MANUFACT. – MOTOR INDUSTRY

1992

SEPT. – DEC.

HIV employee 'unfairly' fired

CT 7/5/92 (92)

Own Correspondent

JOHANNESBURG. — An HIV-positive chartered accountant, dismissed by Mast Video Training (MVT), has applied to the Industrial Court for reinstatement in what is the first such legal challenge in South Africa.

According to his lawyer, the man alleged he was suspended within five minutes of telling his employer he was HIV-positive and that his lover had Aids.

The accountant claimed that 10 days later he was called to a disciplinary inquiry, where he was charged with failing to divulge his real reasons for borrowing money from the company — allegedly to finance his medical treatment.

Mr Stephen Dallamore, managing director of MVT's parent company Mast Holding, said the dismissal had "nothing to do with Aids" and that Aids was being used as a smokescreen for alleged financial irregularities.

According to the accountant's lawyer, he had been employed by MVT for more than a year He found out during this period that he was HIV-positive He borrowed money — and paid it back on terms laid down by the company — to finance treatment for himself and his lover

He argued that his client was under no obligation to disclose the nature of his illness and that his dismissal was an unfair labour practice as he was being victimised as an Aids sufferer.

Last year the World Health Organisation (WHO) said there should be no obligation on an employee to inform an employer that he was HIV-positive This should be the case only if the illness had "job performance implications"

Motor industry 'saved by protection'

B/Day 8/9/92 (192)

EDWARD WEST

THE only reason why SA's motor industry remained healthy during periods of economic growth was because the industry was protected, former Volkswagen SA MD Noel Phillips said yesterday

Phillips, who has now retired from the VW group, returned to SA last month after leaving in 1978 to take up positions as president of VW America, chairman of VW Canada and president of Auto Latina, the merged operations of Ford and VW in Brazil. He is currently a non-executive director on the Saficon board.

He said the original intention of the local content programme in SA was to create employment, conserve foreign exchange, create secondary and tertiary industries and provide strategic independence.

The decision in Australia to drop meaningful protection measures in its motor industry resulted in the shutdown of most of its traditional motor manufacturing plants In Venezuela, where the government of the day decided it was too costly to protect its motor industry, a similar process was under way

After more than 15 years of speculation about the possible reduction in the number of manufacturers or models in SA, nothing had occurred And even if half the manufacturers in SA had shut down, production volumes would still be too low to be competitive, said Phillips

He said local content programmes were usually adopted by countries to generate foreign exchange and create employment, and to a large extent this had succeeded in SA

Although admitting that he was not up to date with recent developments in SA's motor industry, he said motor sales were dismal compared with what he would have hoped When he was MD at Volkswagen SA 300 000 cars and light commercial vehicles were sold in some years

His first appointment at VW America involved being president of an operation catering for a market of between 13- and 14-million annual vehicle sales

He said SA would have more opportunities exporting components than complete vehicles because, like most southern hemisphere countries, it suffered from the distance of its major markets

Car part import plunge cuts deficit

SVEN LUNSCHE (192) ARG 3/9/92

JOHANNESBURG — South Africa reduced its trade deficit with Germany in the first half of this year as imports of car parts plunged

Figures released by the South Africa-German Chamber of Commerce show that imports from Germany at R3,96 billion were still in excess of South Africa's exports — valued at R2,86 billion

However, the deficit for South Africa fell from R1,4 billion in the first half of last year to R1,1 billion this year

Overall trade volume was 4,7 percent lower because of poor South Africa economic growth

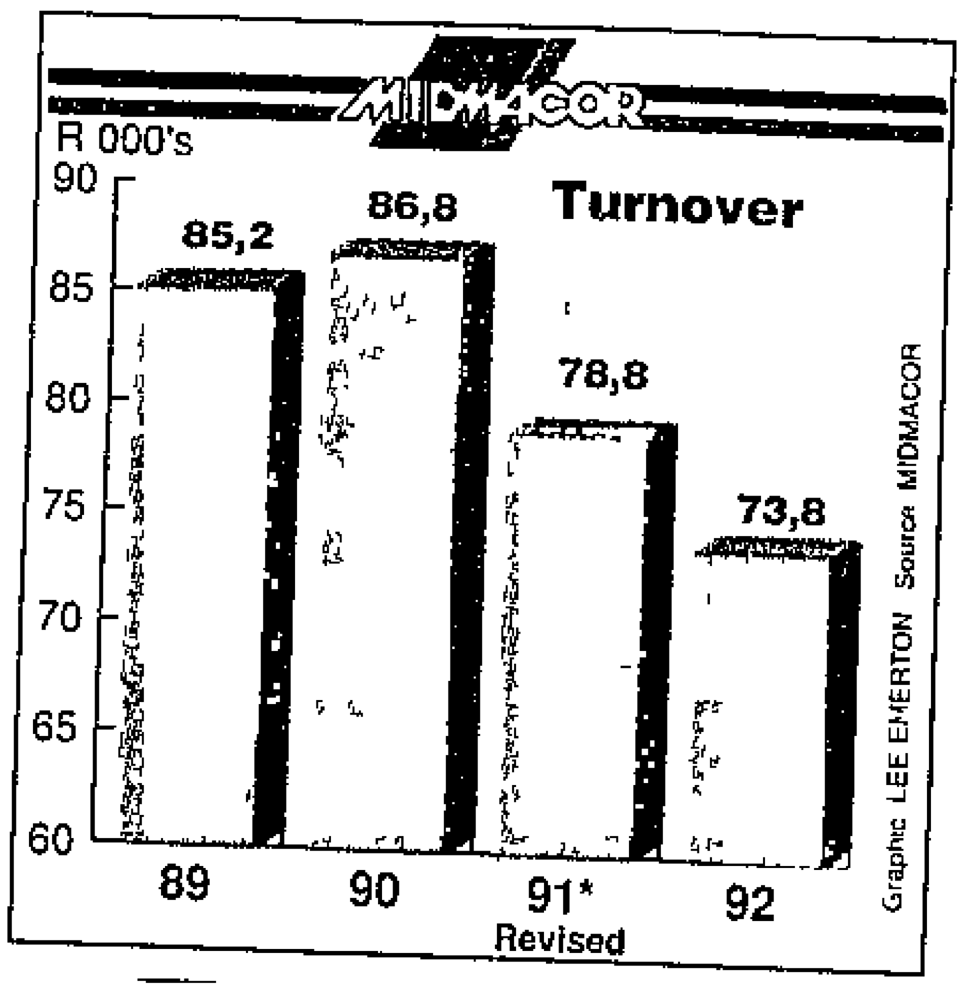
The largest import item was motor vehicle parts, which fell by 16,4 percent to R1,17 billion in the first six months as a result of the local content programme

This was also reflected in a 8,6 percent rise to R60 million for South African exports of motor vehicles and automotive parts to Germany

South African exports were dominated by coal sales, which rose by 15,4 percent to R385 million, and gold, up 2 percent to R316 million

Midmacor deep in the red

BDay 7/9/92



PETER GALLI (192)

LOWER sales levels and ineffective stock and debtors control in certain areas pushed Midmacor Industries deeper into the red in the year to end-June.

The motor and industrial group — which holds the SA franchise for Honda motorcycles and products — posted a net attributable loss of R5,83m in the year to end-June from a loss of R458 000 in the comparable period last year

This translated into a loss of 74,1c a share from a 5,8c previous loss, and the dividend was waived. In 1991, a dividend of 2c a share was declared

However, the figures for the year to end-

☐ To Page 2

Midmacor

BDay 7/9/92

(192) ☐ From Page 1

June 1991 have been restated to reflect additional abnormal write-offs, resulting from investigations into poorly performing areas.

"Non-recurring items of R3,023m (R2,185m previously) for abnormal write-offs as a result of management investigations into poor performing areas of the operations where stock and debtors control was ineffective was the largest contributor to the increased loss," directors said at the weekend

Improved financial controls were now in place Cost-saving measures had also been introduced and action taken to improve underperforming operations, they added

While turnover dropped 6,3% to R73,82m (R78,82m), net operating income plunged 79% to R997 000 (R4,7m) and interest paid rose 31,3% to R3,86m (R2,9m), resulting in a net attributable loss of R2,8m from a previous profit of R861 000

This, added to the R3,023m loss from abnormal write-offs, resulting in a total attributable loss of R5,8m for the period under review

Poor demand from the mining, engineering and civil engineering sectors of the economy hit the industrial division harder than the motorcycle division

Its PDS Diesel operations in Pietersburg and Delta Motor Corp franchise dealer in Phalaborwa performed poorly

"Trading conditions were erratic and did not follow historic patterns The political uncertainty, unrest, mass action and strikes had a far worse effect on trading over the past few months than was originally anticipated," they said

Despite lower sales levels and pressure on margins, market share for all major product lines had been maintained and this was expected to be improved in the current year

Car pool gets older as sales taper off

ARCT 8/9/92 (192)

TOM HOOD, Business Editor

THE average age of the "national car pool" is now 10,9 years and getting longer as families mend their cars and try to make them last

This is calculated by Nedfin Bank from an analysis of instalment credit business by the banks

About 70 percent of instalment credit business at the banks involves motor vehicles

A mid-year spurt in business fizzled out quickly and instalment credit and leasing business has returned to the doldrums, says Mr William Wolke, Nedfin general manager (marketing)

"The low level of current activity suggests there is no end in sight to the crisis in the motor industry The mining and agriculture sectors are also hurting badly"

In the second quarter, total credit business written by the banks reached R32 711 million, up from R32 316 million in the first quarter This was nominal growth to be set against a general rise in prices of 3 percent, he said

The prime rate dropped from 19 to 18 percent in the second quarter and contributed to some all-time records in business volumes being achieved at several banks

Nedfin suggests the bubble burst after a few weeks and did nothing to alter the depressing fundamentals — businesses and consumers tightening their belts while inflation remains as robust as ever.

Analysts ascribe the most of the second quarter rise to a spurt in business after the authorities announced in the first quarter that HP repayments could be extended from 48 to 54 months

The announcement came too late to have much effect on first quarter figures, but helped boost business for a few weeks on the run-in to mid-year

"Generally banks are doing less business, if we compare activity in the second quarter with the usual seasonal trends," added Mr Wolke "There is also a shift from instalment sale and leasing to mortgage finance

"South Africa seems to be suffering from a multi-faceted form of inflation that might not be cured by the traditional medicine of high interest rates Perhaps the treatment needs to be similarlily diverse and multi-faceted"

COMPANIES

Vektra weathers market well

DUMA GQUBULE

VEKTRA Corporation, the motor vehicles and replacement parts distributor in the W & A stable, has reported virtually unchanged profit for the half year to June despite intense competition in its main markets

BDay 8/9/92

Chairman and joint MD Alan Schlesinger said the company had done well to maintain profitability

Turnover declined by 5% to R230m — because of more selective vehicle marketing policies by its subsidiary Delta distributor Williams Hunt Margins were squeezed, due to aggressive price cutting, and operating profit fell by a tenth to R11,3m After lower finance charges, pretax profits declined by 6% to R5,5m

The tax rate slipped marginally and earnings attributable to ordinary shareholders and holders of compulsory convertible debenture holders were 2% down at R3,7m (R3,8m) Fully diluted earnings were 21,3c (21,8c) and an unchanged interim dividend of 6c a share was declared

Schlesinger said the most significant feature of the review period was the turnaround of Williams Hunt, which had made a loss last year He attributed the turnaround to improved working capital management and a strengthened management team Recent cost reductions would result in an improved second-half contribution

On the group's replacement parts businesses, Schlesinger said Femo group and V & R Engine Spares had maintained market share despite aggressive discounting by competitors Vektra expected to improve on its first-half earnings in the second half

192

First motor strike ballot

ST Times (BUSS) 6/9/92

By ADRIAN HERSCH

A STRIKE ballot is being held in the motor industry — for the first time.

The industry includes motor component manufactures, vehicle body repair shops, garages and automotive engineering

The ballot, involving Numsa members, began this week. It comes after a four-week strike in the metal industry and a seven-day walk-out in the auto-assembly sector by Numsa workers.

Numsa spokesman Bernie Fanaroff says that in the motor industry the union wants a minimum wage of R4,50 an hour (currently R2,72) and a 25% pay increase for the other workers.

The SA Motor Industry Employers Association (Samiea) offers a 12c an hour increase on the minimum wage and 72c for the most skilled.

About 65 000 Numsa members will take part in the ballot in this sector. Dr Fanaroff admits it will be a difficult task.

He says. "Not only is it the first time, but the fact that the businesses are scattered all over the country does not make it easy

"We expect to complete balloting only at the end of the month."

Dr Fanaroff says the pay offer is inadequate because of the high rate of inflation.

Samiea spokesman were unavailable for comment But Samiea head Vic Fourie has said low pay increases are necessary, given the exceptionally depressed state of the industry.

No further meetings are scheduled, but Dr Fanaroff says the union is "open to mediation".

Last year the parties settled for increases between 7,5% and 10% after mediation.

Numsa members in the metal industry returned to work on Monday after the Supreme Court temporary interdict ruled the strike unlawful.

Seifsa estimates the action cost R880-million in lost production and that workers lost wages of R110 million.

Numsa demands a 16% pay increase and a retrenchment moratorium. Seifsa offers 8,6% more.

Naamsa lowers new car sales projections

(192)

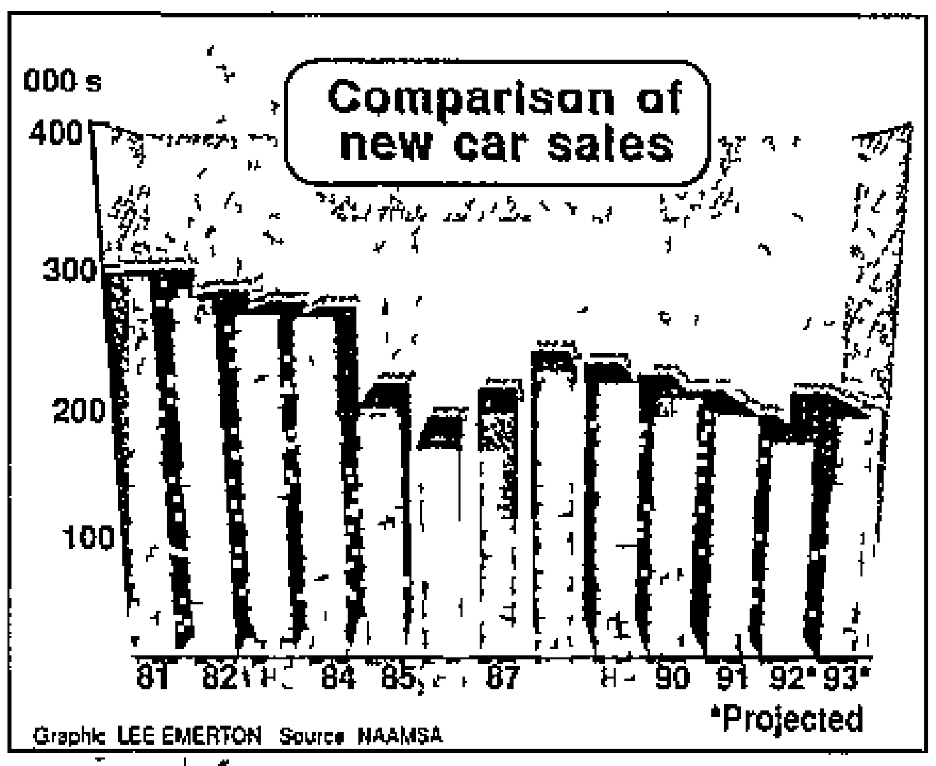
BDAY 22/9/92.

EDWARD WEST

NEW car sales projections for 1992 had been scaled down to 177 000 from the 209 600 units sold in 1991, the National Association of Automobile Manufacturer's of SA (Naamsa) said yesterday

Naamsa director Nico Vermeulen said shrinking markets and the sharp deterioration in economic fundamentals had forced one of the sharpest downward revisions in the industry's sales projections

Naamsa had forecast 201 000 car sales at the beginning of 1992 The lower forecast also reflected a view that the economy would not improve in 1992 Low confidence levels, tight monetary policy, socio-political uncertainty and pressure on disposable incomes would continue to affect the short- to medium-term fortunes of the industry negatively, Naamsa said The latest CSS statistics show a 16% decrease in motor trade profitability (net profit after tax/turnover) for the first quarter of 1992, compared with the first quarter of 1991 Net profit expressed as a percentage of turnover fell 17,9% over the same period

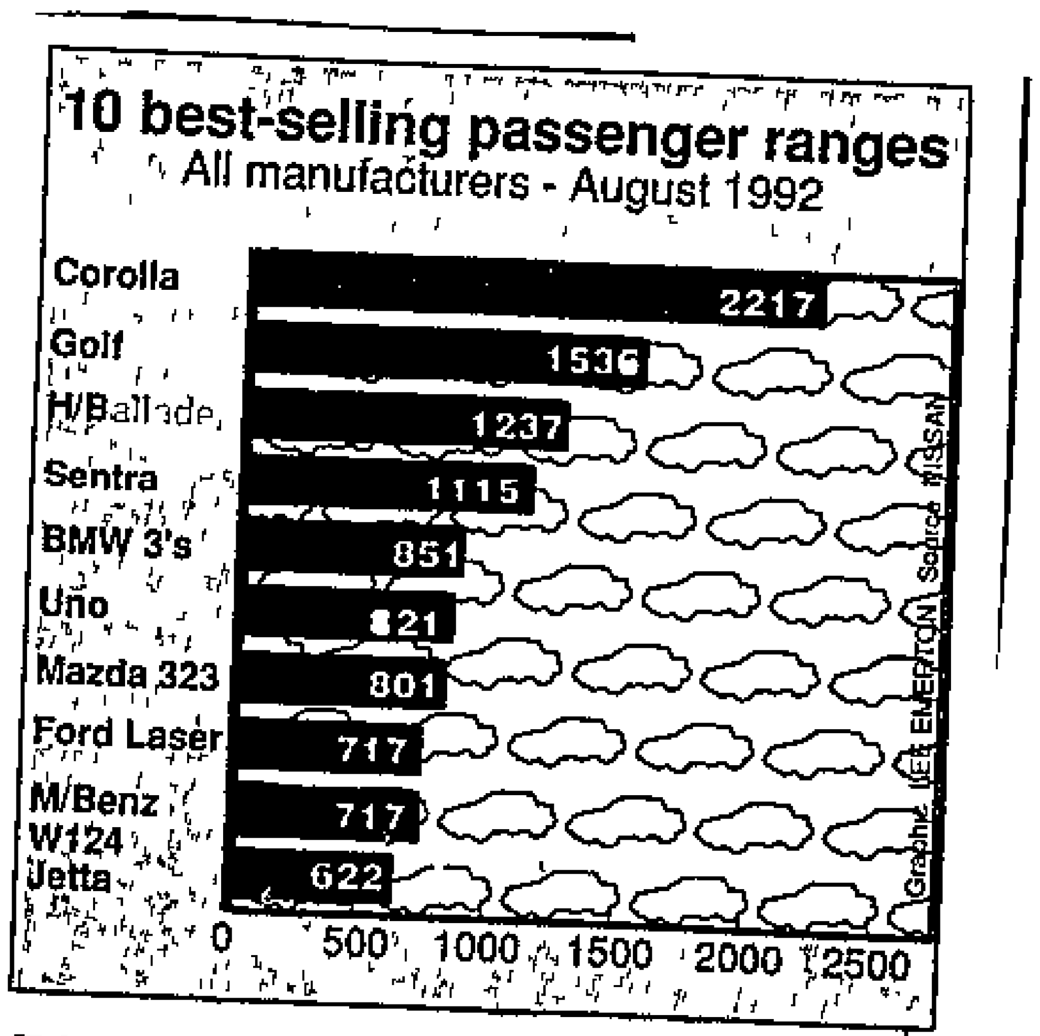


Graphic LEE EMERTON Source NAAMSA

Average motor assembly industry capacity utilisation for cars dropped from an average of 81,1% in 1991, to 69,1% in the first quarter of 1992, and to 68,6% in the second — excluding Toyota SA, which experienced strikes in the second quarter

Toyota marketing MD Brand Pretorius said it seemed the market had bottomed, but there was little hope of an upswing, and sales would stay at July and August levels

However, Vermeulen forecast that sales would increase slightly to 194 500 in 1993 and to 206 500 in 1994 Positive economic growth, a political breakthrough and the introduction of new models late this year could stimulate 1993 sales, he said



New car sales fall 11,7% this year

8|DAY 9/9/92

EDWARD WEST

NEW car sales for the first eight months of 1992 were 11,7% below those for the same period in 1991, National Association of Automobile Manufacturers of SA (Naamsa) statistics showed yesterday

Sales of new light commercial (LCV), medium commercial (MCV) and heavy commercial (HCV) vehicles were respectively 10,8%, 21,4% and 8,7% lower than in the first eight months of 1991. (192)

New car sales for August 1992 fell marginally to 15 214 compared with the 15 328 in July New car sales fell 8,5% compared with 16 620 in August 1991

Samcor marketing director Sean Bownes said August car sales were indica-

To Page 2

Car sales

8|DAY 9|9|92

From Page 1

(192)

tive of a 167 000 annualised market This was well below the rate for the first half of the year which suggested that 185 000 cars would be sold, he said Other forecasts by industry leaders were also sharply down and varied from 175 000 to 180 000

Toyota marketing MD Brand Pretorius said the industry would be hard pressed to meet a previous forecast of 180 000

Naamsa said the depressed August figures were in line with expectations and reflected economic difficulties and low business and consumer confidence

August new vehicle sales fell 5,3% to 23 751 from 25 079 in the same month in 1991 and 2,3% from the 23 217 in July 1992 Year-to-date sales in all four sectors of the market remained well below corresponding 1991 levels, Naamsa said

The impact of the strikes at Toyota was again reflected in the new passenger car market, with Volkwagen replacing the traditional car market leader with a 20% market share compared with Toyota's 17,9% Toyota's recovery was more pronounced in the total vehicle market and it regained its position as market leader, with 22% compared with its closest rival Nissan's 18,4% and Volkswagen's 15,5%

The 7 848 LCV sales in August improved 9,7% compared with the 7 154 in July, and increased 2,1% compared with 7 688 in August 1991 MCV and LCV sales remained at historically low levels with the 263 MCV sales 8,4% lower compared with July's 289 and 14,9% lower when compared with the 309 in August 1991 HCV sales at 426 fell 4,5% compared with July sales and 7,8% compared with the 462 in August 1991

Toyota wins back share of market

ARG 9/9/92

192

The Argus Correspondent

JOHANNESBURG. — Toyota has won back the market share it lost as a result of the prolonged industrial action at its Durban plant, and in August raised its share of the total vehicle market to 22 percent

But in new car sales it is still lagging behind Volkswagen, although it increased its share in the month to 17,8 percent from 10,7 percent in July

In August Volkswagen had 19,8 percent of new car sales, followed by Toyota, Samcor (17,8 percent) and Nissan (15,2 percent)

Overall, new car sales fell by 0,7 percent to 15 214 units from July to August

Toyota wins back lost share

(192) STAR 9/9/92.

By Sven Lunsche

Toyota has won back the market share it lost as a result of the prolonged industrial action at its Durban plant

In August Toyota raised its share of the total vehicle market to 22 percent

However, in the new car sales market it is still lagging behind Volkswagen, although it increased its share in the month to 17,8 percent from 10,7 percent in July

In August Volkswagen had 19,8 percent of the new car sales market, followed by Toyota, Samcor (17,8 percent) and Nissan (15,2 percent)

Overall, new car sales declined by 0,7 percent to 15 214 units from July to August

Brand Pretorius, MD of Toyota SA Marketing, says Toyota's passenger vehicle sales were up 65 percent in the month and is confident that a 20 percent share of the market will be achieved by end-September

Releasing the August trade figures, the National Association of Automobile Manufacturers (Naamsa) says the depressed levels reflect the difficult phase in the SA economy

Year-to-date sales in all four of the industry's sectors remain well below the corresponding levels in 1991.

Total new car sales for January to August at 121 389 units were 11,7 percent below those of 1991, while light commercial vehicle sales fell by 10,8 percent to 60 870

Remainder

Medium and heavy commercial sales declined by 21,7 percent to 2 212 and by 8,7 percent to 3 497 respectively

Forecasting poorer economic activity for the remainder of the year, Naamsa expects new vehicle sales to remain under pressure

Industry leaders are downscaling their estimates of total new car sales for 1992

"The total passenger car market for 1992 could end up as low as 175 000 to 180 000 and unless the political picture improves, we are looking at the lower figure," says Volkswagen chairman Peter Searle

The executive director of sales and marketing at Samcor, Sean Bownes, says August passenger sales are indicative of a 167 000 unit annualised market

"This is well below the annual rate for the 1992 first half, suggesting that 185 000 cars will be sold this year," he says

For the light commercial vehicle market Mr Bownes forecasts annual sales of 85 000 units

Toyota's Mr Pretorius says sales for the remainder of the year will remain close to the levels of July and August

"At this level of activity the market will be hard pressed to realise 180 000 passenger vehicle sales for 1992, a total that will be nine percent down on 1991 and will mark the fourth successive year of a decline," Mr Pretorius warns

Changes at Venter

STAR 10/9/92 (192)

By Stephen Cranston

Venter Leisure and Commercial Trailers has been split into separate manufacturing and marketing companies, in line with the practice in the motor industry

Hannes Mills, who has been a director for 20 years becomes MD of Venter Manufacturing. Theuns Nieuwoudt, previously sales director, becomes MD of Venter Marketing

Doug Repton, formerly of Murray & Roberts and Hudaco, has been appointed head of the export division.

He also has responsibility for the development of commercial trailers and the informal sector

The present MD Richard du Plessis is leaving at the end of February to become chief executive of Unihold

Venter deputy chairman Michael Katcs says Mr Du Plessis played an important role in formulating the company's strategy and has been actively involved in the restructuring of the management team

Venter Trailers restructures management

81 DAY 10/9/92.

DUMA GQUBULE (192)

RECENTLY listed Venter Trailers has completed a restructuring of its management team following a strategic planning session earlier this year

Venter Trailers director Hannes Mills becomes MD of Venter Manufacturing Former Venter Trailers sales director Theuns Nieuwoudt becomes MD of Venter Marketing

Doug Repton, who is part of the group's management team will lead its export division Willem Boshoff, previously a partner of Price Waterhouse Meyernel, becomes group financial manager and secretary

Venter Trailers MD Richard du Plessis will soon be leaving the company to become CE of the Unihold group depressed conditions and considering various options, Vianello says Last month, it issued a cautionary announcement saying a leading clothes retailer was discussing the acquisition of a stake of less than 30%, which would bring in a strong financial partner but keep control firmly with the Mauerberger family, which owns Bergers

Weiner and Jacobson deny that Hilton Weiner is not doing well "This will be a very good year," Weiner says Jacobson says that though recession has affected the industry, retailers such as Hilton Weiner that don't sell goods on credit are doing better than most

There is another concern over the new chain The Hilton Weiner brand name has become synonymous with upmarket merchandise Using it on lower-priced clothes could send a mixed signal, Vianello believes "It could work but they should create a new brand name or a complete distinction between Hilton Weiner and the new operation"

Caldwell claims that, if anything, Basics will enhance Hilton Weiner's name by raising the awareness of Weiner's original lines "Many people were probably put off Hilton Weiner by the snob appeal of its clothes Now they'll look at Basics and, if Basics is good, wonder what the originals are like" ■

KEITH BUTLER-WHEELHOUSE **FACE TO FACE**

Taking the Delta model to Sweden

(192) FM 11/9/92

Keith Butler-Wheelhouse resigned last month as CE of Delta to become MD of Saab in Sweden, where he began work this week.

***FM:* How long is your contract at Saab and what will be your relationship with Delta?**

Butler-Wheelhouse: I'm joining Saab for a specific assignment The initial contract keeps me there until the end of 1995, after which it's renewable While I'm there I remain an employee of Delta, stay on the board as a non-executive director and keep my shares in Delta

What attracted you to the Saab job?

It's one of the few businesses within General Motors that is a self-standing unit It enables me to run an automotive business from start to finish There's design responsibility for the new products, there's manufacturing those products in the factories in Sweden and there's worldwide distribution Saab distributes its cars in 45 countries

What state is Saab in at the moment?

In some respects, excellent It has very good customer satisfaction levels It has very high owner ratings for the vehicles It has a very positive repurchase rate — 80% of Saab owners have owned one before Unfortunately, they seem to have lost their way a little bit in terms of costs While they are selling a lot of vehicles, they aren't making much money Since GM took a share in the business, it has done a lot to make it more efficient, by shutting down inefficient plant and consolidating operations and generally making production more competitive

A major challenge lies in bringing new products to the market Saab has not put money back into new-product development over the past 15 years They have allowed the products to get quite old by European standards So my challenge is upgrading the product, lowering operation costs and improving distribution

What can you offer Saab that it couldn't find closer to home?

Probably the most important thing is getting the business focused on key issues I've had a lot of experience setting key success factors for a business and then carrying out what has to be done in an organised way The other thing I can bring is a different perspective on international business Dealing with somewhere as isolated as SA, you learn what goes on in the world and who makes things happen, particularly in the last few years in the countertrade arena, where we've really had to make things work for ourselves

Did you have doubts about taking the job when it was offered?

Plenty, if only because it is a major move on my part and a very disruptive one for my family But my biggest doubt has probably been whether I will be able to work in a corporate system again I've had almost six years of making the final decision I've had the ultimate responsibility for Delta, without

any interference At Saab, I'll have Swedish partners, GM and others looking over my shoulder I'm not suggesting I won't need advice, but I haven't taken this job to become a pawn obeying the commands of others

In what shape are you leaving Delta?

The recession in the market has slowed our plans, but already 15%-20% of our turnover comes from outside our core business, which is assembling vehicles These things take a long time but that's a significant slice and one I expect to see increasing Most of that 15%-20% comes from component sales to competitors and export markets

Delta has always boasted of being debt-free and has insisted that all spending come from cash-in-hand. Is that still the case?

We have a very strong balance sheet but while we are now debt-free, I can't state categorically we will never have to borrow money If we do, however, it will be tens and twenties rather than hundreds of millions of rands Take our current situation We are spending R200m on a new car range that will appear early next year We're committed to it and we fully expect to meet it from internal funds But if there is a hiccup, I can't rule out going to the banks to top up

We don't expect such a situation and there can't be too many businesses our size which can spend R200m and not borrow money. And remember, that money is on top of the R250m we've just spent on upgrading the factory By the time we're finished with the new product, we'll have spent close to R1bn on tooling, plant, expansion and product and we'll have done it from our own funds

The local motor industry is undergoing fundamental change, with government considering changes to local-content regulations and import duties. How do you see things?

We have a classic dilemma here It's taken since 1960-61, when Phase One of the local-content programme was introduced, to get the vehicle assembly and component manufacturing sectors to where they are now And yet, few of us are world competitive Most companies, in fact, operate at a significant premium to their overseas counterparts and it's only because of the import duties that they remain in existence That pushes up the cost of vehicles and depresses the market

The alternative is lower tariffs and the risk of the market being flooded by companies dumping products in SA Like Australia, it could destroy the industry overnight Now some might say that's a good thing, but they're not the people employed in the assembly and components industries What's happening now is that parties in the industry are getting together to try to agree on what direction we should take With luck, they will come up with something between total destruction of the industry and a way of producing cheaper cars and trucks here

Who knows what level of local content that will involve — or what import restrictions will be in play? But we have to admit that local content and restrictive barriers are both too high They will have to come down and meet somewhere in the middle and prices will have to be reduced accordingly If that means that whole categories of vehicles aren't viable, then so be it But the industry must try to find its own solution rather than be dictated to all the time

Porter profits up 3%

TOM HOOD
Business Editor

(192)
ARGT 12/9/92

MOTOR group Brian Porter Holdings raised operating profits by three percent to R7,5-million in the year to June in spite of the slump and tough competition in the motor trade.

Sales rose 11 percent to a record R341-million but profit margins were shaved to only 2,2 percent

The Cape group was forced to step up its interest-bearing debt by almost R5-million to R17,5-million and was clobbered by a R3,7-million interest bill, which was up by 26 percent Gearing jumped to 71 from 55 percent

The higher borrowings were due to big increases in new car prices, additional trading outlets and sluggish demand.

Under the circumstances, a 19 percent drop in earnings to R1,8-million could be considered satisfactory, said chairman Mr Brian Robinson and deputy chairman Mr Adrian Porter in their preliminary report today.

"We did very well to contain our costs, and market share was maintained at a reasonable level," said Mr Porter

Bad news for shareholders is a 14 percent cut in total dividends to 21c (18c) a share, with the final payout being lowered 38 percent to 8c from last year's 13c

Sales in July were "fairly good" but slipped back markedly last month as a result of the mass action campaign, said the directors Indications are that the group will not match the earnings achieved in the first six months of last year

Mr Porter said affordability had materially restricted the sales of vehicles

Companies and fleets were trading down to one-year-old cars to save costs and the private motorist was also trading down into cheaper-range vehicles

Car sales slump

CAR sales are likely to tumble to 177 000 this year — the lowest since 1977 S/Times(Buss) 13/9/92

Strikes, the devastated economy, drought and an unstable political environment are responsible

August sales of new cars, medium and heavy trucks were down on the previous month. Only light commercials made a modest increase. (192)

Sales for the next four months would have to exceed averages for the first eight months of this year if projections made in July by the National Association of Automobile Manufacturers of SA (Naamsa) are to be met

Industry sources suggest that new-car sales for the year will be about 177 000 and light commercials 90 500.

August car sales totalled 15 214 compared with 15 328 in July. Light commercials sales last month were 7 848 compared with 7 154.

Medium and heavy truck sales totalled 263 and 426 respectively in August.

Toyota Marketing managing director Brand Pretorius says sales for the rest of the year will probably continue at July and August levels The motor industry will "be hard pressed to realise 180 000 passenger vehicle sales for 1992".

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(192)

SAMCOR'S FORD DIVISION

A Business Times Corporate Feature

R100m new plant to make Telstar

TERRY BLOOMER, director of assembly operations, says Samcor's R100-million investment in new plant, is an unprecedented opportunity to change the face of automotive manufacturing in SA

Mr Bloomer, one of the motor industry's dynamic and enthusiastic personalities, says the plant includes an advanced robotic assembly line

"Although the new products are exciting, the factory equipment is a totally new concept for Samcor and South Africa

"We are pulling the country up by its manufacturing boot straps"

Mr Bloomer believes the new assembly line, which is the same as those used with great effect in Japan, will place Samcor in a leading position for many years

The body shop will use lean manufacturing techniques and employ 24 robots to do 80% of the welding

The major reason for using robots is to ensure consistent quality One spin-off is a significant improvement in productivity

Mr Bloomer says the latest developments will thrust Samcor into the 21st century

In addition to the new manufacturing systems, Samcor is also introducing Japanese work methods There will not be any inspectors in the bodyshop, but a system of "self-certification"

This is part of a process called statistical process control (SPC) which allows each operator to rectify his own manual work station

Trained

Operators have been trained in the same manner as their Japanese counterparts This means six months' dedicated training for each operator

Mr Bloomer says "They are now 'super-operators'

"All this effort means the quality of vehicles coming off the assembly line will be at least equal to the source equivalent, which is our prime objective

"In a nutshell it means a minimal number of people inspecting the work and a maximum number self-certifying their own efforts"

The paint shop has been upgraded and Mr Bloomer maintains Samcor is the only car manufacturer in SA with a totally automated spray process from the initial primer through to the final top coat

Bleeding

The implementation of this most advanced technology has increased paint transfer efficiency from 45% to 95% and brought about a paint saving of 25%, or R8-million a year

The body is covered with 25% more paint The paint film is more even and overspray and pollution are greatly reduced

Samcor says the elimination of human error has resulted in Ford's offering the be t poss ble paint finish

The cathodic E-coat facility was recently upgraded and a R7,5-million full-dip degreasing facility is under construction

Other developments include the installation of automatic vacuum-assisted charging equipment for air-conditioners, clutch, brake and cooling system, and wheel alignment apparatus

These are also the only such systems installed at a car manufacturer in SA and will place Samcor at a distinct advantage over its competitors

The brake system equipment is capable of bleeding both conventional and ABS brakes in a cycle time of 90 seconds a vehicle

The rolls-brake test equipment provides a diagnostic report and printout on engine, electrics, steering, drive line and braking performance

It is so sophisticated the braking performance of each wheel is measured

Two new final inspection lines are to be installed to allow more time for the fitment of mouldings and side stripes and for final inspection

A high-tech infra-red paint repair system is being introduced

Important

With the increased sophistication of the new-generation vehicles, including alarm systems, ABS brakes, engine management systems and cruise control, the electrical systems are becoming more complex and critical to performance and reliability

To enhance quality, an electrical check-out system is being installed

This equipment also shows latent defects, preventing problems which would only become apparent months down the line A printout is retained with each vehicle's documentation

Perhaps one of the most important features of the latest developments is that they are not restricted to the models being introduced next year The line has a built-in flexibility which will allow it to handle all vehicles made in the plant This means better quality all

Anglo backs Ford to hilt

NOTWITHSTANDING the dire state of the motor industry in South Africa, with sales plunging to the lowest in five years, Anglo American Corporation remains confident about the ultimate viability of the industry, says Leslie Boyd

Mr Boyd is deputy chairman of Anglo and chairman of Anglo American Industrial Corporation (Amic)

His confidence applies not only to the industry as a supplier of vehicles which the eventually burgeoning South Africa will need, but as a base for providing vehicles for the rest of Africa

Support

"Furthermore, despite the recent fall in sales of products marketed by Samcor Anglo American is confident that the plans which the company has made both in providing upgraded, high-technology motor-cars and in ensuring more affordable entry level transportation represent a formula for success," says Mr Boyd

This confidence is shown by the support given to Samcor by Anglo American in its multimillion-rand investment programme

"One of Samcor's strengths is the resilience of its dealers The stamina they are developing in the current difficult circumstances will stand them in good stead to take advantage of the better times which are surely to ensue"

The Ford division of Samcor has been particularly hard hit by t e cow ii -

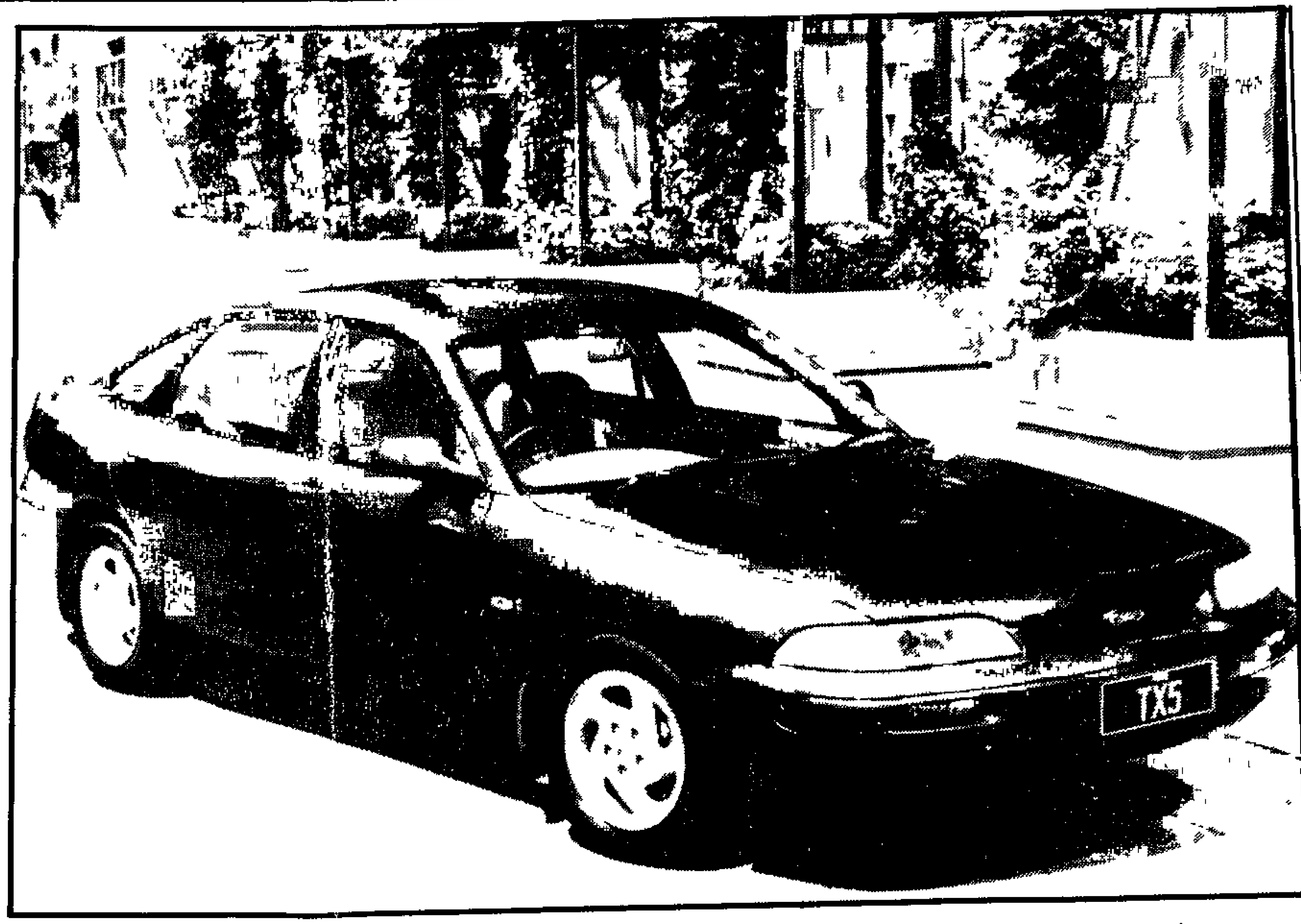
the industry, its performance additionally inhibited by unfounded but rife speculation that the brand will shortly disappear

