen's restructuring and had not caused the disruptions.

Numsa spokesman Tony Ngcobe said workers wanted an explanation as to why breakdowns in the paintshop had not been addressed as it had an impact on hours worked.

He said "The way to deal with this problem is not by closing the plant. The union wants the company to reopen the plant today so that it can address workers."

Company spokesman Raymond Hartle said Volkswagen's position was clear, it would not reopen the plant until workers had agreed to return to work and follow the correct procedures.

Hartle said issues giving rise to the action were all linked to the company's programme to ensure its international competitiveness.

Although the company indicated that at no stage had discussion taken place on retrenchments, the union said at the outset there was talk of retrenching 1 300 workers, but the company appeared to have dropped the idea.

WS

VW closes plant to force assurances on stoppages

CT (BR) 19/3/97 (192)

ROY COKAYNE

Pretoria — Volkswagen South Africa's Uitenhage assembly plant has been closed indefinitely until the National Union of Metalworkers (Numsa) provides an undertaking that its members will return to work, Raymond Hartle, the company's corporate relations manager, said yesterday

He said management decided to close the plant early yesterday after a few hundred employees refused to return to work following a mass meeting in the plant

"VWSA has served notice on Numsa shop stewards that the plant will remain closed until the union is able to provide an undertaking that hourly rated employees who are Numsa members will resume their duties

"Non-production areas will continue to work as normal," he said

Hartle said that in negotiations on Monday Numsa had attributed the stoppages to three issues a proposal that lessees contribute to the insurance costs of the company's lease vehicle fleet, stricter enforcement of the company's policy on absenteeism, which was also part of the cost reduction programme, and erratic production in the paint shop

He said no decision had been taken on the proposal of lessees' contributions

He said VWSA had introduced more stringent quality control measures to improve the quality of vehicles and "some disruption downstream had been experienced"

He said the issues were part of a programme to ensure international competitiveness

Mbuyiselo Ngwenda, the deputy general secretary of Numsa, said VWSA's attempts to link absenteeism and retrenchments had raised emotions. He stressed that the issues could not be linked

VW's Uitenhage plant will reopen on Monday

BD 20/3/97 (192)

Reneé Grawitzky

VOLKSWAGEN's plant in Uitenhage reopens on Monday after workers agreed yesterday that they would return to work

Volkswagen spokesman Raymond Hartle said last night the company had been informally advised that at a mass meeting yesterday workers had agreed to return to work on Monday

This was confirmed by National Union of Metalworkers of SA (Numsa) assistant general secretary Mbuyi Ngwenda

Hartle indicated the parties would meet this morning to discuss a number of the underlying issues which sparked off the strike that forced the company to close the plant on Monday afternoon Hartle said by close of business today lost turnover would have cost the company R55m

Ngwenda said the meeting today would discuss management's policy on absenteeism, flexible shift patterns and worker concerns around the breakdowns experienced in the paint shop which resulted in workers not being able to work their normal hours

Meanwhile, Numsa said 600 workers had embarked on a strike at Columbus Stainless yesterday in protest against the dismissal of 33 workers from a Columbus subsidiary, allegations of discrimination against black workers regarding promotions and the disciplining of two employees

The company said last night that workers had agreed to return to work today

The parties had agreed that the 33 workers would be reinstated on Monday

Indefinite closure may only last until Monday

Volkswagen loses R40m as plant lies idle

CT (BR) 20/3/97 (192)

ROY COKAYNE

Pretoria — Volkswagen South Africa has lost almost R40 million through the closure of its Uitenhage plant since Tuesday, but expects production to resume again next week, Raymond Hartle, the corporate relations manager of Volkswagen South Africa, said yesterday

Volkswagen's management decided to close the plant indefinitely on Tuesday after a few hundred employees refused to return to work following a mass meeting in the plant

Hartle said that Volkswagen's management had been told informally by National Union of Metalworkers of South Africa (Numsa) officials and shop stewards that the workforce would return to work on Monday However, Hartle said there had not been any formal announcement by Numsa in this regard.

He said Numsa officials and shop stewards had a meeting with the workforce at Volkswagen's plant yesterday morning and were scheduled to meet Volkswagen's management in the afternoon to discuss a return to work But Hartle said this meeting had been postponed until today

In another labour-related development, Frank Nxumalo reports from Johannesburg that the two sides locked in a dispute over jockey's pay were able to reach an interim agreement at a meeting of the Jockeys' Remuneration Committee yesterday, ending the two-week impasse

A scheme would cover the increases in insurance and medical care costs experienced by jockeys following injuries they sustained in the line of duty

An increase of R8 a ride in the gross take-home available to jockeys was also agreed on Tony Barnes, the committee chairman, said an amount of 0,25 percent of the stakes previously earmarked for the scheme would no longer be deducted from stakes cheques

Wednesday's draft agreement was made possible by an increase in stakes and by an agreement that contributions made by owners and clubs towards riding fees would be equalised

And Jonathan Rosenthal reports from Johannesburg that Cosatu's Wits Region announced yesterday that it would hold a mass meeting in the Johannesburg Library Gardens on Tuesday Its members would march on the offices of the labour department to hand over a memorandum to Tito Mboweni, the labour minister, highlighting workers' grievances over the proposed employment standards legislation

Dan Mohapi, Cosatu's regional secretary, said the key point of disagreement between labour and the government was over the government's proposal that the standards be subject to negotiated variation between employers and employees

LABOUR *Dan Mohapi, Cosatu's regional secretary*
PHOTO JOHN WOODROOF

Week-long strike ends at VW

ARG 8/4/97 (192)

Port Elizabeth – Production returned to normal at Volkswagen South Africa's factory at Uitenhage today after a week-long strike that cost the company an estimated R55-million.

"The plant opened at six this morning and production is back to normal," said VW corporate relations manager Raymond Hartle

Yesterday the Labour Court granted an interdict declaring the strike by the National Union of Metalworkers of South Africa illegal

Mr Hartle said "a good couple of hundred" of the 4 000 workers employed in car-building had gone on strike The nature of the production line was such that a strike by any group of workers could bring the whole line to a standstill

VW closed the factory on Thursday last week "because it was impossible to continue with normal production".

Mr Hartle said the company was building an average of 320 vehicles a day, which meant an earnings potential of R16-million

The company had lost R55-million in potential turnover during the strike.

The strike was sparked by the reported dismissal of two workers But Mr Hartle said the two had been suspended on full pay pending the outcome of disciplinary proceedings against them.

It was reported today that Numsa spokesman Lucky Dendile said the union had asked VW management to reconsider its action against the two employees – Sapa

VW plant shut as workers stay away

(192)

Reneé Grawitzky

BD 4/4/97

VOLKSWAGEN last night confirmed that its Uitenhage plant had closed yesterday after a group of workers refused to return to work

Workers embarked on industrial action on Tuesday in protest against the disciplining of two workers suspended for misconduct during last month's strike

The National Union of Metalworkers of SA (Numsa) was opposed to the manner in which they had been suspended and wanted the question of disciplinary action to be discussed in the same forum established to discuss issues arising out of the previous strike The company said last night negotiations were continuing in an attempt to ensure a return to work

Meanwhile, the union indicated that the situation at Delta Motor Corporation was expected to return to normal today after an agreement was reached yesterday

In central Durban, Sapa reports, lunch-hour traffic was brought to a standstill yesterday as more than 10 000 Congress of SA Trade Union members participated in a march to highlight demands on the proposed employment standards legislation

Cosatu's Mpumalanga region yesterday announced plans for marches to be held in Secunda, Nelspruit and Witbank today to protest about employment legislation Among Cosatu's demands are a 40-hour working week and six months maternity leave with four months paid

VW plant gridlocked by further strikes

(192)

CT (BR) 7/4/97

Ellis Mnyandu

Johannesburg — Volkswagen, the car maker, shut its Uitenhage plant for a fourth day on Friday following more protests, since Tuesday, by about 4 000 employees, a spokesman said

Raymond Hartle, Volkswagen's spokesman, said the plant, which had only resumed normal production last week after a three day strike over cost cutting measures, had again been officially closed on Thursday He said the employees, belonging to Numsa, had downed tools on Tuesday to protest the company's move to discipline two of their colleagues in connection with the past strike, which started on March 18 He said the two employees had been suspended with full pay over allegations that one assaulted a fellow worker during the last strike The other allegedly damaged Volkswagen property

Three-day strike ends at Volkswagen Uitenhage plant

ET (BR) 26/3/97 (192)

From Reuter

Johannesburg — About 4 500 workers at Volkswagen's Eastern Cape plant returned to work yesterday following three days of protests over the company's cost-cutting measures, a spokesman said.

Volkswagen's Raymond Hartle said worker representatives from the National Union of Metalworkers had agreed on Thursday that their members would resume normal duty on Monday while talks to try and resolve the impasse continued

Hartle said Volkswagen had lost about R55 million in turnover at its Uitenhage plant, which has a daily output of 320 vehicles He said employees had lost R1,8 million in wages as the strike had been illegal

Tile maker fires up earnings

CT(BR) 11/3/97

JONATHAN ROSENTHAL

Johannesburg — Ceramic Industries, which over the past few years laboured to grow earnings in the face of increasing imports and a slow building industry, reported a 31 percent increase in earnings to 43c a share for the six months ending on January 31

The largest manufacturer of ceramic tiles in South Africa, Ceramic Industries increased market share at the expense of imports and boosted turnover 51 percent to R10,5 million for the half-year But the company failed to repeat its performance of last year, in which operating income rose faster than turnover, and showed a weakening in margins, with attributable income climbing 31 percent.

Johan Bouwer, the financial manager, said margins had come under pressure from labour conflicts at the Betta Sanitaryware division in Krugersdorp The division had been subject to a major restructuring in which the introduction of new plant and technology had led to retrenchments and strikes The division made "significant" losses during the six months, Bouwer said, and the company aimed to bring Betta Sanitaryware back to breakeven by year-end.

He said the more significant market growth was in the domestic markets for pressed wall and floor tiles A new clay milling plant under construction at Babelegi at a cost of R20 million would increase production capacity of pressed floor tiles by about 30 percent.

The company declared an interim dividend of 8c a share compared with 6c during the comparable period last year.

Battista Errera, the chief executive, said the company expected to maintain its current sales for the second half. But sales of industrial split tiles, dependent on the local building industry, would not increase dramatically given a weaker rand He said the present earnings growth would be maintained in the second half.

Ceramic's share price was unchanged yesterday at 750c.

Automakers to invest R1bn

CT (BR) 11/3/97 (192)

ROY COKAYNE

Pretoria — Automakers, the holding company of Nissan South Africa, is to invest about R1 billion in new models and expansion of facilities at its Rosslyn plant between now and 2000, Johan Kleynhans, the group affairs and communication director of Nissan, said yesterday

That follows the announcement by Nissan Motor Company last week that it is to acquire a 50 percent stake in Automakers for R3,90 a share, or R360,75 million, effective from July 1 this year. The acquisition is conditional on minority shareholders accepting an offer by Sankorp, the investment corporation of Sanlam and Automakers's largest shareholder, on January 20 this year, to buy their shares at 411c before the delisting of the company

Kleynhans said R200 million of the R990 million to be invested by Automakers between now and 2000 was earmarked for the Fiat Palio range, comprising six derivatives, which would be launched in South Africa in 1999

He said the first new Nissan models to be launched in South Africa after the equity stake acquired by Nissan Motor Company of Japan would be in August this year. Kleynhans said the Fiat Palio would not replace the Uno but would be manufactured alongside it

He said Automakers' product plan had been approved on the basis of Nissan Motor's investment. But, he said, additional models might be introduced apart from those in the product plan

He said South Africa was the first country to be assigned the Palio for right-hand-drive manufacture Only South Africa and India would be assigned to manufacture the right-hand-drive model. From a development viewpoint, this could result in export benefits for Automakers, Kleynhans said.

Higher taxes on company cars punitive — Naamsa

(192)

Edward West

BD 13/3/97

THE "punitive" increases in fringe benefit tax on company cars and allowances would accelerate demand towards smaller cars and could prejudice the interests of large vehicle assemblers, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

In such a scenario, revenue accruing to the fiscus could diminish by virtue of lower value-added tax collections on lower priced units.

The changes to the tax on company cars and allowances would also accelerate the trend by employers to grant car allowances instead of company cars. Yet overall the budget was expected to have a moderately positive effect on the economy.

The association said the increase in fringe benefit taxation on the private use of company vehicles from 1,2% to 1,8% of the determined value of a vehicle "seemed rather punitive".

The proposal that the taxable value of a second company vehicle be increased to 4% from 2% of the determined vehicle value was also punitive as the value levied would be in excess of the cost to the employer of providing the vehicle. Firms bought more than 70% of annual sales of new passenger vehicles

Delta Motor Corporation finance director Chris Allen said the changes meant the taxable value of an average R60 000 car had been increased 0,6% or R360 a month.

"Your average middle management taxpayer with a marginal tax rate of 40% will be paying an additional R144 a month Those who have a second company car will be even more severely taxed — up 2% or R1 200 a month on a car costing R60 000," he said

"We are concerned that this adds to the already heavy burden on the cost of motoring to the consumer."

Nissan SA CEO John Newbury said the increase, offset by slight easing of the personal tax burden, was about the best that could be expected, given the need to hold the budget deficit at 4% of gross domestic product.

Automakers suffers major profit smash

ST(BT) 16/3/97 (192)

NISSAN SALES DECLINE

By DON ROBERTSON

THE Automakers group, holding company of Nissan SA, has plunged into a net loss of R91 2-million in the six months to December It has been forced to push up borrowings to almost R1-billion to finance operations

The disastrous results come at a time when the company enters what it hopes will be a new lease on life sponsored by its Japanese parent

The attributable loss for the past half-year compares with a profit of R55 5-million in 1995 and R127 8-million in the in the year to last June The results translate to a loss of 0 49c a share against profits of 31,4c in 1995

A mere 16 months after its listing, interest-bearing debt has more than doubled to R944 7-million from R430-million at the end of June Shareholders' funds totalled R760-million in December, while cash holdings of R89-million are down on the R183 5-million in the bank in June Also noteworthy are stock values rising to R972 8-million from R778 1-million at end-June

The 119% rise in borrowings, in only six months, was necessary to finance the cost of increased inventories — components and fully imported models from Japan and Italy not yet sold

The interim figures are accompanied by details of the offer by Sankorp to buy out minority interests at 411c a share and the plan to delist the group

Nissan Japan last week announced it would buy a 50% stake in Automakers from major shareholder Sankorp at 390c a share for an outlay of R360-million, subject to minority acceptance

Chief executive John Newbury says under current circumstances the offer "is extremely favourable"

Reflecting the sharp decline in market share suffered by Nissan in recent months — from 13 1% in 1996 to a mere 9 7% in the first two months of this year — sales for the six months dipped to R1 4-billion from R1 6-billion in the half-year to December 1995 and R3 4-billion in the past year to June This led to an operating loss of R61 8-million (1995 R112 4-million profit)

Automakers reports a R91m misfire

(192)

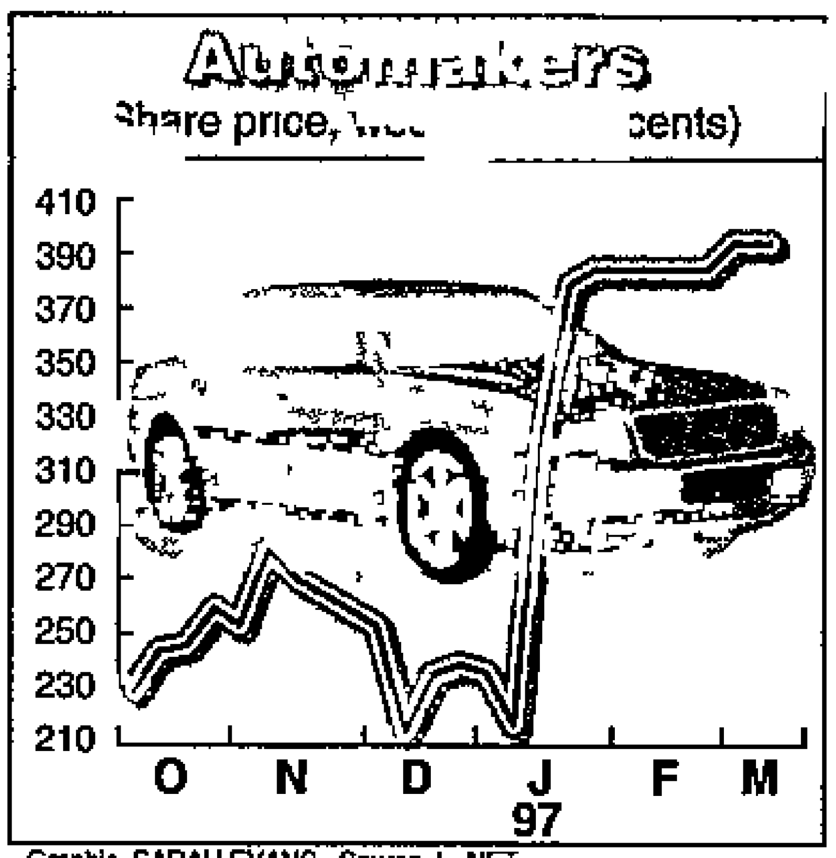
Edward West

BD 17/3/97

AUTOMAKERS, 50% of which is to be acquired by Japan-based Nissan Motor Company (NMC) from Sankorp, reported a R91,2m loss in the six months to December 1996 following the erosion of its market share

The operating loss amounted to R61,9m, while finance costs of R49,3m left the pre-tax loss at R111,1m. Interest-bearing debt amounted to R944m at the interim stage, well up on R430m at June 1996 Total shareholders' interest amounted to R759,7m

Automakers, the holding company of Nissan SA, said in January it would delist next month because of a loss of market share due to the deteriorating rand, the increase in the number of imported models on the local market, the erosion of margins due to the growth of the entry level vehicle market and high interest rates



Graphic SARAH EVANS Source I NET

Automakers warned at that stage it was not expected to perform well in the interim period to December 1996

Market share fell to 13,1% by December from 16,1% the previous year, a figure which slipped to about 9% in February, despite some growth during that month

Automakers has said it plans to spend about R1bn in a bid to win back market share through the investment in new models and facilities at its Rosslyn plant About R200m had been earmarked for the launch of the Fiat Palio range

Toyota treats taxi sector with 20% price slashes

BD 20/3/97 (192)

Bonile Ngqiyaza

TOYOTA SA has slashed prices on its Toyota Hi-Ace Super 16 and Super T models 20% with immediate effect — a move which is designed to benefit the taxi industry, the company announced yesterday

The price of the Hi-Ace Super 16 had dropped from R116 767 to R93 500, while the Super T was now priced at R95 880, down from R119 147 — all prices inclusive of value-added tax.

The price of the Hi-Ace panel van remained unchanged at R105 638

Toyota SA marketing MD Johan van Zyl said yesterday: "Together with our partners, Toyota Motor Corporation in Japan, and our dealers, we have negotiated a package which will see all three parties contribute to a reduction of 20% in the price of our taxi models."

At a briefing attended by taxi industry representatives yesterday, the company also announced that it had rationalised the range by discontinuing production of three models — the Hi-Ace Super 10, the Super 14 and the GL Executive

The Hi-Ace Super 16 and Super T models as well as the Hi-Ace panel, which would be sold only in SA, would continue to be manufactured "well beyond 2000", the company said.

As the major minibus taxi supplier in SA with a 73,4% share of the market last year, Toyota SA had become increasingly aware of an affordability crisis adversely affecting the vital transport sector, Van Zyl said

"A core aspect of this initiative is that Toyota Motor Corporation has agreed to support us with an ongoing supply of components for our current Hi-Ace model despite the fact that it has been replaced in other markets."

He said a survey conducted last year indicated that 53% of respondents made use of minibus taxis as their major form of transport

"Estimates provided by Taxinet Research indicate that as many as 13-million people make use of minibus taxis each day in SA"

The boom years in the taxi industry saw 27 441 taxis sold between 1988 and 1990, a figure that was higher than the total sales for the past six years, Van Zyl said

"It is clear that vehicle price increases have been a major factor in the minibus taxi industry heading for a state of collapse"

Tutu to get cancer radiotherapy in the US

Toyota woos the taxi industry

CT (BR) 20/3/97 (192)

Roy Cokayne

Pretoria — Toyota South Africa has rationalised its taxi model range and slashed the price of its two remaining models by 20 percent, or more than R23 000 each, as part of its commitment to the minibus taxi industry, Johan van Zyl, the managing director of vehicle marketing, said yesterday

Van Zyl said the prices would drop immediately and, apart from the panel van, all other models would be discontinued

He said the price of the Hi-Ace Super 16 had been reduced from R116 767 to R93 500 and the Hi-Ace Super T from R119 147 to R95 575, inclusive of VAT The price of the panel van would remain unchanged at R105 638

Toyota has a 73,4 percent share of the minibus taxi market

Van Zyl said the reduction was achieved through a deal with its partners, Toyota Motor Corporation of Japan, and its dealers

But he said this was only the first step Support from the government, banks and insurance companies was needed to reduce costs further in the industry and assist in creating a viable and reliable mass transport industry

Van Zyl said with government co-operation, further economic assistance to the taxi industry was possible

He estimated there would be a 95 percent increase in the demand for taxi transport, from 9,9 million daily users last year to a potential 19,3 million in 2005

Motor industry told to adapt or crash

(192)

CAR SALES

ST (BT) 23/3/97

By DON ROBERTSON

COST pressures on vehicle dealers could result in more company failures unless immediate action is taken to transform the industry, says McCarthy Motor Holdings chairman and chief executive, Brand Pretorius.

Pretorius issued the warning after this week's National Automobile Dealers Association convention. He said the retail market had changed dramatically in the past year as a result of the introduction of the Motor Industry Development Programme and the flood into the country of imported vehicles due to the lowering of duties.

Pretorius says stakeholders have to understand these changes and promote the transformation of the industry to ensure its viability.

Dealers are expected to generate a turnover of R42-billion this year — despite the fact that the number of outlets has declined to 1 380 from 1 420 and that jobs have shrunk to 35 000.

"It is alarming that this huge contributor to the economy is a fragile one. Unless it responds to the challenges it faces through a process of radical transformation, it will be permanently damaged, with a loss of both business and job opportunities," he says.

One of the reasons for the changes in the retail market is the increase in the wholesale value of cars which qualify for the small-vehicle incentive. This has promoted an explosion of entry-level cars in the market, sparked a price war, reduced profit margins and severely affected the used car market.

"These factors marginalised a significant number of dealers and had a negative impact throughout the motor retailing industry. With a deterioration in new and used vehicle profitability, the core business of the motor retailer was no longer delivering acceptable returns. This could result in more dealer failures or rationalisation."

AUTOMAKERS (192)

PREPARING FOR ACTION

FM 14/3/97

Automakers' executive corridors have resembled an international transit lounge in recent days as management teams from Japan and Italy have mixed with South Africans in discussions on the future of the SA vehicle assembler

As a result of those discussions, Nissan Motor Co (NMC) of Japan will become 50% shareholder in Automakers, holding company of Nissan SA, on July 1 Italian carmaker Fiat will create a local company of its own

NMC will spend R360,75m to acquire the 50% stake from Automakers' existing majority shareholder, Sankorp The deal values Automakers shares at 390c — below the 411c Sankorp is offering to buy out minorities, but well above the average traded price of recent months, the low was 204c News of the NMC deal has pushed prices to 395c Automakers' issue price in October 1995 was R5

Sankorp now holds 50,7% of Automakers, two Japanese corporations, Mitsui and Nissan Diesel, hold 8,7% and 4,3% respectively Sankorp is offering to buy minorities' remaining 36,3%, comprising 66,6m shares

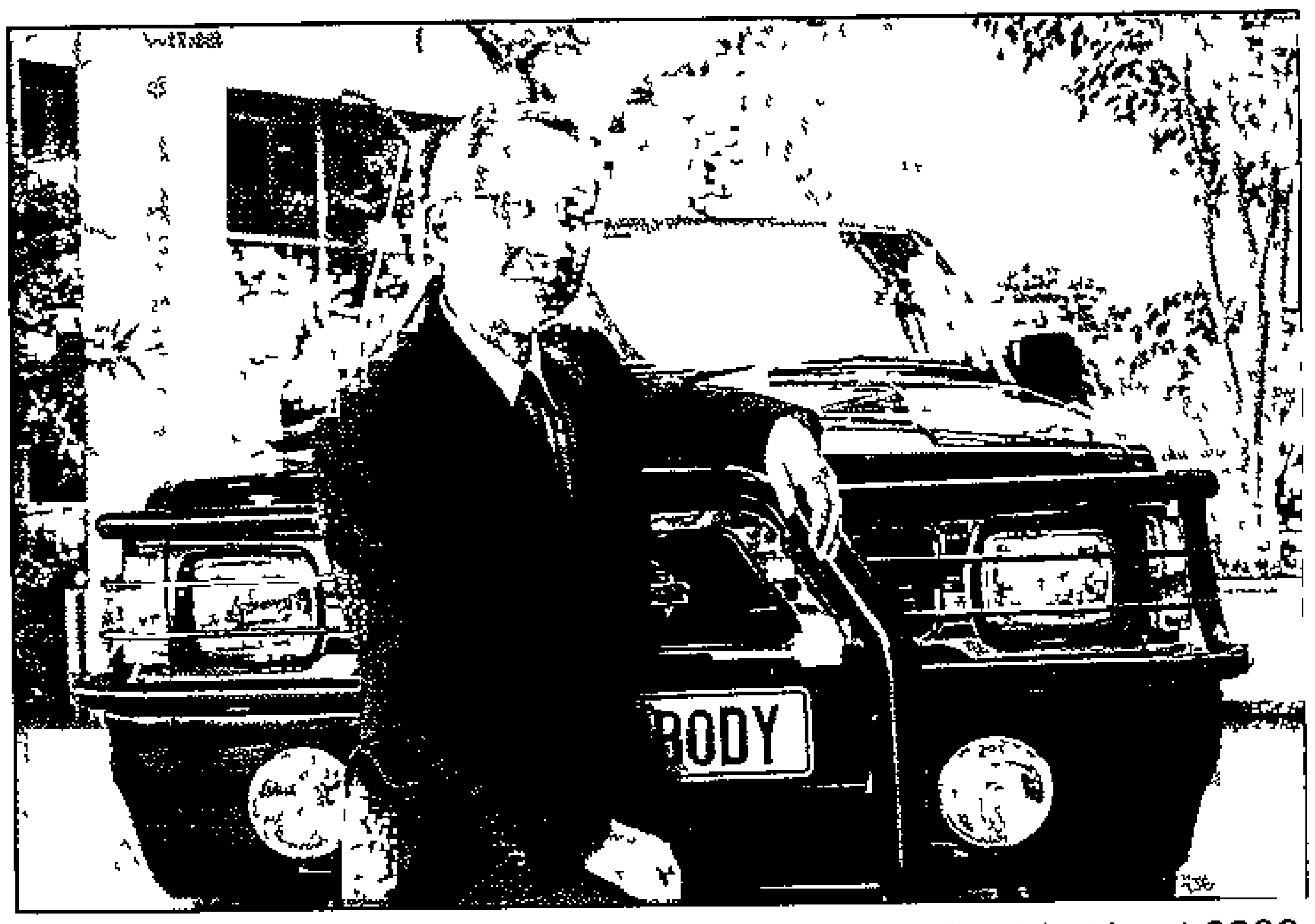
If minorities accept, NMC will have 50%, Sankorp 37%, and Mitsui and Nissan Diesel the remaining 13% NMC director Akio Sumitomo, who has been instrumental in tying up the agreement, says this shareholding will be maintained until at least 2000

The July 1 date for the deal fits in with the start of Automakers' financial year By then, the company is likely to have been delisted from the JSE

CE John Newbury says the process should be complete next month — assuming, again, that minorities accept "I'm not aware of any negative feedback so far," he says

Newbury says NMC decided to invest in Automakers only last week NMC turned down shares when Automakers was listed because it had more pressing needs in its domestic Japanese operation "Now they are doing well in Japan and elsewhere and they have decided to expand global activities," says Newbury

Sumitomo says there are no immediate plans for management changes at Automakers Newbury will remain CE and Sanlam's Marinus Daling chairman "We have not decided the company's new structure yet With 50%, we will have board representation but I see our role as one of active involvement, rather than taking control"



Akio Sumitomo *shareholding will be maintained until at least 2000*

Plans are under way to provide Automakers with Japanese line management to transfer expertise and technology "We will do as much as possible, as quickly as possible," says Sumitomo

Additional NMC capital investment into Automakers has also to be de-

cided Sumitomo says Automakers must offer "more competitive" products That will be met partly through imports, but there is a need for new, locally built vehicles

"We have to work out a business plan for the next few years, including how we fund the additional investments That is crucial," says Sumitomo

Automakers' investment costs will probably be eased by the creation of a local Fiat operation Automakers now builds and markets the Fiat Uno in SA Fiat owns Alfa Romeo, whose cars are imported and marketed by Automakers

Automakers' direct responsibility will be restricted to contract assembly of models nominated by Fiat, such as the Uno and the new 178 Fiat SA will pay for tooling in new models and take responsibility for sourcing of components Marketing would be in conjunction with Automakers and Nissan dealerships

Sumitomo says that under NMC, Automakers' role as the Japanese company's African base will be extended
David Furlonger

MOTOR COMPONENTS (192)

PLUGGED IN

FM 4/4/97

Many SA motor components companies complain the motor industry development programme (MIDP) threatens their businesses by allowing manufacturers the freedom to source parts from around the world But the programme doesn't have to be bad news

"It hasn't been good for everyone but it's been good for us," says Cooper Automotive MD Frik Nel The programme, which cuts protection for both the vehicle and components sectors, is intended to make the SA motor industry internationally competitive For Cooper, that means more emphasis on exports

Longdon (left) and Nel *exports expected to double*

Says Nel "The MIDP helped bring focus to local manufacturing operations and force them to become globally competitive Three years ago we embarked on an export drive and we are now beginning to reap the benefits "

Cooper, which manufactures Champion spark plugs and Trico wiper blades, last year won an order to supply wiper arms and blades to General Motors Brazil This contract accounts for 35% of the company's total wiper products output It also supplies headlamp wiper blades to Volvo in Sweden and wiper arms to Porsche Exports, which account for 15% of total output, are expected to double to 30% within three years

It helps, of course, that the SA company has powerful global relatives Eighteen months ago Cooper, the US automotive giant, reacquired the SA operation it sold to Federale Volksbeleggings in the late Eighties (Federale later sold it on to Murray & Roberts)

The years of international isolation had cut the local firm's access to parent technology, but this is now being rectified by a R10m investment by Champion Automotive Products Europe The money will be spent upgrading and expanding the local sparkplug facility in Isando, near Johannesburg

According to Nel "Having access to parent technology is essential to maintaining export success "

Robin Longdon, a director of the European company, says the expansion will improve product quality and increase capacity, particularly for exports "This is a global opportunity for SA," he says

Longdon says SA sparkplug technology is five to 10 years behind the world In SA, plugs must be replaced every 12 000 km-15 000 km, but the introduction of copper plugs will double this GM fits double platinum plugs which need to be changed only every 100 000 km

"Extending the interval between services is becoming a major point of competitive advantage for motor manufacturers," adds Longdon "We are fast approaching the age when sparkplugs will no longer have to be changed during the lifetime of a vehicle "

Ciaran Ryan

Price war drives Mercedes into the red

(192)

The luxury car manufacturer is heading for a R120-million loss, writes DON ROBERTSON

ST(BT) 13/4/97

THE local operation of Germany's luxury car manufacturer, Mercedes-Benz, is likely to post a loss of about R120-million for its 1996 financial year — a R300-million turnaround from the previous year

Mercedes Benz has thus become the latest victim of the continuing, profit-sapping motor industry price war

It follows the shock announcement last month by Automakers, holding company of Nissan, that it had plunged to a R91-million loss in the six months to December, after chalking up a disappointing attributable profit of R127 8-million in the year to June

Some estimates are that Mercedes-Benz, which also produces the Japanese Honda and Mitsubishi Colt, will report a loss of at least R120-million to its German head office on sales that were marginally higher at R5 4-billion

In 1995, the group's taxed profits amounted to a substantial R213 8-million on sales of R5 2-billion

Delene Stroh, general manager corporate affairs at Mercedes-Benz, confirms that the group will suffer a "substantial" loss in 1996, but that the exact figure will not be revealed until the Stuttgart-based parent, Daimler-Benz AG, reports results for the 12 months to June

She is unable to confirm whether the true loss is above or below the R120-million estimate

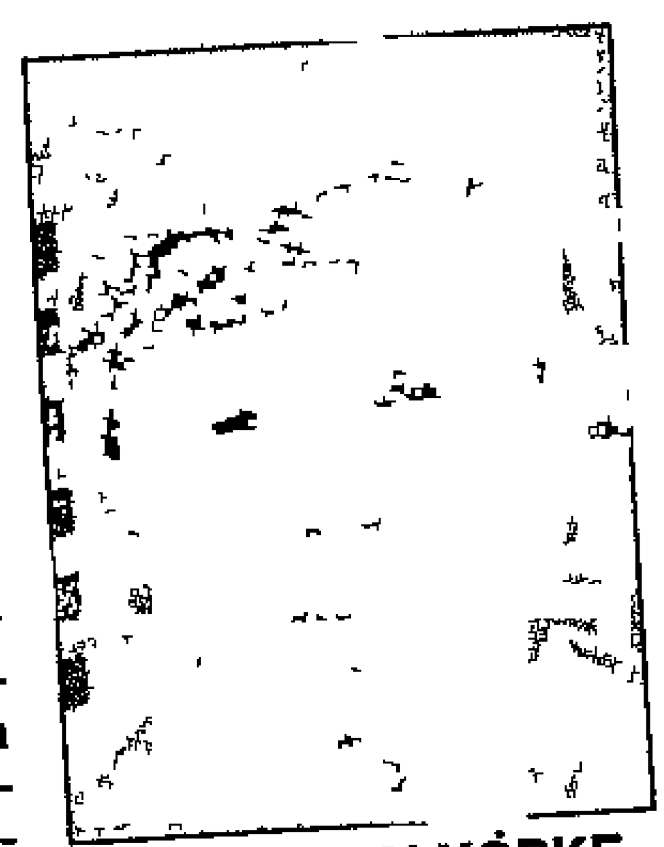
The major factor in the profit plunge was the entry-level price war which affected sales of the Honda range With its Mercedes-Benz pedigree, Hondas have always retailed at prices higher than their competitors

The switch to smaller cars left Honda sales down at 11 608 in 1996 for 4 6% of the passenger market, compared with 13 086 or 5 5% of the market in the previous year Sales of Mercedes, however, were barely changed during the year at 13 378 against 13 400 in 1995

The introduction of increased fringe-benefit tax in last month's Budget, however, is likely to affect sales in the luxury market, although a typical change to less expensive cars could see motorists switching to Honda to retain connections with Mercedes-Benz

Also hitting the profit performance was the 25%-plus decline in the value of the rand against the German mark, which led to an increase in production costs

These higher input costs could not be recovered through retail price increases because of intense competition in the marketplace



CHRISTOPH KÓPKE

A third factor was a luxury import tax introduced in Germany during the year A significant export by Mercedes-Benz SA was leather seats for the luxury S-Class range, which attracted the increased duty and reduced revenue

As a result, the company will now produce leather upholstery for the middle-range E-Class Exports, although not released for 1996, amounted to a significant R673-million in 1995

At the beginning of last year, chief executive Christoph Kopke forecast an increase in total market share to 12% and hoped that the Mitsubishi Colt would capture a 7% share of the one-ton bakkie market In the event, sales rose marginally to 36 654 during the year compared with the 36 208 in 1995 but, because of a 4 3% increase in overall sales, market share actually fell to 9 3% from 9 6%, while the Colt achieved 6 6% in the light commercial market

With record sales in May, Kopke predicted that the company would be the country's foremost manufacturer and would be No 1 in retail sales last year It is expected that most adverse factors will have largely worked their way out of the market this year and Stroh is predicting improved results for the 1997/98 financial year

Shakeup in board of Automakers

(192) CT (BR) 30/4/97

ROY COKAYNE

Pretoria — A significant shake-up of the board of Automakers, the holding company of Nissan South Africa, is imminent, industry sources said yesterday

Approached for comment on Monday about the restructuring of Automakers' board, John Newbury, the executive chairman, said he was "still busy with it" and could not comment at this stage.