Mr Boyd says "I would like to reaffirm Anglo American's commitment to the maintenance of the Ford brand in South Africa

"This commitment is not based only on our perception of the tremendous value of Ford's nearly 70 years' heritage in South Africa, but also on the fact that the growth of Samcor in a very real sense depends on the ongoing availability of Ford products from that company's many resources around the world, including those produced in conjunction with Ford's major co-producer, Mazda

"The Mazda-Ford alliance is not just a South African phenomenon — the association is a vibrant, global one, with the cross-pollination of design, engineering and marketing concepts blending a very robust brand of motor industry expertise

"This will develop even further in the years to come and for example, it is quite conceivable that a future generation of Mazda pick-ups will in fact be based on trucks developed by Ford in the USA" says V - low



THE SHAPE OF THINGS TO COME The Ford TX5 which will be launched in South Africa early next year when a new generation arrives

Customer care high on list of priorities

SATISFYING vehicle owners is one of Samcor's priorities Great effort is made to communicate with all customers regularly

Samcor has adopted the highly successful Ford USA method of measuring customer satisfaction Large investments have been made to tailor the programme for South Africa

Ford USA is widely recognized as the best domestic vehicle manufacturer in terms of customer satisfaction

Results

In SA there was a 12,9% improvement in customer satisfaction between the first quarter of 1991 and this year

Rudi Geggus, director, customer care, says questionnaires are mailed to customers and the results analysed by head office before being taken back to the dealers with any necessary recommendations

Customer-care programmes manager, Mike Pittendrigh says Samcor has made great progress with its

"We have introduced motivational programmes for our dealers We have changed the format of our customer satisfaction index (CSI) to make it more user friendly

"This means dealers get added benefit from the statistics"

Dealers have also had to commit themselves to a programme of performance in customer excellence

Mr Geggus says "This concentrates on both sales and service staff and motivates them to take 'ownership' of a problem until it is resolved

"However, the programme does not start when the customer comes in with a problem When a customer buys a new Ford he is introduced to the service department and told who to get in touch with when requiring service, repairs or maintenance"

The customer is approached 30 days after he has

sales personnel, what their attitude was like, their level of efficiency and so on

The customer is also asked questions about his Ford and its condition at the time of delivery

Nine months down the line the customer will get another questionnaire requesting similar information

Strong

The response rate is good — more than 30% in the first contact and about 25% in the second

Mr Pittendrigh says "One item of interest that emerged from the programme was customers expectations of the dealer's sales staff

"Customers expect these front-line people to know their product and be knowledgeable about the different finance schemes available

"The salesman is also ex-

advances in customer service lie in customer contact which has doubled in the past couple of years The efficiency of the service departments and the quality of pre-delivery inspections have also been improved

Mr Geggus says "Ford dealers have become much more customer focused and understand that you do not stay in business if you do not build strong relationships with the customers That is their long-term challenge"

Fathers and sons carry on with the dealerships

FORD has a heritage in South Africa going back almost 75 years

Selwyn Kerr, director and general manager of Samcor's Ford division, which makes and distributes Ford products in this country, says it is one of the oldest automotive marques in SA Ford began assembly operations in a wool store in Port Elizabeth in January 1924

Mr Kerr says the Ford culture extends into the heart of the dealer body

"Some 45 of our dealers have been involved with Ford in one way or another for more than 25 years

"About a dozen dealerships have been passed from father to son and now have the third generation of the same family running the business

Loyal

"Ford dealers have been extremely loyal to the product and the Ford oval I say this in the light of the success they have achieved in going through a change of culture with the advent of the relationship of Ford and Mazda, both in South Africa and internationally"

This is not the first time that SA Ford dealers have gone through radical change In the mid-1950s Ford started phasing out its American cars and replaced them with British Fords

But true to its heritage, Ford retained market leadership through the 1960s, 1970s and into the 1980s

Mr Kerr firmly believes the new direction Ford is taking will once again put the marque in the front row of the new-car market

Boost

"Although the source of Ford products may change, the Ford badge will never disappear, either here or abroad," says Mr Kerr

Commenting on the new Fords, due here early next year, Mr Kerr says "Not only are the cars cosmetically beautiful, they are also extremely dynamic from a driving point of view

"The ride, handling and performance have all come together perfectly to make what is probably the most exciting Ford car South Africa has ever had"

Mr Kerr says a group of Ford dealers who visited Japan recently as guests of Samcor, were equally enthusiastic about the new cars

"They said they had never seen and driven cars like them In view of this I can say right now that these new cars will give our dealers the biggest boost they have had for many years"

Ford Care to bring them back

FORD Care is Samcor's first [illegible]

[illegible] chised dealer for repairs and maintenance and the use of genuine parts as opposed to pirate ones

Humphrey le Grice parts and service marketing manager says Ford Care supports the company's commitment to customer satisfaction

He says the campaign is a difficult one because parts are usually a grudge purchase and franchised dealers have a reputation for being expensive

Simple

Mr Le Grice says "We have found the dealers lose a high percentage of their customers once the warranty on the vehicle runs out

"We want them back, it is as simple as that"

Mr Le Grice says that independent service stations and parts outlets are better placed in many respects than the franchised dealers because they do not have to carry a large parts inventory Their overheads are generally lower

"The general standard of quality at the independents is acceptable these days Ford's programme will become one of Samcor's core marketing campaigns in the future"

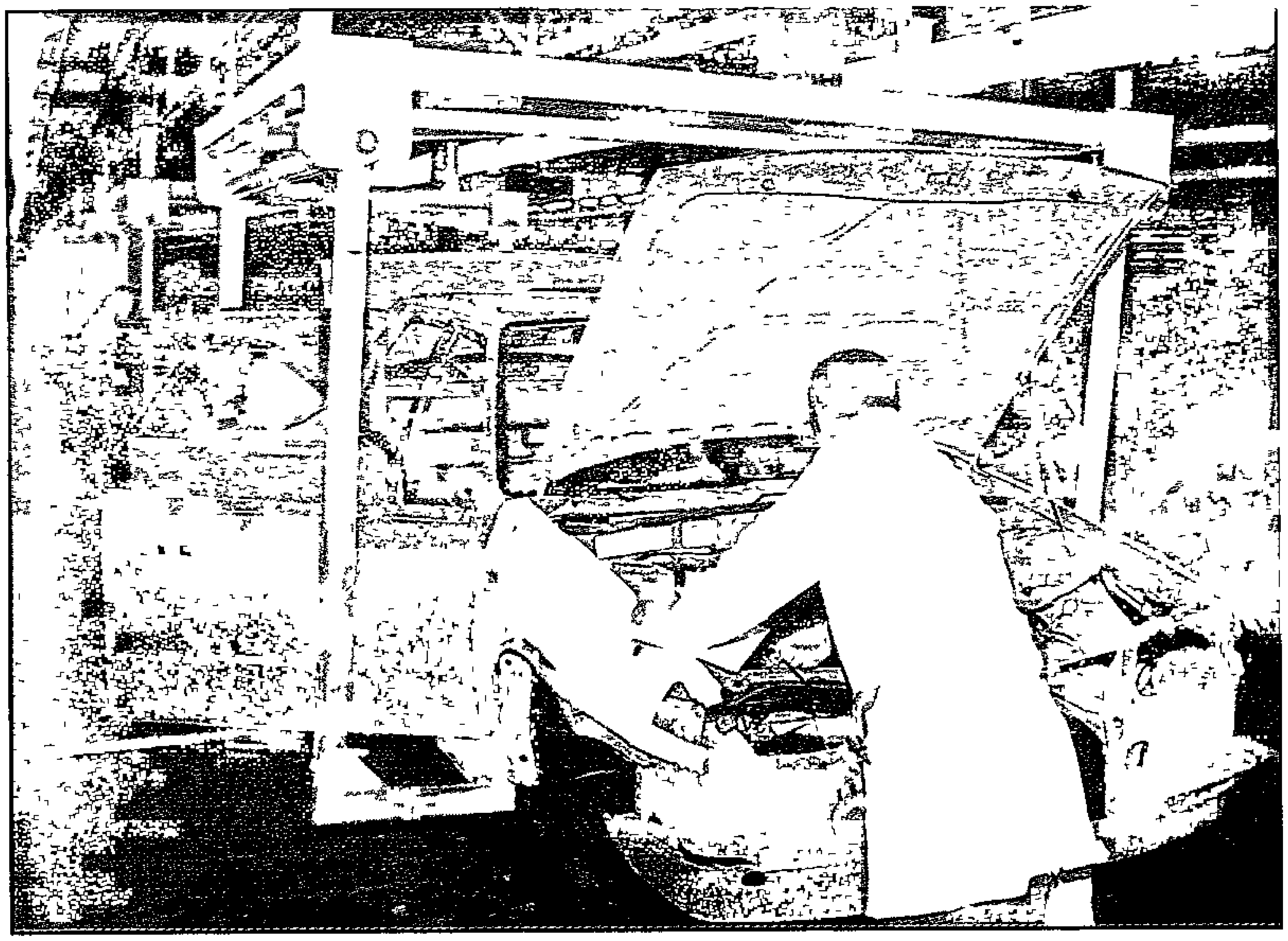
The Ford Care programme took first place in its category at the recent sales promotion and design awards convention

Back in rental

AFTER an absence from the car-rental market, the Ford division of Samcor has concluded several contracts worth more than R42-million with three companies

Ford is also negotiating smaller deals which could bring in R6-million Avis placed a R12-million order for Ford Sapphire 2 0 GLis

Cape Town's Alisa has ordered a mixed bag of vehicles inlcuding Lasers, Meteors, Sapphires Ghias, Sierra Estates, Ford Husky and Spectron minibuses in a R12-million deal Budget awaits vehicles worth R21 7 million



IN THE QUEST FOR HIGH QUALITY Inspection takes place as each car comes together on the assembly line

You can make a car without an MD, but you need workers

ALL too often in this country industry decries the worker, but one of the major problems lies with management, says Terry Bloomer

Mr Bloomer is director of assembly operations at Samcor's manufacturing plant in Silverton, Pretoria, where Fords are made

Mr Bloomer was discussing Samcor's work force which is bracing itself for the introduction of several Ford models early next year

"What management should understand is that the workforce is only as good as the training and tools it is given to do the job From then on the work should just flow

"Management must understand that people want to do the job right, that they want to learn and participate and that they want to produce a good product at the end of the day"

Key

Mr Bloomer says the Japanese, whose methods Samcor is adopting, recognise the key role the worker plays in manufacturing

"You can possibly make cars without a managing director, but you certainly can't without the workers"

Mr Bloomer makes a point of meeting all workers in the plant over three months and talking to them

"I ask them how things are going and if they have any problems By now they know I am one of them, a fellow worker maybe with a different job title, but a worker"

Mr Bloomer also meets shop stewards regularly, not only for reasons of interface but to discuss the company, its position in the industry, production figures, profits and losses and so on

Shop stewards have been sent to the US and Japan to gain first-hand experience in production and quality drives According to Mr Bloomer, these employees fully understand the concept that productivity and high quality secure jobs

"We have had no hiccups in increasing automation in the plant"

Samcor has adopted the slogan "Working Together" for 1992

"It is only by working together that we can increase productivity and make profits We stress this to workers all the time and they are right behind the idea

"Productivity and profit are not dirty words among the Samcor workforce — they are facts of life While the shop stewards were abroad they learnt that productivity is the only way to secure the investment needed to put South Africa on the world stage

"We have developed a democratic management style which sees management taking part fully with the workforce

"Nobody makes an arbitrary decision on the shop floor If an issue has to be resolved it is first discussed by all concerned and we come to an agreement together This happens right through the plant"

Training remains a vital factor of Samcor's success In 1991 the company provided 74 000 hours of training — twice the amount provided by Ford Taiwan, currently regarded as the best plant in the company's empire

Employees chosen to operate the ultra-modern assembly line being constructed to accommodate the new models are already undergoing intensive training

They will receive six months' dedicated training and will help commission and pilot the line until job No 1 in 1993

Morale

It seems that Japanese methodology is bearing fruit for Samcor About 18 months ago it took 65 manhours to produce one vehicle — the current average is 42 The line being installed should reduce this to 36 manhours and will place Samcor in a leading position among SA car manufacturers

Samcor's employee morale is higher than it has ever been in the company's history This is reflected in the low absentee figures

On Monday mornings, the average absenteeism rate is between 3,5% and 4% compared with the British and German car-industry average of 16%

Mr Bloomer says "This shows the commitment and dedication of our workers"

Company car vs allowance

THERE has been much debate about whether it is better for companies to own a car fleet or opt for a car-allowance scheme

There are advantages and disadvantages in both for the employer and employee

Market research last year indicated that 8% of fleets were totally on allowance schemes, 52% on company cars Only 40% had certain options for car-allowance schemes

Selwyn Kerr, director of Samcor s Ford division says car allowances are worthwhile only if the vehicle is used correctly

Many companies have switched to car allowances to get the vehicles off-balance sheet But it has not always been good for the employee

'If the employee covers less than 30 000km a year it costs him money Companies should look at car allowances carefully to determine if this is the best way to go

We have seen a trend where companies switch from company car to allowance and then swing back when they find all is not well "

Negatives

From a motor manufacturer's point of view the company car makes it easier to predict replacements This is also true for a leasing company which will negotiate with one fleet owner instead of, say, 50 individuals in the group

Mr Kerr says "There are many negatives with car allowances One problem is that the company gives the employee a fixed sum The employee buys the most expensive car he can without taking into consideration insurance, tyres, maintenance or fuel costs "

Companies which provide an allowance, but do not prescribe what type of car the employee should buy, often allow the employee to buy a second-hand car The difference is for the employee to enhance his lifestyle

Ford advises fleet owners to structure their allowances in such a way that both they and the employee benefit

Mr Kerr says some companies offer both packages This frees employer and employee, allowing them to come to a mutually beneficial decision

If a company decides to take the allowance route it should look at the possibility of paying the allowance directly to a bank as opposed to giving it to the employee Such a scheme could take all car-related payments into account, including maintenance insurance and fuel

However, drivers using cars on an allowance scheme are obliged to maintain a logbook if the vehicle is driven more than 32 000km a year The new tax rules say the first 12 000km is classed as private use and the remaining 20 000km for business

If a logbook is not kept the extra kilometres are classed as private use, to the detriment of the driver Companies should ensure drivers maintain logbooks in order to control their tax obligations

To reach a break-even tax point when comparing the company car options allowance schemes vehicles have to be driven at least 2 800km a month

Fleets should work closely with dealers We have taken steps to ensure that our Ford dealers can advise a fleet owner about the best route to go, says Mr Kerr

Engineers from Japan discuss the technicalities of the robotic assembly line in Silverton, Pretoria

Partnership weathers storms of trade disputes

MUCH has been said about the relationship between Ford of America and Mazda of Japan — some not realising the benefit derived from this worldwide co-operation

Ford enthusiasts in South Africa were initially somewhat sceptical largely because they were unaware of international developments and at first believed the merger was a Samcor development

They voiced concern that Ford was losing its 'true-blue' heritage and that the Japanese connection would dilute the inherent strength of the Ford marque

This did not happen and today the Ford-Mazda relationship is regarded as one of the most successful tie-ups between two major motor manufacturers in the world

Although Ford has agreements with Japanese companies going back to 1925 it was only in 1979 that it acquired a 25% share of the then-floundering Mazda Motor Corporation

The relationship has survived the pressures of trade disputes between Japan and the US as well as internal disagreements about specific projects

The two companies co-operate on product developments and manufacturing and exchange expertise in international marketing and finance

For Ford there are other benefits Ford is the best-selling foreign marque in Japan with more than 72 000 passenger and commercial vehicles a year sold through a dealer network jointly owned with Mazda

Latest

Ford has also learnt some lessons that it is applying elsewhere in its business When the company built a manufacturing plant in Hermosillo, Mexico in 1986 it used Mazda s super-efficient Hofu (Japan) factory as a blue print

Hermosillo became one of Ford s top-ranking plants for high quality and a model for renovating other facilities

Ford and Mazda have worked together on several projects to produce new models

Ford is usually involved with the styling Mazda making key engineering contributions

Projects completed to date include the latest Ford Escort and Mercury Tracer models the subcompact Festiva the sporty Ford Probe the Mercury Capri and the off-road Explorer — now being imported by SA

Ford-aided Mazda's are the MX-6 Protege and Navajo

Mazda has also had an impact in the US In 1987 it began building its MX-6 and the Ford Probe sport coupés at a plant in Flat Rock, Michigan

With a 75% local content the 1992 models will be the first domestic cars built by a Japanese plant in the US

One in four Ford cars currently sold in the US has benefited to some degree from Mazda involvement — in everything from manufacturing to the design of the steering system

Two in every five Mazdas have some Ford influence

Samcor is able to select from a variety of source countries and a variety of product ranges to ensure that SA receives the best selection of Fords that are available internationally

For example next year the Ford Telstar and the Mazda 626 - both of which have been successfully launched internationally will be introduced to SA

Sasol's cost cutting curbs coffee sippers

S/Times (Buss) 13/9/92

By ZILLA EFRAT

SASOL has embarked on a cost reduction programme which ranges from limiting coffee for staff members to cutting the workforce by 7%

The move is expected to reduce operating costs by 10% in the current year and counter the effects of inflation and low oil prices

Sasol this week announced a 9,4% rise in earnings to 202c a share for the year to June The final dividend of 41,5c brings the year's total to 78c (71,5c)

Although operating profit was down, Sasol benefited from a lower interest bill and effective tax rate

Sasol began a rationalisation and restructuring programme in the past year to protect profitability The rise in operating costs was limited to 9,6%

The campaign has been extended into the current year About 2 240 people at all levels have accepted voluntary retrenchment benefits

But managing director Paul Kruger, who has also been appointed deputy chairman, says the savings are not reflected in the year's accounts because of the cost of generous retrenchment packages

Major

Staff members are believed to be limited to three coffee breaks a day, a move said to save the group R100 000 a year Other savings range from reducing the number of pool cars at head office to fringe benefit cuts

Sasolchem has also resigned its membership of the Plastics Federation of SA and the Chemical Institute A company spokesman says this eliminates duplication because Sasol Technologies is a member of both organisations

The moves are expected to bolster profitability in the current year because rand prices for the group's products may remain stagnant The rand has strengthened against the dollar in recent months

The directors say that although chemical prices are not expected to fall, they will not improve much until the world's major economies recover from recession

In addition, the capital spending projects that come on stream in the current year should start contributing to profits only in the following year

Various small chemical plants will be commissioned in the first half, including the normal butanol, krypton and xenon recovery and cresylic acid purification factories

Large projects under construction — the renewal of Sasol One, the anode coke plant, the Natref expansion and the acrylic fibres factory — will be commissioned about the end of the year

In the year to June, Sasol's attributable earnings rose 10,7% to R1,153-billion These earnings are off a high base because those in the previous year were boosted by high oil and petrol product prices in the wake of the Persian Gulf war

In spite of lower prices, turnover rose 3,9% to R7,9-billion because of higher production and sales volumes

But the collapse of SA and international prices after the war took its toll on operating profit which fell 7,3% to R1,8-billion

Distinct

This was partially offset by higher production volumes at Sasol Three, the first contribution by the Syferfontein strip-mining project and improved performances by the fertiliser, explosives and polymer divisions

The interest bill was lower at R228,6-million (R376,10-million) because of a further reduction of Sasol Three loans and interest earned on the proceeds of its debenture issue

Sasol also benefited from a lower tax rate of 23,5% (30,8%), the result of its high capex and previous assessed losses by some companies

Sasol's board has given the go-ahead for R670-million of capex projects, bringing the value of those approved but not yet commissioned to R3,5-billion

Another R2-billion worth of largely export-oriented projects is being considered

Sasol general manager Jan Fourie says they are in areas where Sasol has distinct competitive advantages and where its international competitiveness can be boosted

They include an acrylonitrile plant, costing between R300-million and R400-million It will make acrylic fibres for the textile industry

Another is a bisphenol A plant which could cost up to R400-million It will make chemicals for the resin industry and synthetic glass

Also under consideration is a R60-million alkylamines plant and a R70-million acetate plant

Ahead of the swing to unleaded fuel, Sasol is looking at the possibility of a R100-million isomerisation plant and a R250-million ETBE or MTBE plant to produce additives

SUMMARY of the week's ırporate announcements
ONDAY Members of ıbanon, Venterpost and enters options approve heme of arrangement ıth Kloof Union Tin remed Union Mines, warns negotiations Twins' name change to Premier Pharıceuticals.
Investec buys Allied Trust nk from Barclays plc for 5-million Goldfields Instrial to delist from 11/9
EDNESDAY Unihold, Un announce board ınges Log-Tek to consolie shares one for 500, odd- s to be sold on behalf of ders or they will have the ıortunity to make up their dings to 500 using the sing price on 25/9 Shares n to be subdivided one for ' to get rid of small reholders for cost reas
URSDAY Voltex anınces fraud proceedings ınst former Bennett & ntain chairman Phillip ısky have been withwn on mutually satisfacterms
DAY Mast buys Liter-Group from CNA for not e than R7,7-million ımining, Egoli, Southgo ıbers approve resolu- on consolidation and ıivision

Public servants to get right to strike

S/Times (BUS) 13/9/92

By ADRIAN HERSCH

PUBLIC servants will soon be allowed to strike

If employees comply with certain procedures the action will be lawful -- and nobody can be dismissed within 30 days after the start of the strike

But workers falling under the definition of "essential services" will not have the right to strike and their disputes will go to compulsory arbitration

The new draft of the Public Service Labour Relations Bill, which may be enacted in October, rules out strike action in several areas, including hospitals explicitly

Cabinet

Anton Louwrens, of the Public Servants Association and who acted as convenor, says the draft has been sent to the Cabinet It will then go to a parliamentary select committee

Mr Louwrens says "There is a 51% chance of enactment this October If not in that session, early next year"

The Bill provides for a public-service bargaining council Employees will have access to the Industrial Court and Labour Appeal Court

Those deemed to be in essential services include employees in fire-fighting; water, power and sanitation, control of air traffic, nursing, medical and emergency health, key-point computer services, the management echelon, and the SA Defence Force and SA Police

But the proposed legislation also says those "directly involved in support services essential to the functioning of these groups" are also essential service workers That means that laundry workers at hospitals are included

The Bill was drawn up after agreement by the Commission for Administration (CFA) and 10 staff associations and trade unions on most points

The Health Workers Union (HWU), which was involved in hospital strikes in the Western Cape, objected to the "support services personnel" clause

But the other nine unions and the CFA supported it, saying laundry workers at organisations such as hospitals are essential

The CFA backs up its argument by saying the International Labour Organisation (ILO) has considered the hospital sector to be an essential service

The proposed legislation allows for the Industrial Court to rule on disputes about whether employees fall under essential services

Those not in essential services can strike lawfully if they follow procedures similar to those that private-sector employees have to adopt under the Labour Relations Act

Objected

But in a major difference the public-service legislation provides for protection from dismissal for 30 days after the start of a strike

It is subject to a proviso — that the strike be conducted in a "reasonable manner"

Five unions objected to this, saying it gives the employer too broad discretion The CFA and the other five unions disagreed, saying the interpretation could be ruled on by the Industrial Court

Criminal sanctions are set out for unlawful strikes, but all trade unions are not in favour of it

Mr Louwrens says the National Education, Health and Allied Workers Union (Nehawu) did not attend the last meeting of the forum drafting committee, but the HWU did

Mr Louwrens says Nehawu's absence is not necessarily a rejection of the legislation because the union said its attendance depended on the resolution of the hospital strike

Nehawu officials were unavailable for comment

CFA spokesman Corrie Smit says the 10 unions (which exclude Nehawu) represent about 93% of the unionised employees and about 60% of all workers

"They are therefore in all respects representative of Public Service Act personnel," he says

COMPANY ROUND-UP

PRELIMS	Turnover	%	Profit before tax	%	Earnings a share	%	Div a share	%

Daring two-marque merger is a winner

SEVEN years ago Ford and Mazda merged under the Samcor umbrella, a move pioneered in South Africa but which has had positive ramifications for the two marques worldwide

MAX BRAUN and ANDREW PARKER report on the Ford division and its plans

THE 1985 merger of Ford and Mazda under the Samcor umbrella was viewed by motorists and fleet owners as a brave, if not daring, endeavour to sustain two marques that had proved popular in South Africa

Seven years down the line, Samcor can look back with a sense of pride and achievement in making a success of what is still regarded as a difficult marketing concept

Samcor has maintained about 18% market share under the present poor trading conditions with a mature model range

Credit

In 1985, there was scant precedent for a large-volume producer to make products on a common platform and then market them side-by-side as different makes to be sold by separate dealer networks

Much of the credit for making this widely debated decision work for Samcor should go to Spencer Sterling, until recently group managing director of Samcor and now chairman

Mr Sterling says "Since implementing the concept in South Africa, the success of the Ford USA and Mazda Japan alliance, which really began to blossom in 1986, has had positive ramifications for its dealers and their customers worldwide

"Ford is selling cars in the USA that were conceived and designed in America, styled and built in Japanese factories either in Japan or in the USA or elsewhere"

Shortly, with the introduction of the Ford Telstar and the TX5, SA motorists will gain their first impressions and exposure to such modern cars

The planned introduction of a comprehensive range of models including the Ford TX5 and Telstar is a major and important event for Samcor

This is especially so for the Ford division which has not enjoyed the benefits of an entirely new model for nearly a decade (Sierra was introduced late in 1983 and the Laser-Meteor in 1985)

The new models, which have been previewed in SA, will be positioned to raise Samcor's stake in the executive and company car markets

Rob Herbertson, the recently appointed group managing director, says "Telstar offers a more spacious and luxurious interior, improved performance, style and economy' The sprightly TX5 sports sedan will be pitched at the performance-motivated market dominated by BMW

An investment of R100-million was necessary to meet the build quality objectives of the new models To gain the benefits of the best technology, Samcor installed a body shop, incorporating 24 robots, an improved pre-treatment and primer process, robotic paint application and specially trained body-shop operators

Levels

Benefits include on-line brake and clutch bleeding, air-conditioner charging, all aspects of wheel alignment completed on-line and the introduction of a six-year corrosion warranty

Terry Bloomer, director of assembly operations, says "The introduction of our comprehensive programme, 'Working together', has improved communications and attitudes between employees at all levels

"More than 74 000 hours' training has prepared us for the high-quality standards demanded by the new technology"

Rudi Geggus, director of customer care operations, says the customer-care index, continuously monitored at Samcor, shows a notable improvement in several important areas since the programme was introduced three years ago

Mr Geggus says "Dealers have responded well and are becoming more pro-active in handling customers' complaints and meeting their expectations

"There is a growing understanding among Ford dealers that sales and profits are a direct result of how effectively they satisfy their customers' needs at the point of sale and over the lifetime of the ownership cycle"

Mr Sterling believes Samcor is in good shape, probably better than it has ever been He has confidence in management and employees He sees them as being as good a team as in any other company in the industry

Mr Sterling sees no future for Phase Six of the local content programme He predicts it will not survive until 1997 in its present form Strong efforts are being made to establish long-term and profitable exports of Samcor vehicles and components

Vision

As chairman of Samcor, Mr Sterling is well placed to influence and guide the direction of the business, His vision for Samcor is for the company "to become the best motor company in South Africa"

"Best means producing vehicles of the highest quality, at lowest cost and at competitive prices, to be profitable capable of funding its growth and rewarding shareholders appropriately'

He brings new ideas for the managers

ROBERT Herbertson, Samcor's chief executive is a relative newcomer to the industry and the company

His broad experience in general management and [illegible]

Mr Herbertson [illegible] management at Samcor has been "tempered by fire"

"It had to face the difficulties inherent in the original merger, to come to terms with the different cultures of Ford and Mazda as well as cope with the added problems of a depressed market

Mr Herbertson says "All these challenges have added fibre to them as individuals and as a team

"There is still room for improved team-work Recognition of shortcomings does exist and the commitment to improvement and to the team as a whole is strong indeed

Enthusiasm

"The combination of experience in difficult times and the resilience of the individuals in the company means we have a team which I can rely on one hundred percent

"My task is to create a climate of enthusiasm and appropriate direction, allowing people scope to get on with what they do best within the objectives of the company"

Mr Herbertson says managing labour relations is part of the management process Good management leads to good product and good service

"Samcor is doing a good job when it comes to managing labour relations in terms of liaison with shop stewards, understanding what the labour force wants and in negotiating satisfactory resolutions to issues that constantly crop up

Lasting

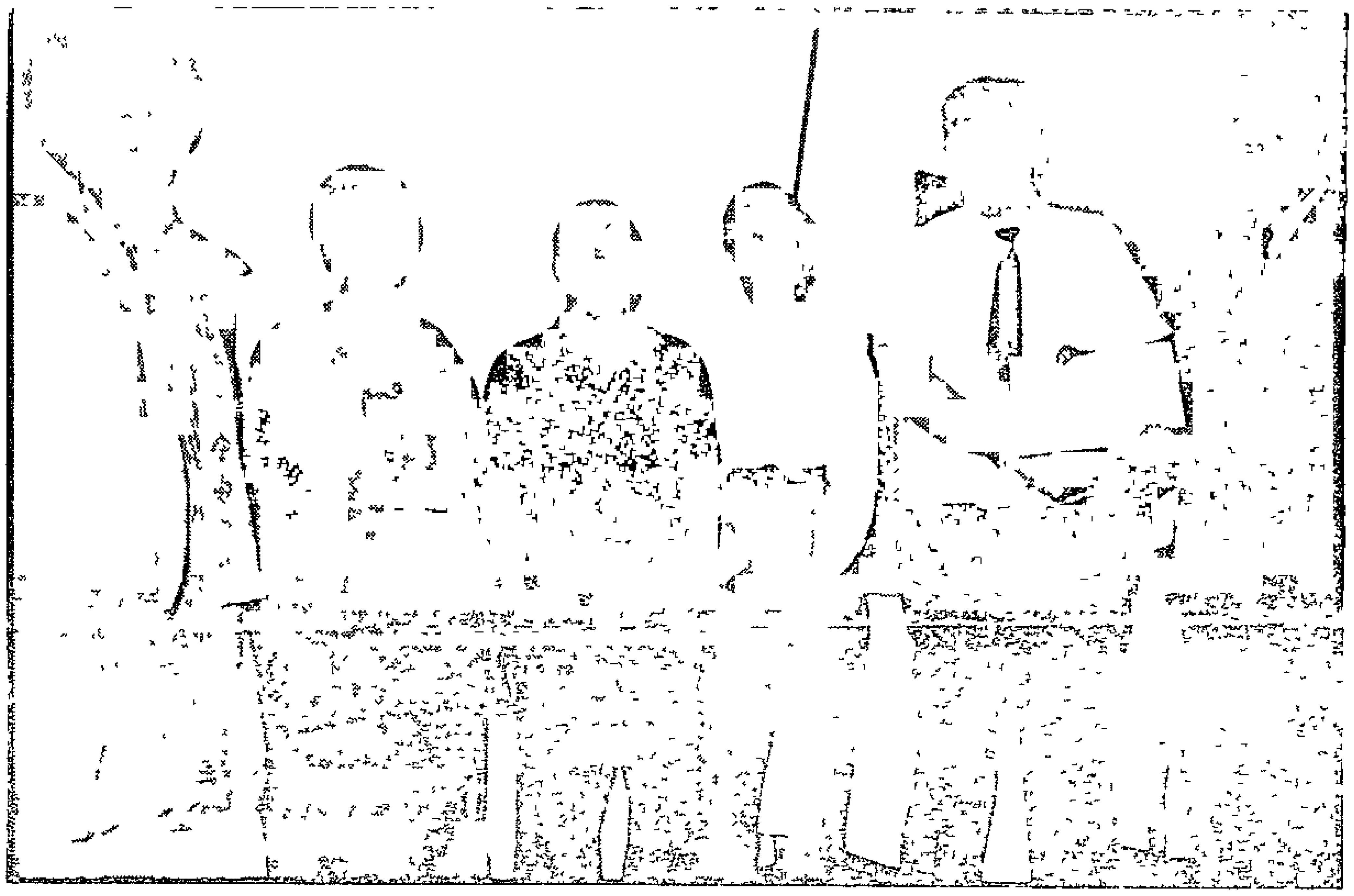
"Annual wage negotiations tended to be fairly confrontational in the past few years This year was no exception

"In this respect, questions have been raised as to the viability of the central bargaining forum

"I believe the situation would have been just as confrontational if manufacturers had negotiated on their own We should try to get more in line with the way the Japanese handle their labour relations

"We certainly do not want to go the way of Britain where industrial relations remained confrontational until the industry was decimated

"There the situation has improved, but the damage has been lasting"



WINNERS OF SAMCOR's 1991 KAIZEN COMPETITION The Five Strivers Coleen Naala Violet Lodi Colin Mabena Lydia Nkose and team leader Eddie le Roux are congratulated by managing director Robert Herbertson

Gold medals for quality

SAMCOR's kaizen team recently brought back gold medals from an annual quality-circle conference in Japan

The South African team presentation comprised productivity savings on the Ford Sierra-Sapphire hardware trimline The programme also included quality improvements which saved Samcor considerable expense and manhours

Kaizen, the Japanese word for never-ending improvement is the name given to the small group activity teams at Samcor They form the basis of the company's "working together" programme

The aim of the programme is to improve personal contact at all levels with a view to increased productivity and quality

Samcor's kaizen competition offers a yearly grand prize of a trip to Japan for the winning team On the trip the team, made up of members from the factory floor, are exposed to Japanese manufacturing philosophies and operations

The conference, hosted by the president of Mazda Corporation, Mr Wada, and his board of senior executives, was attended by about 2 000 delegates from all over the world

Seventeen teams from Japan, Australia, Malaysia, the US and South Africa, presented their quality and productivity achievements

Themes included production, material handling, maintenance productivity improvements, improved sales and service by dealers, environmental issues and improved treatment of patients at a Mazda hospital

Imported engines for Ford tractors

IN a significant development, Ford tractors are to replace the SA-built six-cylinder ADE engine with an imported equivalent

Aubrey Gouws, director of Ford tractor operations at Samcor, says that although the company has not experienced any technical problems with the SA engine which was introduced in 1981, it has become expensive

The technology has been surpassed internationally, especially in fuel consumption and exhaust emissions

Ford tractors have been turning the sod in South Africa since 1924 and have held a leading position in the market for the past 10 years

Beause of the recession and the drought, sales are far from being what they should be

In fact, the 2 200 units forecast for 1992 represents a record low in tractor sales and is described by Mr Gouws as "disastrous"

This is a far cry from the palmy days of the late 1970s when average annual sales were about 15 000 They peaked at 25 000 in 1981

Since then every year has been marked by a decline in the total market

"Apart from the drought, farmers in South Africa now have an accumulated debt of about R20-billion They cannot afford to buy new equipment," says Mr Gouws

But for many reasons, they actually cannot afford not to buy new equipment

The average age of South Africa's agricultural tractor fleet is 12 years, with 70% more than nine years old

Expensive

Mr Gouws says there is a pent-up demand for new equipment, but the money to pay for it is not available

"A lot of equipment being used has long since passed its economic lifespan — you can keep a piece of equipment going for only so long Then it is not worth it"

Tractors are not cheap either The average price for a 58kW tractor — the most sought after model — is now about R100 000

Fortunately, inflation in this sector is relatively low and averages about 9% a year

In an effort to make tractors more affordable, Ford is looking at different methods of financing

It is already helping to subsidise interests rates and is considering a form of full-maintenance lease

Mr Gouws says a limiting factor could be the farmer's inability to make monthly instead of annual payments

Although things are tough, Mr Gouws is not despondent Ford is the undisputed leader with 30% of the market securely in its grasp

In addition, Mr Gouws expects a slight upturn in 1993 and says Ford tractors are ready for the challenge

The tractor market is highly competitive Ford's main rivals are Massey Ferguson, John Deer and Fiat These four, and a few other minor players supply 200 model variations — far too many for such a small market in Mr Gouws' opinion

Strange as it may seem, all players seem equally determined to hang on until the situation improves

Mr Gouws says a couple of minor players dropped out last year and further rationalisation could occur at any time But he is not putting any money on it

Mines

Ford makes a wide range of machines from 35kW to 113kW Models vary from large haulage tractors through to specialised orchard machines

Some are converted for industrial use and even flame-proofed for underground work in the mines

Next year Ford will introduce a popular range of New Holland rectangular and round balers It is looking at other lines of hay and forage equipment

Magazine for fleet services

IN an effort to communicate more effectively with fleet owners, the Ford division of Samcor publishes a quarterly magazine, Ford Fleet Focus

It deals with fleet management and financing

Rodney Strydom national fleet sales and marketing manager of the Ford division, says Ford Fleet Focus aims to provide fleet owners and financial managers with information which will be of use to them in their day-to-day business

This is in contrast to other similar publications which place their emphasis on automotive products

Typical articles include expense control, fleet financing schemes, VAT implications and replacement policy

The publication, launched in February 1991, is mailed to 20 000 fleet owners throughout the country The combined fleet content of these recipients is 450 000 vehicles

Motor industry consultant Michael Crankshaw & Associates has been retained by Ford to edit and produce the magazine

Attention to basics in troubled times

ROBERT Andrew Herbertson appointed deputy group managing director of Samcor in August 1990 and recently group managing director has no previous experience in the automotive industry

To say this must be a challenge which could easily daunt the faint hearted is an understatement

A graduate of Oxford and the Harvard Business School programme for management development, Mr Herbertson has grasped the opportunity

He is determined to make his mark on this industrial giant and has some forthright views about the motor industry

With depressed sales and difficult trading conditions in the new-car market all parties involved are forced to operate on low turnover

Mr Herberston says There is nothing we can do in the short term to improve the economy of the country or industry figures

"What we can do is make sure we run our business well We have to concentrate on the basics and make sure [illegible] sufficient [illegible] ket

Major

In the longer term we [illegible]

Mr Herbertson says one of Samcor's strengths is that it enjoys a relationship with three major car manufacturers - Ford Mazda and Mitsubishi

It will have a wide choice of models to choose from This choice depends on the economics of the business as well as the economic and political situation in SA

Mr Herbertson says that although Samcor's relationship with international manufacturers was sound, it was clouded by sanctions

He is optimistic SA will achieve political normality in the foreseeable future and that present constraints will disappear

Mr Herbertson would like to see Ford remain a strong contender in the markets in which it is represented, with perhaps some niche models added to the range