Johan Kleynhans, the group affairs and communication director of Nissan SA, said yesterday the situation had not changed, and he could neither confirm nor deny the report.

Tony Twine, a motor industry analyst and a director of Econometrix, said it was fairly obvious that Nissan Motor Company of Japan would want representation on Automakers' board following their acquisition of a 50 percent stake in the company

A restructuring of board to accommodate this was logical, Twine said

Nissan Motor Company of Japan announced in March this year it was to acquire a 50 percent stake in Automakers for 390c a share, or a total of R360,75 million, effective from July 1 this year

Prior to this, Sankorp, the investment corporation of Sanlam and Automakers' largest shareholder, made an offer to minority shareholders to buy their shares at 411c before the delisting of the company.

The offer followed Automakers' announcement in August last year that its attributable earnings were 18,5 percent lower than its forecast target of R156,8 million for the year to June 30 last year

After the acquisition by Nissan Motor Corporation of Japan, the other main shareholders of Automakers will be Sankorp, with 37 percent, Nissan Diesel Motor, with 4,3 percent and Mitsui, with 8,7 percent.

BMW to attract extra R1bn into component plants

(192)

Edward West

BD 22/4/97

BMW SA will attract an additional R1bn foreign investment spin-off into SA's motor component industry from the group's plan to manufacture the new 3-series for world markets.

BMW spokesman Deon Ebersohn said yesterday the planned investment by BMW SA to enable it to export up to 25 000 new BMW 3-series a year from its Rosslyn plant was well under way, and construction of a state-of-the-art paint shop, valued at about R200m had begun — the first physical evidence of the investment plans

He said a number of overseas component suppliers, mostly manufacturers based in Germany that supply BMW AG, had indicated they wished to invest in new plant in SA to supply components for BMW's new 3-series.

The first new 3-series vehicle — the design of which is being fine-tuned and is still a secret — is expected to roll off BMW SA's production line in the fourth quarter of next year

BMW AG warned last year that it might scrap plans to expand locally because of rocketing crime, but Ebersohn said yesterday that although levels of vehicle hijacking and car theft were still high, the rate of incidences had stabilised and government appeared to be "working on" the high crime rate

The major big-ticket items in BMW SA's R1bn investment strategy are the paint shop, expected to be commissioned in April or May next year, a separate export centre to facilitate the transport to the coast of up to 200 vehicles a day, and tooling for the new model, which could cost anything between R300m and R500m

Production at BMW SA would be pushed up to about 250 vehicles a day from the current 80 or 90, mainly by adding another shift to the working day Substantial job opportunities were expected to arise from the expected investment in component manufacture, from the export infrastructure and, to a much lesser extent, from BMW SA's own plant expansion

Continued on Page 2

BMW

(192)

BD 22/4/97

Continued from Page 1

BMW SA hopes to export up to 25 000 vehicles a year BMW AG will be exporting higher volumes of the new 3-series vehicles than BMW SA, but the local manufacturer will supply markets where reduced distance and costs make this more feasible

BMW SA already exports to Australia, Taiwan, other African countries and Brazil in South America "Closer markets such as these will probably be getting our cars in the future. We are just another plant to our parent in Germany, and we will be expected to be able to supply vehicles anywhere in the world," said Ebersohn.

BMW's export vehicles will be transported by rail to the coast for shipment, probably to the Port Elizabeth and Durban harbours, where Portnet plans to establish dual, dedicated export centres for the entire motor industry at a cost of R31m However, the shipment of the vehicles through Maputo could not be ruled out

RADIO ACTIVE *Wouter Dronkers, the chief executive of Philips Car Systems International (left) and Alec Erwin, minister of trade and industry, admire the technology of the new Philips joint-venture car-radio plant in Johannesburg* PHOTO JOHN WOODROOF

Philips car radios on export wavelength

(192) CT(BR) 6/5/97

JONATHAN ROSENTHAL

Johannesburg — The Motor Industry Development Programme, which has come under fire from vehicle component manufactures, has struck gold in attracting a R25 million joint venture from Philips Car Systems International and SA Philips

The two companies opened a new R25 million car-radio manufacturing plant yesterday in Martindale, Johannesburg, which will employ about 100 people at full capacity and can produce over 150 000 car radios a year

About half of the plant's output will be exported through European car assemblers like BMW and Volkswagen, primarily to gain export credits to offset duties on fully-assembled car imports

The balance of production will be sold into the domestic market

Johan van Splunter, the chief executive and chairman of SA Philips, said output of the highly automated plant would not be sold into the retail aftermarket because of massive smuggling

"Aftermarket sales are all grey product We don't sell car radios into South Africa," he said

Other industry sources estimate up to 90 percent of aftermarket radios sold into the market are smuggled goods

Wouter Dronkers, the chief executive of Philips Car Systems International, said the plant had been established at the request of vehicle assemblers and was a mirror image of nine other Philips car systems plants around the world

Van Splunter said "This is a special investment in the South African electronics industry as, unlike previous investments, this plant's purpose is not import substitution as it is not dependent on subsidies for its existence Instead, it forms an integral part of the international Philips Car Systems supply network"

The plant uses surface mount technology and plans to upgrade its soldering process in the near future The plant's radios are now imported as completely knocked-down units, but Van Splunter said the company planned to source components on the domestic market

NEWS

MOTOR INDUSTRY *April's sales 'fairly dismal', but still ahead of last year's*

Drop in car sales 'seasonal'

CT(BR) 7/6/97 (192)

ROY COKAYNE

Pretoria — Motor manufacturers and analysts remain optimistic about prospects for the motor industry this year despite a general weakening in sales across all market segments last month

Tony Twine, a motor industry analyst and the director of Econometrix, said at first sight vehicle sales last month were "fairly dismal".

However, Twine said last month was traditionally a light one, and seasonally adjusted sales for last month were higher than in March this year

However, Twine said the passenger vehicle trend line was clearly declining from the peaks at the end of last year, while the light commercial vehicle trend, given the sales figures for last month, showed the market had apparently bottomed out

He said the medium commercial vehicle market was still performing well with products introduced in the second half of last year, and the year-to-date comparison of sales was still impressive

Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa (Naamsa), said the new-car sector's growth momentum had slowed fairly sharply compared to previous months He said this could in part be attributed to the effects of sporadic industrial disruption at certain plants

Vermeulen said, in aggregate terms, new vehicle sales for the first four months of this year had remained ahead of the corresponding period last year, but only marginally so at 1,3 percent

"The combination of high levels of indebtedness, continued high real domestic interest rates and the effects of the recent round of new-vehicle price increases announced by most manufacturers would serve to reinforce expectations in the new-vehicle market segments during the months ahead," he said

John Cuming, the sales and marketing director of Delta Motor, said the fact that new-car retail sales for the first four months of this year were tracking nearly 11 percent ahead of the same period during last year was encouraging

Graham Hardy, the marketing director of Volkswagen South Africa (VWSA), said the introduction of new models was an important factor behind sales levels in the new-vehicle market

John Jessup, the marketing services director of Nissan SA Marketing, said purchasing ahead of expected price increases appeared to have underpinned passenger vehicle sales, while the high interest rate structure had not inhibited buyers to any great extent

Nissan SA sheds three directors

ET(BR) 8/5/97 (192)

ROY COKAYNE

Pretoria — Nissan South Africa confirmed yesterday the departure of three senior directors of Nissan SA Manufacturing, its manufacturing subsidiary It also confirmed it has been granted approval for a R990 million capital expenditure programme between now and 2000

A shakeup of the Nissan board has been imminent since Nissan Motor Company of Japan's acquisition of a 50 percent stake in the company There was speculation that six Nissan directors would be leaving.

Johan Kleynhans, the group affairs and communication director of Nissan SA, confirmed yesterday the departure of Andries du Toit, previously the managing director of Nissan Manufacturing; Tony Godycki, the director of product development and engineering, and Errol Todd, who headed up Nissan SA's satellite plants (stamping, trim and truck)

Kleynhans said their departure would take effect from the end of this month and their replacements would be employees of Nissan Japan

Tony Twine, a motor industry analyst and the director of Econometrix, said last month it was fairly obvious that Nissan Motor Company of Japan would want representation on Automakers' board following the acquisition

Kleynhans said Nissan SA Manufacturing had been reorganised, and Charles Wiggill, previously the managing director of Nissan SA, had reverted to his position as the managing director of Nissan Manufacturing

Kleynhans said a large contingent of Japanese appointees would be joining Nissan SA in a senior capacity from July 1

FRAUD (192) CT 9/5/97

DTI claims R100m from two carmakers

Claims worth about R100 million are still pending against at least two car manufacturers in a dispute with the department of trade and industry over export regulations. The claims relate to alleged fraudulent practices by the manufacturers in the claiming of export rebates under the now defunct export duty rebate programme. The programme formed part of the old motor industry's Phase VI Local Content Programme, which was replaced by the Motor Industry Development Programme in September 1995.

[illegible] Emmett, the corporate communications manager of Delta Motor, said yesterday that his company intended to defend the action. Johan Kleynhans, the group affairs and communication director of Nissan SA, said the action against his company had been postponed and was scheduled to resume later this year, probably in September. — *Roy Cokayne, Pretoria*

NISSAN SA

Newbury survives the Japanese sword

(192)

No hara-kiri but senior executives jump ship before arrival of Tokyo advance party

FM 9/5/97

Senior executives are leaving Nissan SA to pave the way for the July 1 takeover by Nissan Motor Co of Japan

Confirmed departures so far include Nissan Manufacturing MD Andries du Toit, local product development director Tony Godycki and Errol Todd, production director of the truck, stamping and trim plants, who is taking early retirement Charles Wiggill, currently MD of Nissan SA, will return to the Rosslyn plant to head a restructured manufacturing division The changes are all effective from June 1

Nissan Motor Co spent R360,75m to buy 50% of Automakers, which has had an unhappy time since its JSE listing in October 1995 The company was delisted last week Following acceptance by minorities of a share purchase offer, Nissan Motor Co's partners in Automakers are Sanlam's investment arm, Sankorp, with 37% and two Japanese corporations, Nissan Diesel with 4,3% and Mitsui with 8,7%

Automakers CE John Newbury says Nissan Motor Co is expected to play an active management role in the SA company, and his senior executives have agreed to make way for Japanese replacements For now, major changes are restricted to the manufacturing, quality and technical areas Marketing will be left to SA staff

John Newbury no plans to join exodus from Automakers

Newbury acknowledges that questions have been asked about his own future following the Automakers delisting and the group's poor results But he says there are no plans for him to join the executive exodus He will remain CE of both Automakers and Nissan SA and will assume Wiggill's marketing responsibilities

Automakers was created as the holding company for a growing range of automotive interests It is responsible for the assembly and marketing of Nissan cars and light commercial vehicles, Fiat cars and Nissan Diesel trucks, and for the import and marketing of Alfa Romeo cars

The operating company, Nissan SA, is itself divided into two companies Nissan Manufacturing and Nissan Marketing The split became necessary because of the expanding variety of products being offered

Though no final decision has been made, the two halves are likely to be merged into one after Fiat of Italy takes responsibility for its own SA marketing after July 1 Automakers will continue to assemble Fiat vehicles under contract but the Italians will create their own marketing company Newbury says current Nissan SA employees who want to carry on working with Fiat will be allowed to join the new company

He says Automakers' delisting will allow restructuring to take place further away from public scrutiny than was possible before, and with more flexibility He admits the company has been under-performing but says Nissan Motor Co's involvement lays to rest any doubts about Nissan SA's long-term future

Though immediate Japanese input will concentrate on improving technical aspects of the business, Automakers also expects more help on the product side And that means cash The SA company faces heavy capital expenditure to introduce new model ranges, the board recently committed itself to spending R990m between now and 2000

It is not yet decided how the balance sheet will be restructured, but the new arrangement offers many more financing options than before, including offfshore funding As Newbury puts it, the costs involved are "a drop in the ocean" as a percentage of the Japanese corporation's global investments

Nissan Motor Co has been expanding overseas operations for the past few years At first it concentrated on Europe and the US, for the last two years it has been turning its attention to Asia, Africa and the Middle East

SA accounts for more than 60% of vehicles sold in Africa, and Nissan Motor Co already uses Nissan SA as the base for its export trade into sub-Saharan Africa Last year Nissan SA was the leading SA exporter of built-up vehicles into Africa David Furlonger

TELKOM

Pierre Brooks hits the gong

Pending spat between rival networks gets top billing

In a fresh twist the Competition Board has now become involved in the proposed sale of Southwestern Bell Communications (SBC)'s 15,5% shareholding in cellular network operator MTN The board stepped in at the request of the Department of Communications

The move follows the recent sale of the 30% equity stake in Telkom to the consortium of SBC and Telekom Malaysia Ironically this presents a further problem because of Telkom's 50% stake in competing network Vodacom

MTN's public relations group executive Jacques Sellschop asks why Telkom does not instead sell its 50% interest in Vodacom "Why does SBC have to disinvest from MTN?"

Should SBC sell its stake, it is still not clear whether MTN MD Bob Chaphe, an import from SBC in the US, will stay on

It now looks as if the Communications Department may be looking for the additional muscle the Competition Board could provide in the likely event that MTN's shareholders contest the proposed sale of SBC's stake

Competition Board chairman Pierre Brooks says the Department asked him not to comment

Meanwhile, industry observers are taking positions on who is likely to replace Brian Clark, who surprised the market last week by unexpectedly resigning as CEO of Telkom

Pundits have named Ngcaba, MTN's Chaphe, and Vodacom CE Allan Knott-Craig as possible successors Tony Leng, who heads up Telkom's Corporate Customers Business Unit, is also thought to be a contender

There is talk in the market that Clark, who worked at the Council for Scientific and Industrial Research from 1965 to 1995 before joining Telkom, may have been offered an academic post in the US Duncan McLeod

Car sales go off the boil

(192) ST (BR) 11/5/97

MOTOR INDUSTRY

By DON ROBERTSON

A CONSOLIDATION in the growth of new vehicle sales was evident in April, in spite of the many holidays during the month and sporadic industrial action at some plants

Total vehicle sales for the first four months of the year were up by a modest 1.3% to 122 749 compared with 122 132 for the same period last year

The 19 206 new cars sold in April were 9% below the 21 110 sold in March In April last year sales were 19 152 Sales in the first four months were 82 878 against 74 788 last year

For the second consecutive month, Toyota was the biggest seller with 4 756 units with Volkswagen's 3 777 second Volkswagen experienced stock shortages because of industrial action

The slowdown in growth is also evident in the light commercial market with sales in April of 9 448 in April, below the 9 870 in March and the 10 239 in April last year The total for the year to date is 36 681 against 43 142 Toyota again topped the sellers list

The medium commercial sector was the only segment to show some improvement with sales in April at 474, above the equivalent 440 last April but lower than the 498 in March

WTO may review SA motor trade incentives

BD 12/5/97 (192)

Edward West

INDUSTRIAL incentives for SA's motor industry are likely to be scrutinised by the World Trade Organisation (WTO) following a request by the international trade watchdog for more information on the motor industry development programme (MIDP)

A trade and industry department spokesman said SA had not yet notified the WTO of the details of the MIDP, a programme which has been operating since September 1995 and was designed to boost exports and improve industry competitiveness

However, SA was expected to submit these details to the WTO by September this year The spokesman said that although the department was reasonably confident the programme would be acceptable to the WTO, there was never certainty until the WTO had taken a decision

"The Australian motor industry programme, a similar one to ours, was recently challenged by the WTO and leather seats were removed from the programme," the spokesman said

Leather car seats make up a substantial portion of SA's motor industry exports Almost every BMW car in the world is fitted with leather from SA.

However, a motor industry source said the Australian situation had arisen when the US took informal action against an Australian supplier it alleged was dumping leather car accessories BMW SA, on the other hand, could not dump as it supplied its sister companies around the world

Econometrix economist Tony Twine said the MIDP's aim to reduce tariffs gradually would probably be WTO friendly One aspect of the programme, the small vehicle incentive which has had the effect of reducing the price of small cars, might, however, by construed as a subsidy and "might take a bit of explaining", he said

Samcor CE Jim Miller believed the WTO "couldn't care less" about an incentive for small vehicles in the local market, and the planned tariff reduction envisaged went well beyond the WTO's requirements

TOYOTA MOTOR CORPORATION IS NOT AFTER A MAJORITY STAKE IN TOYOTA SA

Pretoria — Toyota Motor Corporation (TMC), which purchased Johnnic's 27,8 percent shareholding in Toyota South Africa last October, had "no intention" of acquiring a majority stake in Toyota South Africa, Hiroshi Okuda, the corporation's president, said on Friday (192) CT(BR) 12/5/97

He said TMC's policy globally was to transfer authority and responsibility to its local counterparts and to reduce the number of Japanese in local operations Okuda also said TMC was exploring possibilities of procuring as much as possible for its global network from South Africa

He said Africa was still lagging behind southeast Asia and India in terms of TMC's penetration and economic infrastructure, but he expected Africa to follow southeast Asia in TMC's economic development and expansion — Roy Cokayne

SA BUSINESS DIGEST

Development programme has not reduced number of local car models, says Wessels

The Motor Industry Development Programme has failed to date to reduce the number of locally produced models available to the South African market, Bert Wessels, the executive chairman of Toyota South Africa, said in the group's annual report last week.

"Regarding the increasing variety and numbers of completely built up imports, it remains to be seen whether all importers can achieve and sustain profitability in the relatively small South African market and provide customers with secure ownership and service," he said.

Wessels told the group's general meeting on Friday that the prospects for the motor industry might appear bleak but Toyota had a reasonable degree of confidence, and good progress had been made in marketing efforts this year.

He said Toyota had achieved a market share of 25,1 percent for the first quarter of this year compared with 23,9 percent for last year. Last month it achieved a market share of 27 percent. — *Roy Cokayne, Pretoria* ET 13/5/97 (192)

April tractor sales dip ...

Numsa calls employers intransigent on wages

CT (BR) 16/5/97 (192)

FRANK NXUMALO

Johannesburg — The National Union of Metal Workers of South Africa (Numsa) accused the South African Motor Industry Employers' Association (Samiea) yesterday of "intransigence" at the negotiation table

Hosea Morapedi, a union spokesman, claimed the employer body was insisting on discussing wages to the exclusion of all other union demands

"Our demands should be seen as a total package," said Morapedi "Thus we cannot allow preconditions as if we are slaves , they cannot willy-nilly force a decision on us "

John Fourie, the spokesman for the employers' association, could not be reached for comment

Morapedi said the employers were basing their arguments on an agreement supposedly reached by the parties in October last year But Numsa said at that meeting it had been agreed that the union "reserved the right to table any demands to the association for negotiations"

The union is demanding a guaranteed wage increase in line with inflation, an extension of the closed shop agreement to worker grades 1 and 2, a moratorium on the deregulation of the fuel industry to ensure job security, the establishment of child-care centres in community and/or industrial areas and a 40-hour week without loss of pay

The motor industry is presently working a 45-hour week and the lowest-paid worker earns less than R500 a month

COURTS

CT (BR) 19/5/97 (1929)

Autoquip pleads guilty to illegal imports

A subsidiary of Autoquip, the JSE listed [illegible] distributor last week pleaded guilty in the Johannesburg regional court to importing tyres into South Africa without a permit

[illegible] the com[illegible] 1 million worth of tyr[illegible] try through Namibia At the time tyre imports were controlled by a now defunct quota system He said the company had been advised it [illegible] [Na]mibia because the two countries are members of a common customs union He said the company had paid full duties on the tyres at the Namibian port of entry [illegible] [p]recise we did it becau[se] [illegible] from Namibia

[illegible] the costs of storing the tyres and ordered to return th[illegible] [Nami]bia under the supervision of the department of trade and indus[try] [illegible] Johannesb[urg]

DEVELOPMENT

Hyundai given 48 months to conform to regulations

SA to clamp down on Botswana car plants

CT(BR) 28/5/97(12) (192)

Roy Cokayne

Pretoria — South Africa would take tough action against SKD (semi-knocked down) vehicle operations in Botswana even though this was likely to result in "a major clash between the South African and Botswana governments", Alec Erwin, the trade and industry minister, said recently

"In the short term, certain actions would be implemented by the South African authorities to address the unacceptable delays by the Botswana authorities in implementing certain mutually agreed steps to deal with the SKD activities in that country," Erwin was quoted as saying in a report on a meeting with the National Association of Automobile Manufacturers of South Africa (Naamsa) earlier this month

The report formed part of the court record in an urgent application brought by Hyundai Motor Distributors, the South African marketers and distributors of Hyundai vehicles manufactured in Botswana, in the Pretoria high court last week

Hyundai's application sought to prevent Trevor van Heerden, the commissioner of customs and excise, from attaching all Hyundai's vehicles in South Africa because the company had failed to provide, to the commissioner's satisfaction, proof of payment of duties on all motor vehicles imported into South Africa between January 1 last year and May 15 this year

An agreement on the dispute was reached between the two parties last Friday

Hyundai was granted 48 months in which to conform to the specifications of the Motor Industry Development Programme (MIDP)

The programme classifies vehicles either as completely built up or completely knocked down units Any units other than completely knocked down, without any dispensation, are taxed in line with completely built-up regulations

However, Hyundai has confirmed its new R25 million completely knocked down plant in Gaborone, Botswana, is on schedule The pilot vehicle should roll off the production line in January next year, with production starting next April

Numsa threatens action in motor industry

BD 29/5/97 (192)

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) warned yesterday that some kind of industrial action in the motor industry was unavoidable after negotiations covering 185 000 motor workers and 18 000 employers stalled this week

Numsa's acting general secretary, Mbuyi Ngwenda, said employers party to the motor industry bargaining council were prepared to negotiate only wage increases this year and not other conditions of employment

A row is brewing between employers and Numsa about what decision was taken at a council meeting last year on the process of this year's wage negotiations The union said that at the council's annual meeting in October the council discussed this year's negotiation process and the focus on negotiating only wages Numsa said it did not agree that only wages would be discussed and said it had reserved its right to table other demands

The SA Motor Industry Employers' Association and two other unions party to the council agreement said it was common practice to negotiate substantive issues every two years and wages during the year in between

They said a majority decision was taken at the October meeting to negotiate only wages this year They said Numsa was party to this decision but had made a throw-away comment, not taken seriously at the time, that the union reserved its rights to table other demands

Numsa said it could not accept that negotiations focus only on wages as the industry lagged behind other industries in terms of wages and other conditions The current minimum wage rate, the union said, was only R500 a month

At the start of negotiations yesterday, Numsa tabled a range of demands including increases on actual, not minimum, rates, a 40-hour week, the establishment of child care facilities in communities or industrial areas, the introduction of a closed shop arrangement and a call to stop the deregulation of the fuel industry to save jobs

Employers' association executive director Vic Fourie said employers had not prepared themselves or been given mandates to negotiate on other demands tabled by Numsa Numsa, he said, had not honoured the decision taken at the October meeting He indicated that employers were still prepared to negotiate on minimum prescribed wages

Motor wage deadlock

(192) CT(BR) 29/5/97

ROY COKAYNE

Pretoria — The wage negotiations between the National Union of Metalworkers (Numsa) and the South African Motor Industry Employers' Association (Samiea) have deadlocked, the two parties said yesterday

Mbuyi Ngwenda, the acting general secretary of Numsa, said motor employers had failed to listen to the union's demands and negotiate in good faith

He said it was "imperative to break the present impasse by engaging in bilaterals with the employers" Numsa did not want to be seen by the world as intransigent and obstructing the collective bargaining process, Ngwenda said

Vic Fourie, the executive director of Samiea, said Numsa was party to a decision taken in October last year by the motor industry bargaining council that this year's wage negotiations in the retail motor industry would only concern wages

But Numsa says it had raised its objections to this at the October meeting and reserved its right to "table any demands to the council for negotiations"

Strike looms in motor industry

Sowetan 29/5/97 (192)

By Abdul Milazi

THE motor industry is headed for its first major strike after the failure of the South African Motor Industry Employers Association and the National Union of Metalworkers of South Africa to agree on what should be negotiated at this year's wage talks

Numsa acting general secretary Mbuyi Ngwenda said the refusal by employers to negotiate non-wage demands "forces Numsa to break the impasse by mobilising its members in other sectors to support low-paid motor workers"

Ngwenda said employers were refusing to negotiate conditions of employment "The employers claim parties had at an October 1996 meeting agreed that only wages would be discussed at this year's negotiations"

Numsa chief negotiator Hosea Morapedi said "Our demands should be seen as a total package, thus we cannot allow preconditions as if we are slaves or minors They cannot willy-nilly force a decision on us"

Numsa's demands include

- All wage increases agreed on at national level should apply to actual rates of pay, not just to the minimums as laid down in the industrial council agreement,
- A guaranteed inflation rate increase and a high improvement factor for lower grades to close the apartheid wage gap,
- Closed shop agreement provision be extended to workers in grades one and two,
- Deregulation of the fuel industry be stopped to ensure job security,
- Employers should establish childcare facilities in the communities and or industrial areas, and
- A 40 hour-week, without loss of pay, as opposed to the current 45 hours

Ngwenda said the problem facing Numsa in the motor sector was that minority unions told employers that they had no problem with negotiating wages only

However, he said Numsa would continue to hold informal talks with employers to try and persuade them to change their stance

"The National Shop Steward Council will meet on June 15 to assess progress in the negotiations," said Ngwenda

WTO compliance may be problematic

Motor trade to face scrutiny by world body

CT(BR) 30/5/97 (192)

Roy Cokayne

Pretoria — The provisions that allow motor manufacturers to offset import duties with export credits will come under scrutiny when the World Trade Organisation (WTO) visits South Africa in September, industry officials said yesterday

The team will look at various issues, including the import-export complementation provisions of the Motor Industry Development Programme, said Anthony Black, the chairman of the Motor Industry Development Council.

Alec Erwin, the trade and industry minister, said there were indications that certain of the provisions of the programme, particularly its import-export complementation provisions, could be scrutinised by various of South Africa's trading partners

In a summary report of a meeting in Johannesburg earlier this month between Erwin, National Association of Automobile Manufacturers of South Africa (Naamsa) representatives and other senior officials of the trade and industry department, Erwin was quoted as saying the implications of the WTO rules for the programme represented "a potentially problematical issue"

He said the sustainability of the import-export complementation provisions of the development programme to the year 2002 could be at risk. According to the report, Erwin said two of South Africa's major trading partners, the US and the European Union, had requested the South African government to discuss the programme

It added that the US had recently raised the programme with South Africa as an issue at the binational meeting held in February this year, but it was anticipated the EU was likely to adopt a more aggressive position on it.

The report said there were signs that the EU intended to use the programme as a bargaining chip in negotiations on the South Africa-EU free trade agreement. Because of this, it was important for the government to formulate a strategy to defend the programme, along with business.

"However, after the year 2002 it had to be accepted that whatever replaced the programme would have to conform fully to the WTO requirements, which in turn implied that the import-export facilitation arrangement would fall away"

The report said the Naamsa chief executives reiterated the importance of maintaining the integrity of the programme so as not to prejudice the industry, which had embarked on major investments on the basis of it. It said Naamsa's representatives said export complementation represented an integral part of the programme and was intended to facilitate economies of scale

Botswana govt urged to police Hyundai

BD 30/5/97 (192)

Prof Molema

GABORONE — SA trade and industry director-general Zav Rustomjee ha urged the Botswana government to instruct Hyundai Botswana to start conforming to Southern African Customs Union (Sacu) regulations on customs duties, SA diplomatic sources said yesterday

This emerged after a meeting between senior trade and industry officials of the two governments aimed at resolving the motor trade dispute between the two countries which started in January last year

Sources close to the talks said SA was concerned at the way Hyundai Botswana had been exceeding its export quota of cars to SA The Botswana authorities had only recently issued a licence to Hyundai to increase its quota "They were actually evading tax," the sources alleged This had a negative effect on the common pool of Sacu revenues Sacu is composed of Botswana, Namibia, Lesotho, SA and Swaziland

Hyundai management did not respond to requests for comment yesterday

SA has alleged that the semi knocked-down vehicles which Hyundai Botswana imports are brought in from Mozambique with only the bumpers, computers and lights removed These are refitted in Botswana

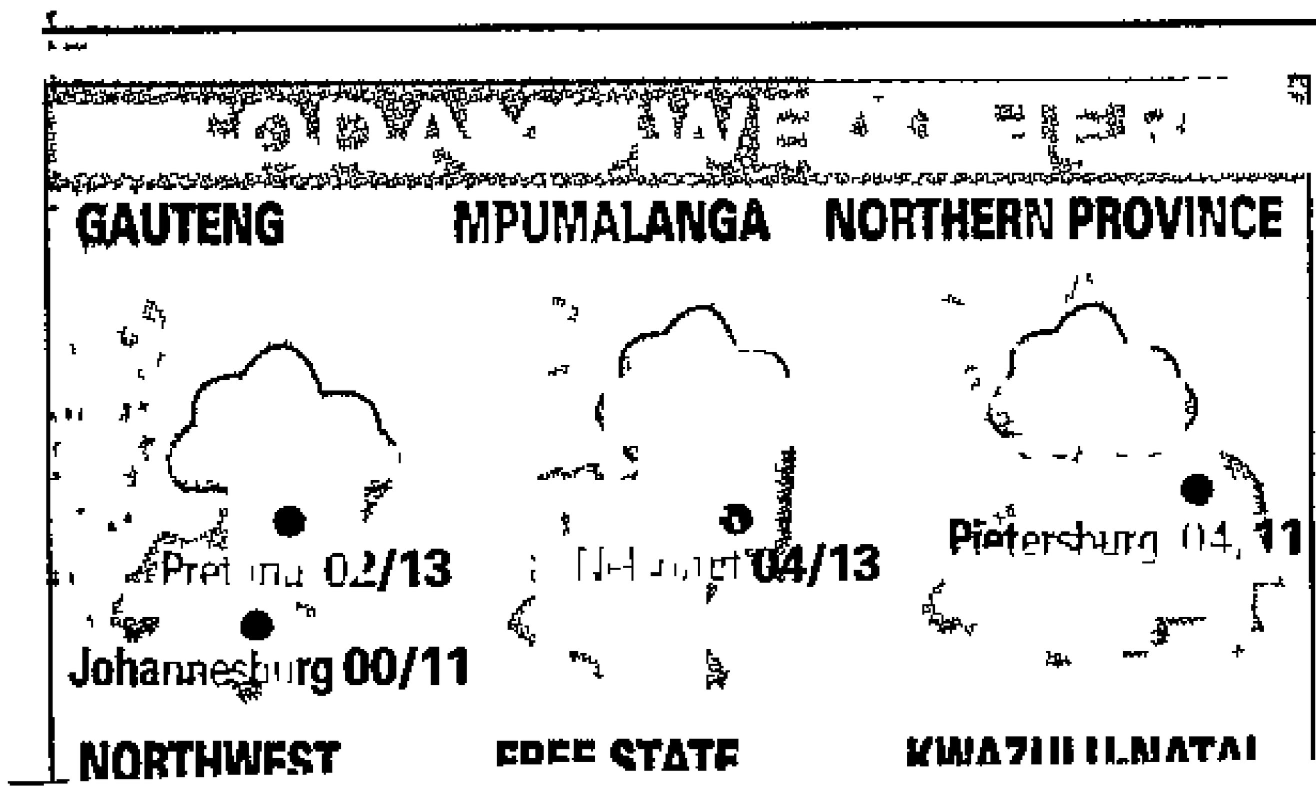
"When we got to Hyundai's Gaborone West plant there was nobody there and no activity We are concerned that instead of Hyundai providing employment for the Batswana they are bringing in completely built-up vehicles That might have a negative effect on us as neighbours because people will ultimately drift to SA in search of jobs, thereby increasing the pressure on us," sources said

Rustomjee's tough stance follows Trade and Industry Minister Alec Erwin's warnings that SA would take tough action against semi knocked-down vehicle operations in Botswana even though this was likely to result in "a major clash between the SA and Botswana governments"

Press reports said the SA authorities would take action to address the unacceptable delays by the Botswana authorities in implementing certain mutually agreed steps to deal with semi knocked-down activities in that country

The Pretoria High Court recently gave Hyundai Botswana 48 months to finish its plant, which is still under construction in Gaborone, to enable it to conform to the Motor Industry Development Programme specifications

The programme classifies vehicles as completely built up or completely knocked down If they are not completely knocked down they are taxed as completely built up vehicles



Russell Roberts

Naamsa's Vermeulen *semibuilt imports making waves in the industry*

MOTOR INDUSTRY

New Daewoo car plant on the agenda

(192)

But Hyundai starts feeling backlash as Customs & Excise gets tough on vehicle imports

FM 30/5/97

Korean car makers Daewoo and Hyundai are having contrasting fortunes trying to develop their SA markets

Daewoo has suitors queuing to offer sites and incentives for a new car assembly plant Hyundai is embroiled in a legal battle with Customs after officials tried to impound cars arriving in the country from Botswana

A team of senior Daewoo officials returned to Korea early this week after looking at the prospect for local assembly It is understood that they first spoke to SA motor companies about using excess capacity in their plants If they say no, odds are on Daewoo building its own car plant A number of provinces, including Mpumalanga, Western Cape and Eastern Cape, have offered land for development

If the project goes ahead, early favourite is the area around Port Elizabeth, already home to Delta Motor Corporation, VW and a Samcor engine plant In addition, many motor component companies are in the region and PE has a well-developed port

For the SA market, Daewoo imports all its cars and, despite being a newcomer, has already made a strong impact on the market Executives say the company wants 10% of the SA car market within three years and 15% later Achieving this will require local assembly

Hyundai's lawyers were granted an urgent interdict in the Pretoria Supreme Court after the Customs attempt to impound cars

Hyundai imports semibuilt cars to Botswana, where it completes assembly and then re-exports most to SA Because Botswana is part of the Regional Customs Union, the products are deemed local by SA But under the Motor Industry Development Programme, semibuilt vehicle imports are subject to the full import duties — currently 57,5% — incurred by fully assembled vehicles

Hyundai, however, has been given permission to bypass this requirement until its new assembly plant is operational, probably next year

Despite this, Hyundai is often accused by competitors of evading the duties and smuggling the cars It is these accusations which apparently persuaded Customs officials to act

Under the rules, Hyundai pays import duties to the Botswana government which passes them on to SA During the latest spat, SA Customs ordered Hyundai to provide proof of payment Hyundai refused, arguing its disclosure duty was only to Botswana, and then Customs went into action In terms of the Supreme Court interdict, however, Hyundai has agreed to give Customs the figures within three months

Papers filed with the court suggest the action was the result of pressure by members of the National Association of Automobile Manufacturers (Naamsa) to create "tough action" against Hyundai and Botswana and persuade them to move quicker in meeting the agreements

Association director Nico Vermeulen denies Naamsa has anything to do with the Customs seizures and says they were "acting in terms of their own initiative and interpretation of the Customs & Excise legislation"

However, he confirms Naamsa has regular discussions with government on the question of semibuilt imports "The position of the industry has simply been to object, in principle, to any semiknocked-down vehicle operations in the SA Customs Union Region on the basis that they create competition distortions in the industry"

David Furlonger

(192) FM 30/5/97

SA MOTOR CORP

Going for the brass ring

Mazda enticement proves too much, even for Jim Miller

How long does a CE need to turn around the fortunes of an ailing business and set it on the road to long-term success? According to SA Motor Corp (Samcor) MD Jim Miller, it takes five years

So why is Miller leaving Samcor at the end of next month, two-and-a-half years after he was brought in to rescue the company from sagging sales and reputation? Is he leaving the job only half done?

He admits the timing of his departure isn't ideal He stated a few weeks ago that he intended staying at least two more years He even took on the vice-presidency of the National Association of Automobile Manufacturers

So why the change of heart? Miller, a US citizen and Ford employee since 1973, is leaving to become executive vice-president and assistant to the president of the Mazda Motor Corp, in which Ford has a 33% stake He will be based at the group's Hiroshima headquarters "The opportunity to become number two at Mazda is not one that anyone could pass up," he says

He arrived at Samcor, which builds and markets Ford, Mazda and Mitsubishi vehicles, in January 1995, just after Ford had bought a 45% share in the company The US multinational's disinvestment amid sanctions in the Eighties had affected sales, image and perceptions of quality Anglo American Industrial Corp (Amic), which had subsequently taken over, was only too happy to offer management control to Ford as an inducement to return

Since Miller's arrival, Samcor has undergone a massive shake-up Costs have plummeted and efficiency has soared Sales have simply exploded Under Miller, Samcor was placed in the front line of a bitter motor industry price war

The motor industry development programme (MIDP), introduced in September 1995 to encourage cheaper vehicles and international competitiveness by slashing protection against imports, was already placing SA motor companies under strain early last year Nissan and VW were the chief rivals in a contest to offer low-priced cars, Samcor's effort turned the arena into a bloody battlefield

For Samcor, the period has seen it transformed into one of the SA motor industry's biggest sellers

Miller says his time in SA has been spent concentrating on three key areas of Samcor quality, cost efficiency and customer satisfaction His goal is for Samcor to be regarded as the leader in product quality value-for-money motoring But he has also sought to add top-of-the-range prestige to the company Ford US owns Britain's Jaguar car company and Samcor is now responsible for SA imports and marketing of Jaguar and Daimler cars


Jim Miller

Ford US will name a successor, possibly next week

David Furlonger

Gavin Simpkins onwards and upwards with export drive

AUTOMOTIVE COMPONENTS

Balancing act becoming a little one-sided (192)

The sum of many parts takes on new meaning as Motor Industry Development Programme begins to bite FM 30/5/97

Auto component manufacturers have never been known to suffer in silence, but the haemorrhage inflicted by the Motor Industry Development Programme (MIDP) has been both swift and painful and has led to a raucous outcry

For many auto component manufacturers, the MIDP has meant a virtual overnight collapse of duty protection on competitive imports The MIDP encourages assemblers to increase exports as a way of reducing duties on their imported components, but the speed with which assemblers have switched from local to imported componentry has taken many by surprise But not everyone

"When the MIDP was first gazetted we warned that this would happen," says executive director of the National Association of Automobile Component Manufacturers Clive Williams "Other industries were given several years to adjust to lower tariffs, but the component industry had no time at all

"Under the Phase VI local content scheme, which measured local content by weight, we had the heaviest cars in the world Now, under the MIDP, we have the cheapest This is largely due to government's small vehicle incentive (SVI), which kicks in below R40 000 "

In many respects the MIDP has performed exactly as intended — vehicle and component exports are expanding at record rates and local manufacture of low-volume luxury cars is gradually giving way to imports

But the MIDP has failed in its objective of achieving balance of trade neutrality by coupling assemblers' import duty reductions to the value of exports on a rand-for-rand basis (in addition to a 27% duty rebate) Last year exports reached R4bn, against imports of R16bn, and many question whether balance of trade neutrality will ever be achieved

JSE-listed T&N Holdings, a major supplier of auto components to the original equipment and after-care markets, is one company to suffer declining domestic sales at the hands of the MIDP, and embarked on an export drive several years ago in anticipation of this Metair is another Last

year's 5% drop in earnings was flattered by a pension fund windfall and an extraordinary profit from the sale of a property MD Alan Plummer says some recovery in earnings growth is anticipated this year

T&N's exports have grown at the rate of 30% a year for five years and now account for 20% of sales Gavin Simpkins, divisional MD at T&N Holdings, says the group plans to increase exports to 50% of sales

Metair, too, is switching from its traditional OEM market to the after-care market and exports "Those countries successful in the export markets have a strong domestic base from which to expand," says Plummer "We do not have this in SA "

Simpkins says the success of the MIDP must be evaluated against its original objectives

"If the objective was job creation and fewer models, then it is failing If it is cheaper cars, then it is a success

"There are some positive aspects to the MIDP, even though it means a declining domestic market We recognised several years ago that we would have to replace the shrinking local market with exports "

Foreign alliances is one way to strengthen export opportunities Last week Metair announced the sale of 51% of subsidiary Armstrong Holdings to Tenneco Holdings Danmark, an affiliate of US-based Tenneco Automotive, for R57,5m

New car sales careered ahead at double digit growth figures during the first quarter of this year Nacaam would like to see the SVI abolished because of the damage it is inflicting on its members One factor which may ameliorate an otherwise gloomy picture is the expected recovery in new car sales in 1998

Ciaran Ryan

☐ AUTOMOBILES

(192)

Sharp increase in exports of SA vehicles

Exports of South African vehicles, in contrast to the weakness in the domestic market, continued in a strong upward phase in the first quarter of this year, according to the National Association of Automobile Manufacturers of South Africa (Naamsa)

Figures released by Naamsa showed 5 123 units were exported between January and April this year, 125 percent more than the 2 277 units in the corresponding period last year The total comprised 2 287 cars 2 541 light commercial vehicles and 295 medium and heavy trucks — *Roy Cokayne, Pretoria*

CT (BR) 6/6/97

Numsa chooses industrial action

(192) BD 17/6/97

Reneé Grawitzky

METAL and motor employers were face a spate of industrial action as the National Union of Metalworkers of SA's (Numsa's) central committee decided at the weekend what form such action would take

The union's acting general secretary, Mbuyi Ngwenda, told a news conference on Friday that in the wake of the dispute in the metal industry, the committee would consider adopting a programme of action

The committee would also evaluate progress in other industries such as the motor industry where employers had refused to negotiate issues other than wages

Negotiations in the metal industry ended with a number of unions declaring a dispute after the Steel and Engineering Industries' Federation of SA (Seifsa) tabled a final wage offer of between 8% and 8,5%

Ngwenda said the union still demanded a guaranteed inflation increase, 200 paid hours for training, a merger of all related training boards, negotiation around technological change and six months notice of such intent

Numsa negotiator Elias Monage said other demands related to short time, the notice period for termination of employment, limited duration contracts and the employers' attempt to increase the use of casual labour in the industry

Seifsa, he said, was attempting to amend the exemption provisions which could affect 60% of the union's members

Seifsa indicated that a 8,5% increase would raise the minimum rate to R8,03 per hour.

In addition, employers had agreed to an effective six months' paid maternity leave, to agree in principle to negotiate a framework agreement on recognition of prior learning, and to participate in a joint pilot study with the unions to look into the development of childcare facilities

Meanwhile, the major automobile manufacturers and unions party to the three-year agreement wait in anticipation of the May inflation rate ahead of wage talks which start next month

In terms of the agreement, which expires next year, if inflation falls below 8,5% or exceeds 14%, the parties will have to reopen negotiations on wages However, if inflation falls between these two figures, across the board increases will either be 1% below inflation if employees are earning above the maximum wage rate per grade or an inflation linked increase if on or below the maximum wage rate.

Mercedes Benz, which withdrew from the central national bargaining forum last year, said it would participate in forum negotiations this year

SAPPI

Lightening the debt load

(192)
FM 6/6/97

Shorter market cycles may mean the upswing is not far off

The decision announced this week to sell assets totalling about R1bn is an indication of management's concern about the latest downturn in pulp and paper prices

With trading profits under severe pressure, the debt — R8,94bn net of the R748m cash — looks conspicuously high Interest cover for the six months to March is a thin 1,2 times, the debt equity ratio is 0,96

Some analysts have criticised the move, coming when the price cycle is poised to turn, pulling Sappi back into cash But Sappi FD Bill Hewitt stresses the assets are regarded as noncore holdings, which will have a minuscule impact on earnings while cutting gearing to 0,85

The company is already negotiating certain sales Money from these should be raised within the next 12-18 months, Hewitt estimates

Capital spending will be sharply reduced in the next two years, with the R2bn+ spent during the past financial year halved in the current 12 months

"We have grown aggressively through acquisitions in the past, and in the past two to three years we have spent a lot on upgrading and modernising our operations This process is now complete "

Both these measures should ease Sappi's financial battle and greatly improve cash flow The acquisition of minority holdings in Warren will dilute the impact for shareholders, but will give Sappi more control over the company

The crucial question is, when will the upturn come? Analysts feel it may materialise by the end of this year Management is less convinced "We are saying we have bottomed out and things are looking promising, but not phenomenal It may turn out to be phenomenal," says Hewitt

Executive chairman Eugene van As says "the second half of the financial year is expected to be better (but) with the uncertain outlook it is not expected that earnings for the whole of 1997 will match those of last year "

Hewitt says the price cycles are becoming much shorter "We expected the upswing which started in mid-1994 (Sappi acquired SD Warren in October 1994) to last three to four years, but it lasted only 18 months "

Eugene van As *earnings should be better in the second half*

The silver lining is that the next upswing may not be far off

Stuart Rutherford

VWSA gets an export booster shot

(192)

JACK DEWES

CT (BR) 23/6/97

Port Elizabeth — A R126 million deal to supply parts to Germany for the third-generation Golf series had pushed Volkswagen South Africa's (VWSA) export orders for the first half of this year up to the R326 million mark, the company said last week

"These components, which will be pressed at VWSA's plant at Uitenhage, are earmarked for the aftermarket throughout Europe," Raymond Hartle, the VWSA spokesman, said on Friday

VWSA, together with Johnson Controls in Port Elizabeth, had also won an annual R56 million order from the VW plant in Kassel, Germany, to supply leather for VW Passat seats, Hartle said

The latest shot in VWSA's export arm — it failed to meet its export target last year — follows deals worth R141 million, concluded this year, for electrical components (R85 million), car radios (R50 million), and clutches from LUK Africa in Port Elizabeth (R6 million)

VWSA said it would be freighting 96 Audi A4 automatics worth R8,5 million to Australia this week, plus another 48 by the end of this year

VWSA, whose local market is cramped, faces stiff international competition and must export if it is to survive

South Africa's Motor Industry Development Programme, whereby duties on imported cars are to drop from 115 percent in 1994 to 40 percent in 2002, will make it more difficult for local manufacturers in the tooth-and-nail fight for market share in South Africa

Illegal motor vehicles cost industry millions

BD 25/6/97 (192)

Lucia Mutikani

AT LEAST 1 000 used vehicles were entering SA illegally every month, costing the motor industry millions of rand in terms of lost sales, Motor Industries Federation (MIF) president Oscar Taub said yesterday

"This is just a conservative estimate," Taub said Most of the illegal imports were designated to be sold in neighbouring countries, but because of inadequate control measures, never reached their destination and found their way into the SA market

"These illegally imported vehicles originate from various parts of the world, but mainly from the Far East (Japan and Korea)," he said

"There have also been reports that vehicles have been imported from Europe and even the US

"These vehicles do not only include passenger, but also heavy commercial vehicles."

He said neighbouring countries in the Southern African Customs Union issued permits for the importation of second hand vehicles.

The vehicles were imported through SA ports

He said while the MIF could not provide figures on the cost in monetary terms and possible job losses, the illegal imports had a negative impact on the motor industry

"To illustrate the this, one only has to look at the situation in New Zealand In 1988 that government decided to permit the import of second hand vehicles Within 12 months new vehicle sales fell to 50 000 units a year from 120 000, which in turn affected dealer viability and job creation," he said

The MIF has made several representations to government about the matter

Similar sentiments were echoed by the National Association of Automobile Manufacturers of SA, which said the illegal import of used and new cars had a negative impact on the motor industry

"We share the concerns of the MIF The matter needs urgent attention We are working closely with the SA Police Service, the department of customs and excise and the ministry of transport to try and stop the imports," the association said

The National Union of Metalworkers of SA said although there had not been forced retrenchments as a result of the imports, there was a danger that vehicle assembly plants could turn into warehouses as companies opted for imports

"Various initiatives are taking place The MIF recently met with the authorities to see where we as a federation could assist in the combating this problem," Taub said

A meeting was being arranged for August, he said

New vehicle sales plunged 19% in May to 30 610 units

☐ VEHICLES CT(BR)26/6/99 (192)

Nissan to export left-hand drive bakkies

Nissan South Africa's successful export drive gained further impetus yesterday after the company announced it would begin making left hand drive (LHD) one-ton pickup light commercial vehicles. Dave Manly, the managing director of Nissan Africa, the specialist export company in the Automakers group, said Nissan SA had invested R3 million for this reason in its Rosslyn plant.

"In the future, the manufacture of LHD models in South Africa may well be expanded to include passenger vehicles," he said. He said the vehicles were aimed at more than 20 left hand drive West African nations. "We will initially build 100 LHD vehicles a month, and these will be supplied by Nissan SA to Nissan Africa for export to long standing Nissan distributors in the various West African countries." — *Roy Cokayne, Pretoria*

Car makers and unions to fix wages

(192)

ROY COKAYNE

CT(BR) 26/6/97

Pretoria — South Africa's vehicle manufacturers and the two major unions in the industry agreed yesterday to a National Bargaining Forum meeting next month related to wage increases for the car industry

Brian Smith, the chairman of Automobile Manufacturers Employers Organisation (Ameo), said the meeting on July 2 with the National Union of Metalworkers of South Africa and the South African Workers Union was to confirm the official May consumer price index figure (CPI)

In terms of the wage model that formed part of the three-year agreement concluded in June 1995 by the car industry, wage increases effective from July 1 1996 and 1997 would be linked to the official May year-on-year CPI figure

Figures released yesterday gave CPI for May this year as 9,5 percent However, the agreement contains a clause that allows the parties to reopen negotiations on the wage model if CPI fell below 8,5 percent or exceeded 14 percent

Smith said the CPI figure for this May was expected to be between 9 and 10 percent, which was within the range set out in the agreement, and "thus the problems experienced last year will not be repeated"

The CPI in May last year at 5,9 percent was used to reopen wage negotiations and resulted in an 8,5 percent increase for Ameo members This led to Mercedes-Benz South Africa resigning from Ameo

100 000 jobs in motor industry may be under fire

(192)

ROY COKAYNE

ST (BE) 1/7/97

Pretoria — About 100 000 motor industry jobs could be on the line if changes were made to the rules governing export and import credits for the motor industry, Peter Forster, the managing director of BMW South Africa, said yesterday

The consequences for the motor industry would be "disastrous" if the import-export complementation element of the motor industry development programme was scrapped, Forster said These provisions allow local motor manufacturers to offset import duties with export credits

Forster said the import-export complementation element of the programme was under investigation

Anthony Black, the chairman of the Motor Industry Development Council, confirmed last month that the World Trade Organisation was to have discussions on the programme with South Africa's trade authorities in September

Alec Erwin, the trade and industry minister, has also admitted there were indications some of the provisions of the programme, particularly the import-export complementation provisions, could be subjected to scrutiny by various of South Africa's trading partners

He said the implications of the World Trade Organisation rules for the programme represented "a potentially problematical issue"

Forster said if the system was scrapped, it would place about 100 000 jobs in motor manufacturing and component supply industries at risk

Forster said the motor industry was in a process of transformation and the industry could not be expected to adapt in such a short time

He said there would only be one chance to get this transformation right and motor manufacturers needed at least one full model cycle — which was about eight to 10 years — to adapt to new circumstances

Forster said with component import tariffs at 60 percent, the motor industry needed the export credits to be competitive He said if the import-export complementation arrangement was maintained for about 10 years in South Africa, there was "a fair chance that at least three to five of the manufacturers will survive"

LABOUR *Three-year industry agreement holds*

Across-the-board wage increases for car workers

(192) CT(BR) 4/7/97

ROY COKAYNE

Pretoria — South Africa's seven vehicle manufacturers and the two key unions in the industry had reached agreement on wage increases ranging from 8,5 percent to 11,5 percent for the industry's 25 000 hourly paid workers, the Automobile Manufacturers Employers' Organisation (Ameo) said yesterday.

Brian Smith, the chairman of Ameo, said the wage increases — effective from July 1 — were agreed with the National Union of Metalworkers of SA (Numsa) and the SA [illegible]orkers' Union (Sawu) at a meeting of the National Bargaining Forum (NBF) on Wednesday.

"The across-the-board wage increase agreed is in terms of the wage model, which forms part of the three-year NBF agreement which was signed in June 1995.

"In terms of the agreement, employees in skills levels one to four will receive an increase of 9,5 percent, and employees in skills levels five to seven will receive an increase of 8,5 percent," said Smith.

Tony Kgobe, the Numsa co-ordinator for the car manufacturing sector, said a wage increase of 11,5 percent — 2 percent above the inflation rate — had also been agreed in the minimum salary level.

Kgobe said this increase would affect about 7000 workers and was in line with their desire to close the wage gap. He said identical increases had also been agreed recently for the tyre industry.

Smith added that in terms of the three-year car industry agreement, only an across-the-board wage increase effective from July this year was negotiated as all other terms and conditions remain unchanged until the agreement expires in June next year.

Smith expects negotiations on a new agreement to start next April.

Kgobe said he did not want to be pre-emptive about the overall assessment of the agreement but indicated there had been some teething problems with the agreement.

He said there were certain aspects they would like to continue while they might not continue with others.

"The whole question of training needs to be modified to take care of development and also national development in regard to what is contained in the government's Green Paper," he said.

We won't budge over pay, say sugar unions

CT(BR) 4/7/97

RAVIN MAHARAJ

Durban — Unions in the sugar industry bargaining council said yesterday they were more determined than ever to push for a 20 percent wage increase and warned industry not to "foolishly accept" that they would "eventually budge".

Industry sources said discussions were proceeding but the quicker a resolution was found, the less damage would be done before the end of the crushing season in five months.

Yesterday the first collective sugar industry strike entered its second day after the five unions, representing about 4 500 workers and 80 percent of the workforce, deadlocked with management over its 10,5 percent wage increase offer.

Operations at 14 milling and refining operations shut down. The industry exports to 27 countries and earns foreign exchange of more than R1 billion.

Selby Nsibande, the executive president of the National Industrial and Commercial Workers' Union, said workers were "not prepared" to change their minds.

The strike was a "historic event" for workers in the sugar industry.

Workers previously went on strike, under their respective unions, in 1995 when they demanded housing for employees close to the mills.

But Bheki Sibiya, the chairman of the Sugar Manufacturing and Refining Employers' Association, said again yesterday that management would not change its offer, which had been influenced by this year's 7,2 percent rise in the sugar price.

Numsa in auto and tyre deal

(192)

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Seifsa) reached a wage agreement for the auto and tyre industries yesterday.

In terms of the deal, an increase of 11,5 percent was granted for those earning the minimum wages, while 9,5 percent was granted top higher grades and 8,5 percent to artisans, Tony Kgobe, the sector's co-ordinator said.

He said the settlement was signed in terms of the industry's three-year agreement signed three years ago.

Meanwhile Brian Angus, Seifsa's executive director, has said Siefsa's negotiators will "move and settle" with Numsa's engineering sector when the parties meet on July 15. — Frank Nxumalo

CT(BR) 4/7/97

Speedy wage deal in auto industry

BD 4/7/97 (192)

Reneé Grawitzky

THE seven major vehicle manufacturers, the National Union of Metalworkers of SA (Numsa) and the SA Workers' Union (Sawu) reached agreement this week on a 9,5% across-the-board increase for workers

The agreement, reached in the national bargaining forum which represents 25 000 workers, is in line with the three-year wage agreement signed in 1995 The agreement stipulated that the increase would be linked to the "May-on-May" inflation rate if the rate fell between 8,5% and 14%

The parties in the tyre industry, who have signed a three-year agreement similar to that governing vehicle manufacture, agreed to the same increases

The quick settlement this year is in sharp contrast with last year, when inflation fell below 6% and the parties resorted to arbitration over the interpretation of the three-year agreement

At the meeting on Wednesday, Mercedes Benz indicated it was rejoining the Automobile Manufacturers Employers' Organisation (Ameo) and would sign the agreement Mercedes Benz withdrew from Ameo last year and entered into a separate plant-level agreement with the unions

What remains unclear is whether the parties will renegotiate a long-term agreement within the national bargaining forum

Numsa has proposed the establishment of a "mega" bargaining council with subsectors covering steel and engineering, automobile and tyre manufacturing and auto-component makers

The agreement reached this year also ensures workers on the minimum rate per grade will receive an 11,5% increase, thus raising the minimum basic rate to R2 500 a month

Numsa's tyre and auto national co-ordinator said the wage increase agreement ensured parties were "en route to closing the apartheid wage gap"

He said he did not understand the attitude of engineering employers in refusing to grant a guaranteed inflation increase

ADE locks out 1 000 workers in row over pay rise offer

(192)(~~[illegible]~~)

NORMAN JOSEPH
STAFF REPORTER

ARG 7/7/97

More than 1 000 workers were locked out of the Atlantis Diesel Engines factory in Atlantis today over a pay dispute.

Management is in dispute with the National Union of Metalworkers of South Africa

Manager Ron Shires said the company had offered a wage increase of between 9,7 percent and 10,2 percent

Mr Shires said that today the company had decided to lock out employees to prevent possible protest action

Union secretary Natheem Joel said the union was demanding an increase of 20 percent but was prepared to accept 15 percent

Several rounds of talks between the union and company officials ended in deadlock recently

Mr Joel said it was the first time the company had locked out workers, who began congregating at the gates at 7am

No company representatives were prepared to talk to the employees, who demanded that Mr Shires address them.

They chanted and sang while police watched from a distance

Interdict against Numsa follows violent protest

(192)

WILLEM STEENKAMP

ATLANTIS Diesel Engines (ADE) last night obtained an urgent interim interdict against the National Union of Metalworkers of SA (Numsa) and 1 084 workers, following a day of violent protest when workers were locked out after wage talks broke down

Wage talks deadlocked last Friday and, as a result, management locked the Numsa members out yesterday

[illegible] outside the ADE plant turned violent, however, and barricades were burnt outside the entrance and property damaged

ADE brought an urgent interdict application before Mr Justice D Chetty in the Cape High Court last night, asking that Numsa and 1 084 protesting workers be restrained from harassing or intimidating other workers and causing damage to ADE property

ADE was represented by Mr Frikkie Erasmus of Erasmus Schnetler Inc Numsa was not represented

CT 8/7/97

Shots fired in strike lock-out dispute

ARG 8/7/97 (192)

NORMAN JOSEPH
STAFF REPORTER

Shots were fired at security guards outside the Atlantis Diesel Engines factory, where hundreds of workers on strike have been locked out in a pay dispute, but nobody was injured.

A Cape High Court order restraining strikers from damaging property or intimidating employees has been delivered to about 600 strikers, members of the National Union of Metal Workers

Human resources manager Johan van Wyk said court officials arrived at the factory early today with the urgent interdict granted last night

He said the factory employed more than 2 000

Managing director Ron Shires said the company had offered wage increases between 9,7 percent and 10,2 percent

Union secretary Natheem Joel said the union was demanding 20 percent but was prepared to accept 15 percent

Sowetan 9/7/97

Motor industry wage talks hit new snag (192)

By Abdul Milazi

THE motor industry's annual wage negotiations hit yet another snag yesterday when employers rejected all the demands of the National Union of Metal Workers of South Africa

The South African Motor Industry Employers Association (Samiea) and Numsa first clashed in May when employers refused to negotiate on non-wage issues

Numsa subsequently decided against declaring a dispute and agreed to concentrate on wages

The union is now demanding that wage increases be on actual wages instead of minimums as had been the case over the years This practice meant that workers earning more than the negotiated minimum wage did not receive increases

Numsa spokesman Dumisa Ntuli said the union decided to change this practice this year because it was unfair to some workers

The reason for unions initially focusing on increasing minimums were the appalling wages workers were paid across the industries

'By increasing minimums unions automatically ensured that employers paid better wages But now employers have been using that to avoid giving increases to those workers who were above the set minimum wage in a particular sector," said Ntuli

Samiea has rejected this demand along with the demands for guaranteed inflation-related increases and higher wages for workers in lower wage brackets to close the apartheid wage gap

Employers also rejected Numsa's demand for end to wage differentials between workers in rural and urban areas

Negotiations between the two parties are continuing

☐ AUTOMOBILES

CT (BR) 18/7/97

MIF bosberaad to target illegal imports

The Motor Industries Federation (MIF) called yesterday for a conference of border and harbour police, customs officials and other authorities to formulate strategies to stop the large flow of illegally imported used cars into South Africa

Vic Fourie, the executive director of the MIF, said the bosberaad, scheduled for the first week of August, was organised after detailed discussions with the head of border control and policing and the head of sea borders "We all recognise the problem can only be tackled with the full support of industry and the authorities" He said the meeting would include delegates from the National Association of Automobile Manufacturers of South Africa and the National Association of Automotive Component Manufacturers, among others

Fourie said steps had been taken this year to cut down illegal imports at the initiative of the National Automobile Dealers' Association, which is part of the MIF — *Roy Cokayne, Pretoria*

(192)

☐ SECURITY

Numsa and Atlantis Diesel in last-ditch bid to end strike

ARG 18/7/97 (192)

BUSINESS REPORTER

The National Union of Metalworkers of South Africa (Numsa) and Atlantis Diesel Engines (ADE) yesterday entered into last-ditch attempts to resolve the nine day strike at the West Coast-based engine making plant.

Numsa senior shopsteward Natheem Joel told Business Argus before the meeting that the union was flexible and would consider any proposals that ADE management tabled

"They said they wanted to talk and we want to hear what they have to say," Mr Joel said

He however said Numsa would not back down on its demands for a 15% wage increase, an increase in the shift allowance, the introduction of a service allowance and the equalisation of the housing grant for all employees

"What we are hoping the meeting will do is to withdraw pending disciplinary action against our members," he said

The workers cited for disciplinary hearing had bruising clashes with police earlier this week

Despite the apparent damage the strike is inflicting on ADE, the company has dug in its heels and said it cannot afford to meet employee demands.

ADE managing director Ron Shires said during an interview that the company was offering workers a wage increase of 10,1 percent, with no changes to any of the other conditions

"The demands that Numsa is making are simply not affordable," Mr Shires said

He said that since the strike started the ADE plant had been operating at 60 percent of its full capacity

Close to 1000 workers were on strike, he said

Mr Shires said before the start of the last-ditch negotiations this week that an end to the strike depended entirely on Numsa

"It is up to them to come to terms with the fact we simply can't afford to pay the increases they are demanding," he said

Numsa offers deal to end ADE strike

(192)

Four issues at stake in dispute

ARG 22/7/97

THABO MABASO
BUSINESS REPORTER

The National Union of Metalworkers of South Africa (Numsa) says it is prepared to compromise on some of its demands in an effort to end the 11-day strike at Atlantis Diesel Engines (ADE).

Numsa made the announcement soon before a meeting yesterday with ADE negotiators

The union's spokesman, Natheem Joel, said Numsa had decided to compromise on some its demands and hoped these would lead to an end to the strike at ADE

He did not want to disclose on which issues the union was prepared to compromise

"I can't divulge that sort of information but I can say is we are willing to compromise on some of the four issues we have based our demands on," Mr Joel said

But he added that the union was prepared to compromise only if ADE management was prepared to do likewise "Obviously there must be compromise from both sides," he said

Numsa is demanding a 15 percent wage increase, a rise in the shift allowance, the introduction of a service allowance and the equalisation of the housing grant for all employees

"If the bosses are willing to compromise, so are we," said Mr Joel

ADE has offered workers a wage increase of 10,1 percent, with no changes to any of the company's other conditions The company has said it cannot afford to pay employees what Numsa is demanding

'Obviously there must be compromise from both sides to end the strike'

Nearly 1 000 workers are taking part in the strike

ADE managing-director Ron Shires said yesterday that the strikers had lost two weeks' wages, while the factory had had a loss in production of R1-million

"We are operating at reduced capacity, but we were never in the position where we were not operating," said Mr Shires, adding that 75 percent of the workforce was working normally

He said ADE's average increase was 10,1 percent and was heavily biased toward lower-paid workers

The company's average offer was half a percent higher than the Steel and Engineering Industries Federation of South Africa was offering

"We are very unhappy the union has decided to take us on, on what is a reasonable offer, but we are confident we will have a full return by Tuesday," said Mr Shires

Numsa has claimed that the sugar-for-diesel engines deal between ADE and Cuba had been harmed by the strike

According to the deal, Cuba will exchange sugar for 10 000 diesel engines worth \$80-million (R360-million)

The engines are to be supplied at the rate of 600 units a month

Mr Joel said the strike would lead to ADE not meeting its delivery targets

Chrysler stays on import route

CT(PE) 22/7/97 (192)

Ncaba Hlophe

Johannesburg — Chrysler South African Services, the distributors of Chrysler motor cars, has no plans to build a manufacturing or assembly plant in South Africa even though it has felt the pinch of the 57 percent import duty it has to pay for its fully built vehicles, Thomas Ford, the general manager for Chrysler South Africa, said yesterday

Ford said it would not make economic sense to flood the South African market with more assembly plants, as it appeared to be bursting at the seams with these facilities

"We certainly would like to see the duty structure reduced or disappear altogether and, though we are aware that it scheduled to be phased down 40 percent later on, the question is what would replace it

"We're convinced there is tremendous potential in the South African market to sustain healthy competition and, when such duties fall, we could do even better" he said

Ford said the local automotive industry would have to make adjustments through a gradual transition to move in line with World Trade Organisation rules on free trade

However, his company would still source components built in South Africa and would concentrate on the distribution of fully built products, which "are doing very well"

Ford said Chrysler would be increasing its five dealers to close to 20 countrywide over the next two years

Chrysler South Africa, a company with assets of more than R100 million, began operations in September last year and has sold about 700 vehicles in the past seven months It hoped to sell more than 1 600 by the end of the year, Ford said

SA News Digest

☐ LABOUR

Numsa confident of ending 11-day lockout of workers at ADE

(192)

The National Union of Metalworkers of South Africa (Numsa) said yesterday it was confident its meeting with the management of Atlantis Diesel Engine (ADE) would lead to the settlement of the 11-day-old lockout of more than 10 000 of its members The lockout has hobbled the sugar-for-diesel-engines barter deal with Cuba, in which ADE was to supply 10 000 diesel engines to the Caribbean island at the rate of 600 units a month

The unusual commodity-for-commodity barter deal, which will eventually translate into money for the diesel engine company, was handled through the financial mediation of the Industrial Development Corporation The deal is worth $80 million

Natheem Joel, a union spokesman, said that although Numsa's rejection of the company's wage offer of between 9,7 percent and 10,2 percent had led to the lockout, he was confident that a settlement was possible because the union was "flexible on the wage issue"

CT (BR) 22/7/97

Ron Shires, an ADE spokesman, said workers at the plant have been adversely affected by the strike "They have already lost two weeks' wages and the loss in production at the factory amounts to about R1 million," Shires said

— *Frank Nxumalo, Johannesburg*

into a house who sought refuge in his cage. Pictures ROBERT BOTHA

New plans for farm schools will strip farmers of control

BD 22/7/97

Louise Cook

GOVERNMENT's plans for farm schools would strip farmers of all control over schools on their properties and would lead to the end of sponsorships, plunging the schools into financial difficulties, farmers' organisations said yesterday.

National Maize Producers' Organisation (Nampo) GM Giel van Zyl said Nampo had generated hundreds of thousands of rands in sponsorship money for projects at the organisation's school which serves between 40 and 50 farms in the Free State.

"Government's plan to take full control of the school is a political move and shows no regard for educational development or maintenance of standards. Up to now farmers with schools on their properties were able to intervene in disciplinary matters and day-to-day functioning of the school."

Van Zyl said placing the schools under the direct control of the provincial government would cause disinterest on the part of farmers to invest any further money in the system.

New regulations to be gazetted early next month would change the governing body system and place the schools under direct control of the education minister of each province. The regulations spell out contractual specifications which each farmer would have to enter into with the provincial education department.

The SA Agricultural Union (SAAU) said farmers would have no protection if the provincial government failed to carry out its contractual obligations to the farmer. SAAU human resources director Machiel van Niekerk said only that the minister could now shut down a school.

Education department chief director Chris Madiba dismissed farmers' claims that it would be the first time a minister would be involved in deciding whether or not a school should be closed. Madiba said even in the past no farm school was able to shut down without ministerial approval.

Company hopes talks will end Atlantis strike

BD 22/7/97 (192)

CAPE TOWN — Atlantis Diesel Engines and the National Union of Metalworkers of SA (Numsa) were meeting yesterday and the company was confident the 11-day strike at its engine plant in Atlantis, on the Cape West Coast, would be resolved.

More than 1 000 Numsa members went out on strike on July 10 after rejecting the company's wage offer of between 9,7% and 10,2%.

Atlantis Diesel Engines MD Rob Shires said yesterday the strike had affected workers substantially. "They have already lost two weeks' wages, while the loss in production at the factory amounts to about R1m."

Shires said 75% of the workforce was working normally. "We are operating at reduced capacity, but we were never in the position where we were not operating," he said.

Shires said the company's average increase was 10,1%, and this was heavily biased towards the lower-paid workers. — Sapa

... to training ...