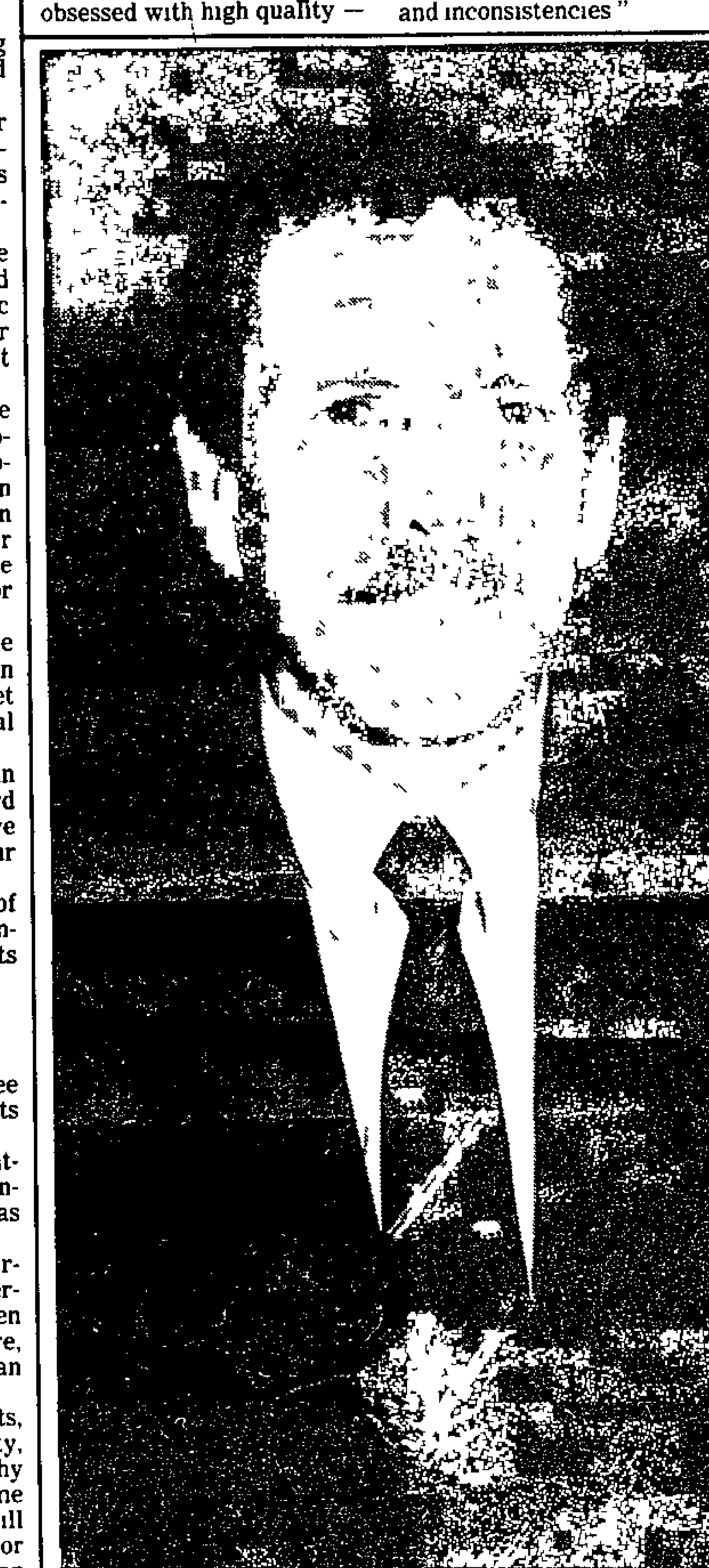
Samcor management is obsessed with high quality — in both the product and service areas

Being obsessed is one thing, delivering the goods is another, Mr Herbertson remarks However, the obsession will ensure that the effort and commitment are made

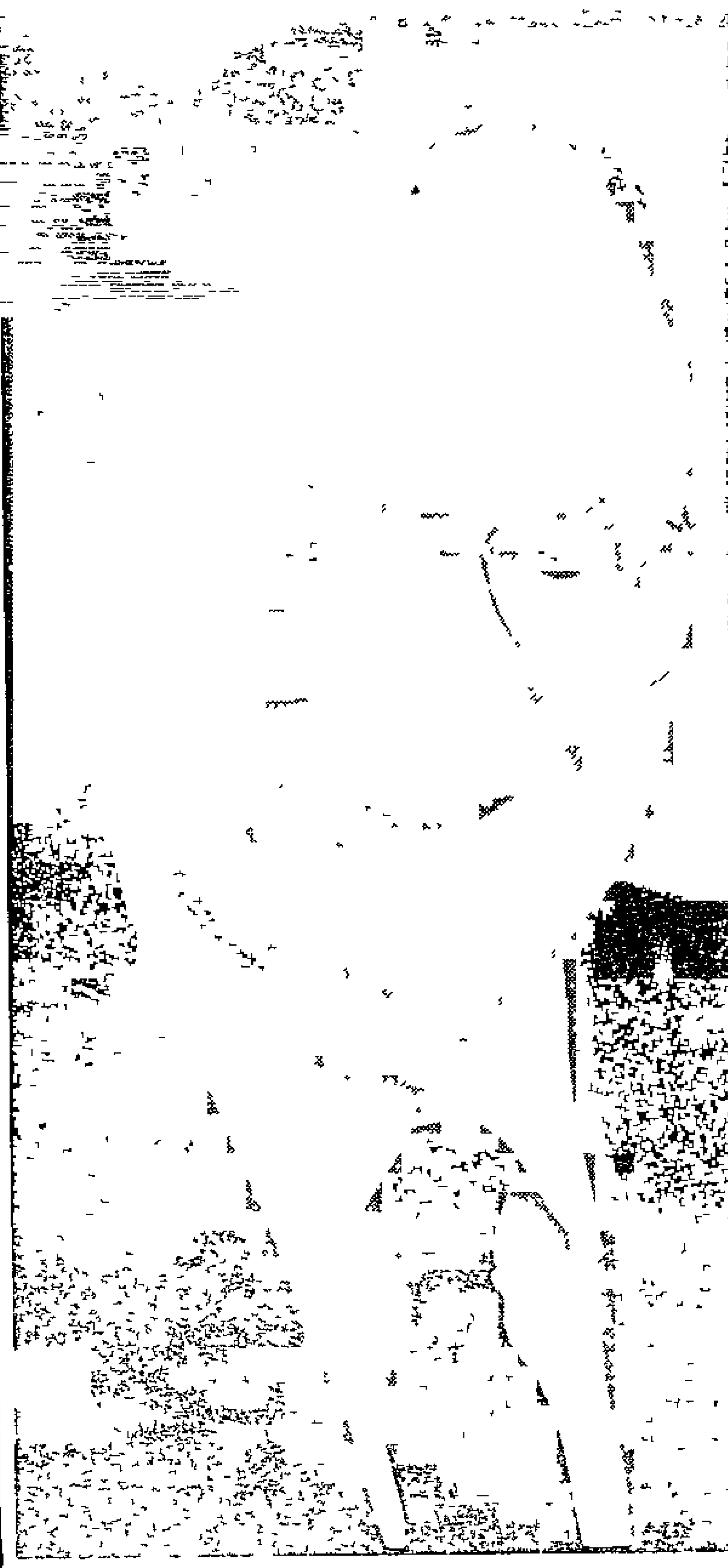
Mr Herbertson says the new Fords next year will give Samcor an opportunity of improving the quality of the product This is largely because the Japanese designers have made the quest for high quality a science

"In the manufacturing area, this approach has resulted in easier methods of putting the cars together and less opportunity for error and inconsistencies"

ROBERT HERBERTSON Profits come from satisfied customers



SEAN BOWNES We pay more than lip service to the problem



SPENCER STERLING Aiming to be the best motor company in SA

It's a happy marriage of two products

SAMCOR chairman Spencer Sterling's roots go back to the Ford Motor Company in Port Elizabeth and other parts of the world

Probably more than anyone else connected with Samcor since its inception, he can look back with a feeling of achievement

In a career spanning 32 years Mr Sterling has built up an outstanding record in the world's automobile industry

He joined Ford SA in 1957 as a graduate trainee He spent three years in various divisions before being assigned to Ford operations in Canada and Australia

Taiwan

In 1966 he was appointed manager of SA's first engine plant, the youngest senior in the Ford world Ten years on he was returned by Ford to Australia this time as director of operations, Asia and Pacific

Two years later, it was off to Taiwan to direct a major Ford expansion In 1980 he became the first person from a Ford international affiliate to be appointed operations manager in Detroit for the United States

He resigned in 1982 to become managing director of Sigma Motor Corporation, which was later merged with Ford SA to form Samcor — the SA Motor Corporation

As managing director, he was given the task of establishing a business founded on a complex marketing strategy — to market side-by-side two product lines basically the same, as different makes and models

At the time, most industry watchers believed it would have been wiser to have rationalised the Ford and Mazda ranges and dealer networks into a single operation

Some Ford dealers, to this day, raise questions about the future of the Ford brand in SA

Can Samcor sustain the "twin" dealer network?

Mr Sterling's response is 'Yes, I agree it is complex, even risky to build vehicles off a single platform But the cost savings are considerable

"Marketing the concept is difficult but not necessarily unwise

"However, we are living in a fast-changing world We cannot base the future on past decisions

"Today's problems may be temporary and this is especially so when you think how the market has changed, and will continue to change in South and Southern Africa The approach we are talking about is now a growing world trend

"This, like many other complex issues, is our business and will be dealt with as Samcor develops its strategy"

Mr Sterling sees his prime role as chairman to guide and help to shape the strategic plan that will take Samcor into the future and keep it growing and profitable

"Many elements of the plans that were laid at inception have come together, providing a strong foundation for keeping the company in good shape, allowing for whatever changes need to be made and for building on for the future"

Realising this vision to be the best motor company in SA and improving market shares will require additional products

"Fortunately, there is an extensive and exciting Ford product range from which we can choose to amplify our part in the market"

An important element of Samcor's strategy is to enhance the value of both its franchises

Healthy

The company is keen to see its dealers making profits and prospering

'Samcor enjoys an outstanding business relationship with all its overseas principals and suppliers"

Mr Sterling believes current problems may be different to those businessmen have had to cope with before, but no more difficult than those overcome in the past

State-of-the art products, commitment to high quality, customer care and a healthy dealer organisation are some of the key elements that will make Samcor the best motor company in Southern Africa,' says Mr Sterling

Special card to help the owners

THE Ford division of Samcor has introduced a card-based maintenance plan. It is called Ford Card

The card can be used as a convenient, stand-alone maintenance plan or be linked to a rental agreement to provide a full-maintenance lease

Rodney Strydom, national fleet sales and marketing manager of Samcor's Ford division, says benefits of the Ford Card maintenance plan include

- Fixed costs for the contract period
- A link to any vehicle financing agreement
- Recognition by Ford dealers throughout SA

Another advantage is that vehicles up to 12 months old can be placed on the maintenance plan

Fleets operate differently and they all have their own needs Ford Fleet can provide finance packages and maintenance plans to suit those needs

Advice

With a product range available that offers value for money, driveability and above all, high quality, Mr Strydom believes Ford vehicles are an excellent choice for the fleet owner

Ford has also established a fleet owner council It comprises 10 major fleets and is appointed annually

The current group represents about 17 000 vehicles from various companies Quarterly meetings are held with fleet owners to discuss the market, current products and new product features and financial concepts

Mr Strydom says it also provides an opportunity to obtain valuable feedback and advice about what is needed by fleet managers and fleets

'For example, the council advised us not to include the maintenance plan in the price of the vehicle It prefers this to be separated for VAT purposes'

Optimism about new-car prices

HE ordinary person can no nger afford to buy a new r — and that presents a ajor problem, not only for m or her but for Samcor

Sean Bownes, sales and arketing director of Samr says new vehicle prices creased by 100% between 80 and 1985 and by another 0% in the following five ars These increases have owed since then, but renin high

The major inputs have en the high SA inflation te and declining value of e rand

Mr Bownes says Phase Six the local content pro amme has had a severe inationary effect on car ices The cost of local comnents is rising faster than ported equivalents

To counter this, Samcor is veloping a strategy to rece local content However, this depends on finding enough exports to offset the cost of imports

Mr Bownes is optimistic that future increases will be more in line with the inflation rate, if not below it He predicts a reduction in the inflation rate and a more stable currency in three to five years

"In addition, there is increased pressure in the automotive industry not to pass all increases to the consumer There is an attitude that says we should take lower margins or reduce our cost base We are tackling the latter"

This exercise has borne fruit Samcor has beaten its fixed-cost targets for the past three years It has beaten the variable cost targets for the past two years The company is negotiating for less than inflation-adjusted increases from its suppliers

Mr Bownes says trade unions are more realistic in their wage demands — a good sign for the future

However, the biggest savings have come in improved materials management This includes handling, use, control of waste and shrinkage

In addition to the demise of the private buyer, company fleet owners are keeping their vehicles longer Mr Bownes says a few years ago a company would turn over its fleet every two to three years or when vehicles reached between 50 000 and 80 000 kilometres

Today they are retaining vehicles for up to five years or between 120 000 and 150 000 kilometres

What can be done to make cars more affordable? Some manufacturers, Volkswagen SA for example, are looking at ways of reducing the specification on some entry models to make them cheaper

Mr Bownes says this is not the answer

"At the most you cut the price by between R2 000 and R3 000 That doesn't make the vehicle much more affordable when you compare monthly repayments Our market research has shown customers don't want rubber mats instead of carpets and vinyl seats are out Samcor has replaced several items on certain models because they were unattractive to the customer

"The new cars launched in South Africa are all bigger, more powerful and better equipped than the models they replaced — and they are selling"

Industry analysts have suggested there are too many model variations

Mr Bownes disagrees and says manufacturing costs would be reduced only marginally if model numbers were reduced

"One solution to the affordability problem is innovative financing With imagination this can influence the period of payment, interest rates, tax, residual values and so on Although packages to meet the customers' needs don't reduce the total payment, they make it more manageable It is better than extending the life of the current vehicle

"The ultimate solution to affordability in this country is an economic recovery Higher production runs help to lower manufacturing costs and slow the rate of increase in new-vehicle prices"

Incentive plan for tourism

GERALD REILLY

BDAY 16/9/92

PRETORIA — The Trade and Industry Department was looking at a new incentive scheme for the tourism industry, Tourism Minister Org Marais said in Durban last night.

Speaking at a Fedhasa dinner, he said Satour had been asked to organise a meeting between himself and the industry's main players to explore the possibility of establishing an organisation like Safto for the industry.

Marais said tourism could be the country's top industry, the biggest foreign exchange earner and the biggest creator of jobs. However, serious obstacles such as violence had to be removed.

As long as the ANC planned to use mass action to overthrow homeland governments and attack the current government, tourism would fall short of the 20% annual increase which was possible, he said.

The doubtful quality of coach transport and the lack of three-star hotels also slowed the development of tourism.

Greater co-ordination between the private and public sectors was needed. It did not help to make big investments in game-park accomodation if air strips and good road were lacking.

Motor task group to study Phase VII

BDAY 16/9/92 (192)

EDWARD WEST

THE Trade and Industry Department was forming a task group to investigate the possible structure of the Phase VII local content programme for the motor industry, director-general Stef Naude said yesterday.

Naude said the department was discussing the composition of the group and its instructions with various parties

The main objective behind the group's formation was to obtain certainty in the motor industry as soon as possible

However, he said the introduction of Phase VII would not be rushed through as Phase VI was

The news came after last week's meetings between the department, the National Association of Automobile Manufacturers of SA (Naamsa) and the National Association of Automobile Component and Allied Manufacturers (Naacam)

Naamsa president Bert Wessels recently said the soon-to-be established research group already should have determined what direction the Phase VII local content programme should take by the end of next year

He wanted the group established as soon as possible and to comprise representatives from the motor and parts manufacturing industries, the Industrial Development Corporation, trade unions, the Motor Industry Federation,the departments of Finance and Trade and Tariffs, and overseas consultants

The current Phase VI local content programme, due to be wound down by the end of 1996, was flawed, Wessels said

Problems included the changing of its rules and targets too often, non-participation in GEIS, Phase VI's contribution to price increases, and the fact that it was open to fraudulent practices, said Wessels

Other problems included Phase VI's sensitivity to economic and political changes, its negative impact on the component industry and the role of catalytic converters in the scheme, he said

Current protection levels on vehicles were too high and the weighting accorded to socio-economic priorities of Phase VII would determine the extent of the necessary protection, Wessels said

'Public servants fearful'

BDAY 16/9/92

GERALD REILLY

THE public service was riven with anxiety and uncertainty about the future of government workers in any new dispensation, Public Servants' Association (PSA) president Johan van Wyk indicated yesterday

He told the PSA conference in Durban a basic fear was that merit and ability would not longer be criteria for advancement

Another was that public servants could be pushed out by political appointees

Constitutional change could succeed only if founded on a stable public service It was regretted public servants were being accused of being administrators of an unjust government system and unacceptable in a new dispensation

The strength of a public servant lay in undivided loyalty to public service A survey of management had shown a need for service security, and serious irregularities by government workers had had a serious impact, he said

MOTOR INDUSTRY FM 18/9/92

A milestone for Nissan

Nissan is throwing a party next week The occasion? Production of the company's one-millionth vehicle in SA It's a milestone Nissan once expected to pass some time ago The former market leader was, like everyone else, confident of long-term growth in the local market Car and truck companies were clambering over one another to serve the expected demand (192)

Some hope Certain analysts are predicting that this year's new-car market will total about 170 000 If they're right, the market will have almost halved in 11 years It would represent a drop of 44% since the peak of 301 528 in 1981 Nor does the immediate future look much brighter

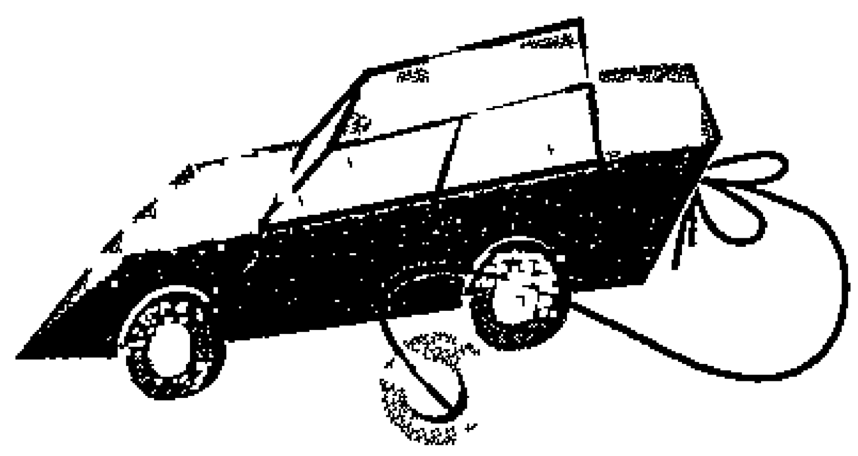
So who can blame Nissan for enjoying next week's milestone? Outside of new-vehicle launches, there are now precious few occasions for manufacturers to celebrate

Another company with reason to smile, if not to break out the champagne, is Toyota Having endured a debilitating strike that crippled sales and profits, the company is steadily rebuilding its market share Though still well short of pre-strike levels, the company has regained leadership in the total market Truck sales remain weak, and Volkswagen continues to outsell everyone else in the car market, but overall Toyota can be fairly happy with its recovery

Vehicle and components companies, meanwhile, are trying to find common ground on a shape for the motor industry With talk of yet another local-content programme — Phase Seven — and of reduced protection from imports, the industry is trying to come up with its own plan of action instead of being saddled with another government-imposed version

The industry recognises that its own lack of agreement has been largely to blame for many of its problems and the Industrial Development Corp (IDC) has offered to act as referee to bring the various factions together

Keith Butler-Wheelhouse, the former Delta CE who joined the Swedish car-maker Saab last week as MD, says "An industry investigating team has been set up, so that instead of having Phase Seven dictated to us by government, vehicle assemblers, component suppliers and everyone else involved should be trying to agree on what we see as the future direction of the industry The IDC is acting as facilitator I hope the industry will come up with something that's between total destruction of the industry and a way of producing cheaper cars and trucks " ■



August vehicle sales

Cars		Total	%*
VW	Golf I 1 536, Golf II 170, Jetta 622, Fox 464, Audi 215	3 007	19,8
Toyota	Corolla 2 217, Cressida 435, other 55	2 707	17,8
Samcor	Ford Laser/Meteor 717, Sierra 195, Sapphire 575, Mazda 323 801, Mazda 626 364, other 16	2 668	17,5
Nissan	Maxima 108, Skyline 244, Sentra 1 115, Fiat Uno 821, 200SX/300ZX 28	2 316	15,2
M-Benz	Honda Ballade 1 237, M-Benz W124 717, W126 46, other 61	2 061	13,5
Delta	Rekord 224, Kadett 572, Monza 549, other 1	1 346	8,8
BMW	3-Series 851, 5-Series 224, 7-Series 34	1 109	7,3

	1992	1991	% Change
August	15 214	16 620	-8,5
January–August	121 389	137 468	-11,7
July (15 328) –August			-0,7

Light commercials

Toyota 2 332 (29,7% of the market) Samcor 1 973 (25,1) Nissan 1 931 (24,6) Delta 897 (11,4) VW 680 (8,7) AAD 35 (0,4)

August	7 848	7 688	+2,1
January–August	60 870	68 275	-10,8
July (7 154) –August			+9,7

Medium commercials

Toyota 113 (43%) Samcor 72 (27,4) Delta 32 (12,2) Nissan 30(11,4) M-Benz 16 (6,1)

August	263	309	-14,9
January–August	2 212	2 815	-21,4
July (289) –August			-9

Heavy commercials

M-Benz 163 (38,3%) Nissan 104 (24,4) Toyota 79 (18,5) Delta 30 (7) MAN 30 (7) ERF 18 (4,2) AAD 2 (0,5)

August	426	462	-7,8
January–August	3 497	3 830	-8,7
July (446) –August			-4,5

Total vehicle sales

Toyota 5 231 (22%) Samcor 4 713 (19,8) Nissan 4 381 (18,4) VW 3 687 (15,5) Delta 2 305 (9,7) M-Benz 2 240 (9,4) BMW 1 109 (4,7) AAD 37 (0,2) MAN 30 (0,1) ERF 18 (0,1)

August	23 751	25 079	-5,3
January–August	187 968	212 388	-11,5
July (23 217) –August			+2,3

*% of the total car market

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

BMW boosted

20/9/92

SALES of BMW vehicles worldwide rose by 15,4% in the first six months of the year to 300 367 Motorcycle sales increased by 12,1% to 23 700 (192)

Group turnover was about DM16,2-billion (R30-billion). Taxed profits were DM421-million (R800-million) S/Times (Buss 7)

'Still too many car models'

EDWARD WEST

IN A genuine free market environment attrition and rationalisation among motor manufacturers could be expected in response to recessive markets, said National Association of Automotive Component and Allied Manufacturer's (Naacam) president John Brandtner at the weekend

He said there had been no evidence of any attrition during the current car market recession, which had lasted four years There were as many players offering a wider model range with higher specifications and extras than before This had exacerbated vehicle price rises and reduced economies of scale already depressed by shrinking markets

He welcomed the formation of a task group to consider the next phase in the motor industry local content programme However, he warned the country could not wait for years for Phase VI to be modified, as the present programme was causing thousands of automotive parts employees to lose their jobs

The motor component industry was deteriorating at an alarming rate and about 20 000 jobs had been lost by Naacam member companies since the advent of Phase VI, while vehicle prices had risen at unprecedented levels

Brandtner said interim measures were urgently required to rectify Phase VI

Dip in sales of new cars

(192) CT 9/9/92

By AUDREY D'ANGELO
Business Editor

NEW car sales continued to slide in August, in line with industry expectations They were down by 0,7% compared with July This means that new car sales for the first eight months of this year were 11,7% lower than in the corresponding period of 1991

Leading car manufacturers forecast they could fall still further unless political problems are solved and confidence returns

"The total passenger car market for 1992 could end up as low as 175 000 to 180 000," commented Volkswagen (VW) SA's chairman and MD Peter Searle "And unless the political picture improves we are looking at the lower figure"

The National Association of Automobile Manufacturers (Naamsa) said in a statement accompanying the figures released last night that "an early resumption of the political and constitutional negotiations and an end to unprocedural industrial action and mass action" were needed to boost confidence and arrest the current cycle of economic downturn

Total car sales for August were 15 214 compared with 16 620 in the same month a year ago Between January and August they totalled 121 389 compared with 137 468 in the same period of 1991

Light commercial vehicle sales in August were slightly higher at 7 848 compared with 7 688 in the same month a year ago But in the first eight months of the year sales totalled 60 870 compared with 68 275 in the same period last year

August sales of medium commercial vehicles totalled 263 compared with 309 in the same month last year Total sales for the first eight months of this year were 2 212 compared with 2 815 in the same period last year

Sales of heavy commercial vehicles totalled 426 in August and 3 497 in the first eight months of this year compared with 462 and 3 830 last year

One surprise in the figures was that Toyota made a surprisingly fast recovery from the effects of the strike which sent its sales plummeting in July

The former market leader in the passenger car market was still pushed down to second place by VW, which sold 3 007 cars compared with 2 707 cars sold by Toyota and 2 668 by Samancor

This gave it a market share of 17,8% compared with VW's 19,8% and Samancor's 17,5%

But a spokesman for Toyota pointed out that it achieved the largest sales in the total market including commercial vehicles giving it 22% of total market share

New models lift depressed market

192

EDWARD WEST

NEW car sales may be at all-time lows, but the launch of new models this year has underpinned the market to such an extent that demand has outstripped supply and waiting lists for some models stretch to seven months

BDay 22/9/92.

A BMW spokesmen said orders for the new 316i were taking seven months to fill, while one had to wait up to four months for 320i and 325i models

The waiting list for 5-series and 7-series cars was between six and seven weeks

The new Hondas launched in June have waiting lists of between three and four months, while a Mercedes-Benz can be delivered in about two to three weeks.

Mercedes-Benz SA board member Peter Cleary said demand for the new Honda had outstripped expectations About 1 200 Hondas were being ordered every month, but only 900 were being produced

Hondas, the BMW 3-series and Nissan's new Sentras accounted for 21% of August's 15 214 new car sales and 27% of July's 15 328 sales

The waiting list for Sentras was about three months, with the models at the bottom of the range the most popular, said Nissan spokesman Nico Brits

Moves were under way to increase production from the current 1 800 a month

National Association of Automobile Manufacturers of SA director Nico Vermeulen said uncertainty in the market meant manufacturers had been conservative in planning for new models

He pointed out that the launch of some more new models this year and some early next year would probably continue to stimulate demand

● See Page 3

Nissan SA rolls out millionth vehicle

EDWARD WEST

NISSAN SA rolled its one-millionth vehicle off the production line at the Rosslyn plant near Pretoria yesterday

The company started selling cars in 1959 and manufacturing vehicles in 1964 The half-million mark was reached 17 years later in 1981 BDAY 25/9/92

Nissan SA marketing director Stephanus Loubser said the group was geared up for the market of the '90s and beyond

The company invested R100m in modern assembly technology at Rosslyn before launching the Sentra model recently

Loubser said current political developments would result in increased foreign investment in the SA motor industry in the medium to long term (192)

"Once confidence has been restored, we should get back to the car sales levels of the early to mid-'80s There are also many opportunities in Africa, and beyond, that are waiting to be explored," he said

● See Page 8

Gambling plan to raise millions

S/Times (Buss) 27/9/92

27/9/92

By CHERILYN IRETON

A PLAN that would generate millions of rands for the Government and end Sun International's gambling monopoly will be presented tomorrow

It is a last-ditch attempt to change the official stance on legalised gaming

The proposal offers the cash-strapped authorities a way of collecting about R20-million from gambling licences and hundreds of millions more through VAT charged on casinos' gross winnings and increased company taxes

The plan will be presented to the Select Committee on Justice by Karos chairman Selwin Hurwitz when it sits for the last time in Pretoria

The meeting will consider changes to the Gambling Act to be put to Parliament at its special sitting in October.

Rooms

Mr Hurwitz is tired of "selective morality on gambling issues" He says the Government must look beyond the inevitable reincorporation of the TVBC states in South Africa

It should avoid introducing hasty legislation that would entrench Sun International's casino monopoly. He says the monopoly has had a crippling effect on the domestic hotel trade in the past 15 years

Mr Hurwitz proposes that only four- and five-star hotels — with a minimum of 100 rooms — be granted casino licences

This would put an end to the estimated 1 000 small suburban-type casinos that have sprung up It would open gaming to hotel operators other than Sun International

It would provide the State with additional revenue

Mr Hurwitz says suburban gaming halls are not paying licence fees or VAT Tax payments by Sun International to Bophuthatswana are heavily diluted by allowances for capital expenditure projects such as the R800-million Lost City project, maintaining the indirect burden for revenue on SA taxpayers

If hotels' income increased as a result of gaming, so would their corporate tax contributions

There are 41 four- and five-star hotels in SA spread among private groups and individuals Mr Hurwitz suggests that those who want gaming licences pay R500 000 for the initial one and thereafter high annual renewal fees

"Government has to level the playing fields It must on the one hand eliminate the small non-hotel operators who have no basis for continued existence and hold no benefits for the tourism industry and on the other hand it must end Sun International's monopoly"

Mr Hurwitz claims that Sun International's profit of R200-million in the year to June 1992, earned mostly from homeland operations, is more than the entire South African hotel trade earned in the same time.

Open

"Casinos are an integral part of the hotel industry If we want a tourism industry then we have to ensure that gambling operates in an open but regulated manner"

Mr Hurwitz says a minimum of 100 rooms as a prerequisite for a licence would eliminate the building of small predominantly gaming hotels

Three-star hotels would be encouraged to upgrade their facilities That would help to meet the expected boom of high-quality tourists prepared to spend money

Existing controls in the hotel trade, such as the liquor and hotel boards, would be sufficient to regulate gaming which would be restricted to people over the age of 18

President De Klerk's statement that hard gambling will not be tolerated has given hoteliers little hope that they will be able to enter the gaming business

Mr De Klerk says he has no doubt that gambling in the homelands will continue — whether or not they are reincorporated

If the Gambling Amendment Bill goes through as is, it will outlaw casinos not in the homelands and will close the loophole that allowed games of "skill" to flourish The Bill was tabled in Parliament this year, but was not passed because of strong opposition

Mr Hurwitz urges the Government to consider the gambling issue responsibly by appointing a properly constituted commission or by extending the brief of the new commission under the chairmanship of Mr Justice Howard

Car prices up 3%

S/Times (Buss) 27/9/92

(172)

By DON ROBERTSON

CAR manufacturers will raise prices by about 3% this week. The increases will be lower than expected. They will take the increase in car prices for the year to between 11% and 12%.

This is the fourth round of increases for most manufacturers, all of which are concerned about the rising cost of vehicles.

At a maximum of about 14%, the increases are well below forecasts earlier this year when some manufacturers feared they would exceed the inflation rate. Last year, average price rises for cars were 18%.

Car sales this year are now expected to reach only 177 000, the lowest since 1977. This compares with projections at the beginning of the year of as high as 208 000 and last year's sales of 197 700 Light commercial sales are now expected to be 90 500 compared with the forecast of 104 500. Sales in 1991 numbered 100 400.

The industry estimates that about 85% of new cars are bought by the corporate sector and fleet companies. The affordability problem for the private motorist has become a significant factor and most manufacturers are compelled to price competitively.

In the small-car market, the price of the Fiat Uno has risen by 8% this year, the Mazda 323 and Toyota Corolla by 6%.

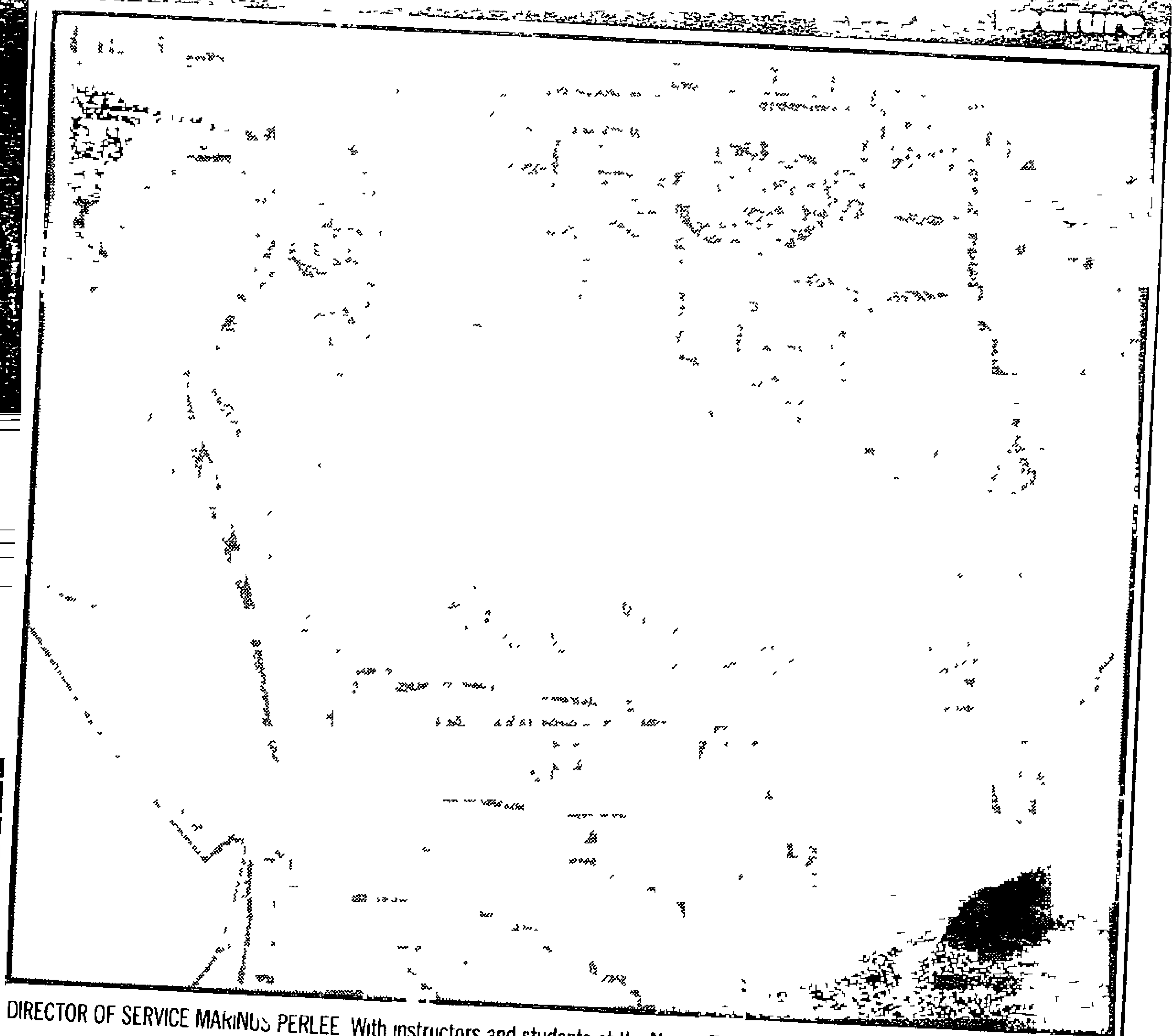
A small car cost 65% of the average family income in 1961 This rose to 90,2% in 1986 and to 96,5% last year

Market leader Toyota will maintain prices until November 1 and then any increase is likely to be small

Price rises to date have been kept at 9,2% throughout the range. The cost of top-selling Corolla has risen about 6%. The price rise for the year on this model will probably be kept to 9% The overall increase should be about 12%

Nissan has held price rises to 6,4% on average so far.

BMW has lifted prices by between 2,3% and 3% each quarter.



DIRECTOR OF SERVICE MARINUS PERLEE With instructors and students at the Nissan Training and Technical Centre, Wynberg, Sandton

We aim to make it something special

MARINUS Perlee, director of service at Nissan SA, says most companies in South Africa make the mistake of thinking they know what customers want and then providing what they think is acceptable service

Such tactics, he says, have been proved wrong time and again

Mr Perlee believes customer satisfaction can be realised only through the participation of the customer

Nissan SA has developed specific programmes in which the company talks to customers regularly and considers the points they raise

Apart from direct contact with customers, Nissan SA also uses the independently researched customer satisfaction index to gain insight into customer views

Plans

Mr Perlee says "However, when we talk about customer service, we talk about it in its entirety It starts internally among our staff members and extends through our dealers and then to their customers

"Customers must live and feel the relationship and must be aware of what is happening and why"

Mr Perlee says the company works according to the principle that whatever it does, says or plans must be of benefit to the customer

"This is the driving force that will give Nissan success in the customer-care race

"When you sell service you are selling an experience It is intangible

"We have adopted the Japanese philosophy called 'Kandoh' which is the feeling we have when something special happens to us Kandoh is what we strive to create in the minds of one another

"So when a customer comes to us, he or she must get a feeling that we are sincere and really mean what we say

"It is also important to realise that when you are involved in the service arena, you could do it right nine times out of 10 But when you fail only once, the customer has the right to turn around and say, 'You're not there yet, you still haven't got it right'

"You must accept his view"

Mr Perlee says Nissan SA is striving for recognition by both customers and the opposition that it is a dedicated, high-quality company This, he believes, will add value to owning Nissan products and will improve the company's stakes in the market

"In order to make these elements come alive, dealers must be well developed, eager, hungry and ready to meet the challenge

"Our method of making this happen comes through our 'triangle of services' strategy Its aims are to develop the image of Nissan SA and its dealers, constantly improve the service experience for the customer at dealer level and ensure all people in the system understand what is required to satisfy customer needs"

To do this, Nissan SA has introduced a five-star development programme aimed at the dealers It encompasses service, parts, administration, sales and customer care Specific criteria and a dealer standards guide have been drawn up to evaluate performance in these areas

A three-tier service excellence training programme enables dealers and personnel to qualify according to bronze, silver or gold status depending on their level of competence and capabilities in service activities

Nissan SA believe this is a practical and reasonable method by which service can be evaluated at dealer level

There are incentive programmes, such as the technician of the year — the winner competes in the African regional finals and if successful, a world final in Japan

The CSI (customer satisfaction index) dealer awards and the coveted dealer of the year award are all designed to encourage employees to give that little bit extra

Mr Perlee says the task of changing attitudes of employees is a long-term project

Drink

"There are vast differences in the way they used to work and behave and what is now expected of them Consequently, we have had to introduce them to the new concepts and ideas in stages However, progress is being made

"A major challenge lies in trying to bring sales and service areas together and get them to work to common performance standards However, many Nissan dealers have created a workshop environment which is equal to, if not better than, the showroom"

Mr Perlee says that to be successful in customer care, a company must be active all the time It must eat, sleep and drink care for the customer In addition, because customers' needs and desires are constantly changing, programmes and systems must be monitored and adjusted whole page.

NISSAN SA

Genuine parts ARE better

A PARTS advertising campaign — launched by Nissan South Africa in January this year — highlights the superior quality of genuine parts to those that are not

The advertisements compare such items as water pumps, pistons, filters and brake shoes. All the advertisements outline the hazards of using inferior products

Marketing manager, parts and accessories, Johan van Zyl, claims Nissan SA is the first automotive manufacturer in South Africa to take this approach

It is confident of the campaign's success.

The campaign comes in the wake of a Nissan-sponsored study of the genuine parts market last year Nissan found that its dealers' target market was divided into 10 segments Of these, dealers had a reasonable penetration into only one

The new areas they are being encouraged to target include fleet owners with their own workshops, independent garages, farmers and taxi operators

Mr Van Zyl says the study also showed it is difficult for dealers to compete against parts wholesalers offering large discounts

In response, Nissan SA has initiated an aggressive marketing campaign and formalised a strategic marketing plan to re-capture market share

"We are also preparing to tackle parts wholesalers head on when it comes to pricing action," he says

Nissan SA is being more aggressive in marketing its accessories Accessories for the new Sentra range were available from the day the cars were launched Normally, there is a delay of a few weeks

The warranty on genuine replacement parts has also been enhanced Traditionally, genuine parts are guaranteed for 12 months or 20 000 kilometres if the items were fitted in a dealer's workshop

However, if parts were sold over the parts counter they carried only a six-month warranty

Electrical components sold over the counter previously did not have any warranty. all

Nissan SA now gives a 12-month unlimited kilometre warranty on all parts whether they are for cars, light commercial vehicles or trucks

There are exceptions to the rule They are standard service parts This is because some operators cover exceptionally high kilometres — the taxi business, for example

The other exceptions are electrical parts which — if sold over the counter — carry a three-month guarantee

1/12

whole page

(192)

NISSAN SA

A Business Times Corporate Feature

Transnet's PX in streamline trim

PX — a business unit of Transnet Limited, specialising in the handling of parcels — has been moving parts and accessories for Nissan South Africa since 1985

At that stage, it was mainly involved in moving large stock orders destined for the dealer network

Parts were moved from one place to another with no added services such as load consolidation or forwarding to final destination available

At the beginning of 1990, PX divided its customers into specific groups in order to identify and meet their needs. Segment managers were appointed to manage specific customer areas

At the same time, PX started introducing a more comprehensive package of services This brought a multi-modal approach to PX operations

The new services comprised an overnight service to certain areas, an intra-city service operating between senders and consignees in an urban area, a same-day service to selected destinations, a parcel service which operates by passenger train and a monitoring service where each consignment is sorted and consolidated by hand

The latter service is separated from the other PX ones It is aimed at PX's top customers, such as Nissan South Africa

PX chief executive Wikus Pretorius says the main thrust of the marketing approach is to add value to products by providing a comprehensive logistical service to enhance the entire distribution chain

"When we looked at upgrading the PX division, we realised we had to give customers the service they wanted instead of offering what we thought they wanted"

Mr Pretorius says this meant moving closer to customers and focusing on their needs

Because of the inherent urgency in the distribution of automotive parts, PX has given priority status to their transport

PX distributes Nissan parts according to a hub-and-spoke system To facilitate this system, SA has been divided into six geographical areas, each with its own hub An in-house depot — permanently manned by PX personnel — has been established at Nissan's Rosslyn warehouse in Pretoria to consolidate and distribute loads according to these hubs

Electronic data interchange (EDI) has been established between PX and NSA and has greatly enhanced service levels and the speed with which orders are processed

In addition, EDI allows both sides as well as customers to monitor the progress of orders This system is reviewed continuously in an attempt to satisfy Nissan's information needs

Owen Woeke, segment manager, motor parts and accessories, says PX has made tremendous progress and is constantly looking at new ways to streamline the distribution chain

As an example, he mentions a case where it used to take 11 days to deliver orders to certain dealers in the Western Cape from Nissan's Rosslyn plant Today this same route takes only four days

Mr Woeke says PX handles 90-million parcels a year and delivers to more than 7 000 places in Southern Africa

Teamwork the answer

THE major developments in Southern Africa's distribution business lie in closer links between customers and contractors the wider use of information technology, a new attitude to logistics and a higher quality of service

So says Stephen Conradie, marketing and sales director for XPS Services

Leading customers, such as car manufacturers and retailers, appreciate that adopting a partnership approach with their prime contractors leads to more cost-effective distribution

Such a partnership exists between Nissan South Africa and XPS Services, says Mr Conradie

"If customer and contractor are willing to be more open with one another and share their future goals and objectives then both have much to gain"

Nissan says "If the customer gives the contractor knowledge of his market, his total logistical and operational system, both organisations gain in competitiveness and a secure future"

In conjunction with XPS, Nissan refined its parts distribution system in 1986, allowing the customer to receive the highest level of service through his dealer

To ensure the customer runs a minimal risk of a part's not being available within 24 hours, Nissan and XPS have introduced several updated stock management and distribution systems

NSA offers a service to its dealers and customers through the independent XPS courier service operating under contract XPS makes daily deliveries from the Rosslyn parts warehouse serving major routes throughout the country Orders are immediately placed on one of these deliveries and are available to the dealer the next day

In the field of information technology, much has been done to use the power of computers to manage the distribution function The system used by XPS has improved Nissan's competitiveness through increased efficiency and reduced inventory by being able to predict almost to the hour the time the orders will be received by the dealer

Mr Conradie says "Information can replace a considerable percentage of the stock held in the logistic system if it reaches the right people at the right time"

New projects to boost GDP 7%

By CIARAN RYAN

THE R20-billion minerals and metals projects under consideration could add 7% to SA's gross domestic product in present money terms

They could reverse the decline in fixed investment which has contributed to negative growth

The projects will generate annual sales of R20-billion

Refinery expansions under construction and proposed petro-chemical projects account for another R12-billion in possible capital investment

Several projects are expected to kick off in 1993 — and could force economists to revise their 1993 growth forecasts of between 0,7% and 3%

Genmin minerals economist Francois Prins says economic growth may touch 3,5% next year given a moderate recovery in world economies and the commissioning of some of the proposed capital projects

"The multiplier effect of these projects is enormous Once we show we have the confidence to invest in our own economy, international investment will follow"

Deputy Director-General of Finance Estian Calitz says declining fixed investment by the Government since 1980 was the result of spending pressures arising from the security situation, the democratisation process and socio-economic development needs

Capital spending by the State in the current financial year will be R6,4-billion, or 1,9% of gross domestic product

"Capital expenditure bore the brunt of efforts to contain government spending," says Dr Calitz "Further scope for increasing spending on infrastructure can be created by curbing consumption expenditure"

Moab

Gross domestic fixed investment fell from 23% to 18% of GDP in the past six years, largely because of lower spending by the Government

Dr Calitz says the annual growth rate in gross fixed investment (GFI) between 1946 and 1980 was 6,9% compared with economic growth which averaged 4,5% a year Since 1981 economic growth slowed to 1,3% a year GFI fell by 6% a year

The extent of the proposed private-sector spending signals a move from SA's traditional dependence on the State for most of its capital investment Spending on housing and electrification will require financial assistance from the Government

The R6-billion Alusaf aluminium smelter expansion at Richards Bay — SA's largest private investment — is expected to start early next year

It will generate about R1,5-billion in foreign currency a year and add 1,2% to GDP when in full production

The capital cost of the proposed Moab extension of Vaal Reefs and the Sun Project gold mine is projected at R4,3-million, generating sales of R1,2-billion a year and adding about 1% to GDP

A final decision on the Namaqua Sands heavy minerals project, costing about R900-million and generating sales of R360-million, is expected before the end of the year

The Industrial Development Corporation is building a R100-million pilot plant to recover alumina, magnesia and potash from waste ore at Phalaborwa If successful, a full-scale phlogopite plant will be built at a cost of R3,9-billion, generating annual foreign-currency earnings of R1,5-billion It would add more than 1% to GDP when it comes on stream

The go-ahead for the R3-billion Columbus Stainless Steel plant is expected later this year It will produce 600 000 tons of stainless steel a year, generating foreign exchange earnings of nearly R2-billion

Iscor is investigating the development of a R3-billion Corex steel smelter which could generate sales of R1-billion a year

Alusaf has been criticised for its dependence on Section 37E accelerated tax write-offs and an electricity agreement with Eskom which links the tariff to the London Metal Exchange aluminium price

Tandem

An investment analyst says "When aluminium prices improve, Alusaf will not perform because its cost structures rise in tandem with the metal price

"By linking the power tariff to the aluminium price, Alusaf becomes one of the lowest-cost producers in the world But most of the high-cost producers are likely to follow this route with the result that Alusaf might turn out to be a relatively high-cost producer"

Mr Prins says high-cost aluminium producers, most of which are in the US, do not have access to spare generating capacity and are unlikely to secure preferential tariffs "Power in SA is among the cheapest in the world By introducing 37E, we are only restoring tax benefits that were taken away"

Paul Jourdan, a researcher for the Economic Trends Research Group, a Cosatu-sponsored project investigating the reasons for SA's poor manufacturing growth, says the country needs Alusaf

Cheap

"Under the ANC growth programme we are going to run into balance of payments problems quite soon We need to earn forex" He says similar incentives — such as inflated tax write-offs and cheap equity — are common in high-growth economies Those economies with a high degree of state intervention, such as Taiwan and South Korea, enjoyed high growth rates while open economies, such as the UK and US, fared worst in recent years

"We need investment in productive plant At the moment the institutions are investing in office blocks and shopping centres and that [illegible] el[illegible] rowth"

Prefcor's just the job, says happy McCarthy

By JULIE WALKER

BRIAN McCarthy is impressed by the morale and motivation he sees everywhere in Prefcor, for which McCarthy has made an offer and which will change its name to McCarthy Retail

Depending on the rate of acceptance, McCarthy Group will own between 68% and 90% of Prefcor, the holding company of Game, Beares and Bee Gee retailers

Mr McCarthy says his board is now convinced of the wisdom behind the car dealership's merger with a mass retailer which at first glance had little else in common other than a Durban head office

"They were sceptical at first, but realise that with a market share already at 14%, McCarthy's growth prospects in vehicle sales were limited because manufacturers themselves do not want to see one player dominate We want to get into the mass market, and Prefcor allows us," says Mr McCarthy

He confesses that he had never been in a furniture store before meeting the Prefcor team When Prefcor managing director Hymie Sybul took him round five Chatsworth branches, he asked why there was a bottle of champagne in the car It was for one branch's achievement of four years in a row without a single bad debt

Mr McCarthy says "Prefcor's 220 shops are all self-managed and responsible for their own debtors' book They are masters at selling, granting and collecting credit. Aggregate bad debt is only 2,6% of the group book — lower than that of the 1986 recession yet on a much bigger book"

Prefcor members are offered 75 McCarthy for 100 ordinaries, and one McCarthy senior or junior debenture for each respective instrument in Prefcor These will be converted into McCarthy ordinaries 75 for 100

Had the deal been in place in June, the group's turnover would have been R4,3-billion and profit R84,3-million Shareholders' funds are nearly R1-billion

The deal is subject to the approval of 75% of both companies' members A voting pool comprising the Prefhold consortium, Anglo American/Amic, the McCarthy family and others will control the enlarged business

Prefcor's executive chairman Terry Rosenberg will be the only person to move offices "He's coming to our head office because he believes head offices spend money and operations make it," says Mr McCarthy

He says there are considerable synergies, such as new financial packages, opportunities in the black market arising from Prefcor's knowledge of that market, rationalisation in data processing, insurance and advertising, and both have [illegible] tre reneur [illegible]

Brand names a way to beat illiteracy

By CHERILYN IRETON

WHAT do Omo, Coke, Toyota and OK have in common?

They form the basis of a novel literacy programme which uses SA's top brand names to teach workers how to read and write

Sixty of SA's top companies backed the programme, which has now produced its first graduates

By using about 120 brand names as the start-up dictionary, workers can learn to read and write functional English within 90 to 150 hours

Management consultant Pug Roux says "Any adult who has been exposed to consumer advertising can never be completely illiterate"

Sounds

Spurred by knowledge gained as a consumer researcher for an advertising agency, Mr Roux took two years to develop his programme, Brand Knew

The programme is based on the need to teach functional literacy quickly, without patronising the pupils

By using household brand names like Surf, Simba and Tastic, the learners are taught the basic sounds of the alphabet

They write their first word within 45 minutes of entering the classroom and by building on the brand names they learn functional reading and writing skills

The quick success encourages progress and workers can soon read calendars and till slips, fill in forms, take telephone messages and enter competitions

Mr Roux says "Many adults won't try to read because they believe they can't By showing them they are not totally illiterate we are able to boost their self esteem and encourage progress

"We teach them that reading is not about thick books and libraries There is a library in their kitchen with all the information on packaging In a sense they subsidise their own eduction'

The programme is not limited to those already in the workplace

'We merely targeted pools of people where the funding is in place as our first participants' says Mr Roux

Brand Knew trains facilitators who carry out the training sessions To train facilitators takes a week and costs R1000 The teaching kit is an extra R650 The cost for each pupil's kit is R350

Brilliant

The companies supporting the scheme, which is union friendly, include CNA, I&J, Gilbeys, General Tyres and Volkswagen Those whose brands have been used have also backed the concept and provided funding for the high-quality materials used in the programme

Individuals have also endorsed the programme According to promotional material Clem Sunter says it is "Truly High Road A brilliant concept It is such a novel approach that it bears looking at in a serious way"

Archbishop Desmond Tutu says 'Very impressive, an inspiration"

The programme will work in any language provided there are enough well-known brand names to teach the basic phonetics of letters and letter combinations

The multinationals involved in the development are keen to take the product abroad, says Mr Roux Patents and copyright are pending

Chemical expansion

CHEMETALL GmbH of Frankfurt, Germany, has bought SA Chemical Consultants & Services Chemetall, a subsidiary of Dynamit Nobel AG, whose annual sales are D-mark 1,8-billion, already owns Reef Chemicals, and last year bought Oakite Inc of America as part of its expansion plans in explosives, igniters, ceramics and s[illegible] [illegible]cals

Sunday Times 27/09/92

Relief for those seeking work

By ADRIAN HERSCH

NEW job selection guidelines — they ensure non-discriminatory hiring — will be released in October

Current labour legislation rules out race or gender discrimination against "employees" but not "prospective employees"

Under a revised Labour Relations Act (LRA) "prospective employees" will be able to take their cases to the Industrial Court

The Society for Industrial Psychology has compiled a booklet called Guidelines for the validation and use of personnel selection procedures It was written by a task group which started work in July 1991

Similar

The task group was chaired by Hennie Kriek of the industrial psychology department of the University of SA (Unisa)

Professor Kriek says "With the rapidly changing labour situation in SA it may be expected that the fairness of current personnel procedures will be increasingly questioned by trade unions and individual employees"

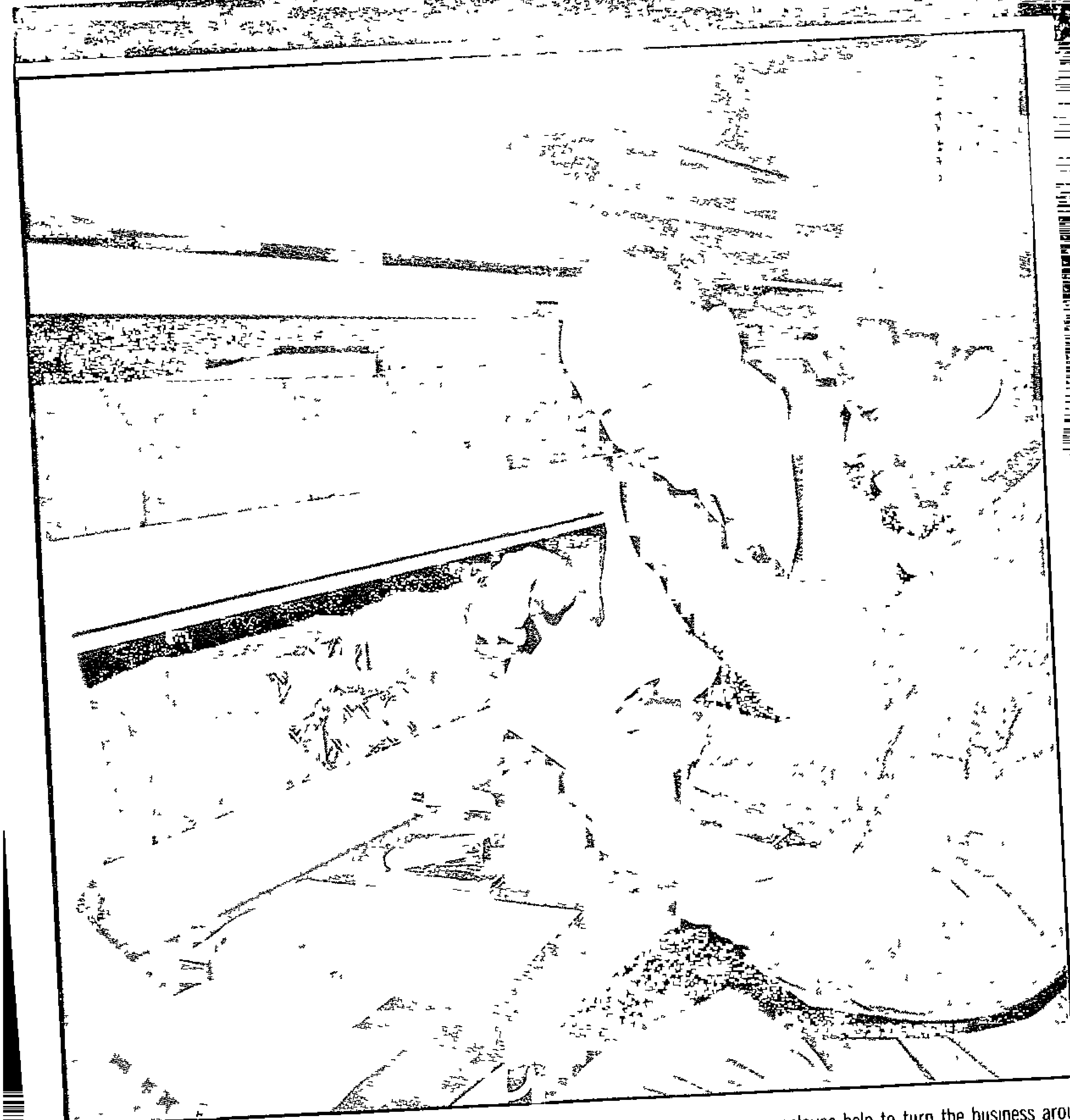
Unisa's Charles Tustin, who served on the task group, says the guidelines are similar to those in the United States where the major criteria of selection are related to performance on the job

The Society for Industrial Psychology booklet comprises three sections an overview of the basic considerations in designing personnel selection procedures, defining of validity and examination of validation strategies, and a summary and checklist

Sea link possible

UNITED Arab Shipping, a line jointly owned by several Gulf state companies, is believed to be negotiating a route to South Africa

Its executives were in SA two weeks ago to investigate possibilities An announcement is expected soon



AN EXERCISE IN DOING IT RIGHT THE FIRST TIME Toni Gorlei and parts and accessories employee help to turn the business around

Customer care is more than words

NISSAN South Africa's parts division has been turned around Only a few years ago, a combination of labour unrest and inadequate control systems led to the division's running unacceptably high levels of back orders.

ANDREW PARKER reports on the division's overhaul and its position in the parts and accessories manufacturing sector

THE time has come to move away from a philosophy and "make customer care part of our culture"

These are the words of Toni Gorlei, parts and accessories director at Nissan South Africa

His comment concerns the revolution which has taken place in the company's parts warehousing and distribution systems

Only a few years ago a combination of labour unrest and inadequate control systems led to Nissan's parts infrastructure running into problems The result was, among other things, an unacceptably high level of back orders

Mr Gorlei has liaised with various sectors of the Japanese automotive industry since the 1960s and looked to them for help in his new role

His discussions led to the introduction of new warehousing, materials handling and distribution technologies — some of which are among the most advanced in South Africa

In addition, Mr Gorlei adopted Japanese work ethics which aim to develop a positive attitude among employees and strive for continuous improvement in performance at all levels

Confident

One of the indicators to measure performance in parts distribution is the first-time delivery rate In 1990, Nissan scored between 78% and 82% Today the figure is more than 90% and is monitored daily

For example, on the day Mr Gorlei was interviewed the rating was 91 16

This figure includes deliveries to Lesotho Botswana, Namibia, Swaziland and Zimbabwe

Nissan counts the first-time delivery rate according to three indices — the part number, the quantity ordered and the value of the order

Other players in the automotive industry measure by part numbers only

The Nissan way enables quicker assessment of the impact back orders have on total customer care

Communication with customers and customer relations have become major selling tools

Mr Gorlei says customers must feel confident about the parts they buy and about those from whom they buy them

The same applies to the delivery service we provide It may sound hackneyed, but the idea in the parts business is still to get the right part to the right place at the right time at the right price"

Nissan has also introduced a programme called TC3 — "taking charge of customer care" The programme was launched at management level and taken down the ranks to the shop floor

Essential

Mr Gorlei says "We chose this route because it is essential that all programmes and systems we introduce are fully understood and supported by management if they are to have any measure of success"

A major effort is being made to upgrade the parts and service personnel at dealer level and encourage them to become more active in the sale of parts

Mr Gorlei says it is essential that everyone involved is aware of the company's goals and objectives and works together to attain them

Business Times 27/09/92

A total of R12-million has been allocated over the next 18 months to further develop the parts infrastructure

Real

Nissan is also shortening lead times in order processing This will reduce reaction time to the minimum

Commenting on what he calls "the areas of greatest opportunity", Mr Gorlei says importers and distributors of non-genuine parts are a major source of competition for OEM suppliers worldwide and Nissan SA is no exception

Many non-genuine parts are, on the surface, almost indistinguishable from the real thing and even come in identical packaging

Mr Gorlei says Nissan SA's new marketing strategy stresses that genuine parts offer real value for money, come with a guarantee and give peace of mind

Effort

Another challenge lies in the view that genuine parts, especially when sold by franchise dealers, are expensive Nissan claims that it is competitive when comparing its parts prices against other OEMs

Nissan admits it is not always possible to compete against independent parts wholesalers

Nissan is promoting the value of genuine Nissan parts through an intensive marketing and advertising campaign

In a further effort to harmonise the distribution chain, Nissan has introduced a DSI (dealer satisfaction index) and ESI (employee satisfaction index) They are providing valuable information on perceived management performance and and the needs and desires of the workforce

104 000 in stock

TO MEET the varied demands of its customers, Nissan SA carries about 104 000 different line items worth R83,5-million Most of the parts — 75% — are from Nissan Motor Corporation and Nissan Diesel in Japan and Fiat in Italy The rest come from SA suppliers

Modern handling methods have been introduced to improve efficiency. Nissan SA recently moved to containerisation to improve efficiency

Parts are moved by Trasnnet and XPS Barcoding and the latest electronic data interchange systems have been introduced to speed up the process and maintain accuracy Nissan SA claims the new systems are among the most advanced in SA Much of the equipment was imported to meet the company's specific needs

The central parts warehouse in Rosslyn, has a constant flow of orders worth about R3-million in its system Previously, back orders were a problem, costing time and money to process A new system of processing these has taken five days out of the distribution chain, saving the company thousands of rands daily

Daily parts sales average R1-million This represents 8 000 line items, or 50 000 individual pieces daily While this may appear to be a lot, it represents only 24% of the market potential for Nissan parts

A Business Times Corporate Feature

TC3 is fun

NISSAN SA is using an internal development programme to enhance customer care It is known as TC3, or "taking charge of customer care"

The idea behind TC3 is to turn customer care from a philosophy into a culture

To keep the programme alive NSA has made it fun Employees work at "catching" people out doing something right and then reward them for it.

Monthly meetings are held at all levels to encourage staff members to tell their colleagues about how they are taking charge of customer care and where they have failed

Daily, colleagues present star cards to each other for a job well done A star card is emblazoned with a red star "You're a star You're doing a great job and setting a fine example"

Toni Gorlei, director, parts and accessories, says TC3 has proved to be a well of motivation for Nissan SA

"We are all each other's customers here There is a lot of warmth here Of course, the pressure remains But a strong positive attitude is beginning to filter through the organisation"

The programme was launched at management level and brought down the ranks to the shop floor

"We chose this route because it is essential all programmes and systems we introduce are fully understood and supported by management if they are to have any measure of success"

NISSAN SA

A Business Times Corporate Feature

S/Times (Bus) 27/9/92 (192)

Dealers a customer's friend

A MAJOR challenge for automotive dealers is to retain customers after the warranty on their vehicle has expired

Hannes Jansen, chairman of Nissan South Africa's dealer council and managing director of Pretoria-based Martin Jonker Motors, says Nissan dealers have introduced numerous programmes to encourage customers to stay with or return to them

However, dealers have to show customers it is worth their while

Nissan SA's dealer council (NDC) is a thriving link between the dealer body and the manufacturer Both strive to keep customers satisfied and make the owner's driving experience a pleasurable and long-lasting one

The NDC comprises 14 dealers from around the country They are elected annually to represent the 225-strong dealer organisation

Nissan SA liaises with the council when making policy decisions which could affect the dealer network

In addition, the dealer network communicates with Nissan SA through the NDC

Mr Jansen says no question can be raised about the extent of the dealers' commitment to customer service

"All Nissan dealers have learnt to make customer service a priority It has become part and parcel of daily operations

"Dealers spend considerable time and effort on upgrading service at all levels

"All major dealers now employ full-time customer relations officers They deal directly with customers and are a key link in problem solving and trouble shooting from both the sales and service side"

Dealers recently embarked on an elaborate corporate identity programme to enhance the image of Nissan in South Africa

Mr Jansen says the programme goes far beyond signage and furniture It incorporates customer satisfaction as a key element

"Nissan SA has a tough dealer evaluation programme We are graded according to a star rating

"A coveted Dealer of the Year Award adds further incentive to improve service standards"

Mr Jansen says the dealer council has found that profitability can be directly related to the customer satisfaction

"Customer service is a process — it doesn't mean merely making a phone call after the sale and asking the customer if his vehicle is OK and was the salesman polite

"Customer service starts when the customer arrives at the dealership for the first time.

"There must be enough parking at the premises The showroom must be clean and tidy, the salesman must have a businesslike approach Demonstration cars must be clean and free of faults

"The workshops must make a genuine effort to get the job done right the first time, every time

"The security personnel should be polite and courteous"

Mr Jansen says the servicing department is a critical area in the development of customer satisfaction

"Because a car is a mechanical device, customers accept that things can go wrong from time to time However, what they expect from us is a serious effort to fix it the first time We must be outright and honest should difficulties arise

"Customer service must have management support The dealer principal has an inherent duty to lead from the front where the action is

"There must be total dedication from the top all the way down"

Commenting on the support dealers receive from Nissan SA, Mr Jansen says in the past 18 months the company has invested considerable time and money in upgrading its own parts facilities and improving the performance of its staff members

"Parts ordering has been computerised Most of the 225 Nissan dealers now have a computer link with Rosslyn"

In an effort to speed up deliveries, XPS couriers have been contracted to deliver parts to the dealers in major areas

Mr Jansen says Nissan SA is constantly evaluating its service to dealers and improving systems wherever possible

"The first-order supply rate has improved dramatically in the past couple of years and now averages more than 90%"

McCarthy lowers sights

Finance staff STAR 29/9/92

With little evidence to suggest that an upturn is imminent, the McCarthy group has budgeted for a further decline in the new vehicle market this year.

However, stringent control of the expense structure is expected to ensure that earnings are maintained at the same level as last year.

This forecast is made by chairman Brian McCarthy in his statement to shareholders.

Last year, McCarthy posted earnings of 50,9c a share, against 59,8c previously.

Were it not for a prior-year under-provision for tax of R6,5 million (equivalent to 7,5c a share), earnings last year would have been very close to those of the previous year.

Mr McCarthy says should the merger with Prefcor Holdings get the nod from shareholders next month, budgeted consolidated earnings will show a significant increase.

In the 12 months to June 30 — its first year on the JSE — Prefcor Holdings came up with attributable earnings of R40,1 million (equivalent to 102,9c a share), which was only five percent short of prospectus forecast. This was despite a sharp downturn in national consumer spending.

Reviewing a year in which McCarthy's turnover broke through the R3 billion level and its share of the total national

Brian McCarthy . . consolidated earnings will show a significant increase

dealer market for new vehicles reached a record 13,7 percent — equivalent to one in seven new vehicles sold countrywide — Mr McCarthy says.

"Vehicle trading margins within McCarthy Motor Holdings — the holding company of the group's motor franchise operation — were under pressure, particularly in the second half of the year, and the group did well to hold its gross profit percentage at the same level as the previous year.

"An encouraging aspect of the accounts of our motor operations was that for the third successive year the service division achieved real growth. This was the only division in the business to do so."

He says it is a reflection of the emphasis the group has placed on its customer-commitment programme over the past five years.

(192)

A total of R72 million was spent during the year on acquisitions, which included Beachway Motors (a Volkswagen dealership in Durban), two Toyota dealerships in the UK, Hendersons (a Toyota and MAN heavy truck dealership in Maritzburg), Autohaus (a Volkswagen dealership in Middelburg), and a Nissan dealership in Umhlanga Rocks.

Turning to the group's non-retail motor interests, Mr McCarthy says the Yamaha division achieved commendable results and remained the market leader in its three primary sectors — motorcycles, outboard engines and power products.

The Yamaha sports goods franchise is also making good progress and its products — particularly golf clubs and tennis rackets — are now well accepted in the market.

Midas, in which the group holds a 36 percent interest, increased its market share, with the number of franchisees growing from 217 to 247.

Mr McCarthy says interest-bearing debt as a percentage of equity remains satisfactory at 35 percent, which leaves the group reasonable capacity to fund growth and investments.

Management is fully aware of the importance of cash flow control. Throughout the year the increase in debtors and stock was generally contained below the rate of inflation.

NKP restructures as income plunges

BDAY 29/9/92

PETER GALLI

NEW Kleinfontein Properties posted a 34,1% drop in attributable income before extraordinary items to R2,3m in the year to end-June from R3,5m in the comparable period last year

NKP chairman John Mackenzie said the deepening economic recession and an uncertain political climate had ended the group's growth pattern of the past five years

MD Grant Fischer said although the results were disappointing, they were not unexpected as extended recessionary conditions inevitably affected the performance of property development companies

Turnover fell by 17% to R7,3m from R8,8m, while operating income dropped 31,2% to R4,1m (R6m)

An extraordinary item of R1,87m due to a write-down of the book value of its Ergo shares saw net attributable profit plunge 91% to R436 000 (R4,7m) As a result, earnings a share were 34,3% lower at 114,5c (174,5c) but the dividend was maintained at 62c Accordingly, the dividend cover eased to 1,9 times from 2,8 times

"The extent of the reduction in earnings was greater than what the 17% decline in turnover suggests as increases in development costs reduced the gross profit margin

"While the short-term prospects for the property market are not good, the restructure announced yesterday will go a long way to alleviate NKP's volatility in earnings," Fischer said

Under a scheme of arrangement, NKP will convert to a property loan stock company and has acquired a decentralised property portfolio worth R101,6m

McCarthy plans to maintain earnings

EDWARD WEST

MCCARTHY group planned to maintain earnings at last year's level by stringent cost control measures in spite of the decline forecast in the vehicle market this year, chairman Brian McCarthy said in his annual review BDAY 29/9/92

He pointed out that should the R4,5bn McCarthy merger with Prefcor Holdings get the go-ahead from shareholders next month, budgeted consolidated earnings should increase significantly

Reviewing the year to end-June 1992, in which McCarthy Group sold one in seven of new vehicles sold countrywide, McCarthy said vehicle trading margins were under pressure, particularly in the second half The group service division was the only division to achieve real growth, he added

During the year R72m was spent in acquiring the Durban-based Volkswagen dealership Beachway Motors, two Toyota dealerships in the UK, a Toyota and MAN heavy truck dealership in Maritzburg, a Volkswagen dealership in Middleburg and a Nissan dealership in Umhlanga Rocks

Referring to the group's non-retail motor interests, he said the Yamaha division remained the market leader in its motorcycle, outboard engine and power products sectors

(192)

Midas, in which the group held a 36% interest, increased its market share

Acquisitions pay off for Urquhart

(192) EDWARD WEST

URQUHART Motor Group's turnover improved by nearly a fifth over the previous year, largely due to two acquisitions, but the increase was not reflected in operating profit because of restructuring and the drought. BDay

Turnover for year end June 1992 increased to R279,3m from R234,8m but operating income dropped a tenth to R5,27m. Two acquisitions in the western Cape, Tygerberg BMW and Ferndale Delta, boosted turnover.

However, the increase was not reflected in operating income because acquired businesses were restructured and rural dealerships in the western Transvaal and northern Natal were affected by drought. Introduction of a cost cutting exercise also affected profit

In September 1991 the group restructured to introduce financial gearing The restructuring saw R24,1m being repaid to shareholders as a special dividend, while motor dealership properties were purchased for R13,1m 30/9/92

The properties were funded through borrowings and the impact on the income statement was reflected in the interest payment of R2,46m (R66 000) Borrowings increased to R16,3m from R10,6m

Earnings a share on a fully diluted basis fell to 14,7c compared with an ungeared amount of 30,5c in 1991 Final dividends of 6c and 12c a share were declared on ordinary and preferred ordinary shares respectively.

Directors reported that the motor industry had been hit by falling car and commercial vehicle sales, declining margins and the consumer trend to buy down.

Major move to small cars

Recession and high perks tax chief factors

STAR 3/10/92

FINANCE STAFF

(192)

SOUTH Africans are continuing to "buy down" in the motor vehicle market — so much so that small cars now account for 73 percent of national car sales, compared with 49 percent 10 years ago This was disclosed by Brian McCarthy, head of the McCarthy Group, South Africa's largest motor vehicle distributor

He says in his latest chairman's statement that economic circumstances to a large extent dictate the profile of the market However, this has also been distorted by the high level of perks tax on private usage of company cars

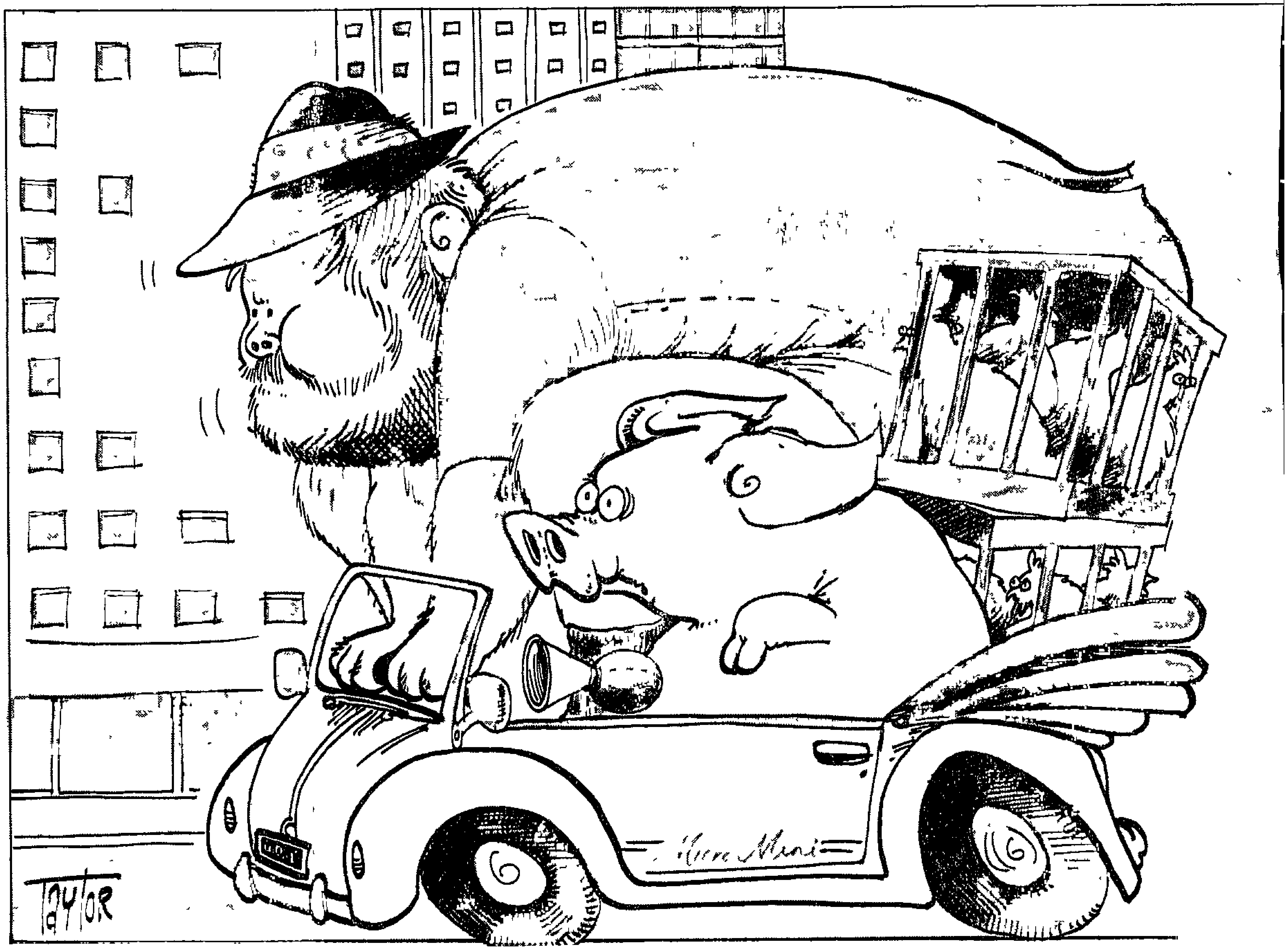
"This has made the car allowance scheme more attractive than the provision of a company car," says McCarthy

Unrealistic duties

"The top end of the luxury car market has also been influenced by the deteriorating economic conditions Total sales in this sector fell 20 percent over the past year

"The current unrealistically high duties payable on built-up units influences the size of this market, and in this respect, the recommendation of the National Association of Automobile Manufacturers for a reduction in duties on cars over a period of five years from the current 110 percent to 60 percent makes a great deal of sense It is in line with current world economic practice

"Sufficient protection would still be given to manufactured units, but the consumer would have greater freedom of choice and the exchequer would be adequately compensated by the relatively high duty on the greater number of units that would be sold"



Look twice, else your 'special deal' could backfire

STAR 3/10/92 (192)

RECESSION has led motor manufacturers and dealers to offer a wide array of special finance plans on their products However, financing schemes offering low interest rates can backfire, says BMW marketing manager Ivan Honeyborne

"Buyers should not base their purchase decisions only on a low interest rate or monthly repayment," Honeyborne cautions "There are several other issues that buyers should consider which, if ignored, could prove problematic or costly later on

"It is in the motorist's own interest to ask himself several questions before entering into a contract

"Firstly, he should try to assess the total cost of ownership In this case he should look not only at the interest rate and monthly payment on the basic motor car but also take into account whether the purchase price includes free maintenance

"Cost of maintenance can be a substantial amount each year and is rising rapidly Obviously, the longer the period of free maintenance, the better the deal

"Other factors to be taken into account are resale value and what features are included as standard and what will cost the buyer extra "

The next important factor is the disadvantage of high residual values or guaranteed buy-back financing schemes In many cases the residue owed by the buyer at the end of his financing contract is very high — up to 80 percent of the original value of the car Because the financing covers only interest and a very small portion of capital, buyers will find it very difficult to terminate or prematurely end such financing agreements as the market value of the car will not match the balance owing under the financing agreement until virtually the end of the contract

In the case of guaranteed buy-backs the guarantee is often only in respect of trading in your vehicle on another from the same manufacturer This does not give you the freedom of choice to change to another manufacturer should you so wish, he says.

High residual values or guaranteed buy-backs can also have drawbacks in terms of insurance write-off In the event of a total write-off as a result of accident or theft, most insurance policies, will pay only the market value of the vehicle at the time This could leave you looking for a substantial sum to settle your financing obligation Alternatively, you will have to pay considerably more in monthly premiums to ensure that the insured value of your car is sufficient to settle your outstanding indebtedness in terms of your financial contract

"Finally," says Honeyborne, "potential buyers should look not only at the initial interest rate but also at the rate over the entire period of the contract. Some schemes offer a low initial interest rate which rises after 12 months This means your monthly payment will rise sharply from year two "

Unless a potential buyer takes all these factors into account, "he could be in for some expensive surprises somewhere down the line"

Motor dealers merge to cut costs

S[Times [B455]

4/10/92.

(192)

By DON ROBERTSON

THE tightening of belts in a devastated motor industry has forced the merger of some activities of the Cargo, Lindsay Saker and LSM Distributors groups.

The companies are subsidiaries of the Saficon group

Cargo, with a turnover of R656-million, has 21 dealerships selling Mercedes-Benz and Honda vehicles

Lindsay Saker, with sales of R680-million and 30 outlets, markets Volkswagen and Audi

Closed

Saficon chief executive Kurt Hipper says the finance, administration and human resource divisions of the companies will be merged. The separate dealerships will not be affected

One Cargo dealership, however, is likely to be closed

Saficon is also looking at other ways of cutting costs and reducing overheads

By combining the three divisions, there will probably be surplus staff and retrenchments are expected.

It is believed that some retrenchments have taken place Employees are bein kept informed about deve opments.

An announcement is e pected in the next six wee when the interim results ar published.

Cargo directors said in t annual report for the year, March that the three-ye recession had begun to a fect business seriously, pa ticularly in the luxury ca market

Jonathan Treagus, head o Lindsay Saker, said in th annual report that he wa cautiously optimistic abo the current financial yea Sales were expected to in crease and expenditur would be contained.

Mercedes-Benz and it dealers have introduce low-interest packages whic have boosted sales in th past few months.

The merger has apparen ly been cleared with bo Volkswagen and Mercede Benz.

Japan, UK forfeit top trade status

S Times BUSS 4/10/92.

By CIARAN RYAN

GERMANY's relations with South Africa are deep and strong. From cars and trucks to electronic technology, from pharmaceuticals to engineering, the links between the two countries are long standing. To coincide with Germany's national day celebrated this weekend, Business Times looks at relations between the two countries

(192)

IN spite of sanctions and a falling gold price, Germany surpassed Japan and Britain to become SA's major trading partner in the late 1980s, a position it has retained.

Trade between the two countries was valued at more than R13-billion last year, with the balance 59% in Germany's favour

The value of German exports to SA fell by 23% since 1982 as a result of a 76,5% decline in the value of the rand against the D-mark and to a lesser extent sanctions.