□ LABOUR   CT (BR) 23/7/97 (192)

Wage agreement ends ADE's 12-day strike

The 12-day strike at Atlantis Diesel Engines (ADE) on the Cape west coast is over, the company said yesterday

The company said it and the National Union of Metalworkers of South Africa (Numsa) has reached an agreement that workers would receive a 10,2 percent pay increase. Production would resume today, the company said. Johan van Wyk, ADE's human resources manager, said a housing subsidy was also discussed at a six hour meeting on Monday. Another issue was the 100 employees who were dismissed after going absent without leave. The company would soon meet Numsa officials on how to improve relations between them

Mbuyi Ngwenda, Numsa's general secretary, said the union had "made serious concessions, one on wages, and around the housing subsidy issue". The 12 day strike cost the company at least R10 million in lost production while workers lost almost three weeks' wages. More than 1 000 Numsa workers went on strike on July 10 after rejecting a wage offer of between 9,7 percent and 10,2 percent — *Sapa, Cape Town*

Atlantis strike costs R10-m

Numsa accepts wage increase of 10,2%

AA 23/7/97 (192)

THABO MABASO
Business Reporter

The two-week strike at Atlantis Diesel Engines on the West Coast cost at least R10 million in lost production and R1,75 million in lost wages.

The strike ended yesterday after the National Union of Metalworkers of South Africa (Numsa) accepted a wage increase of 10,2% – 4,8% lower than its original demand.

ADE had offered a 10,1% increase.

The union had also demanded a rise in the shift allowance, the introduction of a service allowance and the equalisation of the housing grant for all employees

On Monday, Numsa indicated that it was prepared to compromise on some of its demands

Yesterday, however, the union's national secretary general, Mbuyiselo Ngwenda, who flew from Johannesburg to broker the compromise, told Business Argus that Numsa had been forced to back down on its demands because the strike was threatening the stability of the engineering industry in other areas of the country.

"The strike was starting to hurt other sectors in the industry, for instance, Mercedes Benz South Africa was beginning to talk about introducing short time because its orders from ADE were being affected by the strike," Mr Ngwenda said

Numsa and ADE had also agreed to set up a committee to investigate the union's demand for the equalisation of a housing grant for all of the company's employees.

The committee, which would include worker and management representatives, had been given until the end of October to finish its work, Mr Ngwenda said

The union and the company had also agreed to meet to discuss disciplinary action against members who did not follow prescribed strike procedures before participating in the industrial action

"Both parties also agreed to meet so as to explore a strategy to improve industrial relations at ADE and to look at improving the company's viability in terms of productivity and skills development," Mr Ngwenda said

ADE had said it would consider registering as a member of the Steel and Engineering Industries' Federation of South Africa (Seifsa), he said

This would enable its workers to be part of the industry's annual wage negotiations

Dip in sales sees MBSA phase in four-day week

BD 24/7/97 (192)

Edward West

FALLING vehicle sales and tougher competition has forced Mercedes-Benz of SA (MBSA) to phase in a four-day production week at its manufacturing plant in East London from August 1

MBSA said yesterday that "the lower market volume being achieved by our products and forecast for the next few months has forced us to reduce production we continue to view retrenchment as a last resort and will endeavour to find alternatives to sustain job levels "

The company, one of the largest employers in the Eastern Cape, said the reduced hours would apply mostly to 2 500 hourly paid employees However, MBSA did not foresee the situation extending beyond the end of the year

Industry sources said that the slowdown was a symptom of tough competition exacerbated by the growing proliferation of models, slowing new vehicle sales and a tight consumer spending environment which had resulted in the growing market share of small cars

Volkswagen SA said it too had begun to trim costs in the light of stagnant sales growth Although it had no plans to retrench, agreement had, however, been reached with unions to cease overtime production

MBSA's June sales declined 23,3% or by 726 units over the same month last year, the highest percentage decline among the assemblers.

In the year-to-date, MBSA's sales volumes slipped 5,1% to 16 623 units compared with the same six-month period last year

Not all assemblers are introducing measures to slow production, particularly those which recently launched small cars, although most have introduced measures to cut overhead costs

A Toyota SA spokesman said its Durban plant was being run "virtually flat out" The plant assembles 450 vehicles a day

A Delta Motor Corporation spokesman said prices of its Corsa entry level vehicle had been realigned recently and "we are running a normal five-day week" Pretoria-based Samcor said it was working overtime to eliminate a backlog of orders for its recently launched small cars, the Ford Fiesta and Mazda Soho.

The stagnant market has also affected components manufacturers

The National Association of Automobile Component and Allied Manufacturers' executive director Clive Williams said that parts manufacturers supplying vehicle assemblers were suffering, particularly due to the proliferation of models The local content in most of the new models being introduced, barring Toyota SA, was "pitiful" and still declining, he said

In the six months to June aggregate new vehicles sales were 2,5% lower at 185 837 than in the first six months last year The National Association of Automobile Manufacturers of SA forecast sales to remain "under pressure" in the second half

ECN reported from East London that the National Union of Metalworkers of SA was reluctant to comment on the announcement by MBSA However, MBSA corporate relations manager Annelise van der Laan said management met union officials yesterday to discuss its implications

Mercedes and Numsa finish talks on shorter hours

CT(BR) 26/7/97

ROY COKAYNE

(192)

Pretoria — Mercedes-Benz South Africa and the National Union of Metalworkers of South Africa (Numsa) have concluded talks over the implications of implementing a shortened production week at Mercedes's East London manufacturing plant from the beginning of next month, the car maker said yesterday

Johann Evertse, the management board member for human resources at Mercedes, said the company intended to phase in a four-day production week from August 1 this year

But he said they would critically review the effectiveness of the production cutback on a monthly basis

Evertse said the main reason for the shortened production week was the company's shrinking share of the new vehicle market, both passenger cars and commercial vehicles

Mercedes management and Numsa representatives were in the process of agreeing on the parameters of a performance-based reward system, called the "Siyaphambili" agreement, which is based on tough production targets aimed at making the company competitive, he said

A depressed market, weak rand and price discounting hit results

Bearing Man falls short of its projected earnings

(192) ETC(BR) 29/7/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Depressed market conditions, a weakened rand and "irrational price discounting" by competitors took their toll on Bearing Man, the distributor of industrial bearings, seals and power transmission products, during the financial year to June 30

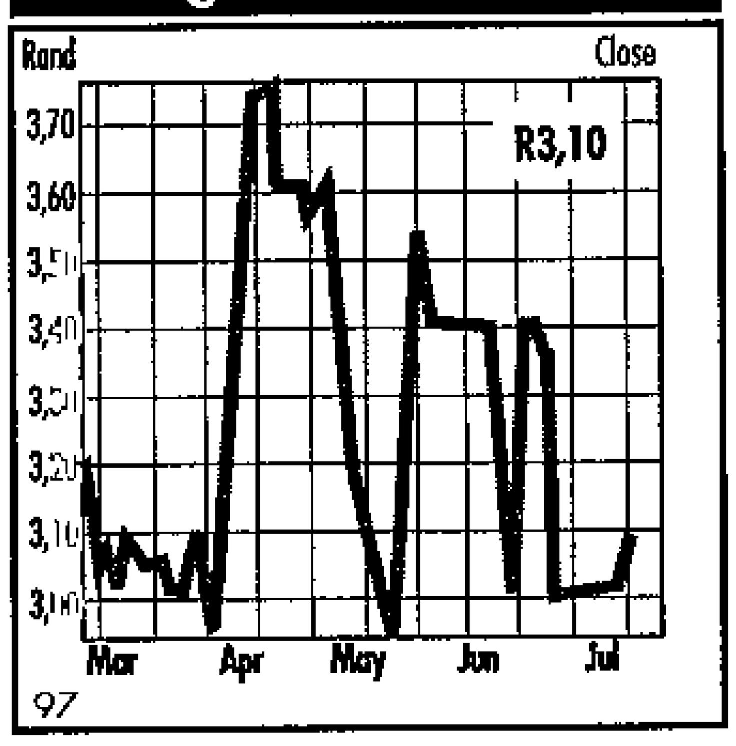
The company's projected fifth year of compound earnings growth was not realised as earnings dropped 1 percent to R27,046 million (R27,32 million), pretax profit fell 6 percent to R39,2 million (R41,9 million) and earnings a share were 2 percent lower at 25,7c a share from 26,2c a share

Bearing Man's retained profit was R15,76 million compared with the previous year's R16,35 million A final dividend of 7c a share was declared for the second half of the year, bringing the final year's dividend to 10,7c, a marginal 2 percent improvement on the previous year's 10,5c (adjusted for the 10 1 share split at the beginning of the year)

This was in marked contrast to the previous year's 28 percent increase in operating profit, 18 percent growth in earnings and 21 percent higher dividend

But the company, in which

Bearing Man



Anglovaal has a majority shareholding, managed to maintain a 15 percent increase in turnover to R367,5 million (R310,43 million), despite contending with a highly competitive and diminishing market with cash-strapped companies stalling on plant maintenance and repairs This had put pressure on margins

Greg Till, the managing director of Bearing Man, said he expected the company to continue to deliver meaningful increases in turnover during coming financial years

He said the company had focused on asset management, moving commodities to their right positions in the market and real-time delivery

Till described the company as extremely bullish about growth prospects He admitted recent investments in infrastructure and Bearing Man's distribution network, together with the acquisition of Ruboct, which gave it a belting division in Gauteng, and Bedford Engineering, which significantly increased its bearings product range and market share, had had a punitive effect on this year's results Timing and nature of these expansions saw operating profit increase by a mere 4 percent

But the company needed to sow to reap profits, Till said

He described the company, now that it had the necessary infrastructure in place, as sensitive to an expected economic upswing, with increased profit likely to drop to its bottom line Till forecast increased earnings for the financial year to June 1998

He expected an economic upswing to be driven by a reduction in interest rates later this year The reduction in the company's interest costs, which leapt by 70 percent, would be the cherry on top, he said

Although Till agreed the forecast year-on-year reduction in the company's debt-to-equity ratio had not been achieved, he said it was lower than the mid-year level of 49 percent "We expect this will improve quite dramatically and are looking to a substantial reduction to relatively comfortable levels by June 1998 "

Uno production grinds to a halt

CAR SALES

By DON ROBERTSON

DECLINING sales and a resultant build-up of stocks has prompted Automakers to close its Fiat Uno production line for four weeks

The line was closed two weeks ago and will be restarted in early August

Johan Kleynhans, head of communications at Automakers, says the company has eight weeks of stock on hand — sufficient to meet demand in the shut-down period During this time, maintenance will be undertaken on the line Traditionally, maintenance is done during the Christmas break

Ironically, the shut-down comes only two weeks after the Uno celebrated the seventh anniversary of its launch in SA During this time 80 000 Unos have been sold

However, in recent months Uno's sales volumes have tumbled following the launch of newer entry-level cars such as the Opel Corsa and Ford Fiesta

In the first six months of this year, sales declined 45 5% to 4 031 from 7 398 in the same period last year Market share has halved — down to 3 2% from 6 2% Sales of Nissan cars have declined by a similar margin

In contrast, total sales of new cars increased 3 1% to 122 477 in the first six months of this year from 118 780 last year

Andrew Unwin, Fiat Auto's liaison officer in SA, says the long-standing manufacturing agreement between Automakers and Fiat is still in place although Fiat is discussing the possibility of establishing its own marketing division as a separate entity from Automakers

No further developments have taken place since a separate marketing division was first suggested when Nissan Japan bought a 50% stake in Automakers and the share was delisted from the JSE

The difficult trading conditions have affected other sectors of the vehicle market Mercedes-Benz said this week it is to introduce a four-day week at its East London plant from August

"The lower market volume currently being achieved by our products and forecast for the next few months has forced us to reduce our production levels, which in turn affects our manpower levels," says Johann Evertse, management board member for human resources "We continue to view retrenchment as the very last resort "

However, the company has barely lost ground in the passenger car market, with sales in the first six months of this year at 12 188 compared with 12 341 last year In the commercial market losses have been more severe with sales of 4 440 this year against 5 172 last year

Discussions between the company and Numsa regarding the shortened working week for 2 500 hourly paid workers have been successful

Talks are under way to establish parameters for production performance bonuses and these could help to offset the loss of earnings, says Evertse

SHUT DOWN . . . the production line at Rosslyn, Pretoria, which has closed its Uno line for four weeks

(19a) ST (BT) 27/7/97

Satour's conduct under investigation

(192) CT (BR) 29/7/97

AUDREY D'ANGELO

Cape Town — Preliminary investigations had shown poor financial controls, a lack of effective business plans and irregular procurement procedures at Satour, the tourism board, Michael Farr, the new executive director, said yesterday

He said four people, whom he would not name, were under investigation for alleged misconduct He said he had received telephone threats to himself and his family since the investigation began

Satour has been criticised for its lack of effective action by people in the industry, and hoteliers have threatened to stop payment of the levies that provided R22 million towards its budget this year Farr said remedial measures would be carried out after a forensic audit, which was expected to be completed by the end of next month, and proper tendering procedures would be followed in future

Farr said a series of consultative meetings and workshops would be held with industry members and the provinces

It would be a mammoth task to reorganise Satour and make it an effective marketing organisation but it would be "a very necessary one"

Satour said that while the objective was to keep Satour going, all contracts and agreements were being audited and evaluated Contracts that were not financially viable or in the interests of Satour "would be addressed"

Budgetary planning was under review and an effective monitoring system for the utilisation of the budget was being put into place

The forensic audit had shown "a virtual absence of internal controls in Satour, a lack of properly drawn up business plans, ineffective financial management systems and non-adherence to laid down procedures on the procurement of services"

Farr said the present hotel levy system was inequitable He hoped an adequate and appropriate funding system would be in place by the end of the year

Squeeze is still on the motor trade

(192)

CT(BR) 29/7/97

ROY COKAYNE

Pretoria — The profitability of the motor trade, which has been under increasing pressure largely through an erosion of profit margins, has been highlighted by the latest statistics released by the Central Statistical Service

According to the CSS, the profitability ratio of the motor trade decreased from 0,7 percent for the last quarter of 1996 to 0,6 percent in the first quarter of this year However, the net profit of the motor trade decreased 19,2 percent in the 12 months to March 31 this year compared with the corresponding period the previous year

Although capital expenditure on new assets by the motor trade increased 4,8 percent in the first quarter of this year compared with the previous quarter, capital expenditure on new assets decreased 16,2 percent

Call money, demand deposits and cash on hand held by the motor trade decreased by 35,1 percent

New GM plant raises questions

BD 1/8/97 (192)

Edward West

NAMIBIA's General Motors (GM) assembly plant was expected to be operational by November, but questions about its long-term plans have sparked calls in SA for a review of trade protocols affecting motor trading in the region

SA motor industry sources said yesterday there was no clarity on the future of the Namibian plant once it fulfilled an initial order from the Namibian government to produce 800 trucks

"We expect production to start in full force in January," a spokesman for the plant told Reuter yesterday The Namibian government and Barden International, a Detroit-based company, signed a deal to set up a GM assembly and right-hand drive conversion plant in December last year

About $19m would be invested in plant and staff training to produce about 40 small GM trucks every month

GM has passenger and light-duty truck assembly plants in Nigeria, Kenya, Tunisia and Egypt, with a plant in Botswana assembling medium- sized trucks

McCarthy Motor Holdings chairman and CEO Brand Pretorius said there was little chance the assembly of such a small volume was economically viable in Namibia unless there was a prospect of increasing volumes over the long term, or the operation had been granted lucrative short-term government incentives not available in SA

SA is the largest and most lucrative vehicle market in southern Africa and a large number of second-hand vehicles are already entering the SA market illegally from neighbouring countries owing to poor customs control, he said

Venture Motor Holdings, which ceased importing leisure vehicles from GM nine months ago following the SA government's decision to bar reselling of new left-hand drive vehicles, said the Namibian operation did not intend to enter the SA market

Venture would begin importing right-hand drive vehicles built by GM by January next year These would include for the first time in SA a right-hand drive Cadillac to be launched in Japan in September

There was renewed speculation yesterday GM was interested in taking a stake in Delta Motor Corporation, the only local vehicle assembler without an international parent Delta corporate affairs manager Ed Emmet said talks with GM were continuing, but no significant stage of progress had been reached

Govt may back regional automated trade protocols

Lucia Mutikani

GOVERNMENT was looking at the possibility of automated trade protocols for motor trade in the southern African region, Motor Industry Forum head Anthony Black said at the weekend

News last week that Namibia's General Motors assembly plant was expected to be operational by November sparked calls for a review of the motor trade protocols

The plant has an initial order from the Namibian government of 800 trucks, but its long-term plans are unclear

Black said automated protocols were the sensible way to go to avoid the problem of some countries in the region trying to establish small assembly plants

"It would also ensure that neighbouring countries have a share of the investment," he said

Although no figures were immediately available, it is understood that Zimbabwe has the highest tariffs, followed by SA. The tariffs vary according to engine size

Calls have also been made for the reduction of tariffs by SA because of the high rate of illegal car imports

Conservative estimates put the number of used cars illegally entering SA — mostly from Japan and South Korea through neighbouring countries — at 1 000 a month

"Government is trying to clamp down on the smuggling of cars and where possible, legal action has been taken.

"I do not think that the appropriate response would be to reduce tariffs, because the problem is being addressed," said Black

"Solving this problem is a question of administration of borders and (obtaining) co-operation from some of our neighbours," Black said "

He said although he could not challenge figures being put forward by the organisations representing car dealers, smuggled used cars were not flooding the market

The Motor Industries Federation and the National Automotive Dealers Association would meet today to discuss the issue of illegal car imports which members said were threatening their continued existence, Gary McCraw, director of the dealers' body, said.

"We will identify what government has in place to control the problem

"We will sit down with them (government) and see how we can improve on whatever system that is (presently) in place and come up with a plan of action to follow," McCraw said.

BD 4/8/97 (192)

'Shocking shortage of facilities' in SA schools

BD 6/8/97

Kevin O'Grady

A SURVEY of the facilities and resources at SA schools had revealed "shocking" shortcomings, including a shortage of more than 57 000 classrooms, that condemned children to "the worst form of human degradation", Education Minister Sibusiso Bengu said yesterday.

Launching the School Register of Needs in Pretoria, Bengu said its findings were "an indictment of all who, by commission or omission, allowed this injustice to occur in this country This has to change, and it will change"

The register was the first comprehensive database of all schools, their exact locations and the extent of their physical facilities, the condition of school buildings, services provided and resources available. More than 32 000 education institutions were visited during the survey.

Bengu said the register showed there was no water available within walking distance of 24% of SA's schools. The worst-off provinces in terms of water availability were Northern Province (48%), Eastern Cape (34%), KwaZulu-Natal (25%) and Free State (22%)

Another matter of concern was the low availability of electricity, Bengu said Only 43% of all schools had electricity, while 79% of schools in Northern Province had none, 77% in Eastern Cape and 61% in KwaZulu-Natal

The survey's investigation of the condition of school buildings found that the province facing the most serious problems was Northern Province where 41% of the existing buildings were "in a weak and very weak condition" In KwaZulu-Natal, 23% of schools fell into these categories.

Toilet shortages, calculated on the assumption that there should be one toilet for every 20 pupils, were also massive. KwaZulu-Natal schools had a shortage of 66 921 toilets, Northern Province 51 324 and Eastern Cape 46 785 Almost half of all toilets were pit latrines and 13% of all schools had no toilets, Bengu said.

The survey also found that while stationery and textbooks were relatively well provided (62% and 49% of schools respectively), media equipment, collections and learning equipment and materials was "almost nonexistent"

Three provinces had classroom shortages that were "extremely high". These were Eastern Cape with a shortage of 15 538, KwaZulu-Natal (14 534) and Northern Province (13 670) Based on information provided by school principals, about 1,167-million desks and chairs, 103 615 teacher chairs and 102 441 cupboards were needed for classrooms

Bengu said the survey clearly showed that Eastern Cape, Northern Province and KwaZulu-Natal, which together housed 15 659 of the country's 27 864 schools, were the most disadvantaged as a result of their having incorporated most of the former homeland education departments.

Bengu challenged "individuals, political parties, media groups, religious organisations, financial institutions, nongovernmental organisation and even the government to assist us to restore the dignity and nobility of the learning process"

"If these terrible conditions are not changed, if there is no redress, equity, no sharing of resources, this country will experience a crisis far greater than the one in 1976," he said

New registration system to curb illegal vehicle imports

Edward West BD 6/8/97

GOVERNMENT planned to curb the illegal import of used vehicles into SA through the completion of the final phases of the computerised Natis system of vehicle registration, transport department officials said

At a discussion on illegal vehicle imports organised by the Motor Industry Federation yesterday, the officials said the Natis system had not been fully operational since 1993

The situation had arisen because of technical problems associated with different computer systems in the former provinces, and different systems of registration in the former homelands.

Natis would, though, be operational by the end of the first quarter of next year, and the motor industry, through the National Association of Automobile Manufacturers of SA, had committed to have all vehicles manufactured in SA registered in Natis's databanks.

By enabling manufacturers, builders and importers to input chassis and other numbers, problems relating to clerks' duplication of vehicle registrations would be eliminated. Importers, dealers and individuals would be unable to get a licence or bank finance for a vehicle not registered on Natis.

Drivers' licence data compiled by the home affairs department would also be stored in Natis databanks in due course, officials said. A long, fairly costly registration process, needing police clearance, for second-hand vehicles entering SA in cases of immigration or other purposes, would be established

Trade and industry department spokesman Philip Snyman said the department had raised the issue of permits for import sensitive industry products during the last customs union meeting. However the union said the issue should be addressed bilaterally

When bilateral negotiations were attempted, other countries told the department it was a Southern African Development Community issue "That is where we are right now," he said.

Although figures on the illegal import of passenger cars were hard to come by, delegates were told an estimated 500 to 790 used trucks had entered SA illegally this year, a large proportion of this year's forecast new heavy truck sales of about 3 400 units This posed a severe threat to viability of the truck manufacturing industry

The border police, a unit formed two years ago, seized illegally smuggled goods worth R70m in the year to May, mostly second-hand vehicles From May to now the unit had seized goods worth R40m, also mostly vehicles

ILLEGAL VEHICLE IMPORTS

(192)

Turning the clock back?

Bid to stem import flood of used trucks and cars FM 8/8/97

They could call it the Truck & Reconciliation Commission Government, police and the motor industry are considering a one-off amnesty to allow up to 20 000 owners of illegally imported used vehicles to keep them

In exchange, they might pay a penalty or offer information that would help police stop more vehicles entering SA

Discussions on a possible amnesty are at an early stage Following a meeting outside Johannesburg on Tuesday, a committee representing manufacturers, dealers, police, Customs, the Department of Transport and others will consider the amnesty among several measures to stem the flood of illegal imports

Used vehicles are not allowed into SA except under specific circumstances such as imports by immigrants or diplomats Even then, they require a special permit However, neighbouring countries do accept used vehicles and ship them in through SA ports After being issued with temporary transit permits so they can be driven across the border to their destination, many disappear into the SA market with the aid of forged documents and corrupt officials

In other cases, they do reach their country of destination but then slip back into SA through the more than 50 border posts

Superintendent Brian van Niekerk of the recently created SA Border Police says there could be more than 20 000 illegal imports on SA roads

Police have started to succeed in tracing and confiscating the vehicles A single case recently involved 351 imported used minibuses, another investigation found 24 imported used cars on the floor of an SA manufacturer's own franchised car lot

Control has been bedevilled by the lack of a central vehicle registry When the former provinces and homelands operated their own systems, opportunity for abuse was rife Now that the new central National Traffic Information System (NaTIS) is becoming operational, officials hope the loopholes are closing But what to do about the imported used vehicles already here? The illegal import network is so sophisticated that many vehicles are sold through reputable dealerships and customers have no idea they are buying "hot" goods

In principle, says Van Niekerk, that is no defence, police are entitled to destroy the vehicles and prosecute the owners But that would often be counter-productive, particularly in the haulage industry, where seizure could put companies out of business and cost thousands of jobs

Graham Boy, MD of Madison Freight Lines in Midrand, is one of those caught in the middle He operates 20 trucks, all of which were bought used Though he acknowledges he used "loopholes" to acquire one or two, he says the rest were bought through legitimate dealers

He says he is willing to pay a penalty on each vehicle "but don't wreck the business and the livelihood of my workers"

SA vehicle manufacturers, who lose sales to the imports, say they are open to the idea of an amnesty, especially for truck buyers

Private car buyers can't claim the same job protection argument Nico Vermeulen, director of the National Association of Automobile Manufacturers, says the idea is worth discussing "as long as these people help us close the loopholes But we can't let them walk away from an illegal act without some form of penalty"

David Furlonger

WS

Numsa halts motor sector talks

ET (BR) 8/8/97 (192)

IMPASSE *Mbuyiselo Ngwenda, the general secretary of Numsa, wants negotiations broadened* PHOTO JOHN WOODROOF

FRANK NXUMALO

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) had declared a dispute with the South African Motor Industry Employers' Association (Samiea) after wage negotiations reached an impasse, Mbuyiselo Ngwenda, the union's general secretary, said yesterday

The dispute is in the motor sector, and all other sectors have reached agreements But Ngwenda said the union was mobilising all its members towards a national day of action on September 9 in support of the motor workers

He said the impasse was caused by Samiea's insistence that "only wages should be the focus of negotiations" as apparently set out in the industry's main agreement A main agreement is one reached in the industry bargaining chamber

"This is strange and ridiculous," Ngwenda said "Main agreements can be changed, and we have rejected this argument as just another delaying tactic We demand that wage increases be on actuals and not on minimums"

As a result of the dispute, Samiea has suspended discussions and is seeking a labour court declaration on the interpretation of wage negotiations in the industry, as set out in the main agreement

Hosea Morapedi, the union's motor sector co-ordinator, said Samiea had rejected Numsa's demands for an end to wage disparities between rural and urban areas Lower-grade workers in a small town are paid differently from workers of the same grade in big cities

He said Samiea was also resisting the transformation of the workplace and the general improvement of pay packets

Numsa wants wage increases between 9,5 percent and 15 percent, depending on the worker's grade, regardless of whether the workplace is in a rural or urban region At present, grade 1 urban workers earn R3,52 an hour and their rural counterparts R2,64 Grade 8 workers (artisans) earn R13,33 in all areas

Victor Fourie, Samiea's executive director said the dispute was not about the extent of the wage increase but about the basis of negotiations

"The reason for the dispute is that in terms of the main agreement discussions should be on minimums and not actuals, which are the subject of shopfloor deliberations We are seeking labour court interpretation on wage negotiations," Fourie said

Car manufacturers fear new tax regime

(192)

Sowetan 8/8/97

People could be encouraged to lease company cars to evade tax

By Maxwell Pirikisi

CAR MANUFACTURERS are concerned that the new tax regime on company cars, which came into effect recently, could negatively affect the SA motor industry

Although the manufacturers remain confident that they will rise to the new challenges, they say they fear that the punitive tax component on fringe benefits could breed low demand low production and possibly retrenchments

People could be encouraged to opt leasing company cars to evade tax, instead of buying their own cars,

But the use of company cars could also lose its appeal because under the new dispensation, the employer would also bear the brunt of an additional tax burden in that the employer will have been deemed to have supplied goods and services to the recipient of the vehicle

Companies would therefore need to account for output VAT on fringe benefits such as cars As such, employers could end up reducing their fleet requirements, thereby reducing demand especially in the passenger vehicle sector, said an insider

Negative impact

'However, despite the potentially negative impact of the new tax laws, if you look at the recent statistics on car sales you'll see that the future looks bright for the industry even in the face of the new legislation" he said

According to the Bureau for Economic Research at Stellenbosch University, car sales were performing poorly in the motor trade sector during the second quarter of this year And in the third quarter, motor manufacturers expect a decline in order volumes

The SA Revenue Services (SARS) is also said to be looking to attack a host of fringe benefits, especially car allowances The move could see a reduction in vehicle order volumes as companies and individuals battle to parry the effects of the decision

The most common tax avoidance scheme used by many involves the recipient of a company car sacrificing part of a basic salary for a car or travel allowance An individual has the advantage of being taxed only at 40 percent of the allowance (35 percent before July 1 1997)

A second car

Another scheme normally afforded to executives was to allow them to buy a second car, often for use by their wives, in the company's name And for this scheme to work the vehicle in question would have to be exchanged for a new one at least every three years

Fringe benefits tax, including tax on car allowances, was doubled to four percent with effect from July 1 to curb "salary-sacrifice schemes" used to structure remuneration packages

BD 8/8/97

Numsa members in sympathy strike

Reneé Grawitzky

(199)(192)(182)

MEMBERS of the National Union of Metalworkers of SA (Numsa) in the engineering, tyre and vehicle manufacturing industries plan to strike on September 9 in sympathy with a dispute in the retail motor sector.

Numsa general secretary Mbuyi Ngwenda said yesterday that the union declared a dispute against the SA Motor Industry Employers' Association this week after it refused to negotiate wage increases based on actuals and not on the minimum rate.

The employers' association argued that the union had no basis to demand negotiation of increases based on actuals because the main agreement stipulated that increases would be based on the minimum rate. The association was seeking a Labour Court declaratory order on interpretation of the agreement

Numsa said this was being used by employers merely as a delaying tactic

The union's national executive committee had taken a political decision that the union could not allow wages in the motor sector to lag so far behind members' wages in other sectors. Ngwenda said that the sector could not sustain a fight on its own and therefore needed solidarity support from members in other sectors.

He stressed that whatever action was embarked on would be protected. In line with the Labour Relations Act, affected employers in other sectors would be notified seven days in advance of the action on September 9

The union is demanding wage increases ranging from 15% for grade 1 where workers earn a minimum wage of R685,87 a month to 9,5% for grade 6 workers who earn in excess of R1761,44 a month. Rural workers earn far less

The union said the employer offer ranged from 3,5% for grade 1 to 8,5% for other grades

Motor industry pay talks stall

Sowetan 8/8/97 (192)

By Abdul Milazi

WAGE talks in the motor industry affecting more than 200 000 workers have come to a halt without substantial bargaining on pay or working conditions having taken place

Any meaningful talks are unlikely until the Labour Court rules on an interpretation of the main agreement which defines the parameters for pay talks

In the meantime, the National Union of Metalworkers of South Africa (Numsa) has declared a dispute and says it will mobilise its members for industrial action

Numsa general secretary Mbuyi Ngwenda says "We will allow a 30-day period within which both negotiating teams would try to resolve the dispute, as required by the Labour Relations Act If nothing comes of that we ll plan industrial action

At issue is whether the scope of the agreement allows employers and Numsa to negotiate increases based on what workers actually earn or only on the industry minimums

This is in contention because not all workers in the sector are paid the basic minimum Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustment if their current pay levels are above the new minimums

The outcome of the judgment could have far-reaching implications for Numsa if the court upholds employers' interpretation which argues that bargaining at industry level can only set increases for minimums

This could mean Numsa will then be forced to enter into talks at plant level to secure increases for workers earning above the industry minimum And that in turn could mean separate negotiations at thousands of workplaces

Numsa says employers have resorted to a court challenge simply to delay pay talks Earlier delays were caused when employers and Numsa disagreed on whether the current round of talks should include non-wage issues or not According to the South African Motor Industry Employers Association (Samiea) the two parties had agreed at the Motor Industry Bargaining Council in October last year that only wages would be discussed in the 1997 negotiations

This area of disagreement was finally resolved when Numsa agreed to drop all non-wage demands But talks remained bogged down in the absence of agreement on whether minimum or actual wages should be used to set increases

Numsa is demanding wage increases of 15 percent and 9,5 percent for the lowest and highest paid workers respectively while employers are offering 8 5 and 3,5 percent

Ngwenda said motor sector employers were the lowest paying in the metal industry

Industry expects SA's paper use to increase

(192)

NCABA HLOPHE

CT (BR) 11/8/97

Johannesburg — South Africa's paper consumption has remained static at an average of 43kg a person a year over the past 10 years, but the industry expects to record steady growth in the next five years, industry sources said yesterday

By international standards, South Africa is among the lowest paper-consuming countries but is far ahead of the total consumption of the African continent, which is less than 10kg a person a year

South Africa's consumption in the past year has been boosted by the expansion of education, urbanisation and population growth

Johan van Wyk, the public relations manager for paper producer Sappi, said increased levels of literacy and the advent of electronic technology had resulted in a renewed demand for paper products

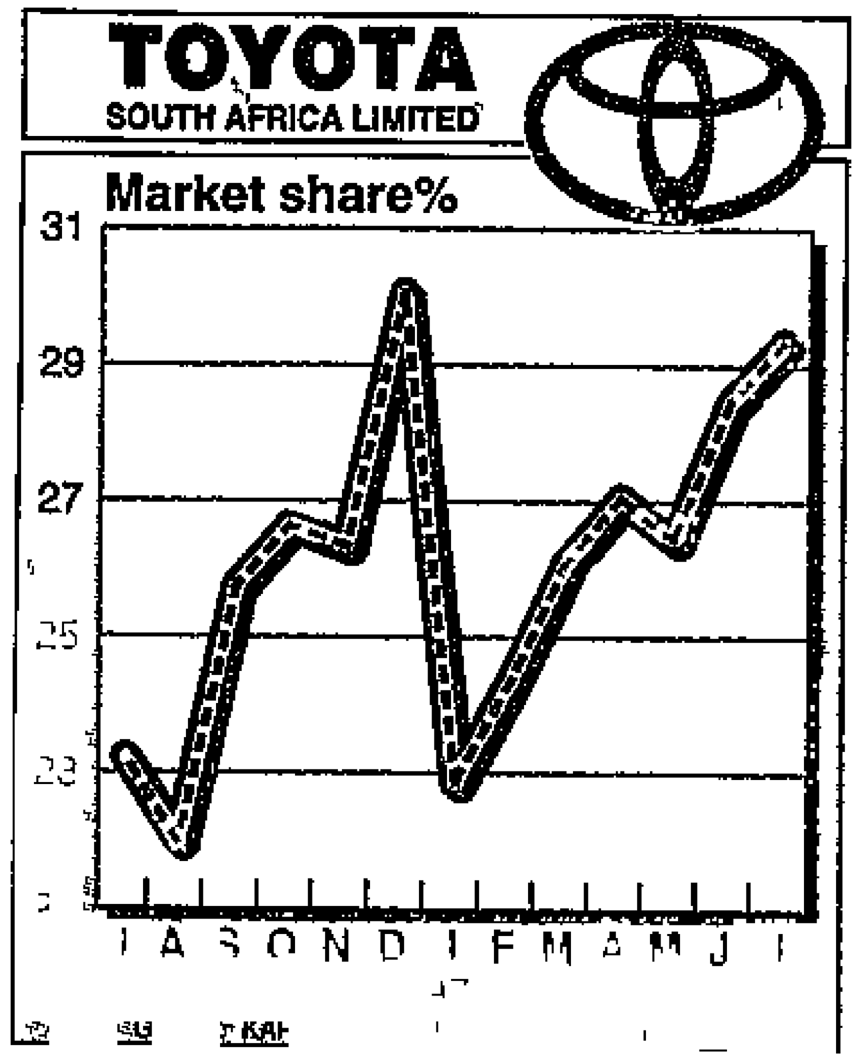
North America is the world leader in paper consumption at more than 300kg a person a year, followed by Europe and Australia at close to 200kg a person a year

John Barton, a general manager at Mondi Paper, pins his hopes on the effective implementation of the growth, employment and redistribution (Gear) strategy

He said the arrival of hi-tech electronic printing equipment had not had a serious effect on the circulation of publications

The widespread use of computers had significantly increased the demand for office paper and had spurred a 3,7 percent real growth over the past 10 years, Barton said

"This is expected to continue, driven by the technological developments of the information era"



Toyota to increase export volumes 15%

(192) BD 14/8/97

Nicola Jenvey

DURBAN — Industrial motor holdings group Toyota SA planned to increase export volumes to nearly 20 000 units a year or by 15% of total volume turnover by 2000, financial director Pieter Robinson said yesterday

Last year the group exported 2 500 built-up units, predominantly into Africa, and this would have grown to about 3 700 in the current year

Robinson said the SA group had received significant support from Toyota Motor Corporation in Japan, specifically with the technological input involved in the left-hand drive vehicles for the west African market

Toyota lifted attributable income 15,8% to R67,9m in the six months to June after improved internal conditions, executive chairman Bert Wessels said yesterday

Earnings a share rose to 167c from 144,2c and an unchanged 24c interim dividend was declared.