The wholesale devaluation of the rand against the D-mark did little to boost SA's exports, which increased by a paltry 4% since 1982

A declining gold price in D-mark terms accounts for gold's share of total exports declining from 20% in 1988 to 11,5% in 1991

The only significant gain was in semi-finished products which last year made up 38,5% of exports to Germany The chief items under this heading are ferro-alloys, copper and other metals

Precision

A review of the trade statistics indicates SA's dependence on German technology A total of 80% of SA's imports from Germany are finished products of a technical nature, of which nearly 30% are motor-vehicle-related

The import of German machinery and precision equipment has been imperative in the battle to improve corporate competitiveness, particularly in the motor, chemicals, electric and electronics industries

Matthias Boddenberg, deputy chief executive of the SA-German Chamber of Commerce, says the removal of sanctions opens the door to increased exports of fruit and vegetable products

But the balance of trade will remain in Germany's favour while the gold price remains low and SA maintains its reliance on low value-added exports

The SA-German Chamber of Commerce has more than 800 member companies, of which 300 have German parents The membership includes some of the largest corporations in SA

The SA-German Chamber of Commerce says chemicals and pharmaceuticals giant Hoechst invested R100-million in an expansion programme, including a new adhesives division at Krugersdorp

Safripol, jointly owned by Hoechst and Sentrachem, invested R100-million for expansion

Confidence

BMW SA spent R30-million on an engine assembly plant in Rosslyn and SA Microelectronic Systems (Sames), 25% owned by Siemens, invested R100-million in an electronic chip facility at Koedoespoort, Pretoria

Steinmuller's new head office in Rivonia, Sandton, set it back R20-million

Other companies with German parents to invest in SA were Astas, Tente Castor and Fischer SA

Mercedes-Benz upgraded its commercial-vehicle facility at a cost of R25-million in 1991 It plans to spend R500-million to tool up for production of the new Mercedes S-Class have been delayed because of falling car sales

There have been rumours, repeatedly denied by Mercedes, that the company planned to disinvest from SA because of poor sales

Few German companies would want to put new money in SA at a time when domestic companies are not doing so, says Leopold-Theodor Heldman, economic counsellor at the German Embassy

"It will take time for confidence in the economy to be restored But the potential for German investment in SA is still there"

Boiler

Germany's commercial involvement in SA goes back to the last century Companies such as Allianz Insurance, mechanical engineering group Mannesmann Demag and technology multinational Siemens were established in SA before the Second World War

Today, German companies are leaders in virtually all manufacturing sectors

Mercedes-Benz, Audi and BMW dominate the luxury-car market, Opel and Volkswagen produce cars for the mass market, Bayer, Hoechst, Merck and BASF are leaders in pharmaceuticals and chemicals, Siemens is a top technology and electronics group, and Steinmuller was a major supplier of boiler plant to Eskom during its power-station construction programme

But few German companies established manufacturing operations in SA in the past 10 years when calls for sanctions intensified

Mr Boddenberg says the position is unlikely to change in the short term

"There is considerable interest from German companies in establishing trade links with SA But investment possibilities have been retarded by recent incidents of violence

Incentives

"German investors will wait for a satisfactory resolution of the political situation and economic recovery

"A common complaint voiced by visiting businessmen is the absence of incentives in SA You must remember that SA is competing against highly attractive incentives for investing in east Germany, such as manpower grants and tax relief Apart from which east Germany is close to the markets of Europe"

In spite of the flagging SA economy, German companies with interests here invested nearly R500-million last year to upgrade plant, introduce product lines or expand operations

Much of this was reinvested capital from funds retained in SA The value of capital flows from Germany to SA in 1991 — most of it risk capital — was D-m120-million (R200-million), making total accumulated net flows of D-m1,9-billion (R3,6-million at and exchange rate of D-m0,53 to R1)

Toyota sees a future in the uncluttered skies

B/DAY 7/10/92 192

TOKYO — In 1933, Kiichiro Toyoda decided his father's old loom manufacturing business needed a fresh product line. Thinking cars looked promising, the meticulous Toyoda laid the groundwork by opening a driving school

Four years later, he was ready to hang a new sign over the door: Toyota Motor Co

Hisamitsu Shimada relishes that story because next April, Japan's biggest car-manufacturer plans to open a flying school. And Shimada, chief of Toyota's fledgling aviation section, hopes it will help nurture a new market — this time filled with eager pilots

Shimada's dream is to build the Model T of small aircraft — an affordable prop plane for commuters By the late 21st century, he envisions mass producing "hybrid" helicars with retractable rotor blades built into roof racks that would enable them to leap over Japan's notorious traffic jams or anything else.

"You can see now the sky is very clear," the 49-year-old former car engineer says, gesturing out his window far above Tokyo's congested streets For now, the company is edging quietly into aviation technology with a budget far humbler than Shimada's dreams, much as Kiichiro Toyoda began his car business cautiously by experimenting with tiny engines mounted on bicycles.

Toyota is designing piston engines suitable for propeller flight and testing them at its Mojave Desert site in California, Shimada said It is also developing the "soft infrastructure" of a market — a flying school on Hokkaido island, and scouting and buying up land in Japan and the US for small airports and heliports

This year, Toyota applied to construct an airport in Wickenberg, Arizona, near its car proving ground

Its US arm, Toyota Aviation USA, also plans a $10m upgrade of its airport operation at Long Beach, California, said company spokesman Mindy Geller

Shimada said "We are just starting the first grade of elementary school — building engines" The rest of the strategy "is inside my head"

Such is the car giant's fearsome reputation that its plans are already raising eyebrows in some US aviation circles — even at mighty Boeing

Some worry that Toyota eventually could pose a greater threat than Mitsubishi Heavy Industries, manufacturer of the famed Zero fighter of the Second World War and, most recently, minority co-developer of Boeing's 777 widebody jetliner

"Toyota's plan seems to be to perfect the manufacturing capability to build a market for small airplanes . then move into the commercial market," said Harry Hill, a US business consultant based in Toyota's hometown of Nagoya

Toyota, with a worldwide manufacturing, design and sales network, is well positioned for such a move

Nonsense

A US aviation official, who spoke on condition of anonymity, said "Mitsubishi has experience in building parts and assembling aircraft

"But they do not have the design or marketing experience of Toyota

"Eventually it would not take a lot for Toyota to threaten the lower end of the (Boeing) 737 market" — mid-sized commercial jets of 90 to 130 seats, he said

Shimada, however, insisted Toyota had no interest whatsoever in the commercial airliner market — at least "not for another 50 centuries," he joked

Steve Usher, a car analyst with Kleinwort Benson Securities in Tokyo, noted that Toyota had no published plans to build jet engines

He called suggestions that Toyota could be a competitor for Boeing "utter nonsense . It's not going to happen in your grandchildren's lifetime." — Sapa-AP

The Star Wednesday October 7 1992

Cutting costs through efficiency

STAR 7/10/92.

(192)

Mercedes-Benz has developed an innovative transport consultancy programme, the Mercedes-Benz Customer Advisory System (MBCAS), to assist transport operators throughout Africa to make effective decisions based on economic realities.

MBSA considers its programme to be a partnership between itself and its customers in trying to reduce transport costs in any specific operation.

Adolf Moosbauer, MBSA board member responsible for commercial vehicles, says: "We at MBSA are constantly striving to improve our service to customers — and MBCAS is an important addition to our already extensive range of back-up services

"We realise that it is in both our and the customers' interests that operations are run professionally and profitably Efficient transport operations have a positive effect on not only the transport industry in southern Africa, but also contribute towards the well-being of the economy in the sub-continent

"Therefore, it is appropriate that we have developed a transport consultancy system that is of major benefit in offering factually based and reliable advice to transport operators"

The MBCAS programme is based on the "Mercedes-Benz Kundun-Beratungssystem (MBKS)" offered overseas and is the result of a wealth of research and experience in the industry. A number of minor adaptations have been made to our programme to suit local conditions.

MBCAS is divided into a management information category and a vehicle information category. The management category consists of Economic Calculation System (ECCA), Finance Leasing, Quotation System and Optimum Replacement Point (OREP) software programmes while the vehicle information category has Vehicle Performance (VPS), Vehicle Selection, Sales Manual and Mass Distribution (MADI) software programmes

The ECCA programme has been completed and is at present being fully utilised while the MADI and VPS programmes will be completed shortly. The balance of the programmes will be introduced in stages.

ECCA provides the transport operator with detailed operating costs for a specific vehicle or, alternatively, for an entire fleet of commercial vehicles.

The MBCAS system weighs 11,5 kg and is compactly packaged in an attractive attache case, making it completely mobile

The mobility of the system is a tremendous advantage in that it can be taken out to the customer and operated in his presence

There are 54 qualified Mercedes-Benz transport consultants spread throughout southern Africa, based both at regional offices and the extensive dealer-network. This ensures that customers have highly trained transport consultants within close proximity to provide professional advice at short notice.

Import deal brings Alfas back to SA

(192)

EDWARD WEST

MOTOR dealer Cars International is to sign an agreement with Alfa Romeo parent Fiat Auto on 21 October for the import and distribution of Alfa Romeo cars and spares and accesories thoughout SA, Botswana, Namibia, Lesotho and Swaziland.

Cars International MD Brian Taylor said the Alfas would become available to the SA public from February 1993. BDay 7/10/92

Twelve Alfa Romeo outlets would be established during the year and the company planned eventually to sell 300 new cars a year

The completely built-up units to be imported, including the Alfa Romeo Spider, Alfa Romeo 164, 155, 155 Cabriolet and the Alfa Romeo Q4 Sedan, would be competitively priced and would benefit from the depreciation of the lira against the rand and a 10% reduction in import duties, he said.

He ruled out the possibility of establishing vehicle assembly facilities in SA and said one of the advantages of fully imported cars was that prices were not affected by labour disruptions prevalent in SA's motor assembly industry

Alfa Romeo ceased assembly operations in SA in 1984

B/Day 8/10/92

192

Merc sales rise 4%

GERMAN automobile manufacturer Mercedes-Benz AG said in Frankfurt yesterday that nine-month worldwide car sales rose nearly 4% over the year-ago period to around DM30bn.

However, sales in its core German market fell 18%, a company management board member said at the Paris auto show. He also ruled out a takeover by Mercedes of troubled German luxury carmaker Porsche, but said joint production talks about an all terrain vehicle were continuing with French vehicle maker PSA, which manufactures Peugeot and Citroen.

Motor industry sells more vehicles

STAR 9/10/92.

By Sven Lunsche (192)

The motor industry received a slight boost in September, with all four sectors recording sales gains.

The National Association of Automobile Manufacturers (Naamsa) said yesterday new car sales of 15 820 units in September were four percent up on August sales

It welcomed the increase, which it attributed to strong demand for recently introduced new models

Sales of light commercial vehicles, bakkies and minibuses at 8 544 rose by 8,9 percent, while medium and heavy vehicle sales increased by 10,3 and four percent respectively

Naamsa cautioned, however, that sales for the year to date were lagging well behind levels achieved in 1991 and that trading conditions would remain difficult in the short-to-medium term

The sales figures show that Toyota regained its top market share position in the new car sales and light vehicle sectors, which it had lost in the wake of extended industrial action at its Durban plant

September new car sales show encouraging growth

BIDAY 9/10/92 (192)

EDWARD WEST

NEW car sales in the first nine months of 1992 were 11% below levels in the same period in 1991, but September's month-on-month increase was encouraging, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

Naamsa said the new vehicle market would remain difficult in the short to medium term However, a month-on-month increase in September in all four segments of the vehicle market was good in view of negative fundamentals and socio-political difficulties

Underpinned by demand for recently introduced models, September's new car sales improved 4% to 15 820 against the 15 214 sold in August However they were 7,1% lower than September 1991's 17 029 sales

Samcor sales and marketing director Sean Bownes attributed the monthly increase to Toyota's return to full capacity and seasonal rental deliveries

Toyota SA marketing MD Brand Pretorius said the supply situation was back on track two months after the strike at its manufacturing facilities Toyota's market share in September improved to 27,9% from 22% in August

September light commercial vehicle, bakkie and minibus sales at 8 544 improved 8,9% compared with 7 848 recorded in August and 2% compared with 8 374 sales in September 1991

Medium (MCV) and heavy commercial vehicle (HCV) sales rose 10% and 4% to 290 and 443 respectively in September from August Compared with the same month a year ago, September's MCV and LCV sales were 15,7% and 6,7% lower

For the three quarters to end-September total car sales were 11% lower at 137 209 against the 154 497 sold in the same period in 1991 LCV sales were 9,4% down at 69 414 compared with 76 649 in 1991, while MCV and LCV sales recorded declines of 20,8% and 8,5% respectively

Vehicle sales exceeded Samcor's expectations and although the improvement did not signify a turnaround, Bownes upped previous forecasts of 167 000 new car sales in 1992 to 180 000

Nissan SA marketing MD Stephanus Loubser said an improvement in conditions was unlikely within the next six to nine months

Thereafter, conditions should begin improving due to the ageing fleet which owners would have to start replacing in order to curb costs. Prices would also increase at a slower rate over the next two years, he said.

Car sales edge up slightly

Business Staff ARG 10/10/92 192

The motor industry received a slight boost in September, with all four sectors recording sales gains.

The National Association of Automobile Manufacturers (Naamsa) said yesterday new car sales of 15820 units in September were four percent up on August sales.

It welcomed the increase, which it attributed to strong demand for recently introduced new models

Sales of light commercial vehicles, bakkies and minibuses at 8544 rose by 8,9percent, while medium and heavy vehicle sales increased by 10,3 and four percent respectively

Mercedes cuts interest rates

S/Times [B4SS] 11/10/92 (192)

MERCEDES-BENZ is offering cheaper financial packages for car buyers

The company reduced monthly instalments by cutting interest rates in mid-year

The scheme enjoyed considerable success in August and sales of the W124 range more than doubled to 717 from an average of about 350 in previous months

Under the new scheme finance charges have been cut by another 1% and 3%

The first scheme has a fixed interest rate of 7,5% for one year, with a residual value of 85% After this, the balance may be settled or another contract entered into at the prime rate with a 50% residual This ensures that the monthly instalment remains virtually unchanged

The second scheme has a fixed rate for four years at 11,75% with no residual value The residual value plan has a fixed interest rate of 14,75% over four years with a 75% residual value The eight-year plan offers a linked rate at 15,75% with no residual value

Most other car finance

By DON ROBERTSON

charges range between 20% and 23%

All deals include a two-year or 70 000km Meridian maintenance-free package and a touring guarantee which offers hotel accommodation, air fares or car rental in case of a breakdown

Peter Cleary, management board member for the car division, says many customers are delaying normal replacement of cars because of uncertainty about the economy in the next four or five years

Manager

"We are prepared to take the risk on their behalf We offer a variety of financial packages which provide for fixed rates of interest and guaranteed residual values should the customer be worried about future deterioration of these two elements"

The lower rates have been made possible because the bank backing the Meridian scheme takes a favourable view of its lending rates to the company and to help Mercedes through the difficult economic times, says Mr Cleary

The company also believes that inflation and interest rates will soon fall

BMW responded to the initial move by Mercedes, reducing interest rates to 15% on the 5 and 7 Series models, including free maintenance of three years, or 90 000km, and four years, or 150 000km, respectively

The company has reacted to the Mercedes scheme by advising motorists to assess the free maintenance package, the extent of the residual value and the effect they could have on insurance

Marketing manager Ivan Honeyborne says that unless the buyer takes into account all these factors, "he could be in for some expensive surprises somewhere down the line"

"Some apparently cheap financing schemes could end up costing you a lot of money"

Audi, which launched a new range this year, offers no special packages But some dealers have introduced schemes which are tailored to cash flow

Interest bill helps push Midas to loss

B|DAY 16|10|92. (192)

MARCIA KLEIN

MOTOR parts and accessories group Midas has turned in a R3,8m attributable loss in the six months to end-August on the back of a higher interest bill and the cost of discontinuing some product lines

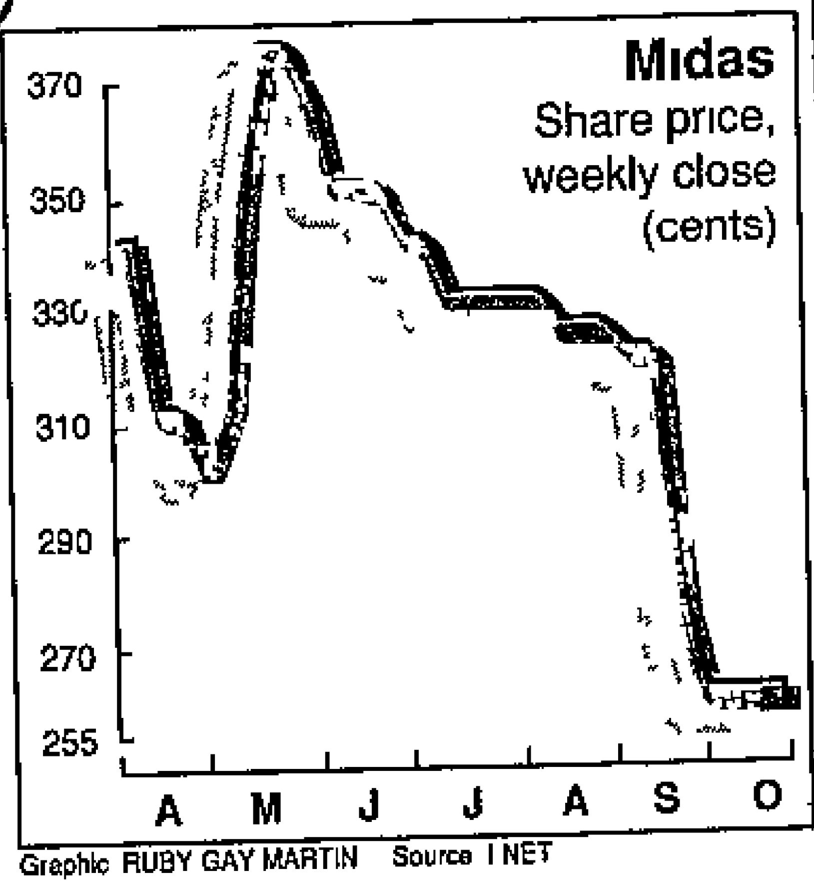
MD John Rich said that in view of the results, Midas had passed on its interim dividend.

The group's sales grew by only 2% to R148,5m from R145,4m Rich said the decline in sales in real terms brought pressure on margins as Midas defended its market share, and operating profit dropped by 45,8% to R4m from R7,5m

The lower than budgeted sales resulted in a temporary build-up of inventories, and the interest burden was pushed up to R4,3m from R3,1m, resulting in a pre-tax loss of R223 000 from profit of R4,4m in the previous year

An abnormal item of R2,3m reflected a decision to discontinue certain product lines Rich said the auto parts and accessories division had performed well, but the other trading divisions — particularly the chainstore-related division and the heavy duty area — incurred losses

The depressed economy was expected to persist and the operations of some trading divisions were being merged "in order to meaningfully reduce the overhead expense structure of the group"



Graphic RUBY GAY MARTIN Source I NET

The after tax loss of R2,6m compared with profit of R3,8m in the previous year. The group showed a loss of 14,3c a share after reporting earnings of 26,4c a share at the August 1991 interim stage.

Rich said Midas would return to modest profit in the second half

And in the next financial year, he has forecast "a considerably improved performance" on the back of a strong balance sheet, a reduced expense infrastructure, the group's well established franchise base and a focus on its core business — auto parts and accessories

Rich said Midas had taken the action necessary to ensure that it achieved and maintained profitability at the lower margins

Motor industry to be scrutinised

B/DAY 16/10/92. (192)

MADDEN COLE

IN A move that could see a major rationalisation of the motor industry, government yesterday announced the formation of a task group to probe the sector

The Trade and Industry Department said the group would advise government on long-term and short-term strategies for the motor vehicle and component industries

One aspect of the probe would be the "advisability of reducing the number of motor vehicle models manufactured in SA".

Trade and Industry director-general Stef Naudé said the formation of the task force had been commissioned by Finance and Trade Minister Derek Keys

He said Phase VI of the local content programme was intended to run until 1997, but changes locally and abroad had made it necessary to reinvestigate the future of the industry

The task group would consist of representatives of the public sector, the motor vehicle assembly industry, the automotive components manufacturing industry, the Motor Industries Federation, organised labour and the Automobile Association

Long-term strategy would include achievable and practical recommendations to develop industries which were economically viable and internationally competitive.

To achieve these objectives, Naudé said the advisability of reducing the number of vehicle models, as well as the affordability of vehicles, parts and accessories, would be considered

The group would study the industry's potential for economic growth and employment creation and international trends in automotive manufacturing and trade, including obligations under GATT.

There would be a review of the industry's impact on the balance of payments and of the means to resolve the present imbalance in purchases of new vehicles by corporations and individuals

Naudé said the group would report to Keys by December 1

Toyota SA executive chairman Bert Wessels said last night "something has to give" in the industry, and rationalisation of models or of manufacturers could be in the offing.

"It is an incredibly complex situation, and the purpose of the study group will be how to achieve optimum or prime objectives SA can't afford to manufacture as many models as at present"

Wessels believed replacing low-volume manufactured models by imports and encouraging high volume models should be considered

He warned that if import tariffs were reduced sharply, the local industry would be hard hit "So there will have to be sensible compromises between manufacturers and labour movements"

The lack of affordability of vehicles was a problem, and price rises should be checked However, price increases this year were below inflation rate, and Wessels expected increases next year not to exceed the expected inflation rate of 12%

He said the industry's main problem was not so much prices, which he said were comparable with several overseas countries, but the drop in available disposable income Wessels said the market was being affected by economic pressures, rather than the prices of vehicles

(192)

BMW FM 16/10/92

Position available (192)

Reinhard Künstler's sudden resignation as MD of BMW SA does not signal a rift between him and the German luxury car-maker, insists the company Officially, Künstler (43) simply declined to renew his three-year contract when it expired last month and took his family off on holiday

Nevertheless, the suddenness of his departure — even some senior staff learnt about it only after Künstler had left — has convinced many in the company that his resignation was sparked by a dispute with the parent company in Munich

"It looks like something serious has happened," says a senior BMW SA insider "The news came as a complete surprise to all of us "

Walter Hasselkus, Künstler's predecessor as MD and now Munich-based chairman of BMW SA, says he is unaware of any rift "His contract expired and he simply decided he wanted to return to Germany " But he confirms that the resignation was unexpected and that the parent company, BMW AG, had no-one in line to replace Kunstler "No planning for a successor had taken place "

Eberhard von Kuenheim, chairman of BMW AG, was due in SA for a whistle-stop visit on Wednesday, arriving in the morning and flying out the same evening BMW SA describes the visit as a routine one planned months ago, but the timing is fortuitous, given the situation at the SA subsidiary

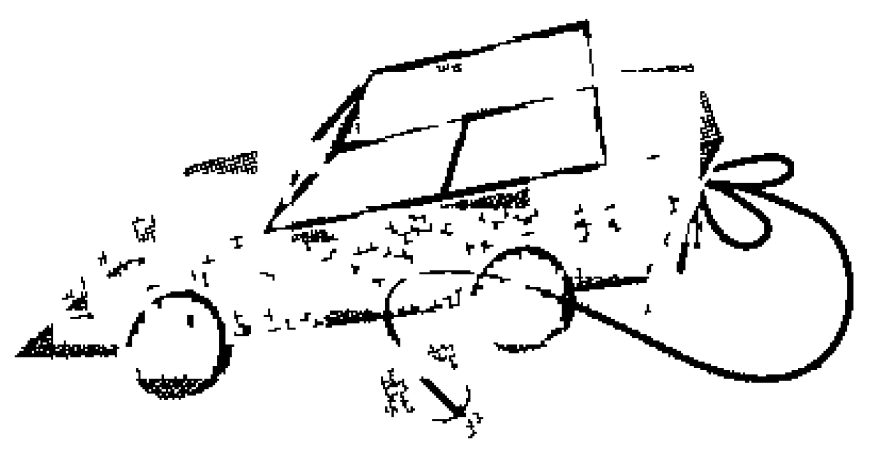
Staffers were hoping he would use his visit to make a statement on the local company's position, in particular to name a new MD Financial director Peter Barbe has been acting MD since Kunstler quit three weeks ago, but BMW AG seems certain to make a full-time appointment from staff at the Munich head office Hasselkus says an announcement is unlikely for another couple of weeks He adds that he does not know who the new MD will be, or even if he's been appointed

Exactly what will be Kunstler's status when he returns to Germany is unclear Before joining BMW's legal division in 1979, he worked in a private law practice, specialising in anti-trust and competition legislation BMW says he remains an employee of the Munich company for the time being Business associates say, however, that he plans to sever connections with BMW Comments Hasselkus "Whether he remains with BMW remains to be seen It is an open question "

Kunstler has been unavailable for comment According to BMW, he was on holiday with his family in Zimbabwe this week, using accumulated leave before leaving for Germany at the end of the month

One thing seems sure, and that is that Kunstler's decision was not prompted by any failings at BMW SA While he has been an outspoken critic of government policies affecting the motor industry, he leaves the company predicting both record profits and export earnings in 1992, and with its cars having more than doubled their share of the luxury segment of the car market this year

David Furlonger



September vehicle sales

Cars		Total	%*
Toyota	Corolla 2 963, Cressida 699, other 23	3 685	23,3
Samcor	Ford Laser/Meteor 747, Sierra 170, Sapphire 486, Mazda 323 1 033, Mazda 626 316, other 1	2 753	17,4
Nissan	Maxima 107, Skyline 119, Sentra 1 364, Fiat Uno 816, 200SX/300ZX 37	2 443	15,4
VW	Golf/Jetta 694, Citi/Fox 1 361, Audi 175	2 2[illegible]0	14,1
M-Benz	Honda Ballade 1 273, M-Benz W124 339, W126 35, other 80	1 727	10,9
Delta	Rekord 200, Kadett 743, Monza 683, other 7	1 633	10,3
BMW	3-Series 988, 5-Series 305, 7-Series 52, other 4	1 349	8,5

	1992	1991	% Change
September	15 820	17 029	-7,1
January–September	137 209	154 497	-11,2
August (15 214) –September			+4,0

Light commercials

Toyota 3 074 (36,0% of the market) Samcor 1 833 (21,5) Nissan 1 809 (21,2) Delta 1 149 (13,4) VW 656 (7,7) AAD 23 (0,3)

September	8 544	8 374	+2,0
January–September	69 414	76 649	-9,4
August (7 848) –September			+8,9

Medium commercials

Toyota 149 (51,4%) Delta 53 (18,3) Samcor 38 (13,1) Nissan 35(12,1) M-Benz 15 (5,2)

September	290	344	-15,7
January–September	2 502	3 159	-20,8
August (263) –September			+10,3

Heavy commercials

M-Benz 158 (35,7) Nissan 120 (27,1) Toyota 92 (20,8) Delta 31 (7) MAN 26 (5,9) ERF 16 (3,6)

September	443	475	-6,7
January–September	3 940	4 305	-8,5
August (426) –September			+ 4,0

Total vehicle sales

Toyota 7 000 (27,9%) Samcor 4 624 (18,4) Nissan 4 407 (17,6) VW 2 886 (11,5) Delta 2 866 (11,4) M-Benz 1 900 (7,6) BMW 1 349 (5,4) MAN 26 (0,1) AAD 23 (0,1) ERF 16 (0,1)

September	25 097	26 222	-4,3
January–September	213 065	238 610	-10,7
August (23 751) –September			+5,7

*% of the total car market

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Gearing up for cheaper cars

(192)

CT 17/10/92

By AUDREY D'ANGELO
Business Editor

A TASK group has been appointed with the aim of making new vehicles and spare parts more affordable in South Africa, and encouraging a more viable and competitive motor manufacturing industry.

Announcing this yesterday the director general of the Department of Trade and Industry, Stef Naude, said the group would advise the Government on "long term and short term strategies for the future development of SA's motor vehicle and motor vehicle component manufacturing industries"

The motor industry is the second largest employer in SA after the food industry. It currently provides about 250 000 jobs

To protect it, and save foreign exchange, the Government introduced high tariff barriers and progressively higher local content regulations which are blamed as a major cause of high vehicle prices and falling sales

Car dealers claim that individuals have been priced out of the new car market, with most sales now being made to companies

Manufacturers protested at the raising of local content regulations, currently 75%, pointing out that the SA market is too small for economies of scale.

Meeting the regulations made high investment necessary and the authorities have explained that, because of this, phasing out would have to be done gradually.

The new task group, consisting of representatives of the public sector, motor vehicle assembly industry, automotive components manufacturing industry, Motor Industries Federation, organised labour and the Automobile Association of SA, has been asked to report back to the Minister of Finance, Derek Keys, "not later than December 1, 1993."

Naude's statement yesterday said that: "The long term strategy should incorporate achievable and practical recommendations to develop industries which are economically viable and increasingly competitive on international markets."

Among other matters the group should consider

- The advisability of reducing the number of models manufactured;
- The appropriate amendments to Phase Six (the local content regulations) during the transitional period prior to Phase Five;
- Affordability of motor vehicles, parts and accessories,
- The impact on the balance of payments;
- International trends in automotive manufacturing and trade including obligations under the General Agreement of Tariffs and Trade (GATT).

Toyota stays at the top in Japan

TOKYO — Nissan, Japan's second largest carmaker, reported on Friday dismal domestic sales for both September and the first half of their fiscal year, while top-ranked Toyota weathered Japan's economic slump better in the same periods. BDM 19/10/92

In September, Nissan's domestic sales plunged 19% from the same month a year ago to 102 891 units, with its market share falling to 22,1% from 26,1% last year. During the April-September period, Nissan posted an 11% drop to 582 394 units from the same half-year period last year.

Toyota sold 181 746 vehicles in September, unchanged from the same month a year earlier, said a company report released on Friday. Its share rose to 29,6% from 28,7%. During the six months through September 30, it sold 1,698-million units, down 4,1% from the same period last year. (192)

A Nissan spokesman blamed weak sales of small passenger cars, adding it was hard to judge whether present conditions represented the bottom.

Toyota's better performance lay in the strength of its dealerships, which had built strong relationships with corporate clients, said Noriyuki Matsushima, an industry analyst at Nikko Research Centre. He said Toyota introduced lower-price models in quick response to the economic slowdown, while Nissan had not.

Nissan sold 75 694 passenger cars in September, down a sharp 21% from the year before, and 27 197 commercial vehicles, a 15% fall. — AP-DJ.

Recession hitting the German car industry

B10A 19/10/92 (192)

Own Correspondent

BERLIN — As recession clouds gather, the brakes have been slammed on Germany's car industry, the country's manufacturing backbone and symbol of economic might.

Job losses, boardroom squabbles and bloated costs mean German car manufacturers are making headlines for all the wrong reasons.

Princess Diana, who handed back her Mercedes 500SL leased car recently, is not the only driver turning away from the German motor industry

Germany's domestic car sales for the first eight months of the year tumbled more than 11% against the same period in 1991 The export market is also in reverse Only BMW has bucked the trend, with the new 3-Series at the lower end of its range

Car chiefs at the Berlin motor show are putting on a brave face New models are being unveiled and the buzz words are "lean production" and "normalisation".

But more than a century after Karl Benz and Gottlieb Daimler road-tested their prototype automobiles, Mercedes-Benz's famous star is waning along with the industry's other household names.

Mercedes, which is cutting its workforce of 185 000 by 20 000, recently halved its estimate of German growth for 1992 from 2% to 1%. Other companies are shedding another 20 000 jobs as the Germans slash costs to compete with the Far East.

After peaking at 13,6-million in 1989, car sales in western Europe are predicted to slip to 12,5-million next year In Germany, where sales reached 4,16-million last year, the forecast for 1993 is a million fewer — representing a 25% fall in two years

At Volkswagen, Europe's biggest car manufacturer, there is a "no comment" to media reports that 1992's operating loss will be DM700m.

The most serious crisis confronts Porsche, the sportscar maker. Sales are down from more than 50 000 in the mid-80s to 22 500 last year. The company is slashing 1 850 jobs — a quarter of the workforce.

In a last-ditch attempt to draw customers back into the showroom, Porsche unveiled its cheapest car, a no-frills version of its 968 model in Berlin this weekend.

Sticking to the company line that Porsche can retain its prized independence, Veronika Offermanns, the manager for northern Germany, acknowledged: "We are under pressure, but we will survive."

After the post-unification boom when East Germans swopped their Wartburgs, Skodas and Trabants for coveted Western models, a slowdown in the German car industry was inevitable.

The slide in export markets — although aggravated by manufacturing and marketing mistakes — would have been difficult to avoid in the light of currency turmoil and consumer insecurity.

But the car giants are also paying the price for their complacency during the easy years of steady growth from the mid-1980s when they failed to trim costs.

Even the German reputation for good workmanship and reliability is under fire. In a poll by the magazine Auto Motor Sport, 91% of Volkswagen Golf buyers complained of run-of-the-mill defects. VW has laid on extra shifts to rectify faults in the new model. — Daily Telegraph.

Car buyers forced to opt for smaller models

BIDAY 20/10/92. (192)

EDWARD WEST

SA WAS the biggest per capita user of luxury cars outside the US and Germany, but the recession and high prices had forced more buyers into the small car market, Nissan marketing MD Stephanus Loubser said at the weekend

Speaking at the launch of two additional luxury Maxima models, Loubser said the small "hatchback" segment of the car market had grown to 25,12% of the total car market at the end of September 1992 from 16,9% in 1991

The small "notchback" segment of the market had grown to 41,09% from 30,9% of the total market, while the market for medium-sized cars shrank to 19,1% from 36,1% in 1991

The luxury segment, consisting mostly of BMWs and Mercedes-Benzes, had shrunk to 9,3% from 12,9%

He cited car prices as a reason for the swing to smaller cars

Average car prices as a percentage of average annual income had risen to 96,5% in 1992 from only 65% in 1989, while average car life had lengthened from six to 11 years

The local content programme, lower productivity and the introduction of new technology had added to cost pressures.

Consumers were no longer prepared to spend R150 000 on a car over four years when they could finance a house for the same price over 30 years, he said.

Loubser said the motor industry had responded to the buy-down trend by introducing rental and leasing schemes to win back buyers

Extended warranties, maintenance contracts, discounts and rebates were the order of the day

Loubser said many car assemblers were coming into the market at low interest rates — one could finance some vehicles at 7,5% — but he warned that these rates could be misleading in the longer term

Motor assemblers were also trying to reduce car prices Loubser said Nissan had taken the lead by introducing the market's cheapest car, the Uno, followed by the new Honda Ballade and the Volkswagen Shuttle, both of which were introduced at lower prices than their previous or more upmarket models.

Competitive

Nissan's two new Maxima models launched at the weekend, the manual and automatic 300E, were aimed at the luxury market, but were more competitively priced after dispensing with some of the "fripperies" of the 300SE, such as electric seat control and leather upholstery

The manual and automatic 300E and the top of the range 300SE were priced at R96 650, R99 950 and R115 390 respectively Its competitors include the BMW 525i at R163 350, Mercedes Benz 200E automatic at R140 382 and the manual BMW 520i and Mercedes-Benz 200E at R129 690 and R132 707 respectively

FM 23/10/92 (192)

MOTOR INDUSTRY

FM 23/10/92 (192)

Here comes Phase Seven

Factions in the motor industry must settle their differences if the new plan to create a viable industry is to succeed The announcement of a government-appointed task group to recommend a long-term strategy is welcome The group has until December 1 next year to report to Finance and Trade & Industry Minister Derek Keys

But while 13 months may seem like plenty of time, experience suggests the group, chaired by Midas Group chairman Derek Riley, will need every second to reach agreement One of the reasons for the failure of the industry's Phase Six local content programme has been constant infighting, particularly between vehicle assemblers and component manufacturers Even within those sectors, there has often been bitter disagreement between individual companies

This lack of consensus has frustrated attempts to devise a generally acceptable policy for the industry No-one doubts that the 15-man task group will have a torrid time trying to succeed where others failed

Getting down to nuts and bolts *will jobs be lost?*

In addition to Riley, the group includes members from government, vehicle assemblers, component manufacturers, trades unions, the Automobile Association and the Motor Industries Federation

One of the members commented "How the hell we're ever going to get this lot to agree, I don't know " Toyota CE Bert Wessels, another member, is more pragmatic "We are trying to satisfy diametrically opposed needs but we must get rid of the self-interest and try to understand one another's needs "

The chief issues to be discussed by the task group are job creation, the need to reduce the number of vehicle models, how to devise a simple local content programme, and how to control the high prices of vehicles, parts and accessories to bring private buyers back into the market

John Brandtner, president of the components manufacturers' association, Naacam, says "The industry is deteriorating at an unprecedented level and because Phase Six is inflating new car prices, more jobs will be lost and fewer motorists will be able to afford new cars unless urgent action is taken "

Several members of the committee say privately that they expect a future programme to result in further industry rationalisation, by encouraging local manufacture of high-volume vehicles and components

Such a policy may well lead to casualties among the seven vehicle assemblers However, task group members say anything of this nature would have to be phased in and, in any case, probably not happen before 1997, when Phase Six is due to expire

But Brandtner sounds a warning note· "SA cannot afford negative employment trends at a time of severe economic recession, neither can we afford to close down plants that manufacture technologically advanced products and that have access to international R&D That would be short-sighted in the extreme, and economic suicide " ■

FM 23/10/92 (192)

TRENCOR FM 23/10/92 (192)

Threat to exports

The extraordinary earnings growth since 1987 has had exports as its base All through the sanctions years, for fear that disclosure of the SA source could stifle trade, facts about these remained a well-guarded secret Now that exports and foreign operations are Trencor's largest earnings contributors (up from 8,6% in 1987 to almost 60% in 1992), there is a threat from inside SA that export earnings could be severely impeded

FM 23/10/92 (192)

Activities: *Makes road trailers and containers, road freight transport, tyre manufacture, international trading*

Control: *Mobile Industries 47%, directors 26,8%*

Chairman: *N I Jowell*

Capital structure: *14,5m ords Market capitalisation R2,18bn*

Share market: *Price 150c Yields 1,3% on dividend, 6,0% on earnings, p e ratio, 16,6, cover, 4,6 12-month high, R165, low, R96 Trading volume last quarter, 328 000 shares*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	56,3	70,4	83,0	39 5
LT debt (Rm)	23,9	8,8	3,5	3,4
Debt equity ratio	0,36	0,25	0,27	n/a
Shareholders' interest	0 53	0,55	0,46	0,74
Int & leasing cover	17	18	9,5	26
Return on cap (%)	22,8	25,4	27,1	17,7
Turnover (Rm)	690	785	829	998
Pre-int profit (Rm)	82	118	147	175
Pre-int margin (%)	11,9	15,9	17,8	17,6
Earnings (c)	338	518	735	905
Dividends (c)	67	130	160	195
Net worth (c)	1 179	1 624	2 171	3 052

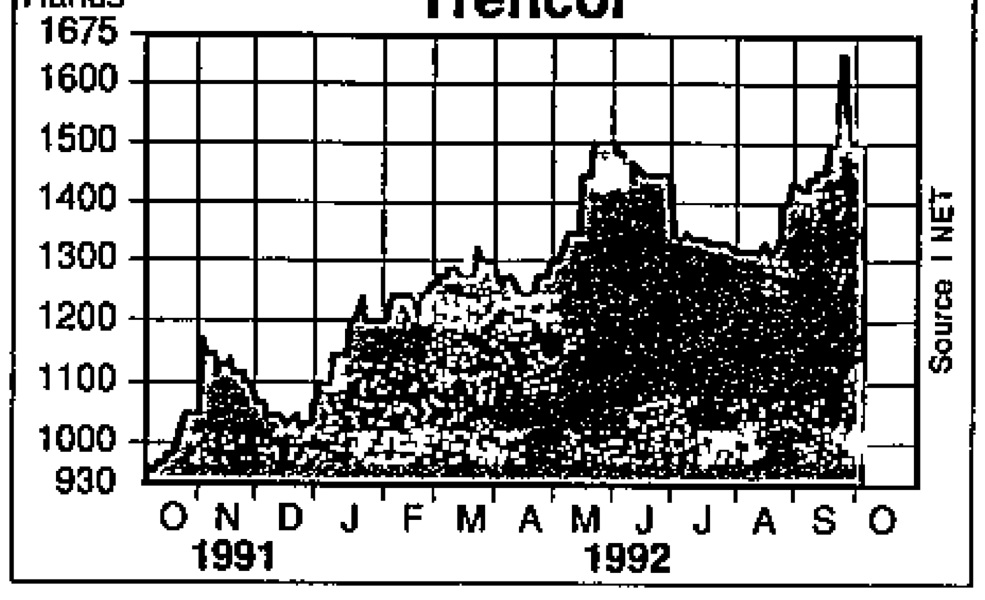
This is Trencor's Achilles heel What chairman Neil Jowell fears most is that government, in its quest to make commerce and industry less dependent on subsidies, may diminish or withdraw export incentives — as it has, for sponsorships for international sporting events

Without export incentives, Trencor will not remain competitive globally

However, the Department of Trade & Industry's new industrial policy document makes it clear that Geis (General Export Incentive Scheme) will stay in place till at least 1995 Trade & Industries DG Stef Naudé wants to replace Geis with other provisions — possibly supply-side measures — so that exports will suffer minimally, while trying to comply with Gatt

In the tyre division, though turnover rose slightly, first-half earnings fell as competition from cheap imports squeezed industry margins Import controls imposed in the second half alleviated this pressure But their intended abolition and its effect on Contred's earnings are cause for concern

Trailer-making for the domestic market fared badly as private fixed investment declined in the recession Volumes are down to levels of 20 years ago in contrast to booming



FM 23/10/92 (192)

exports But even export growth slowed as more foreign competitors entered and world trade contracted Not only were margins hit, dollar prices declined, reducing the benefits of hard-currency earnings

The transport division did not escape recession and its pre-tax profit fell

November's rights issue of 2,86m convertible debentures at R91 each raised R260,5m, which considerably enlarged permanent capital As a result, the balance sheet is strong and the group exceptionally liquid (cash of R164m at year-end), which will enable it to take advantage of investment opportunities

Jowell's reluctance to forecast earnings is understandable but he expects "a modest improvement" from export activities Should the rand/dollar exchange rate deteriorate, earnings will be boosted In a typically conservative summing up, he will be satisfied if 1993 earnings are maintained Whatever the case, the heady EPS growth of the past few years appears to be over, at least for a while

Trencor's short- and long-term trends are both intact and neither chart shows indications of topping out, even though the price has fallen from the R165 peak of September 30 However, as there are no signs of either the JSE or world trade strengthening in the short term, it is difficult to justify buying the share now *Gerald Hirshon*

Thousands laid off in metal, motor industries

BDay 23/10/97.

DIRK HARTFORD

THOUSANDS of workers have been retrenched in the metal and motor assembly sectors since the national strike in August.

Samcor, which was working short-time almost continuously before the strike, has retrenched at least 650 workers since the moratorium on retrenchments ended with last year's agreement

Samcor spokesman Ruben Els said the 4 500 remaining wage and salaried employees were now working fulltime.

Other motor assembly employers — including Nissan and Mercedes-Benz — are understood to be considering retrenchments They would not comment yesterday

In the metal industry, Seifsa said its members retrenched 3 367 workers in September — the first month after the strike During the strike 2 417 workers were laid off

A mini-survey of Numsa local offices showed that while many companies had retrenched workers, the numbers had been small.

[redacted] ([redacted])

According to Numsa's Benoni branch, 10 companies in the area had retrenched a few more than 100 workers

(192) ([redacted])

In Numsa's central Witwatersrand region, three out of six branches reported about 450 workers retrenched since the strike.

Numsa organisers say the main reasons given for the retrenchments were lost market share as a result of the strike, order books drooping due to the economic downturn, worker action harming business and positions generally becoming redundant.

More job losses feared

Car parts industry warning

ARG 24/10/92 (192)

■ Every month that goes by without a change in the local content programme means more deterioration in the motor component industry, an official has warned.

Weekend Argus Correspondent

JOHANNESBURG. — Urgent action is needed to protect jobs in the motor components industry, says the president of the National Association of Automotive Component Manufacturers (Naacam), Mr John Brandtner.

Speaking at the association's annual meeting, Mr Brandtner said 23 000 jobs had been lost since the phase VI local content programme came on stream three years ago

Phase VI was inflating new car prices, so more jobs would be lost and fewer motorists would be able to afford new cars

Mr Brandtner welcomed the government's appointment of a task group to consider the long-term future of the industry

"The first priority of the task group must be to consider urgent modifications to local content in its current form to stem further erosion of the massive loss of local material content to date," he said

"Every month that goes by without a change in the local content programme means more deterioration in the component industry

"We cannot afford to close down plants that manufacture technologically advanced products and that have access to international research and development"

He said that sectoral interests must not be allowed to prevail but everyone must ask what could be done urgently to make motor vehicles accessible to large numbers of South Africans

The private motorist had all but dropped out of the new car market because of the excessive price increases of the past few years brought about by phase VI, Mr Brandtner argued

Naacam was committed to employing its considerable technical skills to bring about affordable motoring and transport, to furthering economic growth by beneficiating local raw materials and protecting the balance of payments by limiting component imports

He said it would continue to try to provide affordable local components to an ageing vehicle park

The ideal off-roader

S|Times (BUSS) 25/10/92.

A Business Times CORPORATE SURVEY

NISSAN LIFTING THE TOP HONOURS

192

NISSAN can be justly proud of its achievements in the past two years in helping the company attain its current position in the vehicle market in SA

This year, the Maxima was voted Car of the Year by the SA Guild of Motoring Journalists, while Nissan Diesel SA won the Best New Vehicle of the Year at the the SA Transport's Blue Riband Truck of the Year award with its 3,5-ton Cabstar.

At the same time, Truckmakers won the Truck of the Year award with its Iveco Turbostar.

Last year, Hannes Grobler won the national rally championships in a Sentra, while the Uno Turbo won the Group N national championship in Class C.

Nissan also won the 1991 Customer Satisfaction Index competition between South Africa and Germany

And in the safety stakes, the company won the Noscar award for industrial safety for the 13th consecutive year.

Addressing the problems of fleet managers

192

S|Times (BUSS) 25/10/92

THE acceptance by fleet managers of the value for money and image aspects of vehicles is essential for any manufacturer

As a result a high level of expertise has become a prerequisite in order to meet the needs and demands in what has become a very sophisticated and competitive market

Finding solutions to transport problems is an essential service to secure business, says Pieter Ackerman, general manager fleet and government sales at Nissan

"We have to impress them with vehicles that are good value for money and look attractive Their choice is, of course, a practical one But they do pay attention to image to keep their employees satisfied With satisfaction comes better maintenance

"Our expertise in this regard is being developed to provide professional guidance to existing and potential fleet-owners on all matters We deal with fleet acquisition, replacement cycles, finance, insurance, maintenance, fuel economy, disposal, conditions of use, vehicle selection and allocation," says Ackerman

COSTS

The fleet sales department is first and foremost a marketing department, targeting key fleets

The first priority is to help and support operators to reduce running costs and to maintain and work towards creating long-term relationships

Nissan's ability to candidly address issues when customer responses have not always been favourable has ensured vast improvements in service and have resulted in increased market share, says Ackerman

Eddies takeover follows warning

192

VEKTRA's warning to shareholders is believed to herald the takeover of motor spares group Eddies after months of talks

S1 Times (Buss) 25/10/92.

British-registered Vektra, 75% held by W&A, announced on Wednesday that negotiations were under way The share price rose 15c to 270c

Eddies, which has one shop in Pretoria, is capitalised at R12-million on the JSE Its shares last traded at 42c. Vektra is SA's largest distributor of Delta motor vehicles through Williams Hunt, and also owns spares companies Femo and V&R.

Vaalauto still under the whip

(192) EDWARD WEST BDAY 29/10/92.

FORD vehicle trading group Vaalauto continued to function unprofitably in the six months to end-August 1992, but certain operations were closed to stem future losses

Turnover dropped nearly a fifth to R46,56m from R57,85m, but operating income, at R584 000, was nearly four times higher against the previous year

Finance costs were down from R1,33m to R515 000, which brought pre-tax income to R69 000 compared with a R1,21m loss at the same time last year

However, an extraordinary loss of R1,7m resulted in attributable losses of R1,63m compared with R1,37m at the end of the first half of last year

Cut in car import duty 'not enough'

EDWARD WEST

GOVERNMENT's reduction in duties on imported cars by 10% to 100% would not be enough to stimulate growth in the imported car market, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

BDAY

A Naamsa spokesman said the 10% reduction effective from October 23 was in line with Naamsa's proposals, which advocated car and commercial vehicle tariffs first be brought in line to 100%, after which tariffs would be reduced by 2,5% every six months over the next five to eight years to a limit of 60%

30/10/97

He believed a trend would develop as import duties declined whereby manufacturers would begin importing low-volume niche market vehicles and concentrate on the local manufacture of relatively high volume vehicles.

(192)

Car importer LSM Distributors MD Hans Holster said the 10% reduction would stimulate the imported car business. However, further reductions were necessary to sustain growth in the industry.

He said the reduction in duties and the subsequent reduction in new car prices should increase the investment values of imported vehicles

'Video scam aimed at cost cutting'

C/P News 1/11/92.

By ELIAS MALULEKE

THE SA Motor Corporation (Samcor) may face industrial and legal action for employing a private investigator who allegedly enticed factory workers to steal from the firm.

The investigator allegedly filmed the transactions.

Now the jobs of 177 Numsa members are on the line.

Numsa claims the scam was set up to provide a reason to fire workers rather than pay retrenchment packages.

Organiser Herman Ntlatleng said that if the 177 were not reinstated, industrial and legal action would ensue

He said Samcor was to retrench workers in December and had already laid off more than 700 workers in September

Fired workers said an Indian PI posed as a food vendor outside the Samcor premises in Waltloo, Pretoria

They said that when they went to buy from him, he told them he was a buyer looking for car parts and tools, and enticed them to bring parts

This he had done by promising to pay extremely well for any part brought to him

They said he was buying any spare part they could carry into his caravan.

The man had paid more than the parts were worth at a spares dealer

Sacked

The PI was filming the deals on video

The videos were handed to management and the workers were sacked

One worker said the parts he was filmed selling to the PI were not from Samcor.

He claimed they were cheap parts he'd bought from a spares dealer

He had sold the parts for profit to the PI

One of the alleged "thieves" captured on camera is a woman who is alleged to have undressed down to her panties to remove parts concealed on her body.

Samcor public relations officer Dirk de Vos confirmed that workers were caught by the spy camera.

However, he denied allegations that some workers were fired because of it.

"No one has yet been fired as the matter is still under investigations However, as the matter is still sub-judice, I cannot comment on the number of workers involved in the filming"

He said it was company policy – following an agreement with Numsa – that statements regarding workers should be released jointly with the union

Ntlatleng said the matter was being discussed by shop stewards and management, but the union had pointed out that it was unfair of management to entice workers to steal

Duty cut a good start

(192)

S/Times (Buss) 1/11/92

By DON ROBERTSON

THE Government's decision to cut import duties on fully imported cars by 10% to 100% has generally been welcomed by the motor industry

It believes it is a "good start" and that the process must continue, although at a managed pace

But most manufacturers, particularly those in the luxury market, believe that duties will have to be cut further

Late last year, motor manufacturers through the National Association of Automobile Manufacturers of SA (Naamsa) called on the Government to reduce import duties They said they had never asked for this protection and it was an embarrassment

Finance Minister Derek Keys responded this year, saying that if SA were to join the General Agreement on Tariffs and Trade (Gatt) duties might have to be reduced to 40% over five to eight years Manufacturers, however, believe the duty cuts should be held at a minimum of 60%

Peter Cleary, management board member for the car division of Mercedes-Benz, says the reduction is not significant because the 15% surcharge remains

"This means that the total duties payable are now 115% — a reduction of 11,5% on the previous 126,5%

"We believe it to be the start of a trend to reduce import duties, but it is not significant and does not pose a threat to local production of vehicles"

Saficon feels pinch as recession erodes profit

BDM 3/11/92. (192)

EDWARD WEST

SAFICON's profit dropped to 6c a share in the six months ended September 30 from 38c a share a year earlier in the face of tough trading conditions in the motor and construction industries.

Saficon's interim results, published today, consolidated its 54,6% investment in Boumat. The group has also restructured motor trading interests Lindsay Saker, Cargo Motors and LSM Distributors

The prior year's figures were not comparable The dividend was passed, said chairman Sidney Borsook

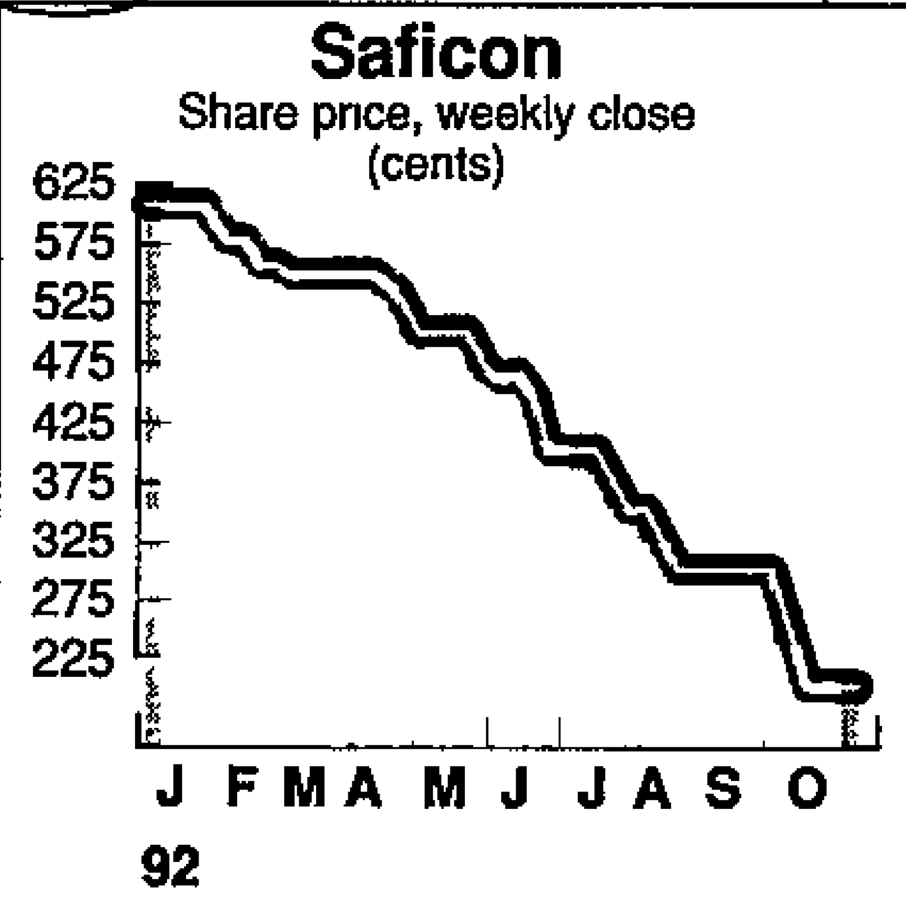
An operating profit of R22,7m was achieved on turnover of R1,37bn Earnings amounted to R2,1m or 6c a share based on increased share capital of 35,8-million shares compared with 30,7-million in issue a year earlier.

Total assets fell R7,6m and total debt R7,3m compared with the pro forma figures suggested in the 1992 annual report The total debt-to-equity ratio also improved slightly to 1,87 from 1,89.

Borsook said strikes and mass action depressed turnover in August. Shareholders were advised in August that profit would be materially lower than a year earlier, and the group saw no reason to change this view.

Saficon's motor holdings experienced a 9% decline in turnover. Changed product mix affected margins.

The motor holdings' operations were reorganised. Lindsay Saker changed its name to Saficon Motor Holdings from October 1 and became the holding company of the group's motor trading activities.



Graphic LEE EMERTON Source I-NET

Administration, accounting, information systems, human resources and marketing would be rationalised in line with expected slower motor industry growth.

However, consulting fees and retrenchment costs would be charged against income for fiscal 1993 About R4m was included in operating costs for the first six months of the current year Borsook said reorganisation benefits were expected to become apparent in the second half

He said Boumat did well to produce a modest profit. Saficon's other trading activities — Toyota forklift, motor components, property and vehicle leasing operations — made a satisfactory contribution to earnings. Saker's Finance & Investment Corporation, with a 51,4% investment in Saficon as its sole asset, reported interim earnings of 10c against 64c a year earlier. The dividend was passed.

Trencor gains stake in large international firm

8/DAY 4/11/92.

LINDA ENSOR

(192)

CAPE TOWN — Trencor has acquired a substantial minority stake in a San Francisco-based world container leasing company, the Textainer Group, for more than R80m.

Chairman Neil Jowell said at a news conference yesterday that Trencor's board of directors would also discuss the possibility of a share split at the next quarterly meeting, as the present price of about R150 was too high A split on a 10-for-one basis took place about five years ago.

He said Textainer was a long-standing customer of Trencor and the deal provided it with a secure international market for containers it manufactured in SA All of Trencor's annual production of about 20 000 dry, freight and tank containers were exported

With the international container market subject to cyclical swings, it was important to have a stable and captive customer, Jowell said, adding that the link with Textainer would ensure a permanent international presence for Trencor

About 3 000 people were employed in the group's container export business which would be impossible to restart if poor international conditions continued

The deal would also enhance the rand hedge quality of the group's earnings

Jowell said the acquisition would not have a material impact on the NAV or earnings of Trencor for the present financial year In the longer term however, returns, including profit generated from additional exports, would flow through

Container exports made a significant contribution to the group's profit and, with other overseas operations, represented about 60% of earnings

In addition to the initial purchase of a stake for an undisclosed amount, Trencor would use R80m of its cash pile of R160m to follow its rights in Textainer's $64m rights offer in December which was aimed at raising finance for the group's expansion

A stake "appreciably" more than 30% would be acquired, Jowell said

The Textainer Group consists of Textainer Inc, which owns marine freight containers which are leased to the shipping industry, Textainer Capital Corporation which sponsors public limited partnerships in the US and has raised $280m to date, and Textainer Equipment Management NV which acts as an agent to acquire containers and manages the leasing of containers to shipping lines on behalf of owners

The group has administrative offices in San Francisco, London, New York and Singapore, and is represented in Genoa, Rotterdam, Hamburg, Hong Kong, Seoul, Rio de Janeiro, Taipei, Durban and Sydney.

The replacement value of its assets is more than $440m. At end-September its total fleet size was 195 107

"Textainer is well placed to take advantage of further development in international trade World containerised trade is expected to grow at an annual rate of 5%, outstripping general economic growth," Jowell said

On Trencor's performance since its June year-end, he said domestic trading conditions had been very poor but that overall the group was close to its budget because of the modest increase in overseas contributions

Top dog at Germany's BMW to run SA show

S Times (BUSS) 8/11/92. (192)

By DON ROBERTSON

THE likelihood of a closer link between BMW South Africa and the parent company's global manufacturing and export network has prompted the appointment of its most senior executive as head of the firm in this country.

Rainer Hagemann, previously chief controller of BMW Germany, was appointed chief executive of BMW SA from the beginning of this month. He will, however, take up his position only in the middle of January

BMW SA's possible incorporation in the global operation will be significant for the company. It could involve the SA company in supplying the rest of Africa with vehicles and could result in a sharp increase in component exports.

Wagon

The SA company supplies about 85% of all leather seats for BMW cars in the world It has proved its ability to supply world-standard components.

It is also possible that BMW SA will become the sole world assembler of right-hand-drive cars. This could mean an increase in production to about 120 000 cars a year.

At present, the Rosslyn plant makes about 80 vehicles a day compared with capacity of about 120

BMW SA could also become the sole manufacturer of the Three Series station wagon

All manufacturing plants in Germany are producing at capacity. The Regansburg plant produces the Three Series on a made-to-order basis only.

Labour difficulties are being experienced in Germany, workers continually demanding shorter hours and higher wages. The opening of the American factory will help to alleviate these difficulties.

BMW SA recently spent R10-million on a 200ha tract of land near its head office at Midrand. This could be converted into a factory to make components.

Mr Hagemann succeeds Reinhard Kunstler, who was on secondment from the German parent for three years.

Mr Kunstler's contract expired in September. Efforts to renew his contract "were unsuccessful during renegotiations", says a company spokesman. Mr Kunstler has returned to BMW Germany.

His departure has left the company without a chief executive and the day-to-day operation is being handled by financial director Peter Barbe.

New car sales in gear with growth up 7,7%

(192) CT 11/11/92

By AUDREY D'ANGELO
Business Editor

A COMBINATION of new models coming on to the market, lower interest rates and tempting financial packages — together with seasonal factors — pushed up new car sales in October by 7,7% to a total of 17 035

This figure, above industry expectations, compares with 15 820 in September and 15 593 in October last year And it is the second month in succession that sales have risen

New car sales are considered an important indicator of consumer confidence and the state of the market. Higher figures could give a boost to business confidence, indicating that there is money about and people are prepared to spend it.

BMW — with total sales for the month of 1 904 — reported waiting lists of up to 11 months for new models

Volkswagen, with 2 552 new car sales, said it had misjudged the market in not producing enough of its economy-priced Citi-Golf Shuttle and Fox Trippa to meet demand

Nissan, with 2 446 new car sales, said it was "experiencing stock shortages on the new Sentra"

And Toyota, recovering completely from the effects of a strike, recaptured 23,6% of the new car market with sales of 4 016

But both Brand Pretorius, MD of Toyota (SA) Marketing, and Stephanus Loubser, MD of Nissan (SA) Marketing, warned that the rise in sales did not mean good times had returned for the motor industry

Pointing out that total car sales for the first 10 months of this year — at 154 244 — were still well down on the 170 090 in the same period last year, Loubser said the improved October figures did not reflect the true state of the motor industry or the economy

Nissan expected total car sales by all manufacturers to be about 185 000 for the year

Pretorius, forecasting total sales of between 182 000 and 185 000 at the most, said "The picture for the industry is still not a healthy one

"The fundamentals are simply not in place to support any marked and sustained upswing in sales

"Looking at the light commercial vehicle market we see this sector is totally flat There are no new models entering the market and there is very little to stimulate sales

"The business sector has adopted a wait and see attitude to purchases while the agricultural sector will take some time to recover from the severe drought of the past years"

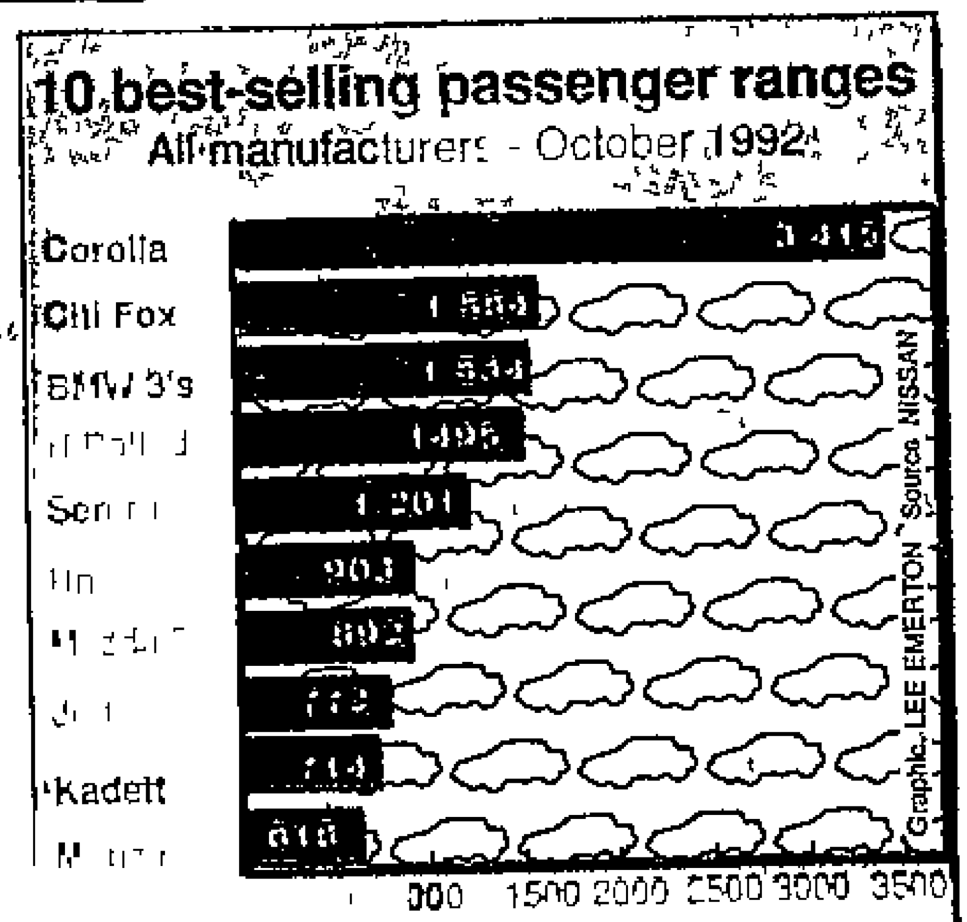
Figures released by the National Association of Automobile Manufacturers of SA (NAAMSA), show that sales of light commercial vehicles in October totalled 8 597 compared with 8 544 in September and 8 478 in October last year

Sales of medium commercial vehicles totalled 298 compared with 290 in September and 401 in October 1991

Sales of heavy trucks totalled 497 in October compared with 443 in September and 608 in October the previous year

Toyota had the highest sales in the light commercial vehicle market with 3 248 compared with 1 832 by Nissan, 1 583 by Samcor — of which 716 were Ford and 867 MMI — and 1 319 by Delta

A statement issued by Naamsa said new vehicle sales had exceeded industry expectations



New car sales up for second month

BDAY 11/11/92

EDWARD WEST (192)

OCTOBER's new vehicle sales exceeded industry expectations and gains were made in all four sectors of the market for the second month in succession, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

Strong demand for new models and various manufacturers' incentive schemes contributed to the second best monthly new car sales figure in 1992, with sales reaching 17 035 in October, 7,7% higher than the 15 820 sold in September.

However, Toyota SA marketing MD Brand Pretorius warned that it was wrong to read any strong positive signals in October's vehicle sales because economic fundamentals were not in place

Nissan SA marketing MD Stephanus Loubser said October was traditionally a good month for the industry as fleet purchases were made before the end of the financial year by many companies

☐ To Page 2

Car sales

BDAY 11/11/92 (192)

☐ From Page 1

Compared with the 15 593 cars sold in the same month a year ago, October 1992 sales were up 9,2% Light commercial vehicles, bakkies and minibus sales at 8 597 were marginally higher than the 8 544 sold in September and 1,4% up on the 8 478 sold in October 1991

Sales of medium commercial vehicles improved 2,7% to 298 and those of heavy commercial vehicles rose 12% to 497 compared with September

However, medium commercial vehicle sales were 25,7% lower than the 401 sold in October last year and 18,2% fewer heavy vehicles were sold in October 1992 compared with the 608 sold in the same month a year ago

New vehicle sales continued to lag levels achieved last year, with new car sales about 9,3% below levels in the first 10 months of last year. Light commercial vehicle sales were down 8,4%, medium vehicles 21,3% and heavy vehicle sales down 9,7% over the same period

The improved performances of the new car and light vehicle market segments were encouraging, but trading conditions were likely to remain difficult in the short to medium term, Naamsa said

Pretorius said there were indications that the positive trend would continue in November However, the forecast of 180 000 new car sales in 1992 remained valid, he said

Apart from Samcor, all local manufacturers increased sales over September, said Loubser Toyota was still number one with a total market share of 28,4%, followed by Nissan with 16,8% and Samcor with 15,8% of the market

Toyota invests R251m in new model

BDM 12/11/92

EDWARD WEST (192)

TOYOTA SA has invested R251,4m to manufacture the Camry locally, in a move to take on the medium-sized car market as well as markets previously dominated by German luxury models, it was announced yesterday

The Camry, launched in SA today, represents the biggest investment the group has made to introduce a new model It was first launched in 1982 with 2,5-million sold since in Australia, Europe, the US and Middle East.

Priced between R61 000 and R130 000, the bottom of the range Camry competes with Volkswagen's Jetta, Mazda's 626, Ford's Sapphire and Sierra, Mercedes-Benz SA's Honda and Nissan's Sentra Luxury models will compete with Audi, BMW, Mercedes-Benz and Nissan's Maxima.

Toyota SA marketing MD Brand Pretorius said the cost of introducing the range would be amortised over six years, during which the group hoped to sell about 108 000 Camrys

FM 13/11/92 (192).

MOTOR INDUSTRY FM 13/11/92

Return of the mid-sizes

Medium-sized cars, out of favour because of ageing model lines and rising motoring costs, are about to stage a comeback The medium-car segment, containing cars such as the Toyota Cressida, Nissan Skyline, Opel Rekord and Ford Sierra, has seen its market share whittled away in recent years In the mid-Eighties, this category accounted for more than one in three new cars sold This year its share is down to around one in six

That is expected to change With Toyota now launching its replacement for the Cressida, and Ford and Mazda preparing to bring in new models, marketers are confident that medium cars are ready to regain market share (192)

The success of BMW's latest 3-Series supports this view Since its launch this year, the 3-Series has become easily the biggest seller in the medium-car segment

Toyota Marketing MD Brand Pretorius is convinced that the segment can add nearly 50% to its current market share, taking it to 26% of the total market Sean Bownes, sales and marketing director at Samcor, which produces Ford and Mazda vehicles, predicts 25%

Both, naturally, believe their products will reap the benefit Ford's new Telstar will replace the Sierra/Sapphire range early next year, and the Mazda 626 will be succeeded by a new 626 at about the same time

Pretorius expects Toyota's new Camry, on sale this month, to account for nearly one-third of the expanded medium market Despite launch stocks being lower than planned because of this year's strike problems at Toyota's Durban plant, he is banking on the Camry assuming the dominant role once enjoyed by the Cressida

Pretorius is in no doubt why medium-car sales have suffered "The most important reason is that current stocks of medium-range models are out of date Because there have not been new models, customers are moving into smaller cars The buying-down trend is very evident "

Price has also played its part The increasing unaffordability of cars has forced many customers — private and corporate — into smaller vehicles

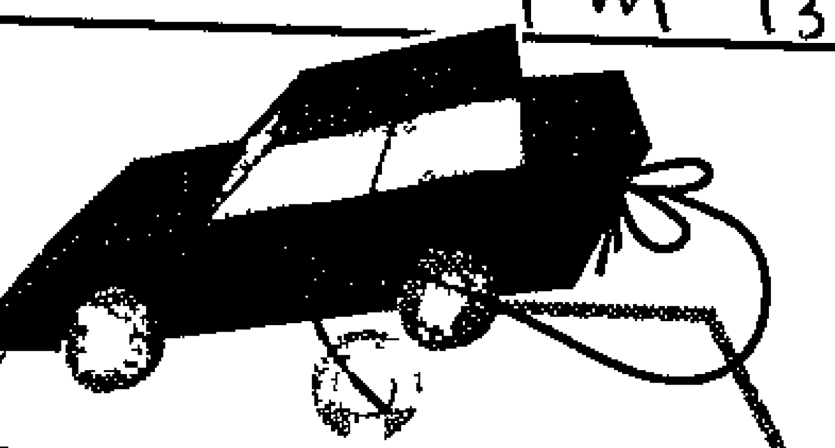
The immediate beneficiaries of this buying-down have been cars such as Toyota's Corolla, the Nissan Sentra, VW Jetta, Opel Monza, Honda Ballade and Ford Meteor Further down the line, smaller cars such as the Golf, Uno, Conquest and 323 have also picked up share

Growth in the medium-car sector is bound to have an impact on sales of smaller cars But Pretorius thinks the entry of new medium models will also take share away from the bottom end of the luxury segment

That's certainly the aim of the Camry Toyota's R250m investment has produced a variety of derivatives ranging from the low R60 000s to more than R120 000 "We want to cover the medium executive and bottom of the luxury market," Pretorius says

He argues that the time is right for Japanese cars to take on German companies in the luxury market Where once the perception was that Japanese cars were simply basic and reliable but no threat to German quality, "the image of Japanese cars has risen," he says

Nissan's Maxima has already enjoyed success in this area The higher-volume Camry is likely to provide an even stronger threat to the traditional strongholds of BMW and Mercedes-Benz ■



October vehicle sales

Cars

		Total	%*
Toyota	Corolla 3 415, Cressida 521, other 80	4 016	23,6
VW	Golf/Jetta 772, Citi/Fox 1 584, Audi 196	2 552	15,0
Samcor	Ford Laser/Meteor 550, Sierra 169, Sapphire 510, Mazda 323 892, Mazda 626 381, other 5	2 507	14,7
Nissan	Maxima 190, Skyline 125, Sentra 1 201, Fiat Uno 903, 200SX/300ZX 27	2 446	14,4
M-Benz	Honda Ballade 1 495, M Benz W124 469, W126 68, other 43	2 075	12,2
BMW	3-Series 1 534, 5-Series 323, 7 Series 44, other 3	1 904	11,2
Delta	Rekord 183, Kadett 714, Monza 618, Calibra 20	1 535	9,0

	1992	1991	% Change
October	17 035	15 593	+9,2
January–October	154 244	170 090	-9,3
September (15 820) –October			+7,7

Light commercials

Toyota 3 248 (37,8% of the market) Nissan 1 832 (21,3) Samcor 1 583 (18,4) Delta 1 319 (15,3) VW 586 (6,8) AAD 29 (0,3)

October	8 597	8 478	+1,4
January–October	78 011	85 127	-8,4
September (8 544) –October			+0,6

Medium commercials

Toyota 142 (47,7%) Delta 66 (22,1) Nissan 38 (12,8) Samcor 37 (12,4) M Benz 15 (5,0)

October	298	401	-25,7
January–October	2 800	3 560	-21,3
September (290) –October			+2,8

Heavy commercials

M-Benz 175 (35,2%) Nissan 130 (26,2) Toyota 87 (17,5) Delta 51 (10,3) MAN 26 (5,2) ERF 16 (3,2) AAD 6 (1,2) Tyco 6 (1,2)

October	497	608	-18,3
January–October	4 437	4 913	-9,7
September (443) –October			+12,2

Total vehicle sales

Toyota 7 493 (28,4%) Nissan 4 446 (16,8) Samcor 4 127 (15,6) VW 3 138 (11,9) Delta 2 971 (11,2) M-Benz 2 265 (8,6) BMW 1 904 (7,2) AAD 35 (0,1) MAN 26 (0,1) ERF 16 (0,1) Tyco 6 (0,02)

October	26 427	25 080	+5,4
January–October	239 492	263 690	-9,2
September (25 097) –October			+5,3

*% of the total car market

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURER[illegible]A

W&A to launch new motor spares company

BDAY 13/11/92 (192)

EDWARD WEST

W & A group is to expand its automotive spares interests into a new listed company with projected annual sales of more than R300m, it announced today

The new company, Varex Corporation, will include Eddies Stores, which is being used as the listed vehicle for the transaction, W & A's Femo and V & R operations, and six selected Spareco branches, W & A chairman Jeff Liebesman says

Varex will focus on the distribution of non-discretionary replacement parts. Liebesman says the move is part of a process using equity instead of cash to build core businesses in the group and unlocking the full value of previously unlisted assets

The transaction involves the acquisition by Eddies of Femo and V & R from W & A subsidiary and British-registered Vektra for R106m, and of Spareco from Edspare for R12,5m. The purchase considerations will be settled by issuing Eddies ordinary shares and convertible debentures, after which Vektra will hold 76,5% of Eddies

The acquisitions are effective from March 1 1992 Eddies will be renamed Varex, and Eddies' holding company, Edspare, and its shareholders, which include IGI, will control about 15,9% of Varex after the acquisitions.

W & A divisional chairman and appointed Varex chairman Alan Schlesinger says there are significant synergistic benefits to be derived from combining Eddies, Femo, V & R and Spareco into a single entity.

He says Varex's 30-branch network is comprehensive and its enlarged size will facilitate co-operation with manufacturers and suppliers in terms of production planning and purchases

Because of the numerous Eddies shares in issue and their relatively low value, a consolidation of ordinary share capital on a one-for-10 basis is being proposed.

In the six months to end-August Eddies Stores increased earnings a share marginally to 6c (5,8c) in the face of tough trading conditions, today's published results show

Operating profit rose 2,8% to R1,65m Eddies remained in an untaxed position and, having eliminated debt, also paid no interest Net profit was only marginally up to R1,65m (R1,60m). An interim dividend of 1,5c was declared, the first since 1989

Eddies director Lawrie Brozin said improved efficiencies and niche marketing had enabled Eddies to counter the worst effects of a competitive environment.

In October 1990 the then FSI subsidiary Vektra made a R5,5m bid for Eddies, but this was refused by the International Bank of Johannesburg which was holding Eddies as security for the liquidated Spareco.

The consortium, consisting of Vaal Auto, Broshure Investments and IGI, that bought the liquidated Spareco also bought its subsidiary Eddies for R7,5m.

W/Mail 13/11 - 19/11/92

LABOUR BRIEFS

192

Merc retrenches

MERCEDES BENZ is set to retrench 356 workers in cost-cutting measures. And they are offering workers such a good deal that they are queuing up to be laid off. Workers older than 55 years face retrenchment first. They will be credited with eight years salary for the working time they still had left. About 194 workers are affected by this; the rest will be voluntary retrenchments. Mercedes Benz workers are the best paid in the country.

Toyota enters the top sector

S/Times (Buss) 15/11/92. (192)

By DON ROBERTSON

THE launch of the Toyota Camry this week is another attack by Japanese-sourced manufacturers on the German medium and luxury cars.

The Camry, in 10 different variants with a two-litre, 2,2l and a 3l V6 engine, replaces the Cressida, which will be run out by the end of the year

Earlier this year, Nissan introduced the Maxima which challenges Mercedes-Benz, BMW and Audi

Toyota has spent R186-million in tooling for the new range. Because most of the work was done in-house, large savings were achieved Another R64-million was spent on robotics, computerised diagnostics, flow control on the assembly line and modernisation of the plant at Prospecton near Durban.

The intention is to raise production to 1 300 a month, says Toyota Marketing managing director Brand Pretorius Initial output is expected to be about 1 100 a month, but Toyota hopes to maintain a market share of about 8,5% with the Camry alone

Mr Pretorius says "The new car could take some sales away from the Corolla. But with good Camry sales, Toyota's share of the new-car market is expected to be between 26% and 27% next year"

Toyota chief executive Bert Wessels says "The money for Camry comes from retained income and normal borrowings Key balance-sheet ratios will remain within target levels Amortisation costs of the tooling and facilities will be acceptable given the high volume potential of the Camry"

Free

It is expected that these costs will be amortised at about R2 400 a vehicle over six years, in which an estimated 108 000 cars will be sold.

During the run-out of the Cressida, sales have averaged about 600 a month compared with about 1 000 monthly last year

The basic 2l model costs R61 590, rising to R73 120 for the automatic The bottom-line 2,2l costs R75 040, increasing to R93 540 for the automatic version The more luxurious 3l V6 manual sells for R116 450 and the automatic for R122 280

Profits rise at Shoredits

S/Times (Buss) 15/11/92.

By CHERILYN IRETON

PRETORIA-BASED Shoredits Group this week reported a 3% jump in attributable profit to R1,4-million for the six months to June — in spite of pressure on turnover which slipped 17% to R92-million

Shoredits says order books indicate an increase in income in the second half and turnover should match 1991's R231,9-million

Competitive pressure on business is expected to ease as the economy recovers and projects such as the Alusaf aluminium smelter and the Columbus Stainless Steel venture get off the ground Shoredits hopes to tender through consortiums for some of the work linked to these projects

Fixed

The group was responsible for most of the earthworks at Lost City It is also involved in extensions to Northgate Shopping Centre, the construction of the Roodepoort Technikon and has completed a large part of the northern Kalahari water-pipe project

As part of a process of rationalising fixed assets and strengthening its balance sheet, as envisaged earlier this year in the chairman's report, the company has agreed to the sale of certain properties This will strengthen its current assets by R11-million

Although short-term liabilities exceeded current assets at the halfway stage, contracts in progress amounted to R21,5-million, for which payment was due The group owed sub-contractors R13,4-million

The interim dividend remains unchanged at 4c

WEEK IN BRIEF

A SUMMARY of the week's corporate announcements.

MONDAY Namibian Sea, Namibian Fish to list on Namibian Stock Exchange from 11/11 City Lodge shares fully placed

TUESDAY: Listing of Barplats debentures ends 31/12 when they convert into ordinaries Pick 'n Pay, Pickwik members approve two-for-one share splits Kusturn warns.

WEDNESDAY: Holdains buys 50% of Crown Cork SA and 30% of Crown Cork USA's subsidiaries in Zimbabwe, Zambia, Kenya and Nigeria for R60-million. There is an option to buy another 20%. The deal entitles Holdains to 26% of Crown Cork SA's earnings and another R60-million over three years accrues 24% more of profits.

Leegall delisted, Hyperette suspended by JSE. MJM rights offer opens 20/11, closes 11/12

THURSDAY: Rand Mines, Rand Coal announce that Eskom has suspended three sets of the Majuba power station because the coal reserve is flawed Options are being reviewed.

Romano's rights offer of 41,7-million shares, three for one at 5c, opens 20/11, closes 11/12.

FRIDAY: Libvest announces it has sold a million Stanbic shares for R70-million. Bloch to register in SA. Mercantile Registrars is appointed Fedsure's secretary.

Gencor announces the go-ahead of Alusaf, worth R4 150-million in January 1992 money. Columbia members agree to rationalisation, delists 27/11. Vektra buys control of Eddies, warns again. Pocot Trust buys 32%

EXPORT OPPORTUNITY

NISSAN DIESEL

Replacement parts the trucker's lifeline

S/Times (Buss) 15/11/92

(192)

THE availability of spare parts ranks near the top of a short list of key items truck owners consider when replacing or adding to their fleets

Nissan director or parts and accessories Toni Gorlei says that among his priorities is helping dealers to maintain a balanced comprehensive stock of fast-moving items and playing a daily role in keeping thousands of Nissan diesel trucks on the road

Turning possibilities into consistent actualities depend to a large extent on sophisticated information technology, superb communications and a team of trained and motivated parts specialists

Mr Gorlei says "Nissan dealers, using a direct link to our electronic systems, can order emergency items and arrange deliveries according to an agreed schedule

"More than 1 500 orders are dispatched daily from our Rosslyn-based National Parts Distribution Centre (NPDC) Dealers in the Pretoria-Witwatersrand-Vereeninging area receive their orders on the same day

EVENT

"Other metropolitan dealers are served overnight. In case of extreme emergency, arrangements are made with XPS to deliver the same day regardless of the destination."

More than 23 000 line items with a shelf value of R42-million are held in stock to maintain a current parts availability of 92%.

"When you consider the average age of so many trucks still in service, it makes a mockery of the old concept of carrying parts for 10 years after production of a model has ceased.

"In today's world, it is more appropriate to plan parts cover for 15 or 18 years after the event," says Mr Gorlei.

In addition, Nissan looks after at least 3 500 Zimbabwe-based UG780 vehicles and 800 in Botswana

"All in all," says Mr Gorelei, "this makes an availability of 92% look good"

Nissan, like all other vehicle manufacturers, is concerned about the number of vehicles not being maintained adequately, or even at all

Mr Gorlei says "This results in the owner paying large repair bills to restore a vehicle A proper maintenance plan would avoid most of this"

Nissan provides additional dealer and customer support through 12 district parts managers These trained specialists assist dealers with inventory management, balanced stock holding and focused effort to satisfy Nissan fleet owner needs.