Significant growth in entry level motor vehicles boosted turnover 10% to R3,1bn, but Wessels said the 4,8% decrease to R137,8m in operating income before interest and taxation highlighted motor vehicle sales's dependence on lower margin units. Toyota group local retail sales totalled 48 080 units from 42 147 in the comparative period.

Wessels said the entry level market made up 26% of the total passenger vehicle market, with Toyota claiming 29% The group's share of the total local vehicle market was 25,9% (22,1%), and its share of the vehicle export market increased to 26,8% (22,2%)

Wessels said labour relations had been stable and constructive during the period under review Annual wage adjustments were implemented according to the formulae contained in the three-year agreement signed in 1995.

Looking to the remaining period, Wessels said the total local retail market for this year reported by the National Association of Automobile Manufacturers of SA was forecast at 373 000 units (393 311) and Toyota expected to achieve a 25,9% market share.

"However, the company expects profitability to be below 1996 due mainly to the reduction in total market, severe competition, cost pressures and the continuing buying down tendency in the market," he said

NY NEWS

T&N's results mirror industry turbulence

(192) CT (PBR) 19/8/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

17 (183)

Durban — Mirroring the turbulence in the motor industry, T&N Holdings, the automotive group, yesterday announced a 25,5 percent drop in headline earnings a share from 50,4c to 37,5c for the six months to June 30

This was accompanied by a 23,1 percent drop in attributable income to R9,3 million (R12,1 million), a fall in operating profit to R23,7 million (R29,2 million) and a slump in pretax profit to R11,6 million (R16,9 million)

Despite a disappointing performance, Ted Waldburger, the chief executive, and Chris Good, the financial director, remain optimistic They agreed the group was on a better financial footing compared with the year-earlier period when earnings a share dipped 19 percent and pretax profit fell by 22 percent.

The group declared a 13c a share interim dividend as opposed to last year's 17c, coupled with a capitalisation award

DISAPPOINTED *Chris Good, the financial director of T&N Holdings*

Waldburger and Good were confident T&N's downward slide would begin to level out by year-end as exports continued to strengthen and the gap between offshore sales and sales into the original equipment market narrowed or completely closed

Exports grew 28 percent to R99,6 million, accounting for 25 percent of turnover Original equipment sales make up 26 percent of total turnover

This movement was in line with the group's baseline strategy of replacing original equipment sales with offshore sales and, together with a possible interest rate cut, could contribute towards an expected increase in earnings during the second half of the year, Waldburger said

Unpacking trends that saw turnover inch up a marginal 7 percent to R405,9 million on the R400,3 million recorded during the first half of the past financial year, Waldburger said the drop in original equipment sales was a fact of life and T&N was comfortable with a 20 percent slice of this market

He said the decline was largely because the motor industry development programme favoured local vehicle assembly from imported parts

Price and margin pressures were caused by global competition and original equipment procurement policies, the proliferation of model types and the trend towards smaller vehicles "Entry levels are where the sales are and where the pressures on margins come," he said

T&N planned to maintain a profitable presence in this market, largely because the company stood to benefit from an original equipment pedigree which, in turn, offered credibility within lucrative export markets

At this point, the company had kick-started crucial export contracts (the friction division's Ford and Mercedes-Benz contracts, and the production of valves for Ford), Good said

The gestation period for export contracts was at least three years, and there were about six moving into place and a further five or six in the developmental phase, he said

Marginal increases in aftermarket sales to R196,3 million from R190,8 million were of greater concern, but were probably a short-term worry that would continue for about 24 months, Good said

☐ MANUFACTURING (192) CT(BR) 21/8/97

Nissan's Rosslyn line back on stream

Production resumed at Nissan South Africa's B140 light commercial vehicle line in Rosslyn yesterday and was expected to resume at its Uno line shortly, Johan Kleynhans, the director of group affairs and communication for Nissan SA, said yesterday. Production at the two lines was suspended at the beginning of July. This led to a march on Tuesday by thousands of National Union of Metalworkers members on Nissan's head office in Sandton to protest the short time arrangements and layoffs by the company.

Kleynhans said Nissan's workforce had returned to work yesterday. He stressed Nissan had not stopped producing these two models but had merely suspended production on the two lines. "These two models will continue to be available on the South African market for several years to come." He said the suspension of production on the lines was to achieve "an adjustment of inventory, which is nothing unique in the motor industry". — *Roy Cokayne, Pretoria*

Trucking industry to slim down by 2002

(192)

NCABA HLOPHE

CT(BR) 21/8/97

Johannesburg — Market forces would squeeze out more than 20 of the 27 truck manufacturers by 2002 as the local trucking industry was oversupplied, according to an industry survey released yesterday

Malcolm Perrie, the managing director of the Marketing Shop, which released the annual survey, said sales of smaller, cheaper and less sophisticated vehicles would take the biggest slice of the market to meet the country's emerging needs

Even the survivors would be impelled to forge international alliances for technology and other component requirements, he said

The Marketing Shop survey has forecast a moderate change in demand of trucks over the next five years, with sales reaching 22 400 units by 2002, compared with the 17 300 units expected to be sold this year

The biggest single growth sector would be between vehicles weighing between 3 500kg and 7 500kg, where the market share would increase from the present 46,8 percent to 53 percent in 2002, the survey showed

The market would then be shared between six existing manufacturers Mercedes-Benz, Nissan, Toyota, Iveco, AMC and one new entrant which the Marketing Shop could not identify

The market shift would also affect the dealership structure, as more truck operators would negotiate deals directly with manufacturers

"Suppliers will supplant dealers and have much more contact with the end-user, and the dealer role will be reduced to parts supply, service and repairs and the guarantee commitments," Perrie said

A separate survey on the R11 billion vehicle parts industry warned of a proliferation of bootleg suppliers who would lower service standards

TOYOTA SA

(192)
FM 20/8/97

Small cars squeeze profits

Fortunately, a lower interest charge boosted earnings down the line

Small isn't beautiful Just ask Toyota Despite a 14,1% increase in vehicle sales in the first six months of this year, turnover rose barely 10% — and pre-tax/interest income actually fell nearly 5%

COMMENT

FOX

The reason the growth of the entry-level car market, which now accounts for more than one in four new cars sold in SA

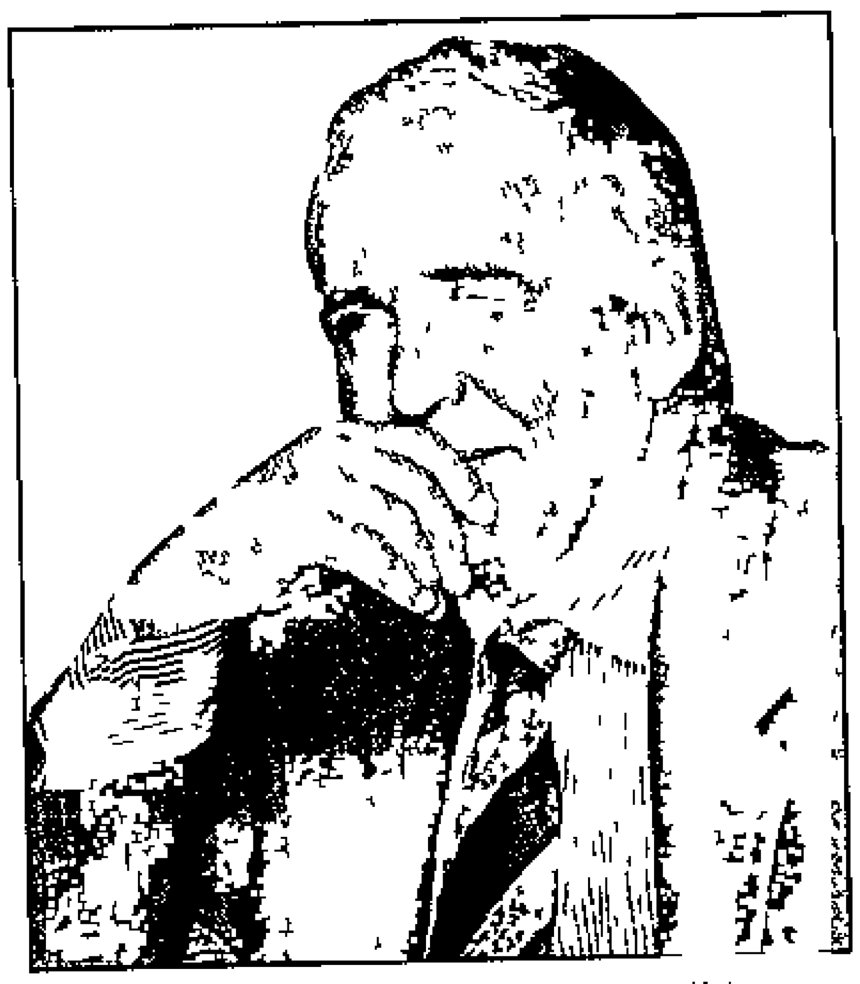
These are expected to garner an ever-growing share of the market, which is why manufacturers are concentrating more of their efforts here Though the bloody price wars of 1996 have yet to be repeated this year, profit margins are tighter than ever

One reason is the small vehicle incentive, through which manufacturers receive duty rebates for cheap cars When government introduced the incentive at the start of 1996, it decreed that only cars with a wholesale price of less than R40 000 could qualify More than 18 months later, that figure remains unchanged, and companies are having to cut costs and margins to remain in contention

If government doesn't raise the R40 000 threshold to take account of inflation, says the industry, soon no one will qualify If that happens, car prices will rise even further, it's estimated the incentive helps lop up to R2 000 off showroom prices

Another reason for tighter margins is the rand's slide against the yen, by about 12% so far this year Though chairman Bert Wessels says cost-cutting throughout the company is going faster than expected, import costs have also outpaced predictions

On the positive side, last October's 27,8% investment in the SA company by Toyota Motor Co (TMC) of Japan is already bearing fruit The Japanese are taking a particular interest in manufacturing and logistical operations, and Wessels expects their input to speed up the pace of cost-cutting and efficiency still further



Bert Wessels *adapting well to changed industry circumstances*

Once that happens, he says, TMC will give greater thought to offering Toyota SA new export opportunities, both for built-up vehicles and components Though vehicle exports to Africa are growing, total volumes as a percentage of overall production remain limited

Wessels adds that, for the first time, TMC is this year helping Toyota develop a business plan This will allow the SA company to plan its future in conjunction with its principal's Says Wessels "This is overdue We sometimes felt a bit lonely when we had to make unilateral decisions "

Despite market difficulties, the interim suggests the company is adapting well to changed industry circumstances — particularly bearing in mind that several competitors are operating deep in the red Operating income was helped, it must be said, by a 61% drop in interest charges, from R45m to R17,6m

Finance director Pieter Robinson attributes this to lower funding requirements stock and receivables were down, and the company struck a preferential deal on funding capital expenditure for the new Corolla On the other hand, a R100m windfall last year as a result of the industry switching from the Phase Six local content programme to the motor industry development programme, was not repeated David Furlonger

Manufacturers at odds over incentive

(192) BD 26/8/97

Edward West

VEHICLE manufacturers and component manufacturers are set to clash over whether the small vehicle incentive (SVI), designed to lower the price of small cars, should be increased to alleviate the effect of rising costs

The SVI grants motor manufacturers progressively higher import duty rebates under a complicated formula, based on a wholesale price below R40 000 a vehicle. The R40 000 limit has not changed for nearly two years, but manufacturers feel that because of rising costs the wholesale price of entry level vehicles could rise above R40 000 This would result in a loss of the SVI and a substantial increase in the price of small cars.

The National Association of Automobile Component and Allied Manufacturers (Naacam) said the SVI was intended to be temporary measure, and was meant to benefit assemblers by between 2%-2,5% of the net wholesale value of the vehicle Last year, this benefit had ranged between 2,4% and 2,8%, higher than what was intended

Naacam director Clive Williams said the SVI had led to greater vehicle proliferation, lower prices at the expense of dealer and motor component manufacturers' margins and to increased vehicle and component imports Some manufacturers were even earning duty credits on SVI, which was being used to import other vehicles

"Government no longer listens to individual lobbying The motor industry will have to speak in one voice on this, and our view is that SVI should at the very least, be allowed to phase out because of inflation," he said

The National Association of Vehicle Manufacturers of SA said SVI should have been reviewed periodically, but this had not happened. "Ideally SVI should be reviewed every six months or every year to take into account inflationary costs and exchange rate pressures," a spokesman said

Vehicle models benefiting from the SVI were Toyota SA's entry level vehicle the Tazz, Samcor's Midge and Tracer models, Nissan's Unos and Volkswagen SA's Citi Golf

A Volkswagen SA (VW) spokesman said manufacturers were calling for an increase in the SVI at least in line with the inflation rate He said the price of VW's Citi Golf Chico had increased by nearly R5 000 when compared with three years ago, when it was R34 400

Employers take Numsa to court over strike

Sowetan 27/8/97

(192)

By Abdul Milazi

THE South African Motor Industry Employers Association (Samiea) has taken the National Union of Metalworkers of South Africa (Numsa) to court over its planned strike on September 9

This is the second legal action against Numsa by employers Last month Samiea made an application to the Labour Court to interpret the motor industry's main agreement

The application was a result of Numsa's insistence that wage increases should be based on what workers earned instead of on the industry's minimum wage

Numsa spokesman Dumisa Ntuli said the planned strike was aimed at mobilising support for the industry's workers after wage talks failed early this month without any substantial bargaining on pay or working conditions having taken place

He said Numsa was planning to mobilise its 200 000 members in all three sectors of the metal industry for the strike to have an impact on employers

At issue was whether the scope of the agreement allowed employers and Numsa to negotiate increases based on what workers actually earned or only on the industry minimums

This is in contention because not all workers in the sector are paid the basic minimum wage Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustment if their current pay levels are higher

Ntuli said Numsa would know on Friday whether its action would be legal when the Labour Court makes its findings public

Tiger Wheels plans new plant

(192) (▓▓)

Edward West

BD 27/8/97

TIGER Wheels, which stayed on track in the year to June with a 50% increase in attributable income to R32,5m, is considering a R200m investment in a new plant to export wheels to vehicle manufacturers overseas

CE Eddie Keizan said the aim of the new manufacturing plant was to place the group in the lower quartile of world manufacturing wheel plants in terms of costs.

The plant would have an ultimate capacity of 2,4-million wheels a year.

The final go-ahead, size and scale of the investment would depend on the outcome of an application made in terms of government's recently announced tax holiday scheme, and co-operation from labour, he said

Keizan said orders had continued to exceed existing output capacity and long term original equipment contracts were being negotiated for the new plant.

Tiger Wheels acquired the business of YTS Tyre Sales, the main distributor of truck, bus and earthmoving Yokohama tyres, in SA, during the year.

The first Tiger Wheel & Tyre retail store was opened in London Losses were less than budgeted.

Tiger Wheels takes sector's chequered flag

CT (BR) 27/8/97 (1922)

SHIRLEY JONES

Durban — Tiger Wheels, the alloy wheel and tyre group, took the chequered flag in the beleaguered tyre sector with a 50 percent increase in attributable earnings to R32,472 million for the year to June 30

Based on forecasts that growth would be sustained during the present financial year, Eddie Keizan, the chief executive, also announced plans to invest in a R200 million wheel manufacturing plant at Babalegi in the Northern Province.

Headline earnings a share were up 36 percent from 52c to 70,7c The dividend increased 33 percent to 28c a share

Tiger Wheels lifted operating income 23 percent to R37,5 million off a turnover increase of 19 percent to R428,5 million

Pretax income was up 48 percent to R40,5 million while income after taxation increased 53 percent to R31,8 million This reflected a lower tax rate due to tax-free decentralisation benefits, use of assessed losses and some group profits having been earned in lower tax regimes, according to Keizan

Keizan said both the retailing and manufacturing divisions had performed satisfactorily in tough markets, a scenario he expected to continue during the present financial year

He said labour problems had continued to affect productivity at the Elandsfontein wheel plant.

Imports also expected to rise from 34 600 to 80 000 by turn of the century, says Naamsa

Export of fully built cars set to skyrocket

BCT (BR) 28/8/97

(1927)

ROY COKAYNE

Pretoria — Completely built-up (CBU) car exports would rise 1 770 percent, or 66 257 units, to 70 000 by the year 2000 from 3 743 units last year, Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers (Naamsa), said yesterday

But CBU car imports were also expected to rise, from 34 600 units last year to 80 000 by the turn of the century, a growth of 41 percent or 45 400 units, Vermeulen said in Naamsa's latest quarterly review of the motor vehicle manufacturing industry

The review covers the seven key original-equipment manufacturers and a further seven specialist commercial vehicle manufacturers

Vermeulen said industry sales projections saw the total local vehicle market growing to 335 000 units by 2000 from the 273 384 units last year, a rise of 22,5 percent or 61 616 units

Sales of domestically produced cars were expected to rise to 325 000 by 2000 from the 242 527 units sold last year

He said employment in the motor industry had fallen by 1,3 percent between the first and second quarters of this year The number of people employed by the industry dropped by 489 to 37 091 at the end of June

Figures provided by Vermeulen showed that production capacity utilised in the second quarter for cars ranged between 59 and 100 percent, between 28,1 and 100 percent for light commercial vehicles, between 25 and 87 percent for medium commercials, and between 70 and 84,7 percent for heavy commercials

This meant production capacity utilised for cars in the second quarter averaged 79,3 percent compared with 82,1 percent in the first quarter of this year, while averaging 74,3 percent for light commercials compared to 70,9 percent in the first quarter The utilisation of production capacity was a reflection of sales conditions

Vermeulen said second-quarter passenger car sales totalled 58 780 units, which represented a decline of 4 315 units or 6,8 percent compared to the 63 095 new cars sold during the corresponding quarter of last year

Combined commercial vehicle sales during the second quarter of this year, at 33 047 units, represented a decline of 2 819 units, or 7,8 percent, compared with the 35 866 units sold during the corresponding quarter last year

"Sales in all sectors with the exception of the medium commercial segment registered declines during the second quarter of 1997 compared with the corresponding quarter a year ago Most sectors, however, managed to record an improvement on 1997 first quarter sales

"Trading conditions in the new vehicle market for the second half of 1997 are expected to remain difficult as a result of continued pressure on consumers' disposable income, a modest slowdown in economic activity levels and particularly as a consequence of the prevailing exceptionally high interest rates

"The increasingly challenging conditions in the domestic market will, however, be counterbalanced by the industry's growing export business which continues in a strong expansionary phase," Vermeulen said

Numsa scores double victory

Sowetan 1/9/97

(192)

Labour Court rules in its favour by dismissing applications by bosses

By Abdul Milazi

THE NATIONAL UNION of Metalworkers (Numsa) scored a double victory for motor industry workers when the Labour Court ruled in its favour on two applications brought against it by employers

The South African Motor Industry Employers Association (Samiea) were opposing Numsa's demand that wage increases should be based on what workers actually earned instead of on the industry minimum

Their application requested the Labour Court to interpret the industry's main agreement, claiming that Numsa's demand was in contravention of the agreement

Another application for an interdict to stop Numsa's planned one-day strike on September 9 was also rejected

The planned strike follows a dispute between Numsa and Samiea after wage negotiations ground to a halt three weeks ago without any substantial bargaining on pay or working conditions having taken place

> 'The counter application for an interdict is dismissed'

Not all workers in the sector are paid the basic minimum Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustment if their current pay levels are above the new minimums

The Labour Court ruled that "nothing in the main agreement precludes Numsa from making demands related to increases on actual as opposed to minimum wages"

It further ruled that "the dispute that it (Numsa) has declared can be followed by a strike which will be protected The counter application for an interdict is accordingly dismissed"

For Numsa, this win means the end of negotiating at plant level to secure increases for workers earning above the industry minimum, and conducting separate negotiations at thousands of workplaces

Numsa spokesman Dumisa Ntuli said the reason the union wanted wage increases to be on what workers earned was to ensure that workers who earned above the minimum were not discriminated against

"For years now employers have been only increasing minimums This meant that once a worker earns above the minimum wage, he no longer benefits from wage negotiations We want to change that," said Ntuli

Samiea is to appeal against the decision

Motor industry programme backfires

ET (BR) 2/9/97 (192)

Roy Cokayne

Pretoria — The stresses brought on by the Motor Industry Development Programme (MIDP), a government effort to improve the competitiveness of the industry, were having the greatest impact in the upper end of the car market, where models retailed for more than R100 000, Standard Bank said in a report released last week

It said in its latest report on the motor industry that the upper end of the car market had been shrinking because of higher tax rates on company cars and travel allowances, and the financial stress that South African consumers were experiencing

"Despite the segment garnering fewer sales, the number of models available has ballooned," the report said "Many of the new entrants sell in small volumes But the new entrants now accounted for a greater proportion of all cars sold in the shrinking upper end market"

In January 1996, Mercedes-Benz, BMW, Audi and Toyota's Camry, the mainstays of the upper end market, accounted for 87,2 percent of all upper end cars sold In June 1997, the mainstays accounted for 77,2 percent of upper end car sales Unsurprisingly, both Mercedes-Benz and BMW were experiencing falling sales, the bank said

The wider variety of models available in the small and medium car segments was at odds with MIDP objectives

The bank said the MIDP had envisioned the industry becoming less complex, enabling longer production runs which would lead to economies of scale being captured "Instead more models are available, either locally produced or imported Production runs are shortening and efficiency gains are not being made"

The bank warned that the proliferation of models had not peaked, as indicated by Venture Motor Holdings' intention to import General Motor vehicles such as Cadillacs and Daewoo's intention to launch two new models later this year and a third model next year "The motor manufacturers can thus expect to fight over ever smaller slices of a market which is expected to decrease in the near future," it said

Standard Bank said small cars accounted for 44,5 percent of the surprisingly robust car sales of 21 994 units in July this year, which pointed to a possible acceleration of the downmarket shift

The resilience of car sales could also be attributed to motor manufacturers reducing the cost of car ownership, the bank said, but it believed that as margins became razor thin, they would be less able to offer price reductions and other forms of incentives

"BMW, for example, has reduced the maintenance plan offered on its cars from 100 000km to 40 000km The increasing inability of motor manufacturers to offer sweeteners, combined with customers' increasingly stressed financial situation, will weaken sales in the coming months"

Motor workshop focuses on SA

CT(BR) 2/9/97 (192)

ROY COKAYNE

Pretoria — South Africa's motor industry will be in the spotlight at the National Automotive Manufacturing Technology workshop, which is strongly supported by the South African and German governments and key industry players, it was announced yesterday

The workshop was organised by the Council for Scientific and Industrial Research (CSIR) in collaboration with the Fraunhofer Gesellschaft and the Fraunhofer Management Gesellschaft.

It will involve active participation by local and international research and technology providers, motor component manufacturers, local and international motor manufacturers and subsidiaries, primary material producers, labour, universities and technikons and the government

A CSIR spokesman said that the intention was that technology providers, such as the CSIR and Fraunhofer Gesellschaft, partner industry by adding value through sourcing, adapting and introducing trends and mutually beneficial technologies and products

The spokesman also said the project was identified by the Binational commission as one that could stimulate technology interchange between the two countries The commission is a forum created as a result of the statement of intent signed in November last year between the German and South African governments

The workshop will take place in Johannesburg on September 22 and 23 this year

It will help in understanding the future trends and technology requirements of the motor industry, a potential key area of focus in the manufacturing sector which is included in the department of arts, science and technology's national research and technology foresight project. This project was initiated to help identify areas of research, science and technology that were likely to yield economic and social benefits for South Africa in the long term

"The outputs from the workshop will also contribute to the automotive industry cluster initiative and, more specifically, the pre-cluster process which will bring relevant constituents to the table, share data and elicit dialogue," the spokesman said.

MOTOR INDUSTRY *New managing director wants a fair share*

Samcor vows to stay aggressive

CT (BR) 2/9/97 (192)

ROY COKAYNE

Pretoria — Samcor, the motor manufacturer, would continue to be aggressive in the vehicle market, said Lewis Booth, the new managing director

Jim Miller, the previous managing director, has been promoted to the newly created position of executive vice-president of Mazda Motor Corporation, based in Hiroshima Under his leadership, Samcor adopted an aggressive pricing strategy that helped it substantially increase its market share

Booth was previously the programme operations manager for vehicle operations for Ford in the US He said it was his aim to earn a fair share of the market for the Ford, Mazda and Mitsubishi vehicles Samcor marketed

But Booth said price was only one part of the mixture Samcor also needed to have good products and high quality

"Samcor will stay competitive in a very competitive market There are a lot of manufacturers with open capacity and I can see pressure on the market increasing

"Samcor is here to make a profit for its shareholders, but the difficulty is getting a balance between staying competitive and making money"

Booth said he would like to move the company into a position where it was able to compete effectively in the long term

"I would like to help get Samcor into a position where its future is secure as the market gets more and more open, which is a significant challenge for the entire motor industry"

BULLISH *Lewis Booth, Samcor's MD, eyes the future*

He was cautious about predicting industry casualties There was excess capacity throughout the world and motor companies would try to use this capacity wherever there were opportunities

Booth said the challenge for South African motor manufacturers was to maintain quality and efficiency He said Samcor would also be moving towards greater differentiation between its Ford and Mazda car brands, and a slightly different balance between completely built up imports and locally manufactured vehicles

But Booth said Samcor would satisfy some niches with imports For instance, it would import Jaguars "as long as we sell them" as it would never secure sufficient volume to warrant making them locally

He said Samcor had to find the "natural break point between what makes sense to manufacture locally and to import" But he said Samcor wanted "to maintain employment and had a valuable production facility it wanted to use"

Booth said the government's motor industry development programme gave the industry "breathing space" to become competitive But the industry had to work at becoming competitive

"With the assembly plant only running on one shift, I don't see the need for any investment to increase the capacity of the plant and I don't think the industry will increase in the near future I would like to spend money on capacity but the demand is not there."

Booth said exports out of South Africa would take time to develop but Samcor was looking for export opportunities

The biggest export contract clinched by the group so far was the order won by its Port Elizabeth engine plant in December 1995 from the Ford Motor Company to supply Ford Escort 1,4 PTE engines worldwide

Booth said Samcor was continuing to ship very large volumes of the engines to Europe and it had received good reports on the quality

He stressed the contract was a way for the company to showcase its capabilities for new export opportunities

"The contract has a finite life and Samcor has to demonstrate its abilities to ensure a follow-on programme," he said

Board will not probe claims of collusion

(192)

Lucia Mutikani

BD 2/9/97

THE Competition Board would not be formally investigating key players in the nuts and bolts industry for possible price collusion because a similar investigation had been carried out about 12 years ago, executive director Wouther Meyer said yesterday.

The board had received an anonymous complaint against the nuts and bolts industry in July alleging that the key players had colluded to increase their prices by about 30%.

"We are not doing a formal investigation.

"We cannot undertake another investigation because an investigation into collusion has already been done," Meyer said.

"In 1985 we did an investigation and made recommendations to the (trade and industry) minister which resulted in a notice being published in the Government Gazette prohibiting cartels.

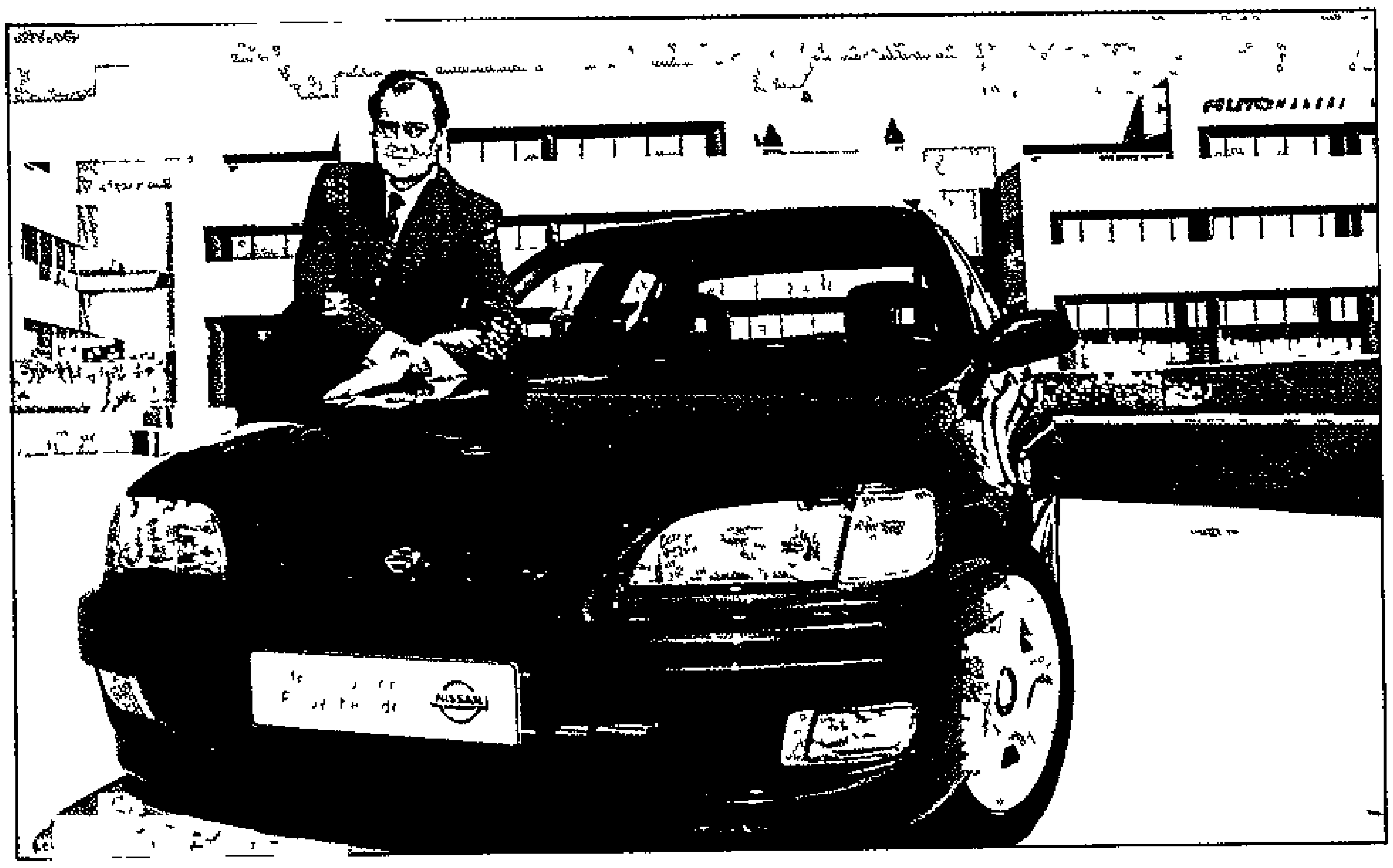
"The enforcement of such a prohibition does not lie with the Competition Board, but with the SA Police Services and the attorney-general's office.

"The prohibition of collusion applies to all industries."

However, he said the board would see if it could gather information and enough evidence to refer the case to the police for prosecution.

"It is extremely difficult for us to gather information because we need somebody to come up with a copy of an agreement or a tape indicating the market players colluded to increase prices," Meyer said.

"We really need anybody who has proof of collusion to lay it before us or the police."



Nissan marketing MD Clive Jandrell repositioning

MOTOR INDUSTRY

Nissan jets in Japanese to boost performance

(192)

fm 5/9/97

Automakers undergoes reconditioning in bid to claw back falling market share

Nissan Motor (NML) of Japan has begun its transformation of Automakers, the delisted holding company of Nissan SA NML, which bought 50% of Automakers for R367m earlier this year, has installed more than 30 Japanese executives and senior managers at the SA company

The parent company has appointed two senior Japanese deputies — Toshio Tanaka as deputy CEO to long-time CEO John Newbury and Sadao Sekiyama as deputy to Charles Wiggill, former MD of Nissan SA and now MD of the assembly operation, Nissan Manufacturing

Other senior management functions now run by Japanese include quality assurance and facilities engineering

Newbury says it is "significant that the appointments are all in line functions which will allow them to play a direct role in the development of Nissan SA"

It has been clear for some time that NML had to do something drastic at Automakers In addition to the failed listing earlier this year and substantial financial losses last year, the company has been beset by falling market share, production shutdowns and lay-offs Morale has also slumped, not least among dealers

The head of one of Nissan's biggest dealerships expresses their feelings "We have been devastated by what has gone on at the company Some of us have gone out of business, others have had a difficult time financially We recognise the Japanese have come in to make Nissan a success"

In the market generally, there is a view that NML will make a significant difference Evidence of this has emerged with the launch of a new Nissan Sentra/Sabre range The company hopes its vehicle sales will start to regain lost ground, following in the footsteps of a new corporate image campaign — "Life's a journey enjoy the ride"

"There has been an urgent need to reposition ourselves, to change the way people view the brand," says new Nissan Marketing MD Clive Jandrell

Nissan's share of the market has halved in two years from about 20% to 9,6% The aim is to return market share for total vehicles to about 15%

Other new products are expected to help the drive Jandrell, formerly CEO of Powertech and Fintech in the Altron group and MD of the Gary Player Organisation, expects new, lower-priced Sanis to glean extra sales in the upmarket four-wheel-drive segment, and they could be followed by a short-wheelbase version early in 1998 He predicts that a forthcoming Maxima, in both 2*l* and 3*l* versions, will improve the range's disappointing sales "by at least 300%"

Automakers will continue to build cars on contract for the Italian Fiat company The Italians had expected to set up their own marketing company by now, but the process has taken longer than expected Meanwhile, Nissan dealers will continue to market Fiats

David Furlonger

SA NEWS DIGEST

TRANSPORT (192)

Exports of SA-made vehicles surge 72% in first seven months

Exports of South African-produced vehicles, in contrast to the weakness in the domestic market, continued a strong upward trend in the first seven months of this year, said Nico Vermeulen, the executive director of the National Association of Automobile Manufacturers of South Africa, yesterday Vermeulen said locally made vehicle exports between January and July rose by 72 percent, or 3 641 units, to 8 689 units from 5 048 units in the same period last year. Passenger vehicle exports rose 130 percent, or 1 962 units, to 3 464 units from 1 502 units last year Light commercial vehicle exports rose by 47 percent, or 1 493 units, to 4 664 units from 3 171 units last year, while medium and heavy truck units exported this year rose by almost 50 percent, or 186 units, to 561 units from 375 units exported last year — *Roy Cokayne, Pretoria*

CT(BR) 5/9/97

Motor industry loses appeal against Numsa

(192) Sowetan 9/9/97

By Abdul Milazi

MOTOR industry employers lost yet again yesterday to the National Union of Metalworkers of South Africa (Numsa) when their appeal against a Labour Court decision in favour of the union was thrown out by the Appeal Court

The Labour Court had ruled that Numsa was acting within the industry's main agreement when it demanded that wage increases should be based on what workers actually earned instead of on the industry minimums

The Appeal Court referred the matter to the Commission for Conciliation, Mediation and Arbitration, on the basis that it had no jurisdiction over disagreements on the interpretation of industry agreements

The Labour Court had made the same observation when the South African Motor Industry Employers Association (SAMIEA) had made the application requesting it to interpret the industry's main agreement, claiming that Numsa's demand was in contravention of the agreement

Numsa motor industry chief negotiator Hosea Morapedi said the court said it could only handle the case with the consent of both parties We consented because we wanted the matter to be resolved quickly,' said Morapedi

The major debate was whether wage increases should be on what workers actually earn, as demanded by Numsa, or on the industry minimums, as insisted by the SAMIEA

The Labour Court ruled that 'nothing in the main agreement precludes Numsa from making demands related to increases on actual as opposed to minimum wages'

The court further ruled against the SAMIEA's application for an interdict to stop Numsa's planned day of action today It ruled that "the dispute that it (Numsa) has declared can be followed by a strike which will be protected"

The planned strike follows a dispute between Numsa and the SAMIEA after wage negotiations grounded to a halt three weeks ago without any substantial bargaining on pay or working conditions having taken place

Not all workers in the sector are paid the basic minimum Many are paid above the agreed minimum and therefore risk being excluded from any wage adjustments if their current pay levels are above the new minimums

Two car firms reach settlement with govt

BD 9/9/97

(192)

Stephané Bothma

PRETORIA — Two vehicle manufacturers had reached a multimillion-rand settlement with the trade and industry department over an alleged motor export incentive scam, in what was believed to be one of the biggest payments of its kind, an industry source said yesterday.