FUTURE

A recent 12-week exercise to select and train suitable candidates for development as dealer parts specialists was highly successful and most encouraging

Mr Gorlei says "The exercise produced the highest calibre cadets we have trained to date We will certainly repeat the exercise" What of the future?

Mr Gorlei says "Service in the full sense of the word is the name of the game and will remain the dominant factor well in to the next century"

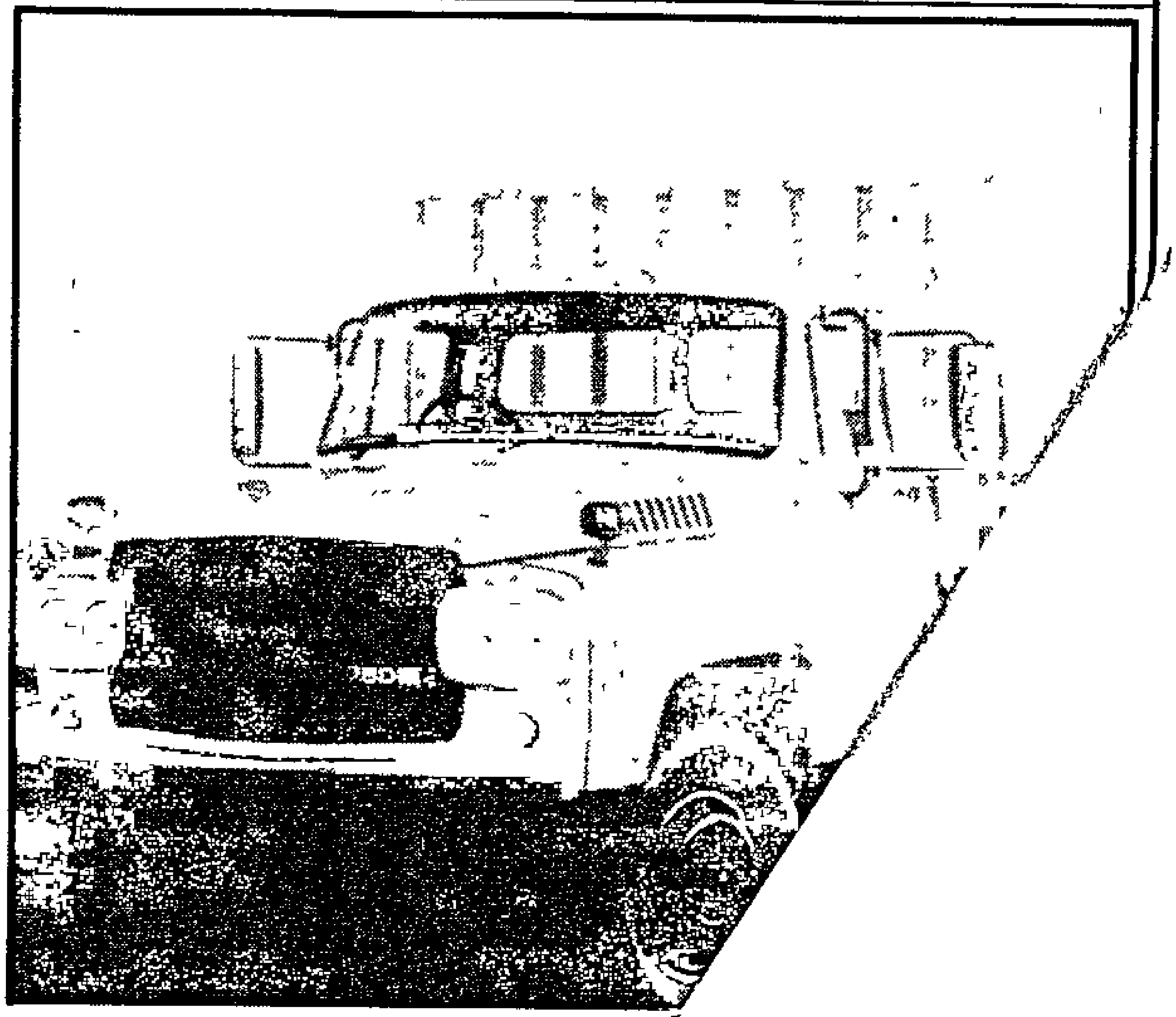
In pursuit of its objective to be the best, Nissan is spending R8-million on further extensions to the NPDC and another R4-million on information technology and communications methodology

Mr Gorlei believes these developments will play an important part in Nissan's determination to achieve a parts availability of 95% and more

"We foresee electronic systems that tell customers the time orders are received and the expected time and date of delivery — even if it is the same day"

He sees this as an important opportunity for dealers to add more value to the services they provide.

A Business Times CORPORATE SURVEY



The Beetle o[...] keeps plug[...]

THE UG780 is a success story. Desc[...] by Nissan as the Beetle of truck[...] cause it goes on and on getting b[...] the time, the model was intr[...] South Africa in the mid-1960s

The ubiquitous UG780 can[...] sentation in virtually ev[...] operation. The demand f[...] vehicles both demograp[...] tionally, whether new[...] spread from Cape To[...] north of the Limpop[...]

Widely used in[...] tasks, the curr[...] ADE's latest 3[...] to-date air-h[...] system.

"Wheth[...] (DU780)[...] there t[...]

NISSAN DIESEL

Front-runner looks for a bigger share

S Times (BUSS) 15/11/92 (192)

A Business Times CORPORATE SURVEY

CONTINUED success in the Southern African truck markets over many years demands a world-class product range, a strong and determined dealer organisation, an experienced, truck-oriented management and the consistent application of a comprehensive array of marketing and product support

MAX BRAUN reports on Nissan Diesel and its position in South Africa's trucking arena.

NISSAN Diesel (Nissan), the truck division of Nissan South Africa, can certainly claim to be a front-runner in the truck-market stakes

Nissan holds about 20% of the heavy-truck market and its share is rising against a total market that is falling

Truck division director David Scott, who joined the company in early 1984 after holding several senior posts in the motor and allied industries, believes much of the credit for Nissan's success and its ability to remain one of the top three sellers in this country must go to the product

Mr Scott says "Nissan trucks have a tremendous capacity for abuse That and the rugged simplicity of our drive train are major reasons for Nissan's long-running success in the construction and other industries

"Couple this with the success of the ADE six-cylinder engines we use in many of our models — they are durable, reliable and the fuel consumption is good

"These are some of the things that have given Nissan trucks a good reputation among operators in a variety of market segments, which in return results in above average resale value"

Mr Scott says any number of vehicle owners would readily agree that Nissan trucks are one of only two makes sold in South Africa that are worth rebuilding for a second economic life

A glance at Nissan's customer base confirms its strength in a variety of truck-intensive industries They include a dominant presence in construction — a major user of trucks that are tough and simple to work with

Nissan also supplies municipal and special-application vehicles, tankers of all sizes for the oil industry and a wide cross-section of companies manufacturing and distributing fast-moving consumer goods

Another important element in the formula for success is the strong support Nissan receives from Nissan Diesel, Japan

One of the most impressive groups of senior managers under the leadership of Shiro Ozawa, senior managing director of the Nissan Diesel Motor Company of Japan, visited South Africa recently to show their continuing interest in business here

Looking to 1993 and beyond, Mr Scott is optimistic, seeing every reason why Nissan should continue to increase its market share

"We need some good rains, a workable political solution and an easing of the international recession if there is to be an economic revival in SA

"Forecasts for 1993 and beyond, seem pragmatic Whatever the market, Nissan is well placed to maintain its performance and take a little more of the cake"

Nissan's house is in order

Mr Scott says "Our parts and service operations are strongly on stream, dealer facilities have been updated and the sales force is well trained and motivated"

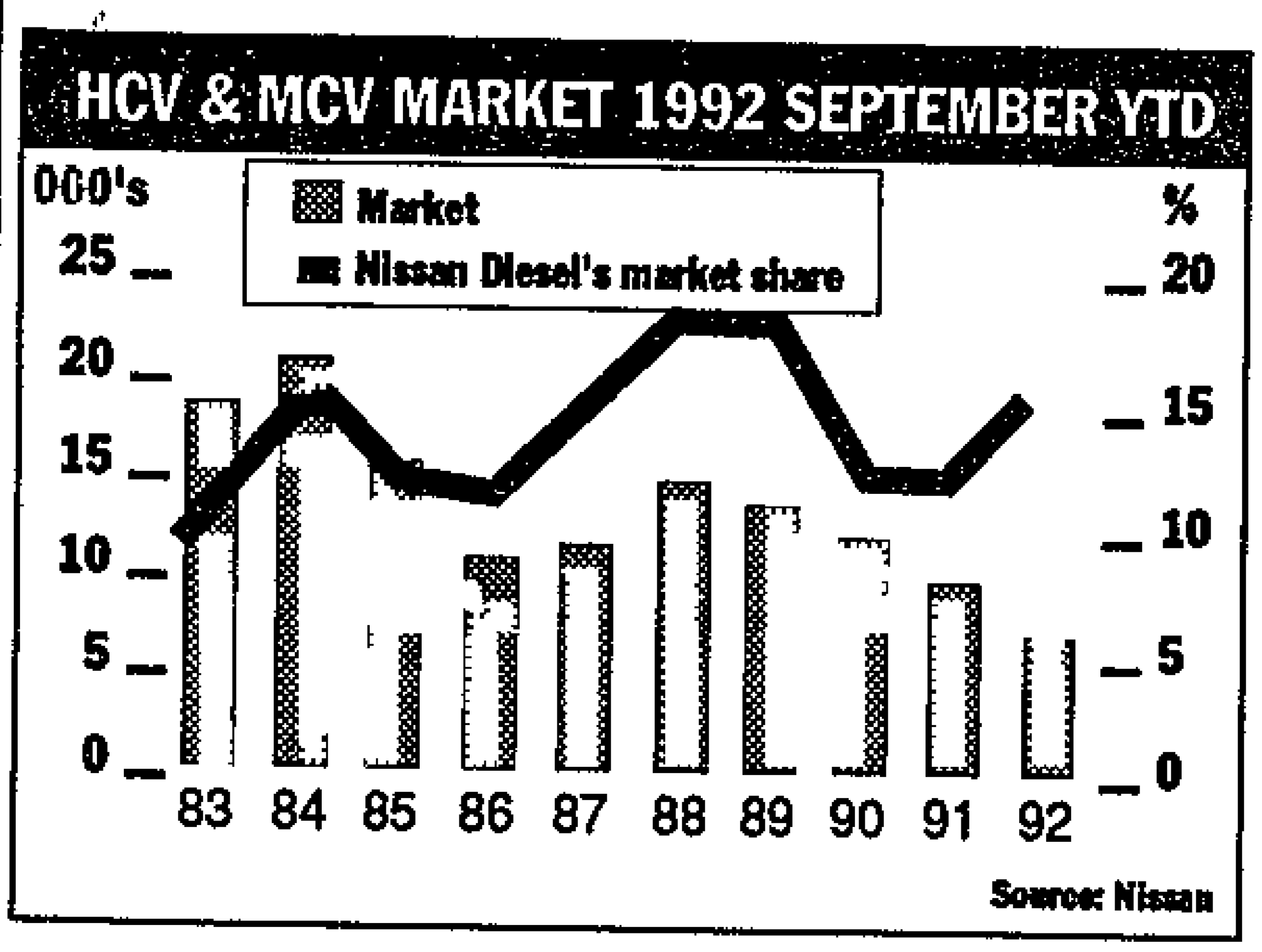
Nissan believes its truck division is benefiting from the positive rub-off that flows from the group's improving corporate image

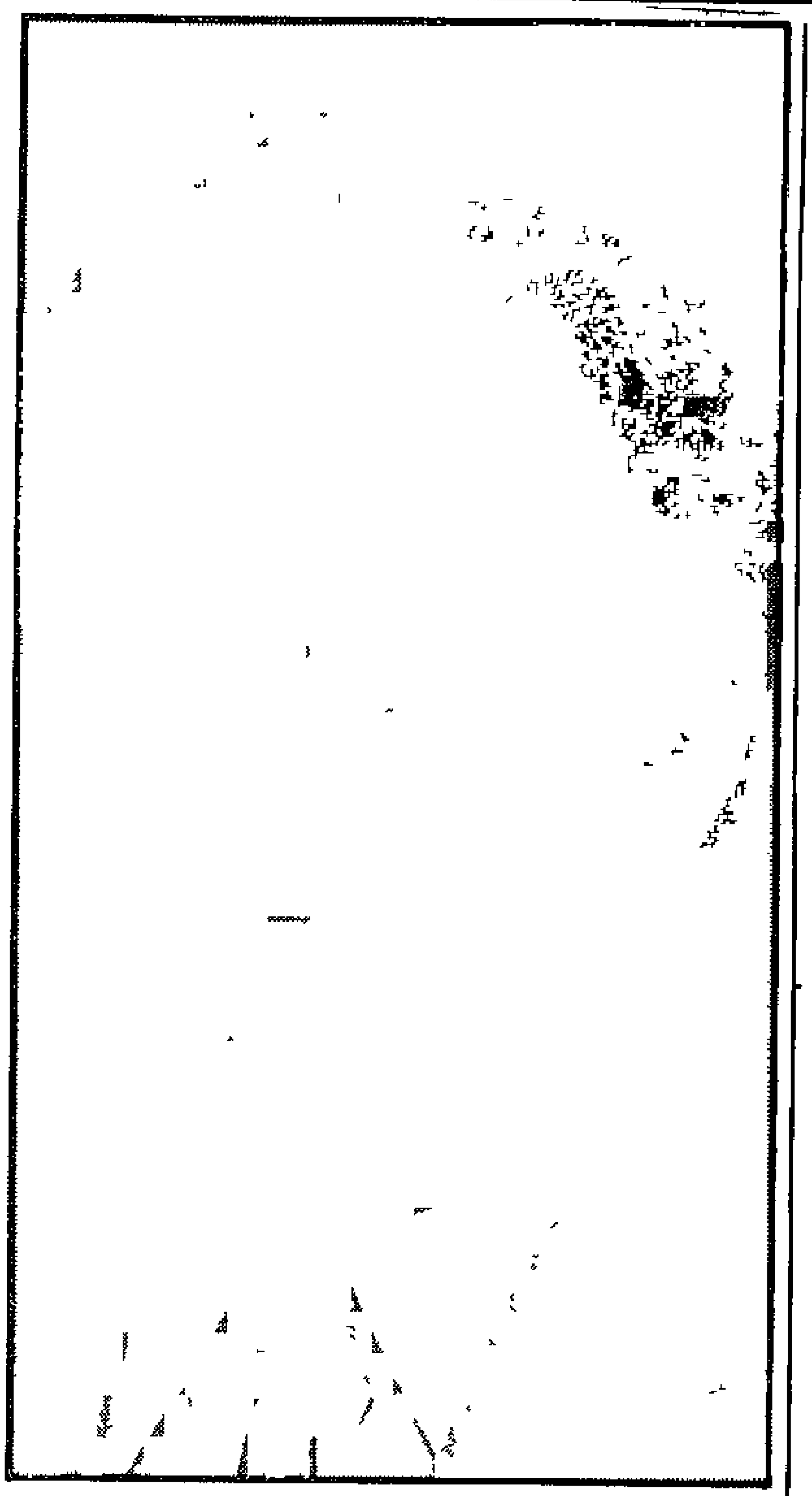
Nissan's strategy for the future comes into play next year when there will be model upgrades and the introduction of an entirely new range of extra-heavy trucks

After the success of Cabstar, the introduction of additional models to increase representation in the medium-truck market is also likely

Several value-added packages will be launched in the new year They include a comprehensive range of vehicle finance packages specially structured to meet the affordability problem

Mr Scott says "More than 40% of all heavy vehicles are between 10 and 12 years old This, together with the demands the RTQS will make on truck owners, could cause considerable pressure for vehicles to be replaced





DAVID SCOTT Our trucks can take a tremendous amount of abuse

'Clip-on' trailers in demand nationally

S Times (Cape metro) (192)

A CAPE TOWN company is producing a "clip-on" trailer system which converts any one-ton bakkie into an articulated vehicle with bulk carrying capacity equal to that of a three to six ton rigid truck. 15/11/92.

There is a big demand countrywide for the Poni trailer transportation system manufactured by National Transport Systems (NTS) of Montague Gardens and LCM Engineering of Pietermaritzburg.

The Poni is coupled to any one of a wide range of NTS Loadstar trailers to give a transportation system claimed to be extremely versatile and adaptable to most operational requirements.

The conversion includes fitting of crossmember to bakkie, rear fenders, adjustable rearview mirrors, and a dual-line trailer braking system which enhances driver and vehicle safety and conforms to National Road Ordinance regulations.

Other safety features are given as.

- Braking on all three axles.
- Positive steering due to optimised load distribution
- New mirrors conforming with the requirements of the South African Bureau of Standards.

"The Poni transportation system has been subjected to stringent durability tests by all major South African motor manufacturers," said NTS marketing manager Joanna Foxton

"Satisfied with the results, these companies now offer a full warranty on the Poni.

"LCM Engineering and NTS guarantee all conversion components and trailer combinations in line with the respective vehicle manufacturers' warranty."

She said that compared with heavier trucks the Poni system offered optimal vehicle utilisation, increased productivity, low operating costs, and low maintenance and replacement costs

"Another thing is that you never lose your bakkie

"An easy-to-fit, slide-on body neatly clips into the support mounting, which facilitates the change from one trailer concept to another within minutes"

Ms Foxton added that with a gross combination mass of 3 500 kg, the Poni required only a code 08 driver, resulting in lower licensing fees

VAT provides a boost to 1992 used car sales

(192)

EDWARD WEST

VAT has boosted used car registrations, but not enough to beat the recession and lift 1992's retail trade sales above 1991's 285 024 units.

Motor Industries Federation president Errol Richardson forecast 280 000 sales by dealers this year. He said although VAT and the introduction of a longer instalment payment period had helped, used car sales by dealers in 1992 would be much the same as 1991.

Central Statistical Service (CSS) figures showed used car registrations six months after the introduction of VAT in September 1991 averaged 46 374 a month. This was 27,4% higher than the monthly average of 36 398 for the six months prior to VAT.

The average monthly ratio of used to new cars sold climbed to 3,07:1 in the six months after VAT, from 2,15:1 in the six months prior to VAT.

However, Richardson said the CSS's vehicle registration figures were contaminated by the great number of vehicles moving from one dealership to another. BIDAY 18/11/92

Naamsa spokesmen pointed out that about 50% of used vehicle registrations consisted of those sold privately. Used vehicles sold through dealers attract VAT (on the value added portion) equivalent to about 1,8% of the selling price. VAT on new vehicles is 10%. Used vehicles sold privately do not attract VAT.

Econometrix forecasts that trading revenue for the motor industry will climb a marginal 6,1% to R37,74bn in 1992, compared with R35,57bn in 1991. Trading revenue in 1993 is forecast at R45,35bn.

Petrol station owners urged to buy sites

EDWARD WEST (192)

THE Motor Industries' Federation wants service station owners to buy their sites from oil companies in the interests of small business development

Federation president Errol Richardson said yesterday if the oil industry ended up owning all the sites, then the position of small business would be one of near non-existence. B/DAY 18/11/92

The industry needed to avoid a situation where fuel refiners owned both refining and retail distribution facilities, giving them a stranglehold on the industry

Mineral and Energy Affairs energy branch spokesman Lourens van der Berg said oil companies owned 20% of SA's service station sites with a further 20% controlled by head-leases The remainder were owned by private individuals

Richardson said anyone was allowed to open a service station provided they could negotiate a fuel supply from the oil companies

Motor exports might net R1bn

EDWARD WEST 192

SA's motor industry expected to export trucks, cars and parts worth R1bn this year, National Association of Automobile Component and Allied Manufacturers (Naacam) chairman John Brandtner said yesterday. BDAY 19/11/92

This was slightly higher than last year and significantly higher than five years ago when exports amounted to R280m.

Brandtner said R300m of this year's exports consisted of completely built-up vehicles.

Of this amount, Volkswagen's exports totalled about R180m from the 6 000 Jettas sold to China. Volkswagen spokesman Ronnie Kruger said they would know in a matter of weeks whether another order was forthcoming for 1993.

Naacam members — about two-thirds of the component manufacturing industry — exported parts worth R117m this year, while parts worth about R260m were exported by vehicle assemblers through in-house manufacture, said Brandtner

Also built into 1992's export sales figure was the R160m deemed local content value of Astas axles and transmissions and Atlantis Diesel Engine sales

The exports of non-Naacam members, among them the tyre industry, was not

☐ To Page 2

Exports

BDAY 19/11/92 192

☐ From Page 1

known. Catalytic converter exports amounted to R225m.

Of the vehicle assemblers, Volkswagen, which also exported components to its parent in Germany, claimed to be the top industry exporter, but like Nissan and Toyota was reluctant to disclose the full value of its exports.

BMW SA said its 1992 exports would reach approximately R350m — about 5% of SA's total manufactured goods exports. The bulk of these exports was leather upholstery manufactured in GaRankuwa; BMW SA now manufactured about 70% of the leather upholstery requirements for BMW cars worldwide. BMW SA also exported motor components.

Mercedes-Benz SA exported about 300 completed units worth R60m. Vehicle and component exports were estimated to reach R200m.

Toyota SA marketing MD Brand Pretorius said the group was negotiating with Toyota Japan to have the terms of its franchise agreement widened.

Delta Motor Corporation and Nissan SA exported completed units and components to Africa, and components to their parent companies in Germany and Japan

Brandtner believed exports were likely to remain static next year He said the 75% local content target had been reached by assemblers, and this removed the incentive of seeking further export avenues. Worldwide recession would also affect exports and as a result less viable exports were likely to fall by the wayside in 1993

Luxury car markets shrinking

EDWARD WEST (192)

LUXURY car manufacturers are offering low-interest finance packages to lure buyers back to shrinking markets

Audi's claims its latest finance package challenges those launched recently by its rivals, BMW and Mercedes-Benz

BMW's new finance plan has an interest rate pegged at 15% with a residual value of 80% — if another of the same make is purchased in future — for its 5 and 7 Series models BIDAM 20/11/92.

Mercedes-Benz's latest finance package offers a 7,5% interest rate for a year on Mercedes-Benz W124 and W126 models, as well as other packages with interest rates of between 11,75% and 15,75% and with repayment periods varying between one, four and eight years

Audi's package involves a 15% interest rate fixed over four years It also offers a warranty on variable ownership which does not lock buyers into certain brands when they wish to buy a new car

Very low interest rates often hid high subsidies or discounts which could negatively affect future resale values High residual values usually materialised only if supported by subsequent purchases of the same make, Audi said.

Mercedes-Benz said many of its customers were delaying normal replacement of their cars because of uncertainty about the economy in the next four to five years, the normal replacement cycle

Finance packages offering low interest rates and high residual values allowed the manufacturer to take the risk on behalf of its customers, Mercedes-Benz said

New system needed to fight AIDS

KATHRYN STRACHAN (22)

IT WAS only through finding alternative ways of dealing with the AIDS epidemic, and by changing the structure of health care provision in SA, that the country would be able to deal with the costs of the disease, a US AIDS expert said yesterday

Dr Pat Greenfield said the US had managed to contain the exhorbitant cost of AIDS through a "managed health system" which dealt with the problem in a more comprehensive way BIDAM 20/11/92

The controversial Medical Schemes Amendment Bill — which is expected to be tabled in Parliament next year — will pave the way for the establishment of health management organisations in SA The system has been in operation in the US for nearly 50 years

The system of managed health care allows medical schemes to run their own hospitals and clinics and to employ health professionals — a move which has lowered costs by up to 40% elsewhere.

Local govt proposals for Sandton

(40)

BIDAM 20/11/92

ADRIAN HADLAND

NEW proposals for the future of local government will be presented to Sandton residents tomorrow

The proposals, published by the Central Witwatersrand Metropolitan Chamber last week, will be explained by chamber chairman Van Zyl Slabbert and chamber CEO Vic Milne in the Sandown Hall from 9am

"This is the start of a public participation exercise that will continue until at least mid-February next year," the council's news sheet The Sandtonian said

The proposals set out municipal election procedures as well as guidelines for newly constituted, non-racial local authorities

All parties to the chamber — including the councils of Sandton, Johannesburg, Alexandra and Randburg and civic associations and government bodies — have been given until the end of February to respond to the document

If ratified, the proposals are expected to have a significant influence on the future of local government.

VEKTRA FM 20/11/92

Soon it'll be Varex

(192)

W&A chairman/CE Jeff Liebesman has consummated yet another deal in realising the next phase in the group's strategy And the market seems to be taking a more bullish view, as W&A has risen to 230c from 170c earlier this month, though it's still well below the 12-month high of 575c

The deal, involving subsidiary Vektra Plc, reinforces the concentration of management resources on W&A's four core business activities automotive, consumer, maintenance and site services, and industrial

Vektra, in the automotive core activity and listed in London and Johannesburg, is to sell its Femo, V&R and Parts Centre replacement parts businesses to listed Eddies in a R106m transaction. As the deal will be funded by the issue of Eddies paper, Vektra will take control of Eddies

In a related transaction Eddies is to acquire six Spareco outlets in the northern Transvaal region in a R12,5m deal, also to be funded through paper Liebesman stresses no debt or troubled operations are being taken over from Spareco The acquisitions are effective from March 1 1992

Eddies will be renamed Varex After the

W&A's Leibesman *still a live cautionary*

FM 20/11/92 (192)

acquisitions and conversion of 150m Varex debentures into ordinaries Vektra will hold 76,5% of Varex, up from 66% before the conversion Treating the debentures as equity, Varex will have gearing of about 25%

Vektra/Varex chairman Alan Schlesinger says the group, with a market capitalisation of roughly R105m (on both the ordinaries and convertible debentures), will focus on the distribution of nondiscretionary replacement parts, with 30 branches nationwide and projected annual sales more than R300m Midas, with sales of R284m in the 1992 year, will be a significant competitor

Vektra's remaining assets are its Williams Hunt, Delta and recently added Metro Nissan motor dealerships. As another cautionary is still alive, there could be a further deal in the pipeline Though Liebesman won't comment, the market speculates this could relate to a foreign transaction

As Vektra accounted for only R2,3m of W&A's group earnings in 1991, the significance of the operation may be questionable Liebesman notes W&A received a further R7,3m from Vektra in 1991, as interest on convertible debentures Also, he says, Williams Hunt stands to improve its performance significantly in 1992

Last trade in Eddies shares was at 42c, giving a forward p.e of roughly 7 times, according to Schlesinger Midas trades on a historical p e of 9,5

William Gilfillan

Motor industry jobless soaring

ARG 21/11/92

EMPLOYMENT levels in the vehicle component industry have plunged by one-third, from about 73 000 to 50 000, over the past 18 months

This is one of the side-effects of phase six of the local content programme which has increased new car costs and generally undermined the viability of the industry, according to Mr Denzil Vermooten, executive director of the National Association of Automotive Component and Allied Manufacturers (NAACAM)

Interviewed in Durban this week, Mr Vermooten said "outdated protectionist policies" were continuing to erode the industry's viability and international competitiveness

Local raw materials — steel, aluminium and chemicals — enjoy protection levels of 60 percent and more Local component manufacturers are forced to buy raw materials at prices 50 percent to 90 percent higher than their competitors overseas pay

In some instances, these competitors are able to export finished products to SA at prices cheaper than the raw material alone would cost SA manufacturers

However, it is phase six which has caused the most concern — and Naacam has welcomed government appointment of a study group which will meet for the first time next Friday

Most in the industry do concede phase six has increased export-consciousness Overall component exports are expected to reach R1,5 billion this year (from about R180 million in the mid-80s)

However, Mr Vermooten says, it also has greatly contributed to job losses in the component manufacturing sector, stifling economic progress

The phase six programme's original intentions were to restrict component imports, to encourage growth in the motor vehicle market via economies of scale (SA has a very small domestic market) and to encourage exports via an export incentive

The value-based system replaced phase five, under which "local content" was determined by mass

The phase six programme essentially works through duties and rebates The car manufacturer is levied with a 40 percent duty excise duty, calculated on the dealer wholesale vehicle price. Of this 2,5 percent is non-refundable and is retained by the treasury

The remaining 37,5 percent excise duty is rebated at 50c in the rand for every rand of local content (including exports) above 50 percent of the vehicle wholesale price This reaches a ceiling at 75 percent local content (including exports) At this ceiling point, the manufacturer receives as a rebate the full 37,5 percent

However, subsequent "small vehicle" amendments to the scheme have reduced the effective maximum local content to 72 percent It is, in fact, possible for a vehicle manufactuer to reach the 72 percent level with little material local content

Component manufacturers are given incentives to get into exports — but they must "sell" export credits to a manufacturer and negotiate what portion of the subsequent rebate should be passed on

Mr Vermooten said the "crunch" for component manufacturers really occurred when new models started to come out — having been specially designed by manufacturers to take account of the phase 6 requirements Four new models have cut annual orders from local component manufacturers by R100 million

Among the phase six problems identified by Mr Vermooten are

- The definition of "local content" is flawed Legislation implies local costs rather than just local parts and materials. It becomes possible for a manufacturer to purchase fewer local parts, yet increase so-called local content He questions whether SA can afford the degree of retrenchments which have resulted from the programme,
- Inclusion of profit margins and other items in the definition of "local content" encourages car producers to increase prices and
- There are great difficulties in administration

"Instead of being a formula that steadily takes the automotive industry to a point where it could become a supplier of affordable vehicles to large number of South Africans, phase six regrettably reflects the immediate pressures of the mid-80s when the formula was developed"

Now's the time to buy a car

Pres 22/11/92 192

MONEY TALK

THE SA motor industry is in the midst of its worst recession in many years and dealers in new and second-hand cars will try their best to maintain turnover by making special offers

Some very attractive deals are at present on the market if you are in a position to buy a new car. But beware! As usual, there are good reasons for these "specials", one being the fact that virtually all the large manufacturers are introducing new models during coming months

The new car market in SA is essentially fashion-driven If, however, you are one of those citizens to whom value matters more and you are prepared to keep the same car for an extended period, you can pick up excellent value if you buy one of the "old" models Apart from the fact that you will probably be able to negotiate a large discount, you will be getting a car that has been on the market for many years Most of the car's mechanical "bugs" will be out of its system

A tip in this regard: There are always good reasons why a certain model becomes the top-seller on the market. So try to buy the most popular car you can afford.

Another hint. Register your new car in 1993 It is then regarded as a 1993 model which may well mean a few hundred rand extra when you re-sell

There are two main factors one should consider when buying a used car Firstly, one should ensure that it is mechanically sound and, secondly, be careful what financing package you accept

Some special discounts on the price of the vehicle are not really discounts the moment you look at the small print.

Many car dealers will cleverly disguise the actual rate of interest you pay on the instalment contract by emphasising the monthly payment They then compensate for the "discount" by charging the highest possible interest rate.

On the mechanical side you must never take anybody's word. Have the car checked by the AA, an independent garage or a friend with sound mechanical knowledge

Posh car makers in frenzied sales bid

(192)

S Times (Bus) 22/11/92

By DON ROBERTSON

THE luxury-car market has been thrown into turmoil, the four major rivals charging for market share and offering extremely competitive, low-interest-rate financial packages.

The scramble was sparked by Mercedes-Benz in the middle of the year when it offered low interest-rate deals The packages resulted in the company almost doubling sales in August

Competitors initially refused to respond, but all joined the pack this month

Advertisements by Audi, BMW and Nissan are designed to tilt at the Mercedes-Benz scheme They border on comparative advertising

Mercedes offers a fixed-interest rate of as low as 7,5% for one year, 11,75% or 14,75% for four years with varying residual values, or 17,75% over eight years with no residual

Murky

In a direct reference to the Mercedes plan, BMW has taken full-page advertisements in newspapers, saying "It appears as if the lowering of interest rates on some luxury sedans has become a little murky."

The "murky" obviously refers to Mercedes

Basically, BMW offers a 15% interest rate with a Motorplan It gives three years, or 90 000km, of maintenance-free motoring on the 5 Series and 150 000km, or four years, on the 7 Series

It has two schemes, one with a residual value of 55% to 60% over 36 or 48 months, the second with a residual value of 80%, provided the car is traded in for another BMW

Audi has gone a step further with double-page advertisements showing a pair of handcuffs replacing the four circles of the Audi logo

The copy reads "Before you invest in a luxury sedan, consider what you might be getting yourself into scrutinize the fine print and you'll soon realise that what you pay each month is not the real issue, but rather what you could end up paying at the end of the finance term"

Audi has pegged its interest rate at 15%, with either a one-year or two-year maintenance-free package

Nissan has responded by saying "The fact that the Maxima is the car of the year is easy to understand So is the financial package"

Public relations people have also been active.

Audi, which initially refused to enter the low-interest package after the recent launch of its new-generation model, says the recession has affected all motor manufacturers

Severe pressure is being applied to the prestige marques amid increasing competition in a shrinking market

General manager, marketing, Graham Hardy says "We believe the time is right to level the playing field and ensure the financial competitiveness of our brand

"We have chosen to deal with the issue in realistic fashion without resorting to artificially high residual values that cannot be supported by the market at large

"Extremely low interest rates often hide excessive subsidies or discounts, which can negatively affect future resale values Artificially high residual values materialise only if supported by a subsequent purchase of the same make"

Nissan Marketing managing director Stephanus Loubser has warned potential buyers of luxury vehicles to look out for pitfalls in the many finance plans

Mr Loubser says buyers should beware of high residual value on deals

Capital

"Prospective luxury-car buyers are advised to avoid taking reponsibility for future values over three years or longer which are higher than 60%"

He says buyers should avoid contracts that tie them down for more than 36 months He advises motorists to negotiate deals with the interest rate linked to prime overdraft instead of a fixed one

Inflation now appears to be under better control and the Reserve Bank could be in a position to lower rates again Rates were lowered by one percentage point on Wednesday

Mr Loubser says "The last thing the buyer wants is to be locked into a contract with high interest rates in periods when the prime rate is dropping"

Nissan offers a maximum repayment contract of 36 months on the Maxima Interest rates are linked to prime overdraft.

Nissan takes the capital responsibility for the 60% residual away from the customer and offers comprehensive maintenance, including tyres

Phase Six seems bound for the scrapyard

S1 Times (Buss) 22/11/92. (192)

By SEAN VAN ZYL

PHASE Six of the motor industry's local content programme may be scrapped three years ahead of schedule, making way for the introduction of Phase Seven in late 1994

The task group appointed by Trade and Industry Minister Derek Keys to look at ways of revitalising SA's motor industries met for the first time this week

It is expected to recommend scrapping of Phase Six ahead of the target date when it delivers its final report to Mr Keys by December 1, 1993

Motor manufacturers have largely blamed Phase Six for the dramatic rise in new-car prices since its inception in 1989

Gatt

Loopholes in the programme's incentive scheme are believed to have cost the Government millions of rands in rebates for fraudulent export sales

A source says the programme will be "panel-beaten" into a more acceptable and manageable system under Phase Seven in late 1994

Emphasis will be placed on the trade requirements of the General Agreement on Tariffs and Trade (Gatt).

The task group is also likely to recommend a large drop in import duties on luxury vehicles.

Naamsa spokesman Nico Vermeulen says motor manufacturers regard the task group's appointment as a "welcome development" He says proper research into the future needs of the SA market is long overdue

Mr Vermeulen says "The task group's findings will finally provide all sectors of the industry with a clear picture of where it is going"

Phase Six will come under the spotlight, "which could result in Phase Seven being brought in"

The task group's prime objective will be to identify means of producing cheaper vehicles and providing maximum employment in the industry

Manufacturers are likely to concentrate on longer production-run vehicles in the economy end of the market Import duties will be lowered on low-volume vehicles. This is expected to result in a reduction of SA-made models

Mr Vermuelen says standardised use of components will probably feature in the task group's investigation. It "will have a dramatic effect on production costs"

Naacam director Denzyl Vermooten says component manufacturers have lost much business because of the motor industry's steep rise in costs Furthermore, the launch of new models this year and last had bitten into the turnover of component manufacturers because a greater percentage of components were imported

As a result, he believes that rationalisation and clarity in the industry are important

He thinks the task group will play a positive role in the industry

Unions

Prime objectives included in Mr Keys' brief to the task group are

- The feasibility of reducing vehicle models manufactured locally
- Creation of employment in the industry
- To correct the current imbalance between corporate and private new vehicles sales — this will be achieved through more affordable vehicles
- The need for a simplified local content programme
- The affordability of vehicles, parts and accessories
- The effect of the industry on the balance of payments
- Looking at international trends in the automotive industry, specifically in relation to Gatt

The task group comprises government representatives and various industry bodies — such as the National Association of Automobile Manufacturers (Naamsa), the Motor Industries Federation (MIF), the National Association of Automobile Component and Allied Manufacturers (Naacam), the Automobile Association (AA) and trade unions

First DAF trucks next year

(192)

S Times (Buss) 22/11/92

By DON ROBERTSON

ASSOCIATED Automotive Distributors (AAD) has built the first DAF heavy truck at its Blackheath factory near Cape Town in preparation for its marketing next year

AAD signed an importer's agreement with Netherlands-based DAF in the first quarter of the year and followed with an assembly deal

The plan is to launch a full range of DAF trucks in July next year — a brave move, according to its competitors, because of the poor state of the economy

AAD director Mike Elsbury says "Developments of this sort require investment and we have risen to the challenge We are gearing up for the physical handling of this product range with a multimillion-rand development of our Elandsfontein premises near Johannesburg

"In addition, we are engaged in an intensive training programme covering engineering, marketing and service"

Mr Elsbury says about R3-million has been spent at Elandsfontein Tooling at Blackheath will cost another R12-million.

The trucks will be imported completely knocked down (CKD) and will have a local content of 55% from day one

The advanced cabs will be fully imported

AAD will also investigate the possibility of exporting components from SA to the parent company

Car exports, jobs set to take off

(192)

CT 24/11/92

By AUDREY D'ANGELO
Business Editor

SA's car exports could soar, and thousands more jobs be provided, if the Phase Six local content requirement is lifted for some manufacturers, a spokesman for BMW (SA) said yesterday.

A committee appointed by the Minister of Finance, Derek Keys, is looking into the state of the motor industry.

Chris Moordyk, head of public relations at BMW (SA), which is a wholly owned subsidiary of its German parent company, said the board in Germany would like all the right-hand drive versions of one particular model to be manufactured in SA for sale worldwide.

Although this could not be achieved over-night it would be possible to lift production in SA from the present 15 000 or 20 000 a year to 50 000 "in the near future."

This would mean a huge increase in foreign exchange earnings "and a very dramatic increase in the number of jobs available."

Manufacturing a larger number of cars would mean a drop in unit costs, so that the price spiral in SA could be contained

But it would be necessary to dedicate the SA plant to the manufacture of one particular model, and to import all others. This would not be practical unless the local content requirement were waived to make the imported models affordable.

However, Moordyk conceded, the Phase Six 75% local content requirement could not be changed and import controls lifted immediately, without causing chaos in the industry.

Double track

His company favoured a "double track" situation in which the change would be more rapid for manufacturers who had the ability to export

Moordyk said the introduction of the local content programme, to discourage imports, had resulted in seven superb manufacturing operations in SA.

Those which were wholly owned subsidiaries of foreign parents would have no trouble in switching to manufacturing for the global market

But some which were franchise operations or manufacturing under licence could run into difficulties because they could not be allowed to compete with the overseas parent.

Moordyk said BMW (SA) already accounted for 5% of SA's total manufactured exports Its standards were so high that a layman could not tell the difference between a BMW made in SA and one made in Germany

Labour costs were lower in this country than in Europe And although productivity was not as high "it is a lot better than people think.

"Our car makers can certainly compete on international markets, especially with a depreciating rand

"The value of the rand has been declining steadily against the DM for years."