Secrecy surrounds the out-of-court settlements reached last week with the department by Nissan SA and Toyota SA while discussions with Delta, Samcor and Associated Automotive Distributors continue

Although strict confidentiality was a settlement condition, the source said the amounts to be paid by the two companies were the biggest paid by private companies to a government department to settle a legal battle

The claims against the five manufacturers, totalling about R120m, relate to alleged fraudulent practices by a component manufacturer which sold export credits to the manufacturers, which in turn used them to claim export rebates under the now defunct phase VI local content programme

At the height of the alleged scam, SA started exporting nuts and bolts worth about R600m to Europe.

Court documents which formed part of the department's R30,1m claim against Nissan showed that the state had paid Nissan SA the amount as excess rebate payments based on export incentive cessions by Bolt Trading and Manufacturing and by Johan le Roux of Non-Ferrous Refiners The department claimed the money back on the basis of "unjustified enrichment" or alternatively "misrepresentation"

Civil action against the other four companies were also being prepared, with R57m being claimed from Toyota and R37,7m from Delta.

When details of the alleged scam became public, the companies denied any wrongdoing or export fraud, claiming they were innocent parties.

The trade and industry department would not comment on the matter yesterday, claiming it was sub judice A statement would be issued this week.

Delta to contest govt's R37m rebate claim

(192)

OD 12/9/97

Lucia Mutikani

DELTA Motor Corporation has ruled out an out-of-court settlement with the trade and industry department and plans to contest the R36,7m rebates claim by the department

"No court date has been set since the summons received more than four years ago regarding the alleged claiming of rebates to the value of R36,7m," said corporate communications manager Ed Emmett.

"As with the other manufacturers, apart from this week's reported out-of-court settlement by Nissan and Toyota, we are contesting the claim by the department," he said

Last week Toyota and Nissan reached a multimillion-rand settlement with trade and industry over the alleged abuse of the Phase VI local content programme export incentive The settlement value remained a secret yesterday, with the parties involved saying the matter was sub judice

SA News Digest

VEHICLES (192) ET(DE) 15/9/97

State's inability to halt illegal imports may threaten investor confidence

Investment opportunities in the South African motor industry could be threatened by the government's inability to stem illegal imports of used vehicles and components such as tyres, Errol Richardson, the executive director of McCarthy Motor, warned at Friday's Conference on International Competition and Promoting Tourism in KwaZulu Natal He said this posed a serious problem as it would undermine the domestic manufacturing base and destroy investor confidence in this country as part of multinationals' global strategies Richardson said although the motor industry development programme was by no means perfect, it formed a good set of rules for both the motor and component manufacturing industries "The very nature of radical restructuring means new winners and new losers" He said the programme's outward focus forced companies to think globally — *Shirley Jones, Durban*

Motor industry confidence picks up

(192)

Lucia Mutikani

BUSINESS confidence in the motor industry gained 0,08 points last month to push the business index to 100,03, propelled by optimism from the industry's refurbishing and rebuilding sectors.

The Motor Industries Federation said its latest Business Mood Indicator showed retail motor traders were starting to feel less pessimistic about general business conditions.

The federation measures the business mood in its 11 constituent associations at the end of February, May, August and November every year.

While eight of the 11 sectors of the industry remained pessimistic, tyre retreaders, component remanufacturers and diesel pump room operators were optimistic about business prospects.

The quarterly study showed that motor traders expected unemployment to continue to rise over the next six months

About 40% of respondents said they had made capital investments in their businesses in the past half year.

BD 16/9/97

New plan for illegal car imports

(192)(FILE)

ROY COKAYNE

CT(BR) 16/9/97

Johannesburg — The confiscation and scrapping of illegal vehicle imports was being considered by an action committee headed by the National Automobile Dealers' Association (Nada), the director of Nada said yesterday

Gary McCraw said the proposed measure was part of the fight against illegal used vehicle imports into South Africa He added that some form of amnesty was also being considered for owners of illegally imported vehicles who had unwittingly acquired them

He said these were the two major recommendations being considered by a subcommittee

McCraw said he was compiling a document to be put through to the action committee for finalisation before it was sent on to the government for its input, probably early next month

It has been estimated that between 27 000 and 37 000 cars, bakkies, leisure vehicles and luxury models and 8 000 and 10 000 trucks are imported illegally into South Africa each year, resulting in lost customs and excise duties, Vat and motor industry revenue

McCraw said there were mixed feelings about both the confiscation and amnesty plan He said some banks were unwittingly involved in funding illegal vehicle imports, while some consumers had unknowingly bought them Both would suffer loss if these vehicles were confiscated and scrapped, he said

However, McCraw said the committee was not in favour of middlemen and "rogues who knew they were acting illegally" being granted amnesty

He added that the committee also had to determine whether the four government departments involved in any amnesty — trade and industry, SA Revenue Services, including customs and excise and finance, the department of transport and department of justice — had the mechanisms to manage it

The formation of the action committee follows a special summit meeting convened by Nada in early August and attended by representatives of various organisations which are determined to curb the inflow of illegal vehicles into South Africa

McCraw said a possible solution to the problem was the Nation Traffic Information System (NaTIS), which was scheduled to be operational from December 1 this year This system would require manufacturers and importers to register vehicles and their engine and chassis numbers so that only the owner's name, and not critical information, could be changed when a vehicle was sold

He said the current system was "totally open" to fraud

Export boom by 2004 seen for cars and parts

AUG 17 1997 (192)

Pretoria – South African automotive exports could show a threefold increase by 2004, says president of the Engineering Association Roy Marcus.

"There is no reason why we cannot become a winning nation in this area," he said at a workshop on automotive manufacturing in Johannesburg yesterday

Mr Marcus described South Africa as one of the most innovative nations in the world

"We already export a large number of cars and automotive parts, and there is no reason why those exports cannot double, or quadruple, by the year 2004," he said

Neville Comins of the Council for Scientific and Industrial Research's materials, science and technology division in Pretoria said the industry was a global one

It was one in which all major players intended becoming involved, he added.

"South Africa is looking to strengthen the local industry to become a genuine international player," he said – Sapa

EWS

Production price of transport industry parts surges 25,3%

(192)CT(BR) 18/9/97

Johannesburg — The production price of transport industry parts and accessories for South African consumption, which includes domestically produced and imported products but excludes exports, rose a massive 25,3 percent in the 11 months between July last year and June this year, according to the Central Statistical Service (CSS)

By comparison, the CSS said the increase in the local production price of these parts and accessories in the same period was only 2,6 percent

The CSS attributed the increase to a substantial rise in prices of parts and accessories, but was unable to say whether it related to new vehicle model introductions or involved imports by original equipment manufacturers (OEMs) or other importers.

Tony Twine, a motor industry analyst and economist with Econometrix, described the differences between the two figures as "wild" and the 11-month comparison, instead of 12 months, as "weird" — Roy Cokayne

MAN to become world bus chassis supplier

ST (BT) 21/9/97 (192)

TRANSPORT

BY DON ROBERTSON

THE troubled bus industry has been given a fillip with the announcement that MAN Truck & Bus SA will become the world supplier of front-engined bus chassis, after an investment of about R15-million by its German parent

The investment will allow MAN Truck & Bus SA to double production at its Pinetown, KwaZulu-Natal, plant from the current 200 a year and result in increased employment at the factory and in the bus body industry Apart from exports to the rest of Africa, countries in the Middle East and South America will also be supplied with vehicles

Dorbyl, which recently closed its Busaf body plant in Port Elizabeth, also said this week it was negotiating an agreement with the giant Tata bus company in India, offering its special technology in body building and its chassis design through its interest in ERF

Successful negotiations could also result in a joint venture to manufacture buses for the SA market

MAN Truck MD Ferdi Rocha says the German decision to commit further investments to SA favours not only the local company, but enhances the country as a recognised industrial producer meeting international standards

The front-engined bus is particularly suitable for rural conditions which require a relatively high chassis

In the past, MAN has supplied the rest of Africa with left- and right-hand drive buses produced at its Salzgitter factory in Germany "This type of vehicle will continue to be in demand throughout Africa for the foreseeable future, but MAN has also identified regions outside Africa, for example the Middle East and central America, which have similar requirements "

This could earn considerable foreign exchange, with buses costing up to R650 000 The agreement could involve MAN Truck producing trucks for low-volume niche markets overseas

While these developments are encouraging for the heavy truck and bus industries, a recent report compiled by The Marketing Shop suggests that "only a handful" of the 27 manufacturers and distributors currently in operation will still be in existence in 2002 when import duties bottom out in terms of the Motor Industry Development Programme

MD Malcolm Perrie says only those with an international base and profile will be able to survive He predicts the disappearance of many of the marques currently seen on SA roads

Perrie believes the commercial market will show only moderate growth over the next five years, rising to 22 400 by 2002 compared with the expected 17 300 this year

● Transport Minister Mac Maharaj will officially open the Transport Expo on Tuesday The exhibition, organised by Specialised Exhibitions, has 163 participants representing all the major manufacturers and suppliers Commercial deals worth an estimated R30-million are expected to be concluded, with about 10 000 guests forecast

Nissan parent puts SA group on road to recovery

(192)

ST(BT) 21/9/97

Nissan Japan will invest about R1-billion to help the troubled car manufacturer, writes DON ROBERTSON

THE giant Nissan motor group of Japan will invest about R1-billion in Nissan SA over the next two years in an effort to put the troubled local company on the road to better profitability and to claw back some of its lost market share

Nissan Japan expects to roll the investment out over two years, the results of which will hopefully boost the local image of the company and place it on track for a renewed assault on the motor market

The investment will see 14 new models launched to motorists before the millennium

The investment is a direct push by Nissan Japan, reflecting the parent company's faith in the local company and its commitment to maintain the marque as a major player in the local motor industry

Earlier this year, Nissan Motor Corporation came to the rescue of the Sanlam-owned Nissan SA, purchasing a 50% interest in the local company for R367-million

Nissan holding company Automakers, since delisted from the Johannesburg Stock Exchange after a disastrous 18 months, had reported an attributable loss of R91-million for the half year to March and had been forced to increase borrowings to R1-billion to finance its operations

The extent of its problems are evident in its standing relative to its competitors The company's total market share has tumbled from more than 16% a year ago to only 9% The new, aggressive model programme will see nine new Nissan models launched before the end of the century as well as five new Fiat models including the Palio

The new models will take up about R740-million of the new funding The rest of the R1-billion will be utilised for the purchase of plant equipment and for the upgrading of other facilities

The recent launch of the new Sentra and Sabre represented the first of the group's new model onslaught Later this year another new model will be introduced and four more next year

To assist with the product launches, a number of senior appointments from Japan have been made

These include Toshio Tanaka as deputy CE of Automakers, Sadao Sekiyama as deputy managing director of Nissan Manufacturing and Tsuneo Nakagawa as general manager of quality assurance

Clive Jandrell, the newly appointed managing director of Nissan SA Marketing, says traditional funding sources will be utilised with all shareholders participating Nissan Motor Company of Japan has a 50% shareholding, while Sankorp has 37%, Mitsui 8 7% and Nissan Diesel 4 3%

Integral to the re-establishment of Nissan SA as a significant participant in the motor industry is the expected rapid increase of its export activities through Nissan Africa, its export arm The new left-hand drive one-tonner Hardbody models produced on a new line at the Rosslyn plant have been well accepted in west Africa while the manufacture of completely knocked down products at the Motoware factory in Zimbabwe is increasing

Also on the new model front, Samcor has announced the launch of the Ford Mondeo, to replace the Telstar in February The cars will be offered in sedan, hatchback and estate versions, the last two in fully built-up form and will be powered by 1 8 litre, 2 litre and 2 5 V6 litre engines as well as a 1 8 litre turbo diesel

Govt pledges continued support for motor industry

Lucia Mutikani (192) BD 23/9/97

GOVERNMENT would continue supporting the automotive industry to give it a sustainable and permanent place in the economy, Trade and Industry Minister Alec Erwin said yesterday

Opening a two-day national automotive manufacturing technology workshop, Erwin said one of the challenges facing the industry was its small local market, which could not sustain it

"In the world automotive industry, characterised by over-capacity and over-competitiveness, an industry our size must be in a difficult position," he said The industry contributes almost 7% of SA's GDP

Erwin said the motor industry development programme introduced in 1995 represented a new direction in government policy towards the automotive industry

He said while previous strategies which aimed to develop local industry by imposing local content requirements and placing high tariffs on imports were effective in helping the establishment of a significant assembly industry and a diversified component sector, most producers were still not internationally competitive and domestic vehicles sold at a premium to world prices

The minister said the protected environment led to a proliferation of vehicles production with few exports He said phase six of the local content programme enabled vehicle manufacturers to include exports as part of their local content

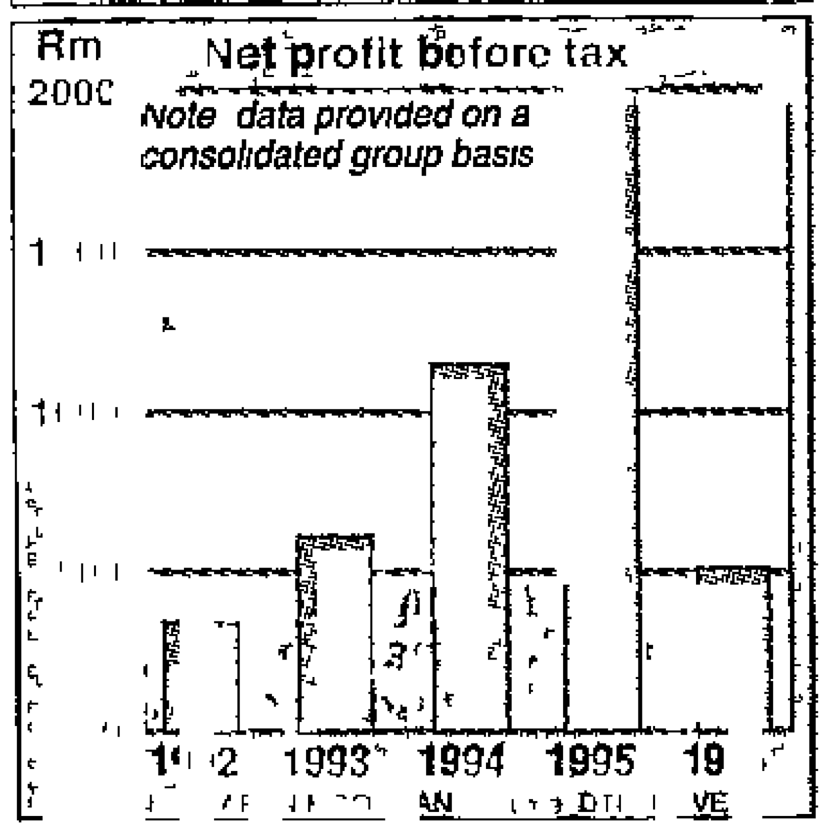
"This encouraged a rapid expansion of exports, especially of components, and placed increasing competitive pressure on the component industry," said Erwin.

See Page 17

'Export opportunities' for SA car firms

(192) BD 23/9/97

Profit performance of light vehicle manufacturers



Lucia Mutikani

CHALLENGES for SA car and truck makers from reduced import protection were likely to be offset by brighter export opportunities, the department of trade and industry said

In this year's report on industry developments, the department said the industry had experienced a dip in profit last year as result of the removal of some protective measures

"The structure of the industry is changing rapidly as it becomes more integrated into the global market. Positive factors include market expansion spurred by price reductions, the rapid growth in exports and rising investment in the assembly and component sectors "

So far industry rationalisation has been limited and low volumes remain an important obstacle to competitiveness

Last year production in the automotive industry declined to about 11,5 units per employee from 12,1 units in the period 1992-1995.

The department said rationalisation of the number of models in production was an important objective of the motor industry development plan as greater volumes were required if the component sector was to reduce unit costs to compete with the imported product

"However, with the reduction in tariff duty and the ability to rebate import duties by exporting, manufacturers have an incentive to specialise the product line," said the department

"A number of assemblers have indicated their intention to reduce the number of models in production and expand exports Low volume models will increasingly be imported "

Light commercial vehicle exports for the first half of this year were 74% higher compared to the same period last year and future export sales were set for rapid expansion A number of manufacturers had significant completely built up (CBU) export plans as part of their strategy to increase production runs

There had been significant expansion in the market share of imported vehicles off a low base This was set to increase with a large number of new distributorships of imported vehicles being established together with growing CBU imports by existing manufacturers

NEWS

Report shows soaring exports have not kept pace

Scales tip in favour of vehicle imports

ET(BR) 25/9/97 (192)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Automotive component exports surged ahead last year but South Africa was likely to continue importing more vehicles and parts than it exported as the industry opened up, the trade and industry department has reported

In its first report on the state of the motor industry since the introduction of the motor industry development programme in September 1995, the department said component exports had risen 47 percent between 1988 and 1996, when they earned R4,05 billion

Of these, 31,1 percent consisted of seat parts and leather seat covers, followed by catalytic converters (12 percent) and tyres (7,3 percent)

Europe accounted for about 80 percent of component exports and Africa 8 percent, led by Zimbabwe

At the same time, imports had also risen with a large number of new distributorships being established Some manufacturers were importing completely built-up units

"However, given that a significant portion of these vehicles were imported on a semi-knocked down basis at a concessionary rate and subject to a quota, the growth in imports does not significantly exceed expectations," the department said

Most light vehicle imports came from Korea (22 530 units) followed by Germany (4 707)

The truck industry, which has faced more rapid tariff cuts, had seen a rapid shift from local manufacture to semi-knocked down assembly from mainly imported components

Imports of components had also been growing because of higher vehicle sales and greater international competition This had placed growing pricing pressures on component manufacturers This had only partially been compensated for by the weaker rand

"While there has, as yet, been no significant decline in local content, there are indications of lower local content levels in certain new models," it said This was one of the most sensitive areas of the programme and was being closely monitored, although most component suppliers were adapting to import competition by expanding exports, linking up with other domestic or foreign firms and improving production efficiencies

These developments had resulted in a R14 billion trade deficit in the sector in 1996 The profitability of the seven major vehicle manufacturers had fallen sharply, with some recording losses

BUSINESS

Sowetan (Bus) 25/9/97 192

Stalemate as strike continues

THE National Union of Metalworkers (Numsa) strike at Usko Limited in Vereeniging entered its third week yesterday – and there is still no end in sight

Workers want the company to extend its housing subsidy scheme to people who live in rural areas, while the Usko management argues that rural land is owned by a chief and the community and banks are reluctant to issue bonds in such a situation

The 400 workers have vowed not to return to work until their demands are met Employers have hired scab labour to keep operations going

Numsa spokesman Dumisa Ntuli said. "We condemn the employers' decision to hire scab labour. We call on them to address the issue immediately rather than create unnecessary conflict

"These employers have the mistaken view that only workers who live in urban areas should have access to the housing subsidy

"Numsa views this as brutal and naked discrimination against vulnerable rural workers"

Mercedes reaps benefits of export drive into Africa

(192)

A STRATEGIC corporate decision to target export markets in Africa has reaped dividends for motor car manufacturer Mercedes-Benz.

Since 1990, when Mercedes-Benz of SA (MBSA) launched a concerted export drive into Africa, the company has made significant gains in export market share.

This success culminated in a record year in 1996, when MBSA became the leading supplier of commercial vehicles and luxury passenger cars to Africa — capturing more than 49% of the market for vehicles exported by local manufacturers

The top-selling export model in the MBSA passenger vehicle line-up is the Mercedes-Benz C180 manual MBSA also exports components, mainly to Mercedes-Benz plants in Germany, as well as to Honda Thailand, totalling R435,7m in 1996

MBSA's foray into African markets followed an agreement with parent company Mercedes-Benz AG (MBAG) in 1990 that allowed the SA distributor to penetrate a number of selected countries on the continent

Today, MBSA supplies vehicles to most of the right-hand drive markets in Africa previously supplied directly by MBAG, with penetration into Kenya, Zimbabwe, Tanzania, Zambia, Malawi, Mozambique and Uganda

In addition, MBSA manufactures and markets Mercedes-Benz and Honda passenger cars, Mercedes-Benz commercial vehicles, Colt pick-up vehicles and Freightliner custom-built trucks in SA

Daimler-Benz AG Germany holds an 87% shareholding in MBSA, while the Ernst Gohner Foundation in Switzerland holds 13% MBSA represents one of the largest German investors in SA.

MERCEDES-BENZ East London plant is third largest outside Germany

Dan Modzelewski, MBSA's procurement and exports GM, says the allocation of certain markets to SA from Germany has been a key factor in the success of the company's export drive

"This has allowed us to achieve some fundamental results and has been the key to our integration into the Daimler-Benz network"

Modzelewski points out that the domestic motor market is not big enough to sustain the growth SA needs, and that expanding the export market is the logical route to go This would encompass not only the traditional markets in the Southern African Development Community countries, but further afield in the left-hand drive markets as well

As buying trends in Africa change to meet new demand for buses and transport vehicles, Modzelewski warns that German and other international manufacturing plants will not always be able to accommodate the requirements of the African market. Integrating production operations into a global operation is thus a driving business philosophy.

"The strong ties we have had with Germany have facilitated this to an extent, allied to the fact that we have a magnificent manufacturing infrastructure at East London"

The East London manufacturing plant is Mercedes-Benz's third largest outside Germany The MBSA parts division in Pinetown is among the largest Mercedes-Benz parts warehousing and dispatch facilities in the world. The company's marketing and administrative divisions are located at the company's Pretoria head office.

The East London plant produces vehicles with an average local content in terms of selling price of more than 60%

"Our aim must be that we do not rely on subsidies to continue our business activities in SA We need to effect improvements in terms of costs and efficiencies in order to build up our infrastructure to allow us to export products at global prices and to compete without subsidies," says Modzelewski

MBSA has earmarked more than R60m over several years for the upliftment of the communities in which it operates, and for the SA population in general, through reconstruction and development project-linked projects

These include housing and services, health care, in-house medical centres providing primary health care, health education and preventative programmes, education and training, as well as skills training in technical and engineering fields provided through MBSA's own technical training centre

BD 26/9/97

BMW gears up for major export drive

(192) BD 26/9/97

BMW SA has expanded its export drive to embrace five different southern hemisphere regions and in the process has introduced new models to the production line, including left-hand drive vehicles

The company now exports vehicles to South America, Taiwan and the Middle East, in addition to export markets already established in Australia and Pakistan

Export models are based on the 3-Series four-door model range and include specific "edition" models requested by particular markets — all manufactured at the BMW SA factory at Rosslyn

BMW SA expects to export more than 3 000 units this year, fulfilling its role as a vital cog in BMW's global sourcing and supply strategy.

Conrad Schmidt, manager corporate planning for BMW SA, says. "We have been successful in maintaining the quality standards required and in delivering these cars to meet shipment deadlines"

In1998, BMW SA hopes to maintain its export capacity during the restructuring of the Rosslyn plant BMW SA is poised for an export programme that will increase production at the Rosslyn plant by more than 250% by 1999.

Schmidt says that in early 1999 BMW SA will be launching a full export drive from the revamped Rosslyn factory

"We are in essence rebuilding the factory on the existing site This entails radical changes to the production processes, the body shop and assembly areas, while a completely new paint shop will be added, enabling us to make world cars for world markets."

BMW SA will be delivering the entire range of 3-Series cars from the new Rosslyn factory

In 1991, BMW SA assumed responsibility for supplying cars to sub-Saharan African countries, and as its export capability increased the first 500 3-Series cars destined for Australia left Durban in January 1996.

One of BMW SA's subsidiary companies, SA Trim, treats, cuts and sews seats and trim parts for BMW worldwide. These are exported through SA Trim, which supplies 70% of BMW's international demand for leather car products Schmidt says this has grown into a massive infrastructural facility to service the German production lines on a truly just-in-time basis The items are therefore transported by airfreight and not by sea.

The history of BMW in SA goes back to 1961, when the first 26 BMW cars were imported

Production of BMWs in SA began in 1968 when a Pretoria-based firm, Praetor Monteerders, obtained the franchise to assemble BMWs in its small factory in Rosslyn During the next six years its output averaged 1 600 units a year

In 1972, BMW AG took over the major shareholding in the SA company and changed its name to BMW SA Two years later, BMW bought out all the other local shareholders and BMW SA became a full subsidiary of BMW AG

The decision to invest in SA resulted in numerous expansions to the Rosslyn plant, which until 1994 was the only BMW production plant outside Germany

It also benefited BMW enthusiasts, as the local firm could introduce right-hand drive versions of the latest model lines

Over the past two decades BMW SA has experienced steady growth, increasing its share of the total SA passenger car market from less than 1% in 1970 to a position where BMW SA enjoys the highest market share in any of the more than 30 countries where its products are sold.

BMW SA, together with BMW US, are today the only totally-owned manufacturing units of BMW AG outside Germany.

In SA the plant is dedicated to manufacturing the 3-Series and the US plant in Spartanburg, South Carolina, is dedicated to the new BMW Z3 Roadster, soon to be launched in SA

MANUFACTURING

By DON ROBERTSON

Motor industry in the process of major overhaul

(192)

ST(BT)28/9/97

TWO years after the implementation of the Motor Industry Development Programme (MIDP), automotive groups are performing well and prospects are brighter than they have been for many years

The aim of the MIDP is to create an internationally competitive industry, make vehicles more affordable, increase volumes and provide for a greater contribution to the economy by reducing the current automotive trade deficit It will be achieved largely by the gradual reduction of tariff protection

But, while optimism has improved, not all aspects of the industry are that rosy

At an industry function hosted by the SA Guild of Motoring Journalists last week, manufacturing representatives and dealers presented their findings, many of which were at odds with one another

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA (Naamsa), says that since the introduction of the MIDP, exports of vehicles and components have grown at a faster rate than imports In spite of this, the trade deficit increased sharply to over R14-billion last year.

According to an interim report from the trade and industry department, the deficit can be expected to increase further as the market grows The report shows total imports of components and vehicles rose to about R18-billion last year compared with exports of R5-billion

Profitability of the seven major assembly groups has also declined From a low base of R328-million in 1992, profits before tax soared to R2-billion in 1995 following a sharp increase in sales and a one-off benefit arising from the change from a excise-based programme to the import duty-based MIDP

Last year, however, total pretax profits tumbled to R520-million with a number of companies recording losses as competition increased and margins were squeezed.

Profit levels of component companies reflected a similar pattern with pretax income falling 74 5% between 1995 and 1996 In contrast, new investment increased from R660-million in 1990 to R1 1-billion last year with the component industry showing a similar trend as manufacturers increased production for the export market

Much of this represented foreign investment and the motor industry has been one of the largest recipients of this funding since 1994

Rationalisation, another aim of the MIDP, has not occurred to any great extent, but a number of manufacturers have indicated their intention to reduce the number of models in production and increase exports

Productivity has also not performed as expected with the number of units produced by each employee declining between 1995 and last year

Ted Waldburger, chief executive of component manufacturer T&N Holdings, says his industry has not performed as well as the car assembly industry, with profits falling, the number of models increasing but with a smaller offtake of local components and employment currently at "its lowest ebb" In contrast, exports have increased

There are 180 component manufacturers but this number is expected to decline to about 100 through rationalisation, mergers and closures by 2002, when the MIDP policy ends

The trade and industry department says the structure of the industry is changing rapidly as it becomes more integrated into the global market

Positive factors include market expansion spurred by price reductions, export growth and rising investment in the assembly and component sectors

POSITIVE . . . Naamsa's Nico Vermeulen says exports ar

Rebuilt tractor market expands 30% in two years

BD 1/10/97

Louise Cook

(190)

THE relatively new market for rebuilt tractors grew 30% in two years with at least five units a month being sold at present in SA, Denel spokesman Anton van Zyl said yesterday

Denel was also awaiting a response from the SA Bureau of Standards on setting a national standard for rebuilt machines in order to expand the market further.

"About 60% of tractors of between 15 and 20 years cannot be maintained any longer. The cost of new tractors saw the SA fleet halve from 200 000 in 1983."

A source said the rebuilding of tractors was to be extended to more models. Provided the process was standardised nationally, it could be the solution to the spiralling cost of new tractors, he said

"A rebuilt tractor costs 60% of the price of a new one — provided finance is available, the market has unlimited potential to grow given the large numbers of emerging farmers."

Despite an expected slump in new tractor sales in the long term due to uncertainty concerning product prices and a weaker rand, last year's sales were up 40% on 1995 to 6 049 units.

Farm machinery sold last year amounted to R1,5bn — the highest figure in 11 years Earlier this year SA Farm Machinery Association chairman Jim Rankin said new tractor sales this year were likely to remain the same as last year due to the smaller area under maize.

Delta offers 'voluntary separation packages'

(192) BD 6/10/97

Vuyo Mvoko

DELTA Motor Corporation has offered all its employees "voluntary separation packages" before it considers "the related prospect of forced retrenchments and layoffs".

Delta human resources director George Stegmann advised workers last week that the package being offered was "more attractive than retrenchment benefits prescribed in either the Labour Relations Act or the national bargaining forum agreement".

Employees across the board may apply for the package before October 15 and their employment will end as early as October 31.

Stegmann told staff the entire SA automobile manufacturing industry was "grappling with enormous challenges and pressures arising from a

Continued on Page 2

Delta

(192) BD 6/10/97

Continued from Page 1

number of sources" including increased foreign competition and "deteriorating economic ... conditions".

Delta had tried to accommodate its surplus manning levels in the hope that things would improve, he said. However, "prevailing difficulties" had forced the move.

Stegmann said Delta's move "corresponds with similar steps implemented by other manufacturers, including the market leader in the industry".

A Delta spokesman said the number of workers who would be affected by the exercise could not be determined at this stage, although the figure was expected to run into the hundreds. The company employed about 4 500 people.

Delta needed to look at bringing labour distribution into line with the reduced schedules, he said.

Preliminary details of the package, according to an internal memorandum circulated to staff late last week, stipulated that each parting worker would be entitled, among other things, to a pro-rata share of the 1997 year-end bonus, cash for all outstanding leave and contractual notice periods, a special ex-gratia payment of R5 000 or a special vehicle purchase discount of dealer billing or bulletin price less 20%, and one month's basic wage or salary for every two years of continuous service.

COMP

Automotive industry to introduce benchmarks

(192) BD 7/10/97

Lucia Mutikani

THE automotive industry had identified the need to introduce benchmarks next year to assess its international competitiveness, Engineering Association president Roy Marcus said yesterday

The Council for Scientific and Industrial Research was already looking into the possibility of implementing the first phase of the programme by next May through its manufacturing for excellence support centre, he said

A benchmark is an example by which organisations are able to measure themselves against best practice

"We have a problem because there is no real assessment of how the industry is doing in terms of international performance We do not know how output from various manufacturers compares with their international counterparts," Marcus said

Apart from measuring the industry's output, benchmarks would also look at its ability to generate revenue and create employment competitively Through the benchmarks the industry could decide what strategy was needed to make SA globally competitive

"It will help us to determine what the strategy of the industry should be and determine what initiatives are going to be required from government," Marcus said

"There is a vision to make SA a formidable international player in the automotive industry in line with the binational agreement which was signed by Deputy President Thabo Mbeki and the German government "

He said that the agreement would facilitate technological partnership and thereby enable SA companies to supply Germany with strategic components for its automotive industry, making them more globally competitive

Lack of competitiveness and small market expansion have been singled out as some of the challenges facing SA's automotive industry The industry is also facing competition from imports, which constitute 15% of the market

Marcus said it was imperative that the automotive industry support the department of trade and industry's cluster study aimed at building sustainable competitive advantage for firms within the SA automotive industry

"There is also need for tertiary educational institutions to develop relevant undergraduate programmes, and for government to introduce tax incentives for training " The country required joint ventures and not licence agreements, he said

Cheap motor imports threaten jobs in industry

BD 8/10/97 (192)

GRAHAMSTOWN — The lifting of tariff barriers on motor industry imports is threatening jobs in the Eastern Cape as car manufacturers, among the province's largest employers, cut back staff to remain competitive.

It was announced on Monday that Port Elizabeth-based Delta Motor Corp plans to offer voluntary severance packages for up to 400 staff from the end of this month

Delta is not alone in the effort to drive down costs as the lifting of tariff barriers allows the entry of cheap imports into SA. Component manufacturers are also feeling the pinch.

The staff reduction will begin at the end of this month and Delta hopes to complete the exercise by the end of the year. However, the packages are being fiercely contested by the powerful National Union of Metalworkers of SA (Numsa)

Delta's human resources director George Stegmann said yesterday: "The SA automotive industry is grappling with enormous challenges and pressures — including increased foreign competition and deteriorating market conditions. It is against this background that ... Delta Motor Corporation has had to deal with the reality of reducing its production schedules.

"A direct result is the company finds itself in a position where it has surplus manning levels. This surplus has been carried for some time in the hope the market would improve and that combined with normal job attrition, any specific employment reduction action could be avoided.

"However, it has now become essential for the company to review its position in this regard.

"In an effort to address this surplus without resorting to enforced retrenchment, the company has initiated a voluntary severance package to all permanent employees."

Stegmann confirmed that a number of employees had requested the packages, particularly those close to retirement age and those who wished to pursue other opportunities.

He said there was a significant need to reduce manning levels at the Kempton Road assembly plant and to a lesser extent the Struandale factory.

Uitenhage-based Volkswagen, however, has no immediate plans to cut back staff. Spokesman Raymond Hartle said: "At the moment there are no plans to retrench any staff or offer voluntary severance packages.

"We had a look at our operations at the beginning of the year with Numsa and looked at ways on how we could cut down on expenditure. These measures have been effective."

Mercedes-Benz SA corporate communications manager Annelise van der Laan said from Pretoria yesterday the company would not retrench workers in the foreseeable future.

"We do not foresee any retrenchments between now and the end of the year and will continue with our four-day working week which is reviewed on a monthly basis" until the end of the year. —ECN.

Hyundai plant revving up to make new inroads in SA

ST(BT) 12/10/97 (192)

A R250-million investment will end the backstabbing in the local motor industry, writes DON ROBERTSON

BOTSWANA-based Hyundai Motor Distributors (HMD) will come of age early next year when its starts production at a new assembly plant in Gaborone, ending a bitter feud with local manufacturers

Construction of a R250-million plant is on schedule and initial production of the Hyundai Accent on a completely knocked down (CKD) basis will begin in February, with full production reached by April Production of the Elantra and Sonata models will follow

The new facility will eventually replace the current semi-knocked down (SKD) plant, which is also in Gaborone

When HMD entered the market in 1993 with SKD assembly, local manufacturers complained bitterly that, because the company was paying only 21% import duty, it was able to offer models at extremely attractive prices with accessories such as radio/tapes, electric windows and air conditioning fitted as standard items

SA car makers opposed the imposition of a new distributor, which made big inroads into the market, without any significant investment

SKD production involves the fitting of items such as engines, tyres and headlights to an already built up car, thus cutting assembly costs The vehicles were imported through Maputo in Mozambique as a complete car, stripped down to comply with the then SKD requirements and exported to Botswana where they were re-assembled

The vehicles were then exported to SA with no further duties as Botswana is part of the Common Customs Union

The introduction of the Motor Industry Development Programme in September 1995 altered the regulations regarding SKD and HMD was given a four-year concession in which to comply with local rules The company will beat this concession by over a year

Managing director Billy Rautenbach says the decision to continue operations in Botswana was prompted by the low company tax rate, support offered by the government and the strength of the local currency which reduces risks when importing components

HMD, a member of the Wheels for Africa group, has contributed 30% to the cost of the plant with the Botswana Development Corporation and commercial banks providing the rest

In the past, HMD has refused to release monthly sales figures through the National Association of Automobile Manufacturers of SA (Naamsa) as other manufacturers do From February, HMD will join Naamsa and release its sales volumes

This year HMD will produce 20 000 cars and the recently introduced bakkie through its SKD plant Next year production of the Accent, Elantra and Sonata models will reach 30 000 units a year with an initial local content of about 20% Imports of components from SA to the plant will be worth about R200-million a year in the early stages, but will increase

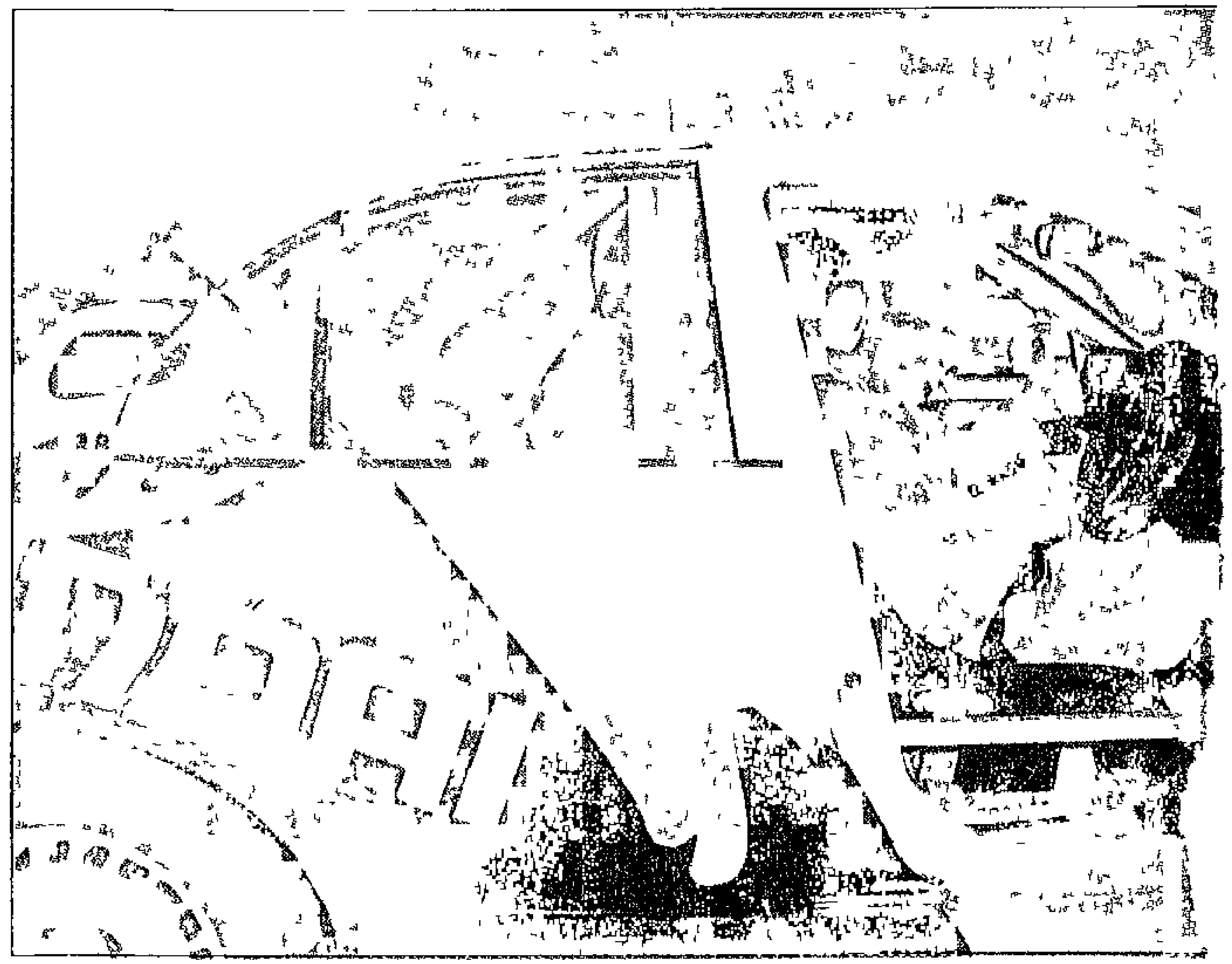
It is planned to introduce a second shift in November next year which will double output About 80% of the vehicles will be exported to SA with the rest sold to neighbouring states

Rautenbach says that by complying with MIDP regulations, HMD will also benefit from other perks such as the small-vehicle incentive which reduces duties on cars costing less than R40 000 at the wholesale level as well as export duty rebates on these vehicles

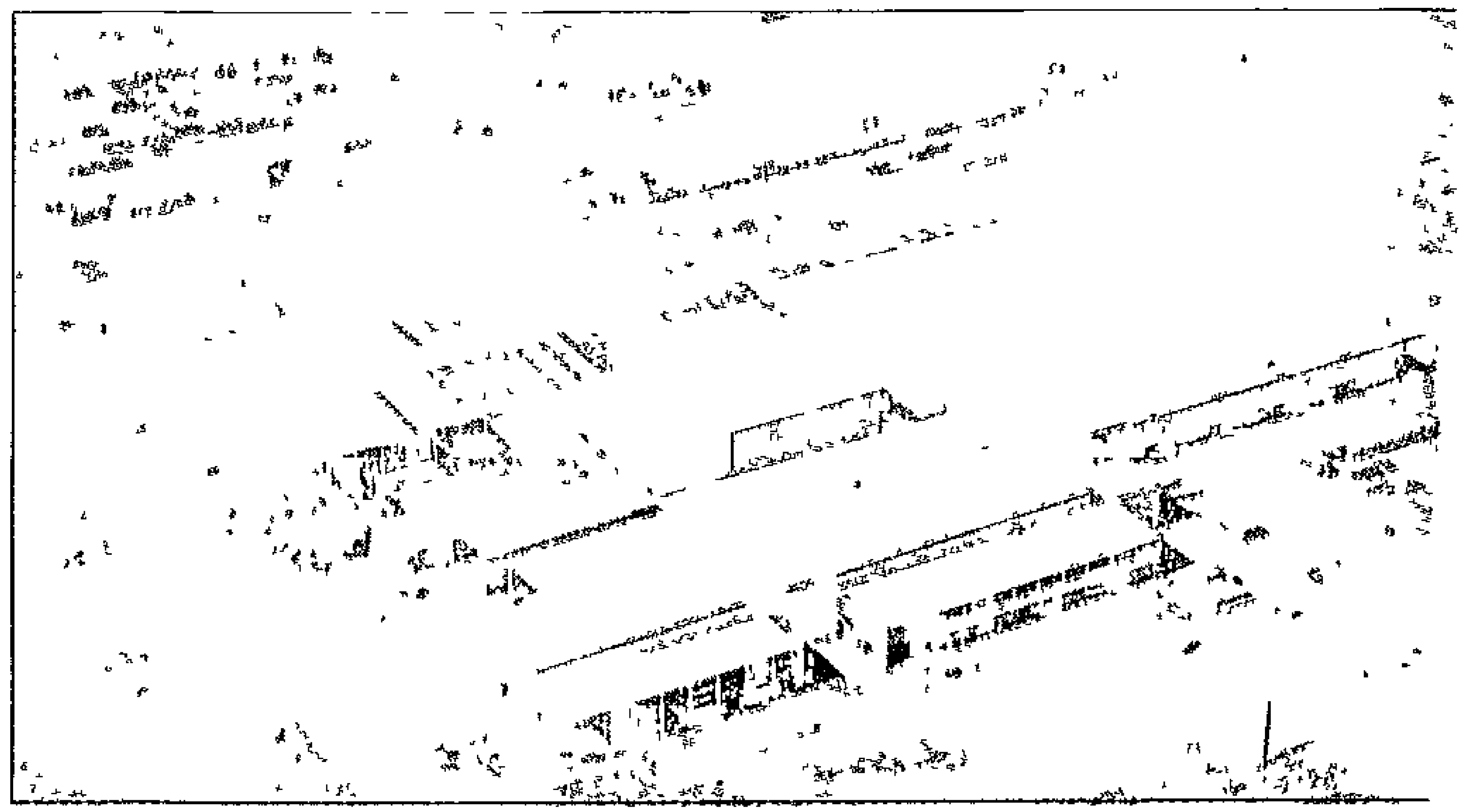
This year, the company will pay between R150-R200-million in import duties on its SKD imports, but with the expected export duty rebates, the figure will shrink considerably, says Rautenbach

The 35 000m² plant will be one of the most modern in southern Africa, making use of the latest technology The use of robotics on the assembly line has been kept to a minimum in an effort to create jobs It is expected that the plant will employ 1 100 people and about R15-million has been allocated for training

Also in the R3-billion a year Wheels for Africa group is the SKD assembly of Volvo trucks and buses From January, the company has the franchise to supply the rest of Africa, increasing production by 500 units to 1 500



IN THE DRIVING SEAT Billy Rautenbach, from rally driver to managing c



YES, IT DOES EXIST Hyundai Motor Distributors' plant in Gaborone, B

NEWS BRIEFING

South African-made vehicle exports surge by 54,1% in year to August

(192)

Pretoria — Exports of South African-made vehicles were 54,1 percent higher in the first eight months of this year compared with the same period last year, according to figures released last week by the National Association of Automobile Manufacturers of South Africa (Naamsa) CT(BR)14/10/97

Naamsa said 9 927 South African-made cars and light, medium and heavy commercial vehicles were exported in the months to August this year, 3 484 units higher than in the same period last year

Car exports were the major contributors to the increase, rising by 1 737 units, or 80 percent, to 3 907 from 2 170 units last year

Light commercial vehicle exports rose by 38,9 percent to 5 318 units from 3 829 units last year, while medium and heavy commercial vehicle exports rose by 58,1 percent to 702 units from 444 units last year — Roy Cokayne

CAPE ARGUS, **TUESDAY**, OCTOBER 14, 1997

Jobs boost in Retreat from exhaust factory expansion

Exports set to hit R250-m next year

ARG 14/10/97 (192)

ALIDE DASNOIS
BUSINESS EDITOR

Scores of new jobs are to be created in Retreat's R44-million Arvin Exhaust factory, which makes emission control systems for motor vehicles

The factory is owned by United States-based group Arvin, which also owns the adjacent Gabriel shock absorber plant

Philip Biden, managing director of both plants, said the Arvin Exhaust factory, which makes catalytic converters used to reduce exhaust gas emissions, would produce entirely for export

Mr Biden said the factory had been up and running since June and the converters were selling in Latin America, Europe and Taiwan

By the end of this year, export sales would top R140-million and an additional R250-million in sales would be earned in 1998, he said

The factory, which now employed about 80 people, would be expanded with 80 new jobs by the end of the year and up to 40 further jobs next year, according to an expansion programme now in the planning stages

The precious metals used in the converters were mostly sourced from South Africa, Mr Biden said

Catalytic converters use metals such as platinum to transform the toxic gases in the exhaust fumes of motor vehicles into non-toxic gas They can only be used with unleaded fuel

The use of emission control systems by motor vehicle manufacturers is statutory in the United States, Europe and parts of the Far East

Car makers hit by rand fluctuations

(192) ET(BR) 16/10/97

Roy Cokayne

Pretoria — Motor manufacturers have become increasingly vulnerable to fluctuations in the rand as a result of the increased imported component in locally made cars over the past two years, said a recent report by the Standard Bank

The bank said in its latest economic report on the motor industry that the higher imported component had occurred as manufacturers had introduced new models of vehicles

It said the cost of imported components had increased significantly since June 1995, while the rand had depreciated against the US dollar

However, the report said the apparent relationship between the rand and the dollar and the cost of imported components was "highly surprising"

"As the motor manufacturers tend to trade rands for yen or Deutschmarks, a close correlation between the mark and the yen against imported component prices was expected," the bank's report said

"In fact, the yen and imported components move in opposite directions While the rand strengthened against the yen over this period, the cost of imported components worsened and did not improve as would have been expected

"Also mystifying is the breakdown in the correlation between the dollar/rand exchange rate and imported component prices There is a lag of some seven or eight months between the rand weakening and the cost of imported components increasing," the report said

It said that in contrast, locally produced components had risen only slightly since June and remained below the producer price index

It attributed the limited increase in locally produced components to the power wielded by the motor manufacturers over component manufacturers

"The motor manufacturers are essentially bulk buyers and are able to withdraw their business from one component manufacturer in favour of another," the report said

"Manufacturers of older models, such as Volkswagen's Citi Golf, have most likely benefited from stable local content prices They are better able to avoid price increases, therefore making some of their ranges more competitive," it said

The report said that while the average price of new cars sold had declined over the past two years, many of the input costs of new cars had risen

It said this had contributed to the falling margins of the motor industry, which could also be attributed to other factors such as the price war in 1995 and last year, and the public's shift to smaller cars

VEHICLE SALES

By DON ROBERTSON

Motor industry forced to yield

ST(BT) 19/10/97 (192)

A SHAKE-OUT in the motor industry is evident only two years after the introduction of the Motor Industry Development Programme with manufacturers and dealers facing pressure on margins

The industry is regarded by many analysts as a barometer of economic activity

In spite of optimistic forecasts at the beginning of the year, though, new vehicle sales in the first nine months were 2.1% lower to 282 966 from 288 912 in the same period last year, although volumes of new passenger cars were marginally higher

More significant, though, has been the switch by motorists to lower price, entry-level cars which offer manufacturers and dealers lower profit margins During September, entry-level cars made up 41% of sales

Although not solely responsible for this trend, the introduction of higher perks taxes has severely affected the medium and luxury sector

But, in spite of evidence that the new vehicle market was in a period of consolidation in the first six months of the year, manufacturers continued to produce at the same level they had planned for In part, this was not their fault as completely knocked down components sourced from parent companies overseas are ordered six to eight months in advance

The result has been a huge buildup of stock Some manufacturers have been forced to put production staff on short time, as at the Mercedes-Benz plant in East London Others have offered retrenchment packages, like those proposed by Delta, while some took the recent public holiday on September 24 to extend the plant shutdown for two days

To counter these difficulties, component manufacturers are being asked by car producers to at least maintain or even reduce prices The effect of this is likely to be reflected in the profitability of the seven major manufacturers this year

A report by the trade and industry department on the development programme shows that pre-tax profit rose from R328-million in 1992 to R2-billion in 1995, but crashed to R520-million last year

With the buildup of stock, "panic" selling was adopted Nissan initially offered a 10% interest rate on vehicle deals, to be followed by Delta which cut the rate to zero on some models Price reductions were offered by other producers In every instance dealers were forced to absorb some price adjustment

In addition, conditional selling has become evident with dealers forced to accept more slow-moving stock This has forced many outlets to close

The extent of the difficulties being experienced by manufacturers and dealers has filtered through to banks such as Wesbank, Stannic and Nedcredit Manufacturers such as Mercedes-Benz, BMW and Ford have introduced financing operations, as have retailers Imperial Motors and McCarthy Motor Holdings

SA vehicle production a fraction of Japan's

(192)

ROY COKAYNE

ST(PR) 20/10/97

Pretoria — Productivity in South Africa's motor vehicle factories was much lower than the output for workers at the world's top car plants, according to a recent survey by the Economist Intelligence Unit research group.

The report revealed that Honda's Suzuka plant in Japan was the world's most productive car factory last year, when employees produced almost 119 cars each.

Tony Twine, a motor industry analyst and director of Econometrix, said South African workers produced an average of 12,1 vehicles each in 1995.

But Twine said measuring output of cars a worker was only meaningful when the capital base of the industry was the same.

"South African workers are without some of the technological advances, such as robots and other mechanical advances, of their overseas counterparts," he pointed out.

The report revealed that the top three slots in terms of cars an employee a year went to Japanese factories. Honda's Suzuka plant was followed by Toyota Takaoka (at 106,4 cars a worker) and Mitsubishi Mitsushima (at 102 cars each).

A factory operated by the Kia producer in Asan Bay, South Korea was fourth and produced an average 94,3 cars a worker last year.

Twine, quoting a report released last month by the South African department of trade and industry on the local automotive industry, said the output a worker was 9,5 vehicles in 1992 and had increased by 27 percent to 12,1 vehicles in 1995.

He believed the output a worker had decreased slightly last year, although the South African local vehicle market grew from 235 000 to 250 000 units among National Association of Automobile Manufacturers of South Africa, because of more imported vehicles and possibly because of increased employment in the industry.

Twine said he was expecting much of the South African motor industry to compete in terms of output a worker with foreign counterparts "after three decades of moral suasion on the part of the authorities to make the South African manufacturing industry labour- rather than capital-intensive".

Call to end ban on 'remanufactured' vehicles

(192)

BD 23/10/97

Wyndham Hartley

CAPE TOWN — The taxi industry has appealed to Parliament's transport and trade and industry committees for help in its battle with the trade and industry department over a ban on the importation of "remanufactured" minibuses at half the price of new ones.

In a submission to a joint meeting of the two committees yesterday, industry spokesman Buti Letsoela said the taxi industry could not afford to renew its fleet at the price of new vehicles and this put at risk the safety of the 200 000 vehicles which transported 13-million passengers each day.

The meeting was told a new vehicle cost R97 000 while those imported to and "remanufactured" in Lesotho sold for R45 000 to R57 000 and were 90% as good as a new vehicle. He suggested that because of the high level of value added to the vehicles in the Lesotho operation they should be allowed unrestricted access to the SA market.

Letsoela said the department had been faced with a flood of illegally imported vehicles as a result of poor controls and corruption within customs and the department itself Inability to control the situation had led to the department taking severe measures to stop the flood of imports and this was stopping taxi associations' members from buying the Lesotho vehicles and "are suffering as a result".

"(The department) seems to be considering only their embarrassment and the pressure from the motor industry and are overlooking the fact that their actions are causing hardship to the taxi industry," Letsoela said

He said the taxi industry was facing a crisis of "ever-dwindling operator viability". This caused conflict and road carnage involving taxis because "taxi operators simply do not have the money needed to buy new vehicles and as a result are forced to operate vehicles which are no longer serviceable or safe". He suggested the taxi industry was being exploited by the motor industry

Department spokesman CJ Cloete said the motor industry was important for the country Countries, such as New Zealand, which had allowed the importation of second-hand vehicles soon did not have a domestic industry at all

He denied by not allowing the Lesotho vehicles into SA the department was creating a monopoly for Toyota. He said there were three manufacturers of minibuses which also imported new vehicles

Trade and industry committee chairman Rob Davies said there was a clear clash of interests which needed to be confronted He suggested that the members of the two committees interact with their respective ministers to promote dialogue on the problem

SA's surge in vehicle output a world best

(192)
ET(BE) 24/10/97

ROY COKAYNE

Pretoria — There was a 30 percent improvement in the productivity of South Africa's motor vehicle assemblers between 1994 and last year, said Andrew Graves of the motor research body IMVP.

He said it was a bigger improvement than any other country in the world with the possible exception of Australia.

"The best plants in South Africa are outperforming some of the plants in Australia, the GM (General Motors) and Ford plants in Europe, which wasn't the case before," he said.

However, Graves stressed that although South African motor vehicle assembly plants had shown a substantial improvement in productivity between 1994 and last year, productivity levels in South African plants were still low by world standards.

He said South African plants had done the easy part of improving productivity and improvements in the future would be more difficult.

Graves said the IMVP was an international network comprising 100 researchers at 30 universities on six continents and it measured productivity by looking at the human effort required by different motor company plants to build a standard car.

He said it made no sense to consider the productivity of motor vehicle plants by comparing the number of workers against the output of the plant.

Graves said the average plant in South Africa took 87 hours in 1994 to build a standard car. This had improved to 74 hours in 1996, compared with the 11 hours it took the most productive plant, Toyota Japan, to produce the same car. In 1994 the best plant in South Africa took 50 hours to build a standard car and this had improved to 37 hours in 1996.

However, Graves said it was vital to measure quality with productivity and there was need to get a quality index in South Africa.

Graves also stressed the benefits of lean manufacturing as opposed to mass production. He said the benefits of lean production were reduced costs, improved quality and reduced cycle time.

MOTOR DEALERS (192)

Manufacturers hold cards

Lawyers say the deck is stacked against dealers

FM 31/10/97

Motor dealers are preparing to go to war with vehicle manufacturers and importers to get rid of "one-sided" franchise agreements

Derrick Dixon, chairman of the National Automobile Dealers' Association (Nada), says lawyers have advised that the agreements are unfair and contrary to sound business practice Nada members voted unanimously at their annual meeting this week to press for new agreements

Dixon says manufacturers and importers hold all the cards in their relationships with dealers They can terminate franchises at any time, with as little as 30 days' notice They can do this even if the dealer, who invests millions of rand in the business, has done nothing wrong "Material breaches" which can result in the business being summarily pulled out from beneath the dealer include late payments, change of business controls without the manufacturer's written consent, or the death of a director or trustee

Dixon says lawyers argue the agreements, which he describes as "archaic and one-sided," may prevent franchise holders from acting in the best interests of their company and shareholders By signing "clearly unfair" contracts, directors could be accused of recklessness in terms of the Companies Act if the company suffered losses

Dealers have fought for years for revised agreements, without success Their campaign is taking on more urgency now because manufacturers have belatedly recognised they have too many dealers and have closed scores of franchises around the country **David Furlonger**

Car dealers cry 'unfair'

(192)

ROY COKAYNE

CT (BR) 31/10/97

Pretoria — Franchise agreements between motor manufacturers and dealers were outdated, one-sided and clearly unfair to the retail motor trade and must be urgently revised, Derrick Dixon, the chairman of the National Automobile Dealers' Association (Nada), said this week

Dixon told top South African dealers at Nada's annual general meeting that most of the agreements — the contracts of the business relationship between the dealer and the vehicle supplier — were archaic and one-sided

A motion was unanimously adopted for Nada to fight for the revision of the agreements held between them and motor manufacturers and importers

"In today's environment where everyone recognises the need to follow global best practices in our business endeavours, we are forced to operate under these agreements, which were drawn up seemingly in the dark ages," said Dixon. An example was that manufacturers had the right to terminate agreements at any time by giving between 30 and 180 days notice, he said

The National Association of Automobile Manufacturers of South Africa (Naamsa) was not available for comment yesterday

Volkswagen directors' future remains uncertain

BD 4/11/97

(192)

Ingrid Salgado

TWO Volkswagen SA directors — reportedly fired by the group's German parent — were still at their desks yesterday, amid continuing uncertainty over the fate of three top directors at the troubled motor car manufacturer.

Weekend newspaper reports said the three — MD Heinrich Holtmann, financial director Wilhelm Kirchberger, and technical director Burkhard Welkener — had been recalled to Germany in the face of poor local sales and labour problems.

Asked whether the directors had been given the axe, Volkswagen SA spokesman Raymond Hartle said "We do not know A statement will be put out — possibly later this week "

Holtmann was in Germany yesterday on what the company described as routine business Volkswagen denied reports that his services had been terminated after he reportedly said he did not wish to be part of a "dying company" "That is hearsay and is devoid of any truth," Hartle said.

Holtmann was said to have been blamed by the international parent for statutory problems in the local motor industry, which has seen vehicle sales sliding over the past year He was also said to have taken the stick for labour problems after the group's Uitenhage plant was hit by a strike this year.

Sources said that if the latter theory were true, Volkswagen SA's human resources director Brian Smith would have been given the boot along with Holtmann. Hartle would not comment on speculation that the manufacturer was set to incur a R250m loss in the current financial year, citing its position as a wholly owned subsidiary of Volkswagen AG as a reason

However, the company's finances were "not where we would like them to be We are not alone in experiencing the constraints of the market

"Some of the problems are structural, as is evidenced by the performance of other companies "

Volkswagen's sales were down 1% against a year ago, but Hartle said the performance had to be compared with its competitors, some of whose sales had dropped by as much as 7%.

The company was on target to achieve component sales of R300m, and it was set to make a "fairly substantial" announcement on exports later this week.

The group denied talk that it was preparing to retrench or offer voluntary severance packages to a large portion of its 6 000-member work force

Responding to claims that its Christmas shutdown period would be extended, Hartle said Volkswagen would observe the normal shutdown from December 12 to January 5 A number of the company's competitors had extended this period, he said.

See Page 22

Porter chief sees rough ride for motor industry

(19A)

LLEWELLYN JONES
BUSINESS REPORTER

ARG 4/11/97

The motor industry is still facing very tough trading conditions, and there is no possibility of a major upsurge in the next year or so, says Bill Lynch, chairman of Cape-based Brian Porter Holdings.

Speaking at the company's annual general meeting in Rondebosch, Cape Town yesterday, Mr Lynch said there was fierce competition in the industry and he ascribed much of pressure on profits to overproduction and competition from imported vehicles.

"Manufacturers are overproducing relative to the demand for vehicles There are thousands of unsold units sitting in manufacturers' yards," Mr Lynch said

He noted that the success of imported vehicles at the lower end of the price range had put a lot of pressure on the used car market, and on middle and top of the range vehicles

"The used car market has been hardest hit," he said

Mr Lynch said he expected Brain Porter Holdings to show a reasonable increase in earnings in the current financial year as a result of the care the company had taken in keeping costs down and better asset management

Slow sales send car makers on an extended holiday

BD 5/11/97

Ingrid Salgado

SEVERAL car manufacturers are to extend their Christmas shutdown period after being hard hit by sluggish vehicle sales owing to the slowdown in the economy

A longer shutdown is set to knock component manufacturers, many of whom have already reverted to a three-day week in the face of the poor sales

The National Association of Automobile Manufacturers of SA (Naamsa) said yesterday manufacturers were saddled with surplus stock. The inventory pipeline stood at four to six weeks, in some instances the figures were higher.

To counteract this effect, manufacturers had the option of either reducing working weeks or extending the traditional December-January shutdown. The latter option made the most sense as it did not disrupt the entire supply chain

Clive Williams, the executive director of the National Association of Automotive Components and Allied Manufacturers, said reduced output in the face of fixed overheads had "severe implications" on the bottom lines of component manufacturers, who already traded on tight margins

Samcor said it would bring its Christmas closure forward by a week, lasting from December 5 to January 3

BMW had also extended its shutdown to four weeks but this was primarily due to plant expansion and facility changes, the company said Employees would undergo training during this period

Nissan is to shut down from December 12 to January 12 The group said this was not an unusual length of time. Four weeks worth of stock would be whittled down to one week when the company reopened

Both Delta Motor Corporation and Toyota SA are understood to have extended their closures by a week

192

VOLKSWAGEN SA

(192)

FM 7/11/97

MD's contract up for review

Holtmann may take rap for falling market share and labour problems

German car manufacturer Volkswagen will say this weekend whether Heinrich Holtmann, MD of the company's SA subsidiary, will stay on

His three-year contract at VWSA expires next month and is unlikely to be extended Two other senior executives, financial director Wilhelm Kirchberger and technical director Burkhard Welkener, are also expected to be recalled to Germany after two years in SA Both were still working this week at VWSA's headquarters in Uitenhage Holtmann was in Germany

VWSA denies management changes are the result of a crisis within the company It says any changes are "scheduled" According to spokesman Matt Gennrich "Holtmann's contract is up for review"

Reports this week claimed the expected recalls are the result of financial losses, falling market share and labour troubles Gennrich won't comment on claims that VWSA has lost R250m in 1997 The German parent says VWSA recorded a "positive balance" in 1996 but sources say the situation has deteriorated this year

Despite strong Audi and Polo sales, last year's log leader is second behind Toyota

The German parent may feel VWSA needs a firmer hand By drawing VWSA into its global sourcing network, and helping with its export programme, VW in Germany may reasonably have expected its subsidiary to perform better David Furlonger

Volkswagen secures R400m export order to the UK

(192) CT (BR) 10/11/97

ROY COKAYNE

Pretoria — Volkswagen South Africa (VWSA) had secured an order worth about R400 million to supply 5 000 third-generation Golfs to the UK, said Heinrich Holtmann, the managing director

"This is the biggest single export order of fully built-up vehicles from South Africa since VWSA's shipment of 27 000 vehicles to China, worth about R750 million over three years, ended in 1995," Holtmann said last week

He said the UK export order came after extensive discussions with VWAG in Wolfsburg, Germany, the parent company, and Volkswagen UK importers

VWAG had been fully supportive of the effort of VWSA's management to increase exports from Uitenhage, he said

The first batch of 948 vehicles — all Golf GTi's — have already been shipped to the UK and will be followed shortly by a further 900 GTi's

"The company will then gear up for full-scale production of the remaining vehicles, which will be badged as Golf 1600 CLs Delivery date for the final shipment is April 1998," he said

Samcor aims to boost car export revenue

(192) ET (BR) 11/11/97

ROY COKAYNE

Pretoria — Samcor, the manufacturer and assembler of Ford and Mazda motor vehicles, aims to increase its car component export revenue to about R1,2 billion by 1999, Lewis Booth, the managing director of Samcor, said last week

This represents an increase of more than 71 percent on Samcor's estimated R700 million in car component export revenues this year

Booth said Samcor's car component export revenues had totalled only R50 million in 1993, and the main growth had come from the export of catalytic converters and built-up engines

He said Samcor had used this growth in exports to attract world-class suppliers to South Africa

Booth said Samcor's engine plant exported the 1,4 litre PTC engine to Europe for use in the Escort Export volumes totalled 52 000 units last year, generating R90 million in revenue He said a total of 65 000 engine units were expected to be exported this year

Booth said Samcor exported 630 000 catalytic converter assemblies, consisting of 10 different converter assemblies, to Ford this year, which equated to 50 percent of Ford's European requirements

He said Samcor had warehouses in Europe to hold catalytic converters so they could be supplied on a "just in time" basis

He said Samcor, in line with the motor vehicle development programme, needed a robust export business to enable it to offset the import duty on parts, kits and vehicles

Booth said Samcor, in common with other motor manufacturers in South Africa, was attempting to ensure it was duty-neutral

Volkswagen clinches R400-m deal to supply cars to UK

By Wilson Ramothata

VOLKSWAGEN South Africa has secured a R400 million contract to supply Britain with 5 000 Volkswagen third generation Golf GTIs

The first batch of 948 vehicles has already been shipped from the assembly plant in Uitenhage, Eastern Cape

Volkswagen corporate manager Raymond Hartle said at the weekend that 900 vehicles would be exported within the next few weeks

Hartle said final delivery of 3 000 cars will be made by next April

According to Hartle this is the biggest export order of fully-built vehicles from South Africa since VWSA's shipped 27 000 vehicles to China in 1995

"Our objective is to become an integral part of the Volkswagen group's global supply chain and the source for both fully-built up vehicles and components for VWSA subsidiaries around the world," Hartle said

Over the past three years VWSA exported 27 000 second generation Jettas to Beijing, earning about R750 million in foreign exchange

Ninety-six Audi A4 vehicles were exported to Australia

Hartle said due to favourable feedback from customers 500 Audis will be exported to Australia next year

VWSA will this year export components valued at over R300 million to Europe and South America

Department and Toyota settle tax claim

CT (BR) 12/11/97 (192)

Roy Cokayne

Pretoria — The trade and industry department has reached an out-of-court agreement with Toyota South Africa on a R57 million claim related to the use of the now-defunct export duty rebate programme, Themba Rubushe, the director of communications at the department, said yesterday

The agreement came after a similar settlement was reached with Nissan South Africa in September this year involving a R30 million claim

Rubushe said he was not in a position to reveal any details about the deal But he said the agreement reached with Toyota still had to be signed by Zav Rustomjee, the director-general of the department

Rubushe added that negotiations were still continuing on claims submitted against Delta Motor, Samcor and Associated Automotive Distributors

The department's claim against Delta Motor is for R37,7 million, while the claim against Samcor is understood to involve export credits it acquired from Toyota

Negotiations have been taking place between the department and various motor manufactures in an attempt to strike a compromise on claims against the motor industry worth more than R100 million related to a ceded export scam

The claims relate to alleged fraudulent practices by a component manufacturer

Daewoo still to decide on SA plant

CT (BC) 13/11/97

Roy Cokayne (192)

Pretoria — Daewoo Corporation was still busy with a feasibility study on the proposed establishment of a $50 million car assembly plant in South Africa, Nick Bates, the public relations manager for Daewoo Motors South Africa, said yesterday

The car producer is expected to make a decision on the investment before the end of this year

Bates said Daewoo was still considering whether to establish a plant in South Africa, in view of the fact that the vehicle park in the country was only 260 000 units a year

He said it was impossible to predict when a decision would be made

Port Elizabeth, Rosslyn and Middelburg have all offered Daewoo a number of incentives, including free land, in an attempt to lure the South Korean manufacturer to invest in South Africa

Daewoo has been offered incentives, including free land, to set up its $50m plant

The number of car manufacturers in southern Africa increase to nine if Daewoo decides to invest in the country BMW, Mercedes-Benz, Toyota, Samcor, Nissan, Delta and Volkswagen, are based in South Africa, with Hyundai in Botswana

Tony Twine, a car industry analyst and director of Econometrix, said that unless the local manufacturing operations were used as a source for other world markets, the South African market would not be able to sustain all nine manufacturers

Twine said this equation was fairly obvious as the market was still some way away from the demand — which he put at 500 000 passenger and light commercial vehicle and 25 000 medium and heavy commercial vehicles a year — needed to sustain nine manufacturers

ST(BR) 16/11/97

VW boss warns of industry crash

(192)

THE motor industry is facing a structural and strategic crisis, according to Dr Heinrich Holtmann, managing director of Volkswagen SA, writes **DON ROBERTSON**

In a hard-hitting address last week Holtmann called on government to make changes to the Motor Industry Development Programme (MIDP) and offer incentives to SA car makers

He said after the reduction of import duties on fully built-up cars from 115% to 57 5%, the number of imports had risen to between 20% and 25% of all new car sales

The government also needed to stop illegal imports and address, "the issues surrounding Hyundai's imports"

He said the size of the market was too small to support even the five largest local manufacturers and needed to be boosted to about 470 000 passenger cars from the current 270 000

This could be achieved by introducing a compulsory roadworthy test for all vehicles every two to three years This would outlaw many unroadworthy vehicles which in turn would stimulate the second-hand and eventually the new car market, Holtmann said

300 jobs to go at Bosal Afrika

CT (BR) 21/11/97 (192)

ROY COKAYNE

Pretoria — Bosal Afrika, an international car equipment manufacturer, would streamline its South African manufacturing operations at a cost of about 300 jobs to enhance its global competitiveness, Barry Pieters, Bosal's managing director, said yesterday

Pieters said the group, which employed about 1 700 people, was rationalising operations at a number of its nine plants throughout South Africa to avoid duplication and reduce costs

Pieters said the strongest impact of the streamlining exercise would be felt at Bosal's five Pretoria plants

He said the Uitenhage plant, which focuses on the supply of automotive components to original equipment manufacturers and the aftermarket, would not be a major part of the streamlining

Bosal was looking at significant opportunities for export business from the this plant, Pieters said Bosal hoped to have finalised most of the streamlining by the end of this year, he added

Pieters said the retrenchments were still under discussion with the National Union of Metalworkers of South Africa (Numsa)

Dumisa Ntuli, Numsa's public relations officer, said the union was opposed to any shop floor restructuring or rationalisation that sought to displace any Numsa members

Pieters said Bosal had been affected by increased imports of automotive components following the reduction of duties in terms of the motor industry development programme

"While the country has been successfully increasing exports and has received a number of contracts it must become more competitive to secure further international contracts," Pieters said.

Motor industry's year-end breaks will be longer than usual

Lengthy shutdown a 'sign of more stress'

CT (POR) 25/11/99 (192)

ROY COKAYNE

Pretoria — Most South African motor manufacturers are closing for a month, compared to the traditional three-week year end shutdown, indicating more stress in the motor industry, a Standard Bank industry survey shows

The year-end shutdown at the various manufacturers ranged from 23 days for BMW and Volkswagen to the 37 days of Delta's Struandale plant, the report said

The next longest shutdown after Delta's Struandale plant was 33 days by Toyota The length of Delta's Struandale plant shutdown "is of concern and would seem to suggest that the company had built up a significant level of stock", the survey said Delta's Kempston Road plant would be closed for 24 days

The report said dealer sales had accounted for 79,3 percent of vehicle sales to date this year Sales by manufacturers to their own employees, also called single sales, accounted for 9,5 percent, rental sales for 7,5 percent and government sales for 3,8 percent

"The companies' reliance on the different customer groups vary widely from firm to firm," the survey said "Samcor is the most reliant on dealer sales, while Toyota is the least reliant, with dealer sales accounting for 89,5 percent and 75,2 percent of sales to date respectively

"Toyota's relatively low reliance on dealer sales is the result of being a firm favourite of rental companies and government Its sales to rental companies has accounted for 13,9 percent of sales"

The length of Delta's plant shutdown 'would seem to suggest it has built up stock'

The report said Daewoo was the most dependent on rental sales, accounting for 15,7 percent of its sales to date By contrast, only 0,3 percent of Samcor's sales had been to rental firms Standard Bank stressed that rental companies dealt with different motor manufacturers based on the attractiveness of deals But it said dealing with rental companies had three main drawbacks

First, rental companies, as a result of their bulk-buying capacity, negotiated significant discounts which eroded manufacturer profits

Second, doing business with rental companies entailed a fair amount of risk for motor manufacturers, such as the risk that the "buy-back" price paid to the rental companies would be less than the market resale value of the cars

Thirdly, the resale value of a particular marque might be impacted in the long term, because rental companies held cars for a short period, resulting in the used car market receiving a steady flow of cars from rental firms

NEWS

Jobs 1,3% down in new vehicle industry

(192)

ROY COKAYNE

ET (BE) 26/11/97

Pretoria — Employment in South Africa's new vehicle manufacturing industry dropped by 1,3 percent, or 473 jobs, between July and September this year, according to the quarterly report of the National Association of Automobile Manufacturers of South Africa (Naamsa), released yesterday

Employment in the industry totalled 37 412 in the last week of July compared to 36 939 in the last week of September this year, said Naamsa This is a decline of of 152 jobs, compared with the 37 091 people employed by the industry at the end of the second quarter

The new vehicle manufacturing industry comprises the seven major original equipment manufacturers and a further seven specialist commercial vehicle manufacturers

The report said production capacity utilisation for cars in the third quarter was 69,8 percent, a more than 9 percentage point drop compared to the 79,3 percent of the second quarter of this year

Production capacity utilisation for new cars was at 82,1 percent in the first quarter of this year, compared to 78,9 percent for last year The report said the supply and availability of raw materials generally improved in the third quarter of this year, but steel price increases "continue higher and more frequent than other price-related factors"

Nico Vermeulen, the director of Naamsa, said trading conditions in the new vehicle market during the third quarter were extremely competitive and difficult because of general pressure on the disposable income of consumers, a further modest slowdown in economic activity levels and the prevailing, exceptionally high interest rates

Vermeulen said "The challenging conditions in the domestic market are, however, counterbalanced by the industry's growing export business which, both in automotive components and built-up vehicles, continues in a strong expansionary phase with aggregate value of exports of components and vehicles expected to exceed R5,5 billion during 1997, compared to an estimated R4 billion during 1996

"The trend towards lower interest rates should, in due time, have a beneficial effect on the South African economy and the automotive industry"

Gloom and doom in the motor trade

(192) Sowetan 27/11/97

THE business mood of the retail motor industry has dipped back into pessimism, said the Motor Industries Federation's quarterly Business Mood Indicator – probably caused by the market's slide

But there were some good pointers emerging from the survey, according to an MIF spokesman. Eighty five percent of the sample, which is used each quarter to establish the mood of MIF traders in different sectors of the industry, felt there would be no change or improvment in their businesses

However 32 percent believe the whole industry would recede over the next six months, while 56 percent said there would be no change and 12 percent said there would be some improvement

While the latest indicator is down on the previous quarter it is just under two percent up on the same quarter of 1996

The detailed MIF Business Mood Indicator showed that six of the 11 industry divisions canvassed had a drop-off in mood on the previous quarter

Overall the tyre retreader and dealer sectors are the most bullish while collision repairers showed the [illegible]gest turnaround in mood from the last measurement taken in August

Motor dealers take on manufacturers for bigger share of sales

CT (BR) 28/11/97 (192)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Motor dealers were fighting for their lives and their rights, Brand Pretorius, the head of McCarthy Motor Holdings, said yesterday

He said when one looked at sales figures released by the National Association of Automobile Manufacturers of South Africa, it appeared that the motor industry was holding its own Passenger vehicles sales for the year to date were down just 0,8 percent and commercial vehicle sales were down 10 percent.

However, once the dealer figures were isolated a different picture emerged Dealer sales of passenger vehicles dropped 3,8 percent and dealer sales of commercial vehicles dropped 6,7 percent on a year-on-year basis

Pretorius said from these figures it was evident manufacturers were inflating their sales by charging their single-unit sales to the government, car rental companies and their own fleets

Manufacturers were selling more vehicles directly, and just 72,6 percent of October sales had gone through dealers Pretorius said there had been a steady drop in dealers' share of vehicle sales

He said makers and dealers had contained price rises and enhanced the affordability of vehicles to where the average retail price of new vehicles had shrunk 2,03 percent in real terms and of used vehicles 2,97 percent between last year and this year This was the result of buying down and restricted margins

He said the fall in dealers' net profit percentages had gathered momentum since the beginning of the year, and margins were now at their lowest levels ever

Pretorius said new car sales' contribution to McCarthy Motor Holdings' bottom line had declined from 36,2 percent in the first half of last year to 26,4 percent in the first half of this year

Dealer rationalisation would continue to accelerate, and there probably would be 40 percent fewer dealers by 2000, he said

Already manufacturers were rationalising their dealer networks and giving remaining dealers bigger territories

Pretorius said relations between dealers and manufacturers were somewhat strained Manufacturers were overstocked and pushing stock on to dealers, where high interest rates on vehicles which did not sell quickly seriously compromised liquidity As a result, dealers were resisting

He said manufacturers were still demanding high franchise standards despite the enormous pressures under which dealers found themselves

(192)

Retrenched motor workers in protest

ET (BR) 28/11/97

ROY COKAYNE

Pretoria — About 200 demonstrators protested outside the regional offices of the National Union of Metalworkers of South Africa (Numsa) in Pretoria North yesterday over their retrenchment by Nissan South Africa, the motor manufacturer, said Dumisa Ntuli, Numsa's public relations officer

Tsheko Ngalo, the general secretary of the South African National Workers' Union (Sanawu), said on Wednesday there would be a demonstration in solidarity with their protest by workers at Nissan's Rosslyn plant

Thabiso Magodielo, Nissan's media liaison officer, said about 30 Sanawu members had protested outside the plant and had handed a memorandum to Nissan's management But he said no Nissan workers had protested

He claimed Numsa had entered into a deal with Nissan's management regarding the retrenchments without consulting their membership or disclosing all the relevant information

Frans Tipa, a representative of the retrenched workers, said the workers had not agreed to be voluntarily retrenched and had only signed a receipt for their retrenchment money "The workers were pushed into accepting packages We want Numsa to explain what happened"

Ntuli said these workers had accepted a voluntary retrenchment package offered by Nissan before Numsa had concluded its negotiations with Nissan

He said Numsa had been able to negotiate an improved voluntary retrenchment package for workers who had accepted the offer after Numsa had concluded its negotiations with Nissan

Ntuli said that the workers accepted the voluntary package and that "it was not entirely the fault of the union"

Reduced tariffs hurt ADE sales potential

CT 1/12/97 (BR) (192)

Ncaba Hlophe

Johannesburg — The combined effect of reduced protection on engines and growing truck imports is expected to depress Atlantis Diesel Engines' (ADE) sales potential and reduce units from 8 680 to 5 818 next year

Khaya Ngqula, the chief executive of the Industrial Development Corporation (IDC), ADE's main shareholder, said last week ADE had anticipated the erosion of protection by the Motor Industry Development Programme

ADE would initiate a gradual phase-down of its engine assembly activity after the expiry of the contract to supply diesel engines to Cuba It had already exported 392 units this year and a further 7 026 units are expected to be exported next year

The company recorded a dramatic swing-around from the R40 million net loss last year, to record a net profit of R11,3 million this year This improvement was supported by the increase in export earnings and improved operating cost controls

"ADE had already embarked on a transformation process in 1991 to increase its productivity to become an internationally recognised automotive component supplier," Ngqula said

ADE has export contracts with Perkins Engines of the UK, Daewoo and SsangYong of South Korea, Mercedes Benz of Germany and Detroit Diesel Corporation of the US

Its components exports increased from R89 million last year to R150 million this year and the company completed its R95 million capital expansion programme to service these contracts

ADE was started in 1979 at Atlantis to manufacture, assemble and distribute diesel engines, components and aftermarket parts under licence from Mercedes-Benz of Germany and Perkins Engines Company of the UK

IDC has an 87,5 percent shareholding, while Mercedes Benz holds the remaining 12,5 percent

ADE procures its forged diesel engine components from Atlantis Forge, a wholly owned subsidiary of IDC, which is managed by ADE

VW changes tack to lure the top end of the market

BD 2/12/97 (192)

Ronelle Burger

SA's number two motor manufacturer, Volkswagen, has not only changed its top management but added new direction to its traditionally brand-based marketing operation, taking full-page informative, product-focused adverts in all major dailies.

"We have introduced new products at the top end of the market. Both the Golf GTi and the Jetta CLi have been improved," said marketing director Graham Hardy

"We are moving away from selling simply on price We are focusing attention on what we believe are the inherent product advantages of the Golf and the Jetta. under-the-skin German engineering 'Under-the-skin' because it is not always visible This campaign is an effort to make it more visible"

Comparing this campaign with its start-of-year Chico ads, Hardy said the Chico campaign targeted entry-level car buyers while the latest campaign addresses the "key company car and company car allowance market", representing 85% of local demand

"We are trying to ensure that we still get our share of the fleet and professional market," Hardy said

In the past Volkswagen focused more on marketing the brand The current campaign was a tactical move with the emphasis on "really communicating the product advantages".

The company set aside R5m for above-the-line marketing — virtually all of it spent on full-page, upfront adverts in the country's major dailies. Below-the-line efforts included the "test-drive-for-keeps" promotion, fleet briefings with major customers and 5 000 direct mail packages Hardy said the campaign had been well received and Volkswagen expected to see the effect on sales early in 1998

Cape firm's diesel deal sparks row

Jobs in jeopardy

(192)

HENRI DU PLESSIS
MOTOR 3 REPORTER
ARG 3/12/97

Diesel engine rebuilders say they face ruin and the loss of thousands of jobs countrywide because of a decision by Atlantis Diesel Engines to go into competition against them.

Angry private sector rebuilders accuse ADE of unfair business practices and using taxpayers' money to compete against them

At issue is the decision by the Cape-based ADE to remanufacture engines itself in competition with smaller companies which have to buy parts from ADE to do the same job.

Import restrictions and regulations introduced by the previous government forced private rebuilders to buy and supply mainly ADE components

The small rebuilders have called on the ministers of finance and trade and industry and the Competition Board to step in on their behalf.

But ADE is fighting back, saying it is not subsidised by the Government and is well in the black through its own efforts

The company had shown a profit of more than R11-million for the past financial year, said managing director Ron Shires

At stake in the war is the market for rebuilding large commercial vehicle engines, such as those used in long-haul lorries and bigger delivery vehicles

400 Delta employees choose severance

CT (BR) 3/12/97 (192)

Roy Cokayne

Pretoria — Delta Motor Corporation, the motor manufacturer, had accepted the applications of about 400 employees for the voluntary severance package the company offered in October this year, Ed Emmett, the manager for corporate communication at Delta, said yesterday

Emmett said the response from employees to participate in the offer had been very positive It included both salaried and hourly paid employees

"The majority of the separations will be completed by year-end, with the remainder being phased over the next few months," Emmett said

He said previously that the severance package offer was an attempt to reduce Delta's staff complement by 400, but stressed the package was voluntary to all permanent Delta employees and there was no compulsion to apply for or accept it

He said the terms of the package were better than those prescribed in the Labour Relations Act and the National Bargaining Forum (NBF) agreement, and "thus far we've had a very positive response"

Explaining the reasons for the offer, George Stegmann, the director of human resources at Delta, said the South African motor industry was grappling with enormous challenges and pressures, including increased foreign competition and deteriorating market conditions

"Against this background, Delta, like the majority of automotive manufacturers in the country, has had to deal with the reality of reducing its production build schedules," he said

Stegmann said the company had found itself in a situation where it had surplus manning levels as a direct result of this

He said Delta initiated the offer of a voluntary separation package to permanent employees to address this surplus without resorting to enforced retrenchment

CI Caravans to shut Pinetown plant

(192) ST(BD) 5/12/97

Shirley Jones

Durban — CI Caravans, which manufactures Sprite and Gypsey caravans, would close its Pinetown plant and rationalise its production facilities at its sister Jurgens caravan plant in GaRankuwa in the North West Province from February, Vincent White, CI's marketing director, said this week

He said the decision to shut the plant after 37 years in Pinetown hinged on the synergies created through having all caravan manufacturing based in a single centre and the fact that 70 percent of the caravan market was on the Reef

White said the production line at the Jurgens factory was being modified to accommodate CI's Sprite and Gypsey products This would boost production volumes for all three ranges and peg product price increases, thanks to significant savings in overheads and production costs

White would not divulge how many jobs were on the line He said some staff would relocate to GaRankuwa while others would be transferred to the CI Canvas plant which would remain in KwaZulu Natal

White said when production ceased in Pinetown, CI would have built up sufficient stock to ensure a ready supply to its dealer networks throughout the busy year-end holiday season

EXPORTS OF SOUTH AFRICAN-PRODUCED VEHICLES CONTINUE TO SKYROCKET

Pretoria — Exports of South African-produced vehicles continue to boom, in contrast to the depressed conditions in the domestic market, the National Association of Automobile Manufacturers of South Africa (Naamsa) said yesterday

Figures released by Naamsa showed that South African vehicle exports rose by 63,3 percent, or 5 841 units, in the first 10 months of this year compared with the same period last year Total South African-produced vehicle exports between January and October this year totalled 15 073 units compared to 9 232 units in the same period last year. (192)

Car exports rose 152 percent, or 4 543 units, to 7 532 units in this period compared with last year Medium and heavy truck exports rose 54,5 percent, or 321 units, to 910 units, while light commercial vehicle exports rose 17,3 percent, or 977 units, to 6 631 units — Roy Cokayne

CT (BR) 5/12/97

IDC prompts ADE to unbundle

(192)

SHERILEE BRIDGE

Johannesburg — Atlantis Diesel Engines (ADE), the Cape-based diesel engine manufacturer, planned to unbundle into five business units after an Industrial Development Corporation (IDC) announcement that it would reduce its holding in a number of its subsidiaries, ADE said yesterday

The restructuring is expected to attract third-party investors, including black investors

ADE, which has held a diesel engine monopoly in South Africa, is also positioning itself for the advent of increased international competition brought about by the government's Motor Industry Development Programme, which lifts protective tariffs on diesel engines

This move, combined with growing truck imports, was expected to reduce engine assembly from 8 680 units to 5 818 next year

The company has, however, reported an increase in export earnings

CT (BR) 8/12/97

Sasol to build a rare gases plant in Secunda

CT(BR)8/12/97

SHERILEE BRIDGE

Johannesburg — Sasol, South Africa's fuel-from-coal producer, said last week it would go ahead with its plans to establish a R30 million krypton and xenon extraction plant at Secunda and was taking steps to commercialise the production of beta-carotene for the global market

The announcements reflect Sasol's strategy to reinforce its competitive advantage through a co-ordinated and focused programme of globalising operations further

Construction of the krypton and xenon plant at Sasol Synthetic Fuels, to open in mid-1999, will boost Sasol's production of the gases by 4,9 million litres of krypton and 1,3 million litres of xenon a year

The new plant brings Sasol's total marketable production to 9,5 million litres of krypton and 2,5 million litres of xenon a year

Alfonso Niemand, the communications manager at Sasol, said that almost the entire production would be exported

The world market for krypton is estimated at 40 million litres a year, with xenon at 6 million litres a year Worldwide demand for these rare gases is increasing, with both being used in light bulbs, double-glazed windows and high-precision lasers

Niemand said there was a growing demand for xenon in particular, which was finding wider uses in healthcare and electronics

Air Liquide, the French gas company, has been awarded the design, construction and commissioning contract for the extraction unit as well as an exclusive contract for the marketing of these rare gases

Niemand said Sasol was considering the commercial production of beta-carotene, following the successful running of a pilot plant at Sasol Technology in Upington

Beta-carotene is a naturally occurring antioxidant that is used in vitamin supplements and health foods

IDC prompts ADE to unbundle

(192)

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CT(BR)8/12/97

Atlantis Diesel Engines accused of unfair competition

CT(BR) 10/12/97 (192)

Roy Cokayne

Pretoria — A complaint of unfair competition by Atlantis Diesel Engines (ADE) had been lodged with the Competition Board by the Engine Remanufacturers' Association (ERA), Ludwig Bohlmann, ERA's spokesman, said yesterday

Bohlmann said ERA, one of 12 constituent associations of the Motor Industries' Federation, had also recently lodged letters with Trevor Manuel, the finance minister, and Alec Erwin, the trade and industry minister, appealing to them to prevent ADE from competing unfairly

"ADE is a quasi-government organisation in which the majority of shares are held by the Industrial Development Corporation," said Bohlmann

"A recent newspaper article in the Cape quoted ADE as saying it did not levy surcharges on old engines which had been stripped and found to be damaged, and that it always replaced components with new parts

"This is against ordinary industry practice and it could tilt the playing fields heavily in the direction of ADE

"ADE's price list is ridiculous, and we don't know how it maintains profitability"

Bohlmann said if ADE was not stopped, "many independent automotive engineering establishments will be threatened and may have to close Customers will then suffer too"

Pierre Brooks

Pierre Brooks, the chairman of the Competition Board, confirmed yesterday that the board had received a complaint of unfair competition against ADE

He said the complaint had been referred to both ADE and the Industrial Development Corporation

Johan Liebenberg, the director of investigations at the Competition Board, said the board had received responses from both ADE and the Industrial Development Corporation, but it was not satisfied with these responses and had requested further information.

Liebenberg said the board would only be able to decide whether to launch a formal investigation into alleged unfair competition by ADE once it had received this additional information

Ron Shires, the managing director of ADE, said yesterday that if the facts were examined it would be clear there was no foundation for the claims

Shires said ADE did not receive any subsidisation at all He said that the claims made against ADE were that it was competing against the private sector with public sector money, but that "this simply is not true" cause they're small rises at the bottom end of the pay scale

"Companies aren t really raising the wage stakes despite the labour crunch ' he says 'They know they're not going to get two dollars extra value from raising the hourly rate to say nine bucks from seven bucks an hour All they'll get is an extra body in the shop and they don t want to pass higher labour costs on to the consumer"

Greenspan, meanwhile, is puzzled "The performance of the labour markets this year suggests that the economy has been on an unsustainable track he argues "That the marked rate of absorption of potential workers since 1994 has not induced a more dramatic increase in employee compensation per hour and price inflation has come as a major surprise to most analysts"

Logic says something will have to give, and in a market with too many jobs and not enough workers Christmas may come early for the country's low-paid — triggering a wage-price spiral that could, with Greenspan s known loathing of inflation lead to higher interest rates in a matter of months

Rachel Johnson

VOLKSWAGEN SA

(192) fm12/12/97

R1,1bn boost comes with the new top management

Changes under the outgoing MD have taken the company only half way An expanding export programme promises new markets

Volkswagen SA (VWSA) plans to invest R1 1bn in its Uitenhage plant outside Port Elizabeth over five years More than half will be spent on new car ranges and the rest on upgrading facilities

MD Heinrich Holtmann says the investments are proof that the German parent company is committed to its SA operation

Holtmann himself won t be spending the money however He returns to Germany in January, after three years as MD He will be accompanied by finance director Wilhelm Kirchberger and technical director Burkhard Welkener

Do such sweeping management changes signal Germany s unhappiness with the way VWSA has been run? There is a rumour that the three were fired and that VWSA has lost up to R250m this year

But Holtmann insists the decision to leave VWSA is his own His initial three-year contract expires this month and he doesn t want to renew it for personal reasons Though he doesn t specify his wife wants to return to Germany and his son and daughter want to attend university in Europe

Holtmann says he is considering a job offer at VW headquarters in Wolfsburg Kirchberger and Welkener will both remain with VW the former as overall financial controller of the Audi group

Holtmann s successor is Hans-Christian Maergner now MD of VW s second biggest plant at Kassel in Germany A former head of the world s biggest car factory at Wolfsburg he will also take direct responsibility for production at VWSA s Uitenhage plant The new finance director David Powels is a former financial controller at VWSA

Holtmann says VWSA is "maybe 50% through the rationalisation process it needs to become an effective international player He counts among his personal successes having improved production and productivity and greater quality

The company's once-pitiful labour record is certainly better and production has caught up with demand Productivity levels have also risen — due in no small part to a work force reduction from 7 500 to 5 700 in the past three years

As for quality 'If you want to export, quality must be at international levels We had tried in the past for international quality certificates and failed Now we ve reached those targets, as witnessed by our export programmes to Britain and Australia

If I have left my stamp on the company it is on improved quality for exports

After a small order for Audi A4 cars to Australia in 1997 VWSA expects to export 500 next year The news from Britain is even better An initial order for 5 000 VW Golfs has been followed by a second order of between 5 000 and 7 000 cars in 1998

That s good news for VWSA s bottom line as profit margins on the UK order are considerably better than for sales in the domestic market

Intense price competition has forced many companies into the red Holtmann confirms that VWSA is among them in 1997 though he won t give figures

With the help of exports he expects the company to be trading profitably again by the second quarter of 1998

No-one however should rely on uncertain export earnings to turn a profit VWSA has to bring down input costs Overmanning is only part of the problem The whole supply and manufacturing process must be streamlined

Maergner with his international production experience will concentrate on this and VWSA s export programme for components Considering the cost of importing components we have to develop a sophisticated local industry says Holtmann

David Furlonger

Heinrich Holtmann decision to leave VWSA is his own

CARRIER

Clawing back market share

Carrier, the US$5bn a year heating and air-conditioning arm of the $25bn a year US-based United Technologies returned to SA last year after 10 years absence Before its departure it held 65% of the market

It has invested R100m in the country and is looking to turn over R250m in 1998 In its first sojourn it was only involved in air-conditioning But it has now expanded into refrigeration and manufacturing

The US company has bought Recam and Apache Manufacturing, which make commercial air handling and refrigeration equipment and have a combined turnover of R45m a year

It bought United Controls in Gauteng and Natal Air Services, to service and upgrade the equipment it left behind And it scooped up Metraclark, the largest refrigeration wholesaler in SA previously part of Dorbyl

Carrier has also formed a joint venture with the Council for Scientific & Industrial Research (CSIR) to monitor all the players in the market to ensure they sell equipment that will do what is expected of it

MD Dick Rago says many people have been sold undersized units Carrier which claims to be the world leader in air-conditioning and heating technology will help the CSIR to put an end to this practice by communicating with the industry through trade publications

When it left SA Carrier left the brand in the hands of two local distributors When it returned its share of the market had shrunk to 3% of the finished air-conditioning goods market currently worth about R540m

"If you include service and parts the air-conditioning industry is worth about R1bn," says Rago

He says Carrier has already tripled its share of the industry and "we re aiming to get back our fair share of that market We're also penetrating the refrigeration market We achieved our five-year business plan in 18 months"

Carrier's biggest competitor in the residential market is Panasonic in commercial systems it is York and in the service sector Trane But none of these companies equals Carrier in the range of goods and services they provide

David Pincus

NOVEMBER VEHICLE SALES

Manufacturer	Cars	Number of sales	Total sales	% of total car market
Toyota	Corolla	1 783		
	Conquest	1 685		
	Camry	[illegible]		
	RAV4	30		
	Previa	1		
	Landcruiser	59		
	Prado	125		
	Lexus	4	4 007	24,1
VW	CitiGolf	1 002		
	Golf/Jetta	599		
	Polo	1 009		
	Audi A4	283		
	A6	128		
	[illegible]	4	3 025	18,2
Samcor	Tracer/Mic[illegible]	1 019		
	Fiesta/Soho	682		
	Telstar/626	125		
	Ford Escort	198		
	Falcon	77		
	Mondeo	24		
	Explorer	3		
	Mazda Etude	132		
	Pajero	99		
	Spacegear	6		
	Jaguar	15	2 380	14,3
Delta	Astra/Kadett	1 135		
	Corsa	909		
	Saab	13		
	Suzuki	17	2 074	12,5
Nissan	Sentra/Sabre	721		
	Maxima	11		
	Fiat Uno	763		
	Alfa Romeo	30		
	Sany/Patrol	77	1 602	9,6
M-Benz	C-Class	459		
	E-Class	178		
	S-Class	5		
	SLS	5		
	SLK	21		
	Honda Ballade	563		
	Odyssey	17		
	Prelude	9		
	CR V	17	1 274	7,7
BMW	3-Series	1 101		
	5-Series	156		
	7 Series	7	1 264	7 6
Daewoo	Cielo	270		
	Espero	45		
	Lanos	164		
	Nubira	144	623	3 8
Land Rover	Defender	73		
	Discovery	85		
	Range Rover	15	173	1 0
Chrysler	Neon	11		
	Jeep	89		
	Voyager	68	168	1,0
Subaru	Impreza	7		
	Legacy	3		
	Forestar	5	15	0,1

	1997	1996	% change
Nov	16 605	23 676	-29,9
January to Nov	223 342	232 157	-3,6
Oct (21 019) to Nov			-21,0

LIGHT COMMERCIALS

	Number of sales	% of market
Toyota	2 829	33,0
Delta	2 311	26,9
Samcor	1 724	20,1
Nissan	922	10,8
M Benz	412	4,8
VW	297	3,5
Land Rover	81	0,9

	1997	1996	% change
Nov	8 576	10 963	[illegible]
Jan to Nov	106 9[illegible]	121 208	11,7
Oct (10 885) to Nov			[illegible]

MEDIUM COMMERCIALS

	Number of sales	% of market
M-Benz	122	24,2
Toyota	119	23,6
Iveco	99	19 6
Nissan	65	12,9
Delta	64	12,7
Samcor	30	6,0
AAD	5	1,0

	1997	1996	% change
Nov	[illegible]	496	+1,6
Jan to Nov	5 [illegible]	5 111	+5,2
Oct (538) to Nov			-6,3

HEAVY COMMERCIALS

	Number of sales	% of market
M-Benz	130	22,6
Toyota	91	15,9
Tyco	83	14,5
Nissan	70	12,2
Delta	49	8,5
MAN	43	7,5
Iveco	42	7,3
Freightliner	34	5,9
Scania	15	2,6
ERF	11	1,9
AAD	6	1,0

	1997	1996	% change
Nov	574	664	13,6
Jan to Nov	6 733	7 [illegible]	11,5
Oct (701) to Nov			18,1

TOTAL VEHICLE SALES

	Number of sales	% of market
Toyota	7 046	26,8
Delta	4 498	17,1
Samcor	4 134	15,7
VW	3 [illegible]2	12,7
Nissan	2 [illegible]9	10,1
M-Benz	1 [illegible]8	7,4
BMW	1 [illegible]4	4,8
Others	1 [illegible]98	5,3

	1997	1996	% change
Nov	26 259	35 799	26,6
Jan to Nov	342 445	[illegible]3 084	-6,5
Oct (33 143) to Nov			-20,8

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

General Motors stake will add finance, know-how and global links

Boosted Delta could become export leader

CT (BR) 12/12/97 (192)

ROY COKAYNE AND JACK DEWES

Pretoria — General Motors' (GM) purchase of a 49 percent equity stake in Delta Motor Corporation would benefit Delta by providing it with access to finance, know-how and a link with GM's phenomenally large global network, Tony Twine, a motor industry analyst and a director of Econometrix, said yesterday

"It has become an increasing necessity for local motor manufacturers to have a major foreign shareholder, without which they are unlikely to be able to get into export markets," Twine said

The deal was announced on Wednesday, but Delta said that by mutual agreement between the parties, specific details of the transaction would not be disclosed, nor were details provided of the terms of disinvestment and the management buyout of GM South Africa in December 1986

In terms of the agreement Delta, a private, non-listed company, will continue to trade in South Africa as Delta Motor Corporation under its current South African management team and GM will have only minority representation on Delta's board of directors

Twine expressed the hope that GM would use its South African presence as a production platform for exports rather than as a demand platform to push extra product into South Africa

He said if GM pushed more product into South Africa it would not benefit anyone and would "further fragment an already highly fragmented market" Twine believed GM's reinvestment in Delta would also improve Delta's competitiveness internationally

Willie van Wyk, the managing director of Delta, said the purchase of a significant equity stake by GM constituted a vote of confidence in Delta and the long-term future of South Africa

The stake would probably have cost between R400 million and R500 million, according to industry sources

According to Delta sources, a powerful factor influencing negotiations for the deal was Delta's strong performance after GM quit South Africa in 1986, when sanctions bit hard and social unrest was rampant

After GM left, Delta acquired the R305 million Corsa plant in Struandale Today Delta holds 17 percent of the South African vehicle market

General Motors recently announced that Cadillac and Chevrolet models would become available in South Africa next year

Van Wyk said "The alignment of Delta with GM will allow wider access to automotive expertise and leading-edge technologies, closer supplier and purchasing synergies, and the opportunity of growing our export trade into Africa and globally in terms of automotive components and fully built-up vehicles

BMW to underwrite insurance on its cars

(19a)

Belinda Beresford

SA CAR manufacturer BMW is to offer and underwrite comprehensive insurance to its customers in conjunction with the specialist insurance company Guardrisk in what is being seen as a pilot project for the international group

BMW new business development manager Erich Papke said the company's main aim was to facilitate sales of its cars Research had shown rising short-term insurance premiums were exacerbating car ownership costs, which in turn were deterring customers from buying BMWs

However, Papke said the insurance scheme also had to become profitable in its own right The car manufacturer was carrying the risk, while splitting the profits with its dealers, who acted as brokers, he said

Within five years BMW anticipated between 30% and 50% of dealership income could be from insurance profits

The target market for the policies were BMWs produced since last year which had been fitted with the electronic drive-away protection system BMW was looking for market penetration of 15% to 30%, Papke said

He said this was the first time BMW had underwritten insurance, instead of finding an underwriter to provide a product which the car manufacturer then distributed "We've put in money and capitalised an element of a cell using Guardrisk's licence and we actually do the underwriting, so BMW carries the risk and operates fully as an insurer."

The scheme complied with financial regulations, since the underwriting was done through Guardrisk's captive cell system

Motor industry to remain depressed

(192)

Lucia Mutikani

THE motor vehicle industry would remain depressed with total new vehicle sales volumes expected to fall at least 3% to 355 000 next year from this year's estimated 366 000, industry sources and analysts said yesterday.

BD 19/12/97

They said they expected most manufacturers to scale down operations Many manufacturers went on an early annual shut-down last week in an attempt to normalise stock levels.

Passenger vehicles slumped almost a third to 16 605 units last month from 23 677 in November last year, the lowest level since 1991

"Things are very tight for the industry at the moment There are too many manufacturers in SA manufacturing too many models," said Ray Brand, an economist with Standard and Poor's NMS.

"These latest sales figures hinted that we are going to get some of the manufacturers producing fewer models, and perhaps some will find it is not possible to produce" He said although sales were expected to pick up towards the end of next year, the increase would be only marginal

Similar sentiments were echoed by a number of analysts who said there were no economies of scale because of the large number of manufacturers One analyst said no dramatic upturn in demand was expected next year McCarthy Motor Holdings CEO Brand Pretorius, while agreeing that the prospects were bleak, said he could not forecast a catastrophe because the current base was still significantly higher than that experienced in the late 1980s and 1990s.

"In overall terms, I would believe that total new vehicle sales for 1998 will be down about 3% on the 366 000 estimate for the current year to 355 000. But the split will not be an even one It will be a tough first half, with an improvement in trade conditions over July to December"

He said the decline in the domestic market would be partially compensated by an increase in export volumes. On the prospect of price wars, Pretorius said the market would remain competitive.