BMW manufactured a total of 600 000 cars a year, and 120 000 of these were right-hand drive

It had not yet been decided which model should be manufactured by BMW (SA) for the global market

Low vehicle sales slow down JSE motor sector

B/Dm 25/11/92 (192)

EDWARD WEST

SHARES in the JSE's motor sector were mostly trading close to their lows, indicating low vehicle sales and little demand, analysts said yesterday

They described the shares as generally untradeable and cyclical in relation to economic conditions, attracting little institutional interest because market capitalisations were small

Many stockbroking firms said they rarely researched companies listed in the motor sector because the low level of trade did not warrant it

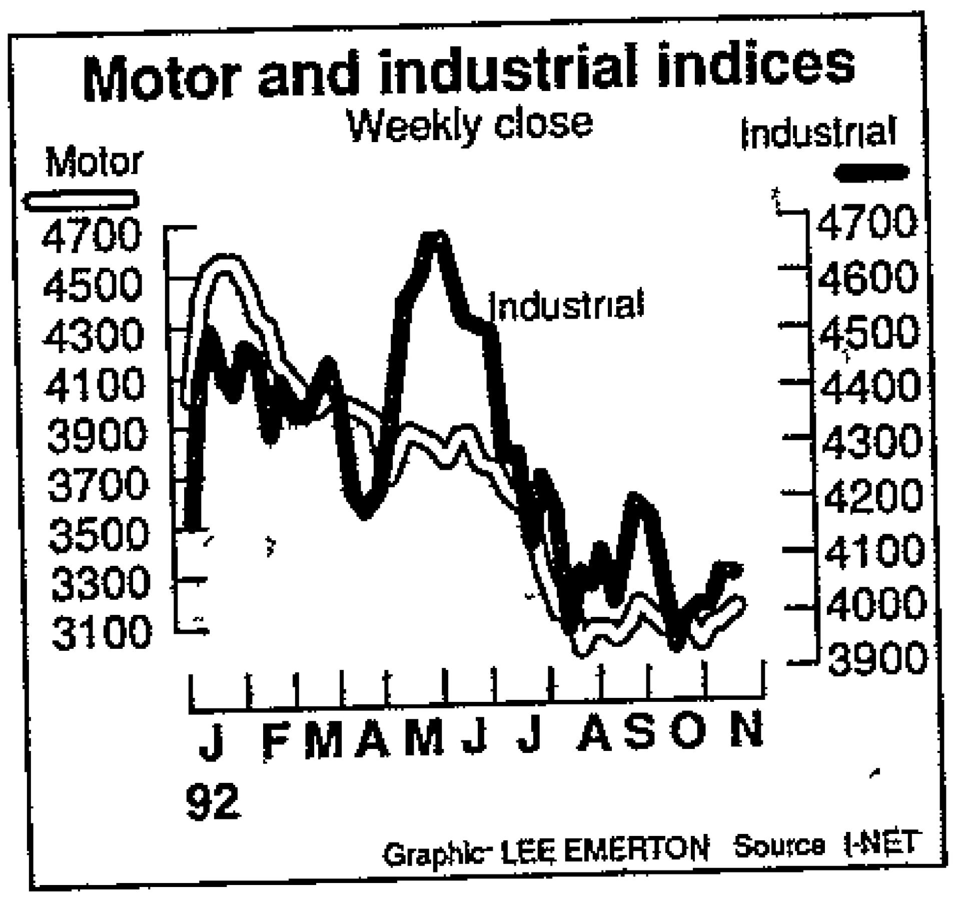
Toyota, with 40,7-million ordinary shares in issue, and Gentyre, with 15,6-million , were the most highly rated in the sector in terms of market capitalisation

Toyota traded at its annual low of 1 900c yesterday, off its high of 3 000c on January 21 and Gentyre was untraded at 2 000c, 500c off its high of 2 700c on February 4

Prospects for Toyota improved since it recovered from a mid-year strike to regain market leadership

In the six months to-end June 1992 Gentrye's profit slipped to 179c a share compared with 186c at the same period a year back. However, management was confident that measures taken to improve efficiency and to expand local and export markets would produce creditable results for the year as a whole, analysts said

The only other tyre company in the sector is Tiger Wheels, with the remainder involved mainly with the motor retail sector, the profits of which depend on annual vehicle sales The National Association of Automobile Manufacturers of SA forecast 1992 car sales at 181 000, over 8% fewer than the 197 736 in 1991 Naamsa also forecast car sales would not breach 1991 levels before the end of 1994



Tiger Wheels, with 30-million shares in issue and which in the past financial year nearly doubled earnings, plans to maintain its present performance this year if trading conditions do not worsen significantly

Motor retailers in the sector include Martin Jonker Motors (MJM), Brian Porter Holdings (BPH), Combined Motor Holdings (CMH) and Urquhart Motors

Nissan vehicle trader MJM is planning a R4m rights issue and believes prospects for the year are good if there are no industry labour disruptions Its share saw little trade and was unchanged for more than a year at 40c yesterday

CMH reported earnings down by 27% in the six months to end-September 1992 compared with the same period a year previously, but both its Nissan and Toyota dealerships expect improved results in the second half Its share dropped to 70c on Monday from 75c

Urquhart Motors' earnings fell by just more than half in the year to end-June 1992, while BPH's earnings shrank by just under a fifth in the year ended June 30 1992

MOTORING Derek Keys appoints task force to advise on strategies for car industry

Industry is in spotlight

Sowetan 27/11/92. (192)

TASK GROUP *Future development of the motor industry to be scrutinised:*

By Sello Rabothata

A TASK GROUP HAS been appointed to advise the Government on short and long term strategies for the future development of South Africa's local motor vehicle and component manufacturing industries

The appointment was made by Mr Derek Keys, Minister of Finance and of Trade and Industry, according to the director-general of the Department of Trade and Industry, Dr Stef Naude

A programme to develop the motor vehicle and related automotive component manufacturing industries was first implemented in 1960 and proceeded in phases The current Phase 6 of the Local Content Programme for motor vehicles started in 1989 and was originally intended to continue until 1997

However, changes locally and abroad have made it necessary to reinvestigate the future of the industry

The task group, charged with this function, will consist of representatives from the public sector, the motor vehicle assembly industry, the automotive components manufacturing industry, the Motor Industries Federation, organised labour and the Automobile Association of South Africa.

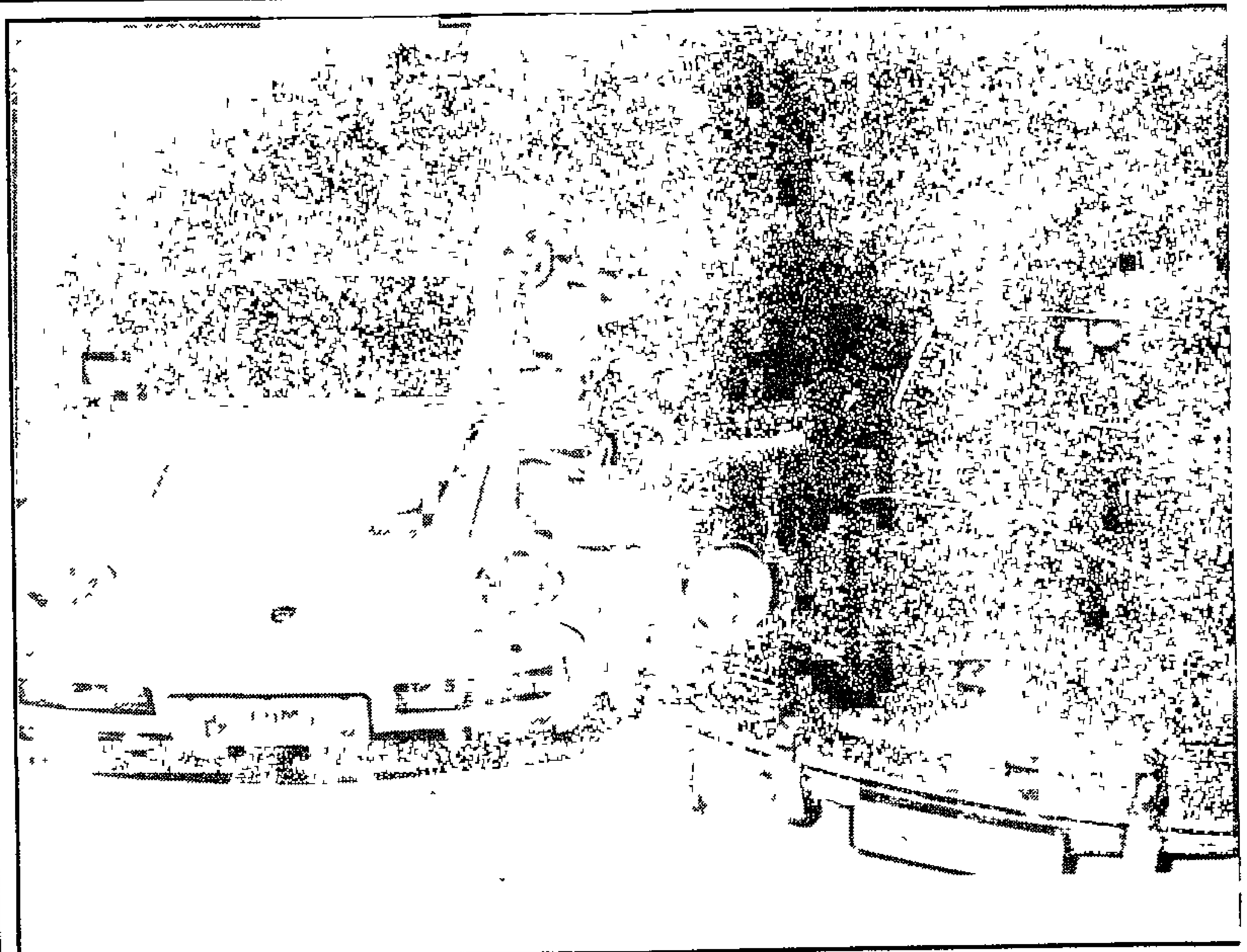
The task group will be chaired by Mr [illegible]ek Riley, a director of companies

The long term strategy should incorporate achievable and practical recommendations to develop industries which are economically viable and increasingly competitive on international markets

The following considerations are to be taken into account to achieve these objectives

- The advisability of reducing the number of motor vehicle models manufactured locally,
- The industry's potential for economic growth, employment creation and human resources development,
- The appropriate amendments to Phase 6 during the transitional period prior to Phase 7,
- Affordability of motor vehicles, parts and accessories,
- The impact on the Balance of Payments, international trends in automotive manufacturing and trade, including obligations under the General Agreement on Tariffs and Trade (GATT),
- The need for a programme that is as simple, transparent and affordable as possible and as easy as possible to administer; to address the present imbalance in purchases of new vehicles by corporations and individuals.

Interested parties are invited to submit their comments or enquiries to Mr Rob Preller, Motor Industry Task Group, PO Box 784055, Sandton, 2146 or fax (011) 883-1655 or tel (011) 883-1600



In a special sneak preview of the newly refurbished Sun International resort, Wild Coast Sun and Drive magazine are hosting a sports car Show and Shine on December 11, 12 and 13. All exotic sports or veteran car enthusiasts are invited to enter their cars for this fun event - or to just go along to view the fantastic cars on display. The categories for competitions in the show are: Lady's Choice, pre-1975, post-1975 and the best overall car.

No. R. 3218 **27 November 1992**

REGULATION IN TERMS OF THE CREDIT AGREEMENTS ACT, 1980 (ACT No. 75 OF 1980)

I, Derek Lyle Keys, Minister of Finance and of Trade and Industry, in terms of section 3 of the Credit Agreements Act, 1980 (Act No 75 of 1980), hereby amend paragraph 4 of the Regulations published under Government Notice No R 401 of 27 February 1981, by the substitution for item (a) of subparagraph (2) of paragraph 4 of the following item:

"(a) (i) if payments in terms of the transaction are amounts allowed to be wholly or partly deducted from or set off against the taxable income of the credit receiver under Part I of Chapter II of the Income Tax Act, 1962 (Act No 58 of 1962), or

(ii) if the credit receiver is exempt from income tax in terms of section 10 (1) (f) of the Income Tax Act, 1962, or".

No. R. 3218 **27 November 1992**

REGULASIE KRAGTENS DIE WET OP KREDIETOOREENKOMSTE, 1980 (WET No 75 VAN 1980)

Ek, Derek Lyle Keys, Minister van Finansies en van Handel en Nywerheid, wysig hierby kragtens artikel 3 van die Wet op Kredietooreenkomste, 1980 (Wet No 75 van 1980), paragraaf 4 van die Regulasies uitgevaardig ingevolge Goewermentskennisgewing No R. 401 van 27 Februarie 1981 deur item (a) van subparagraaf (2) van paragraaf 4 te vervang met die volgende item

"(a) (i) indien betalings in terme van die transaksie bedrae is wat kragtens Deel I van Hoofstuk II van die Inkomstebelastingwet, 1962 (Wet No 58 van 1962), geheel of gedeeltelik van belasbare inkomste van die kredietopnemer afgetrek kan word of daarteen verreken kan word; of

(ii) indien die kredietopnemer kragtens artikel 10 (1) (f) van die Inkomstebelastingwet van inkomstebelasting vrygestel is, of"

DEPARTMENT OF JUSTICE

No. R. 3220 **27 November 1992**

CORRECTION NOTICE

DECLARATION OF PEACE OFFICERS IN TERMS OF SECTION 334 OF THE CRIMINAL PROCEDURE ACT, 1977 (ACT No. 51 OF 1977)

Government Notice No R 2599 published in *Government Gazette* 14280 of 18 September 1992, is hereby amended by the substitution of the expression "referred to in item (v) of column 4 opposite paragraph (c) of this Part" for the expression "conferred in terms of section 44 of the Act, mentioned in column 4 of paragraph (c) of this Part"

DEPARTEMENT VAN JUSTISIE

No. R. 3220 **27 November 1992**

VERBETERINGSKENNISGEWING

VERKLARING VAN VREDESBEAMPTES KRAGTENS ARTIKEL 334 VAN DIE STRAFPROSESWET, 1977 (WET No. 51 VAN 1977)

Goewermentskennisgewing No. R 2599 gepubliseer in *Staatskoerant* 14280 van 18 September 1992, word hierby gewysig deur die uitdrukking "bedoel in item (v) van kolom 4 teenoor paragraaf (c) van hierdie Deel" deur die uitdrukking "wat ingevolge artikel 44 van die Wet in kolom 4 van paragraaf (c) van hierdie Deel genoem, verleen word" te vervang.

DEPARTMENT OF MANPOWER

No. R. 3219 192 **27 November 1992**

LABOUR RELATIONS ACT, 1956

MOTOR INDUSTRY· AMENDMENT OF MOTOR INDUSTRY MEDICAL AID FUND AGREEMENT

I, Glen Morris Edwin Carelse, Deputy Minister of Manpower, hereby, in terms of section 48 (1) (a) of the Labour Relations Act, 1956, declare that the provisions of the Agreement (hereinafter referred to as the Amending Agreement) which appears in the Schedule hereto and which relates to the Undertaking, Industry, Trade or Occupation referred to in the heading to this notice, shall be binding, with effect from 30 November 1992 and for the period ending 30 June 1993 upon the employers' organisations and the trade unions which entered into the Amending Agreement and upon the employers and employees who are members of the said organisations or unions

G. M. E. CARELSE,

Deputy Minister of Manpower.

DEPARTEMENT VAN MANNEKRAG

No. R. 3219 **27 November 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

MOTORNYWERHEID WYSIGING VAN MEDIESE HULPFONDSOOREENKOMS VIR DIE MOTORNYWERHEID

Ek, Glen Morris Edwin Carelse, Adjunkminister van Mannekrag, verklaar hierby, kragtens artikel 48 (1) (a) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van die Ooreenkoms (hierna die Wysigingsooreenkoms genoem) wat in die Bylae hiervan verskyn en betrekking het op die Onderneming, Nywerheid, Bedryf of Beroep in die opskrif by hierdie kennisgewing vermeld, met ingang van 30 November 1992 en vir die tydperk wat op 30 Junie 1993 eindig, bindend is vir die werkgewersorganisasies en die vakverenigings wat die Wysigingsooreenkoms aangegaan het en vir die werkgewers en werknemers wat lede van genoemde organisasies of verenigings is.

G. M. E. CARELSE,

Adjunkminister van Mannekrag

Signed at Johannesburg, on behalf of the parties, this 14th day of October 1992 (192)

T. NIEUWOUDT,
President of the Council

C. S ROBERTS,
Vice-president of the Council

B. C. DU PREEZ,
General Secretary of the Council

No. R. 3222 **27 November 1992**

LABOUR RELATIONS ACT, 1956

LEATHER INDUSTRY, REPUBLIC OF SOUTH AFRICA RENEWAL OF AGREEMENT FOR THE FOOTWEAR SECTION

I, Dennis van der Walt, Director: Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices Nos R 1798 of 3 September 1982, R. 2473 of 11 November 1983, R 1143 of 8 June 1984, R 2312 of 26 October 1984, R. 942 of 26 April 1985, R 2584 of 15 November 1985, R 2057 of 26 September 1986, R. 2611 of 20 November 1987, R 148 of 3 February 1989, R. 889 of 27 April 1990 and R 3050 of 4 January 1991, to be effective from the date of publication of this notice and for the period ending 30 June 1993

D. VAN DER WALT,
Director· Labour Relations.

No. R. 3227 **27 November 1992**

LABOUR RELATIONS ACT, 1956

NON-EUROPEAN PASSENGER TRANSPORTATION TRADE, DURBAN· RENEWAL OF AGREEMENT

I, Dennis van der Walt, Director: Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (ii) of the Labour Relations Act, 1956, declare the provisions of Government Notices Nos R. 1672 of 17 September 1976, R 809 of 13 May 1977, R 511 of 14 March 1980 and R 1743 of 11 August 1989, to be effective from the date of publication of this notice and for the period ending 31 October 1993

D. VAN DER WALT,
Director· Labour Relations.

No. R. 3228 **27 November 1992**

LABOUR RELATIONS ACT, 1956

TRANSNET INDUSTRIAL COUNCIL EXTENSION OF MAIN AGREEMENT

I, Dennis van der Walt, Director Labour Relations, duly authorised thereto by the Minister of Manpower, hereby, in terms of section 48 (4) (a) (i) of the Labour Relations Act, 1956, extend the period fixed in Government Notice No R 2411 of 28 August 1992, by a further period ending 31 December 1993

D. VAN DER WALT,
Director Labour Relations

Namens die partye op hede die 14de dag van Oktober 1992 te Johannesburg onderteken

T. NIEUWOUDT,
President van die Raad

C. S ROBERTS,
Visepresident van die Raad

G. B. DU PREEZ,
Hoofsekretaris van die Raad

No. R. 3222 **27 November 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

LEERNYWERHEID, REPUBLIEK VAN SUID-AFRIKA HERNUWING VAN OOREENKOMS VIR DIE SKOEISELSEKSIE

Ek, Dennis van der Walt, Direkteur Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings Nos R 1798 van 3 September 1982, R 2473 van 11 November 1983, R 1143 van 8 Junie 1984, R 2312 van 26 Oktober 1984, R 942 van 26 April 1985, R. 2584 van 15 November 1985, R 2057 van 26 September 1986, R 2611 van 20 November 1987, R 148 van 3 Februarie 1989, R 889 van 27 April 1990 en R 3050 van 4 Januarie 1991, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 30 Junie 1993 eindig

D. VAN DER WALT,
Direkteur· Arbeidsverhoudinge.

No. R. 3227 **27 November 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

VERVOERBEDRYF—NIE-BLANKE PASSASIERS, DURBAN HERNUWING VAN OOREENKOMS

Ek, Dennis van der Walt, Direkteur: Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verklaar hierby, kragtens artikel 48 (4) (a) (ii) van die Wet op Arbeidsverhoudinge, 1956, dat die bepalings van Goewermentskennisgewings Nos R 1672 van 17 September 1976, R 809 van 13 Mei 1977, R. 511 van 14 Maart 1980 en R 1743 van 11 Augustus 1989, van krag is vanaf die datum van publikasie van hierdie kennisgewing en vir die tydperk wat op 31 Oktober 1993 eindig

D. VAN DER WALT,
Direkteur· Arbeidsverhoudinge

No. R. 3228 **27 November 1992**

WET OP ARBEIDSVERHOUDINGE, 1956

TRANSNET NYWERHEIDSRAAD VERLENGING VAN HOOFOOREENKOMS

Ek, Dennis van der Walt, Direkteur Arbeidsverhoudinge, behoorlik daartoe gemagtig deur die Minister van Mannekrag, verleng hierby, kragtens artikel 48 (4) (a) (i) van die Wet op Arbeidsverhoudinge, 1956, die tydperk vasgestel in Goewermentskennisgewing No R 2411 van 28 Augustus 1992, met 'n verdere tydperk wat op 31 Desember 1993 eindig

D. VAN DER WALT,
Direkteur Arbeidsverhoudinge

SCHEDULE

THE NATIONAL INDUSTRIAL COUNCIL FOR THE MOTOR INDUSTRY

MOTOR INDUSTRY MEDICAL AID FUND AGREEMENT

in accordance with the provisions of the Labour Relations Act, 1956, made and entered into by and between the

South African Motor Industry Employers' Association

and the

South African Vehicle Builders' and Repairers' Association

(hereinafter referred to as the "employers" or the "employers' organisations"), of the one part, and the

Motor Industry Employees' Union of South Africa,

the

Motor Industry Staff Association

and the

National Union of Metalworkers of South Africa

(hereinafter referred to as the "employees" or the "trade unions"), of the other part,

being the parties to the National Industrial Council for the Motor Industry,

to amend the Motor Industry Medical Aid Fund Agreement, published under Government Notice No R 1598 of 30 July 1982 as amended and extended by Government Notices Nos R 2300 of 21 October 1983, R 772 of 19 April 1984, R 1319 of 21 June 1985, R 2843 of 27 December 1985, R 1330 of 27 June 1986, R 362 of 20 February 1987, R 972 of 30 April 1987, R 1108 of 22 May 1987, R 1804 of 21 August 1987, R 747 of 22 April 1988, R 1490 of 29 June 1990, R 3137 of 20 December 1991 and R 1667 of 19 June 1992

1. SCOPE OF APPLICATION OF AGREEMENT

(1) The terms of this Agreement shall be observed in the Regions defined in the Agreement published under Government Notice No R 1598 of 30 July 1982 by all employers in the Motor Industry who are members of the employers' organisations and by all employees in the said Industry who are members of the Motor Industry Employees' Union of South Africa and the Motor Industry Staff Association and apprentice members of the Motor Industry Combined Workers' Union

(2) Notwithstanding the provisions of subclause (1), the terms of this Agreement shall apply in respect of apprentices and their employers but only in so far as such application is not inconsistent with the provisions of the Manpower Training Act, 1981, or any regulation made thereunder or any contract entered into in terms thereof

2. CLAUSE 8: CONTRIBUTIONS

(1) In subclause (1) (a) (i), substitute the expression "R42,10" for the expression "R34,60"

(2) In subclause (1) (a) (ii), substitute the expression "R43,10" for the expression "R35,60"

(3) In subclause (1) (a) (iii), substitute the expression "R44,10" for the expression "R36,60"

(4) In subclause (1) (a) (iv), substitute the expression "R45,10" for the expression "R37,60"

(5) In subclause (1) (b), substitute the expression "R37,60" for the expression "R30,10"

BYLAE

DIE NASIONALE NYWERHEIDSRAAD VIR DIE MOTORNYWERHEID

MEDIESE HULPFONDS VIR DIE MOTORNYWERHEID OOREENKOMS

ooreenkomstig die Wet op Arbeidsverhoudinge, 1956, gesluit deur en aangegaan tussen die

South African Motor Industry Employers' Association

en die

South African Vehicle Builders' and Repairers' Association

(hierna die "werkgewers" of die "werkgewersorganisasies" genoem), aan die een kant, en die

Motor Industry Employee's Union of South Africa,

die

Motor Industry Staff Association

en die

National Union of Metalworkers of South Africa

(hierna die "werknemers" of die "vakverenigings" genoem), aan die ander kant,

wat die partye is by die Nasionale Nywerheidsraad vir die Motornywerheid,

tot wysiging van die Ooreenkoms vir die Mediese Hulpfonds vir die Motornywerheid, gepubliseer by Goewermentskennisgewing No R 1598 van 30 Julie 1982, soos gewysig en verleng by Goewermentskennisgewings Nos R 2300 van 21 Oktober 1983, R 772 van 19 April 1984, R 1319 van 21 Junie 1985, R 2843 van 27 Desember 1985, R 1330 van 27 Junie 1986, R 362 van 20 Februarie 1987, R 972 van 30 April 1987, R 1108 van 22 Mei 1987, R 1804 van 21 Augustus 1987, R 747 van 22 April 1988, R 1490 van 29 Junie 1990, R 3137 van 20 Desember 1991 en R 1667 van 19 Junie 1992

1. TOEPASSINGSBESTEK VAN OOREENKOMS

(1) Hierdie Ooreenkoms moet in die Streke omskryf in die Ooreenkoms gepubliseer by Goewermentskennisgewing No R 1598 van 30 Julie 1982, nagekom word deur alle werkgewers in die Motornywerheid wat lede is van die werkgewersorganisasies en deur alle werknemers in genoemde Nywerheid wat lede is van die Motor Industry Employees' Union of South Africa en die Motor Industry Staff Association en vakleerlinglede van die Motor Industry Combined Workers' Union

(2) Ondanks subklousule (1) is hierdie Ooreenkoms op vakleerlinge en op hul werkgewers van toepassing maar slegs vir sover sodanige toepassing nie onbestaanbaar is nie met die Wet op Mannekragopleiding, 1981, of 'n regulasie wat daarkragtens uitgevaardig is of 'n kontrak wat daarkragtens aangegaan is

2. KLOUSULE 8: BYDRAES

(1) In subklousule (1) (a) (i), vervang die uitdrukking "R34,60" deur die uitdrukking "R42,10"

(2) In subklousule (1) (a) (ii), vervang die uitdrukking "R35,60" deur die uitdrukking "R43,10"

(3) In subklousule (1) (a) (iii), vervang die uitdrukking "R36,60" deur die uitdrukking "R44,10"

(4) In subklousule (1) (a) (iv), vervang die uitdrukking "R37,60" deur die uitdrukking "R45,10"

(5) In subklousule (1) (b), vervang die uitdrukking "R30,10" deur die uitdrukking "R37,60"

MOTOR INDUSTRY fm 27/11/92

Raising the volumes (192)

It sounds straightforward enough reduce the number of car models built and prices will tumble Fewer models mean higher volumes for those left and, therefore, lower unit costs

continued

FINANCIAL MAIL • NOVEMBER • 27 • 1992 • 81

The result cheaper cars

That, at least, is the theory being advanced in the wake of Trade & Industry Minister Derek Keys' appointment of a motor industry task group to map out a long-term strategy for the sector But it's not that easy

One of the chief questions outlined by Keys is whether SA has too many car models There is growing support for a policy under which SA would manufacture high-volume cars locally and import high-value, low-volume models

The motor industry is now heavily protected by duties of up to 115% on built-up imports Vehicle assemblers have suggested bringing this down in stages to 60% Whatever the final figure, they say, protection would have to be pitched at a level that encourages local output of mass-produced cars, but enabling buyers to import higher-value vehicles

It is also an open secret that government would like to see fewer manufacturers than the seven now competing in the market Persuading some to leave the market, or to combine production facilities, would consolidate production and reduce unit costs still further

But at what cost? While it's true a streamlined motor industry might be better equipped to compete internationally, there is also a downside

"The advantages to be gained from higher volumes could be neutralised by lack of competition," says Toyota Marketing MD Brand Pretorius

He has a point In the current miserable market conditions, motor companies are desperate to move stock Discounting has become rife and companies are offering increasingly adventurous financial packages and free-maintenance programmes to lure customers

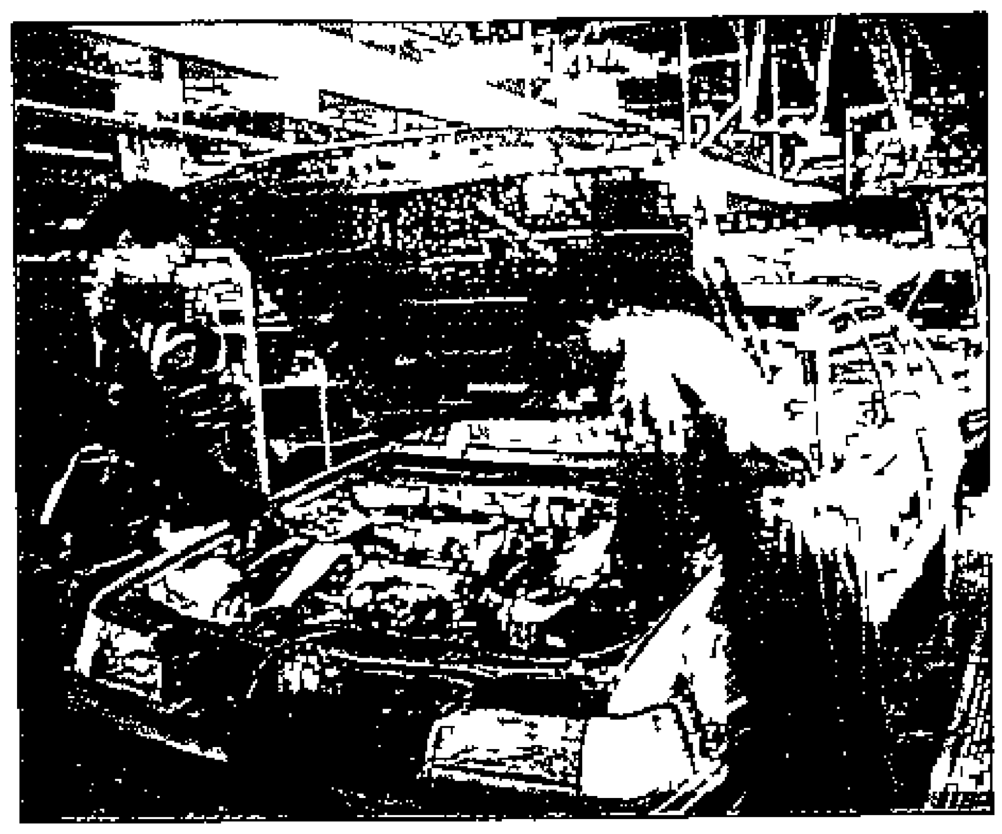
"If you look at how the industry is pricing, it is no longer talking cost-plus but what the market will bear," Pretorius says "Pricing structures are artificially low because of competition"

Some car companies are actually taking a loss on certain models Even a number of high-volume cars are surprisingly tight on profit margins The widest margins are generally on older product ranges where investment costs have already been amortised

With margins so tight, companies are looking increasingly towards other sources of income to remain profitable In at least one case, export earnings are the difference between overall profit and loss

After-market sales of parts and accessories have also been an important contributor, but with the steady move towards professional maintenance contracts and a general lowering of running costs, these sources of income are also coming under pressure

Without doubt, higher production volumes would contribute to controlling prices — to a degree According to one company's estimate, doubling production on one of its higher-volume models would reduce the price by no more than 2% But there would be further savings Assemblers would have a stronger hand in negotiating prices with suppliers in Germany and Japan, and local components companies could pass on unit-cost savings from higher volumes of commonly used parts



Productivity ... *fallen heavily in recent years*

Nor would it do any harm if motor industry unions were to pay more than lip service to the idea of productivity, which has fallen heavily in recent years while wages have risen sharply

All these sectors have a role to play in achieving affordable motoring Meanwhile, it is the industry's unhealthy, overtraded state that remains the best incentive for restraining prices ■

B/DAY 30/11/92

Motor industry dispute

TALKS aimed at resolving a five-month dispute in the motor industry would resume on December 7 as negotiations continued to snag on key issues, National Union of Metalworkers of SA spokesman Les Kettledas said on Friday

Numsa still insisted on inflation-matching increases, while the SA Motor Industry Employers' Association had responded with increments of between 5% and 9,5%, he said

(192)

Volvo wants to return

STAR 2/12/92. 192

STOCKHOLM — Sweden's largest car maker, Volvo, wants to start exporting cars to South Africa again after a 20-year boycott

Helge Alten, president of Volvo Car International, told the Swedish news agency TT "As soon as Sweden lifts the trade bans we are prepared to start selling cars again We have advanced negotiations with a major South African importer"

The negotiations are with Saficon Motor Holdings, which imports luxury cars such as Jaguar and Porsche.

Volvo is not considering its own distribution network or assembly plants, as was the situation before 1972, when its sales were 5 000 cars a year.

"We still have some 20 000 Volvo owners in South Africa," Alten said

Despite high customs tariffs, the equivalent of 110 to 120 percent of the car's value, Volvo was not interested in building its own assembly plants.

This meant that a Volvo car would cost twice as much in South Africa as in Sweden, where sales tax adds 25 percent to the cost, Alten said

In a few years, he predicted, Volvo's sales would be 2 000 cars a year. — Sapa-AP.

IMPERIAL GROUP IS A LISTINGS BOOM WINNER

S/Times (BUSS) 6/12/92

By DON ROBERTSON

TOP 100

NUMBER 9

1987: R10 000 1992: R59 412

A CONTINUING policy of expansion from within and acquisitions in the core business has placed Imperial Group in tenth position in the Top 100

Imperial Group turned out to be the top performer among a large number of independently owned family businesses which came to the market in the listings boom of 1986-87

The group pyramid structure was formed in July 1989 when Imperial Group became the holding company of Imphold Two years later the founders of the group the Abelkop and Wilder families, sold their stakes to management and institutions, making Imperial Group a truly public company with no controlling shareholder structure

SPREAD

The average annual simple return for the five years is 98 82% Turnover rocketed from R321,3-million in 1988 to R781,2-million in the year to June last. Pre-tax income increased from R15 9-million to R62 7-million

After finance costs which have been well contained at R10 3-million in spite of the capital intensive nature of the group's vehicle-renting activities, attributable profits rose to R27 6-million from R8,5-million

The balance sheet is equally good shareholders' funds rising to R117 4 million in June 1992 from R30 6-million in 1988 Interest-bearing debt now tops R60-million or 41% of shareholder s funds, up from R10 7-million (36%) Net assets have soared to R232 4-million from R51 8 million

All this has allowed an increased in dividends from 6,2c a share covered 2,4 times in 1988 to 17 5c covered 2 6 times In the same time the net asset value has climbed to 181 6c a share from 54 5c

The group is a broadly based industrial holding company involved in car rental motor retailing, transport and trucking insurance, finance and property

Bill Lynch chairman of Imphold and managing director of Imperial Group says 'We have an excellent spread of activities, all of which have a strong and continuous management team

Acquisitions in the past year by Imphold included Mercurius Holdings for R18 6-million Mercurius has three Honda and Mercedes Benz outlets

Quattro Carriers engaged in long distance transport, was bought for R6 8-million and Van Zyl s Springs for R6 4-million They were all paid for in Imphold shares which were either placed with institutions or retained by the sellers of the businesses

Mercurius expanded the motor division from a pure Toyota franchise to Mercedes Benz and Honda Quattro is a long-distance haulier and Van Zyl s makes automotive springs

These aquisitions although consolidated for only part of the year contributed 30% to turnover

STRONG

Mr Lynch says that without them turnover would have increased by about the inflation rate

Since the end of the financial year Imphold bought the remaining 30% of Prime Car Leasing from Nedfin Bank for R30-million, inclusive of loan accounts of R22 7-million The deal was also settled with the issue of shares

These acquisitions contributed to group debt rising from R38-million in 1991 to R60-million last year But interest cover remained strong at seven times operating income

In recent years, the company has undergone major changes in its direction and management control

In 1989, shareholders in Imperial Group were offered one share in Imphold free of charge for every share held Imphold came to the market at 175c in July of that year when Imperial Group was trading at 520c This left Imperial Group with about 65% of operating company Imphold

Another change in management of Imperial Group took place in mid 1991 In May 3 3 million shares in Imperial Group were sold to financial institutions from previous owners the Abelkop and Wilder families

MORALE

Mr Lynch bought 2 7-million shares The transactions done at a price of R12 50, gave Mr Lynch 23% of the company the institutions holding most of the balance

Mr Lynch says results in the first four months of the current year are satisfactory

'We can expect another pleasing set of results for 1993 The business is in good shape morale is good and we seem to be able to escape the mood of gloom around us

Mr Lynch says the motor division had sufficient stock during the mid-year Toyota strike and that at the end some was still available

"Overall the division plans for a year of improved performance

Volumes in the car rental division have fallen partly because of the decline in tourism caused by violence in SA

Imperial Car Rental including Tempest Car Hire is now the largest car-rental company in SA with a market share of about 45%

MODEST

We expect lower interest rates to impact favourably on the division and profits to be at least maintained ' he says

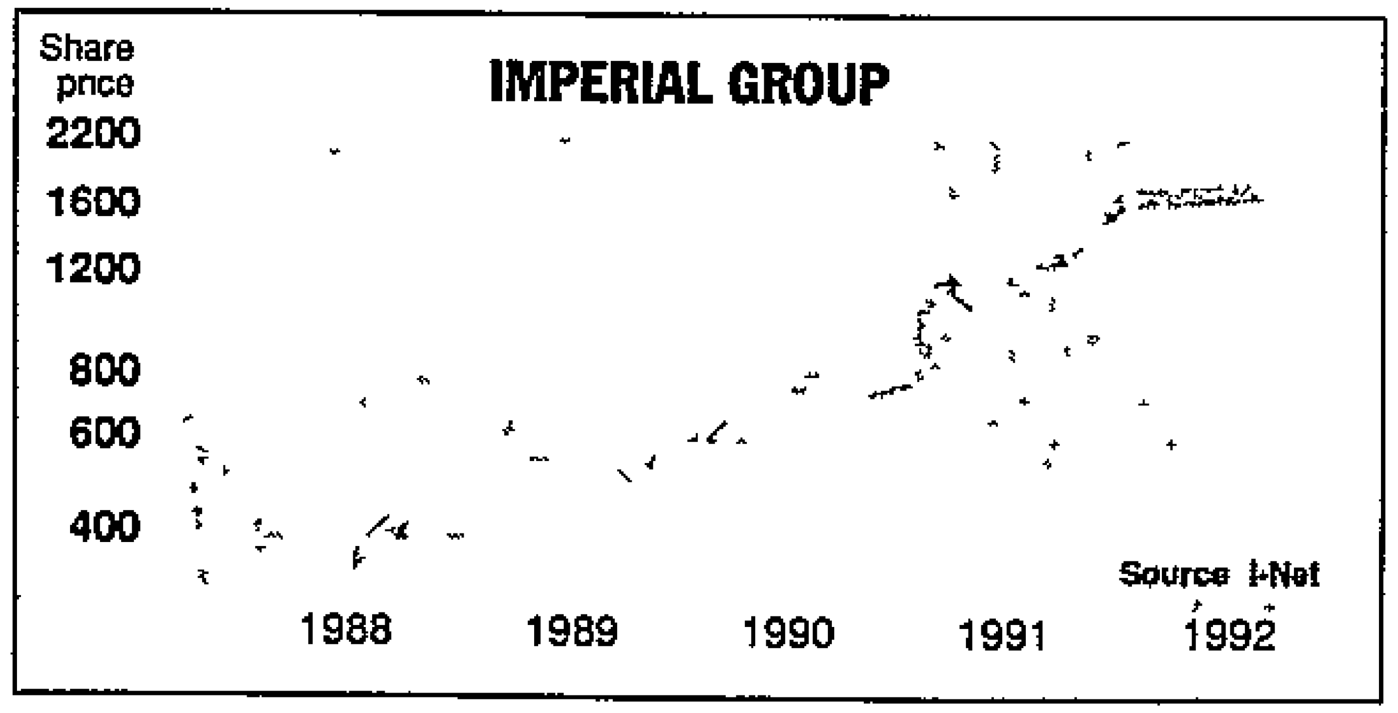
The truck divsion has a large and dedicated system in operation Many vehicles are on long term contracts. About 86% of the 1 650 trucks are committed to fixed contracts

'The division should have another good year

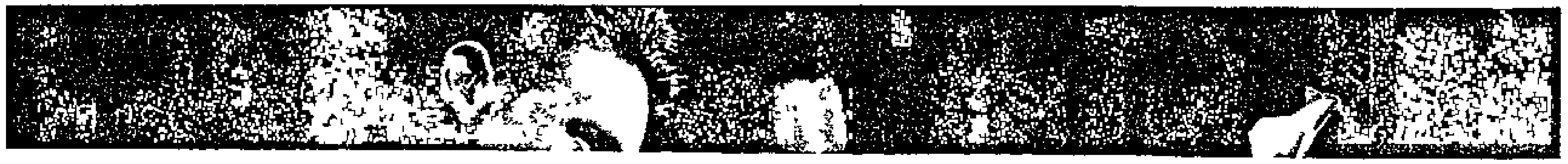
Regent Insurance was bought in 1987 and has focused itself on the short-term business, operating with a modest infrastructure and low overheads

The five panel beating shops housed in this division are good profit contributors The property portfolio of R35-million is a steady contributor

The division is expecting to make further progress says Mr Lynch.



BILL LYNCH Far from being in a rut in straitened times, Imperial marches imperially on



TOP 100 RANKED BY

MB drops finance schemes

S[Times [B455] 6/12/92

By DON ROBERTSON 192

MERCEDES-BENZ has abandoned its ultra-low interest rate finance scheme because it was costing too much money

The dealer network will, however, continue offering the same financial package until the end of January — but will foot the total cost of the scheme itself In turn, Mercedes has introduced a new set of financial packages, but in each case interest rates are substantially higher than before

The initial scheme, with five options, was introduced in June and had an immediate impact on sales It was extended about two months ago with even lower rates These were a one-year deal at 7,5%, a fixed rate of 11,75% or 14,75%, with various residual values over four years, or 17,75% over eight years, with no residual value

During the six months, Mercedes and the dealer network split the cost of funding these schemes The company will, however, not contribute to dealer costs for the next two months The schemes attracted a strong response from other luxury car manufacturers, such as BMW, Audi and Nissan, who pointed out a number of alleged problems with the Mercedes scheme

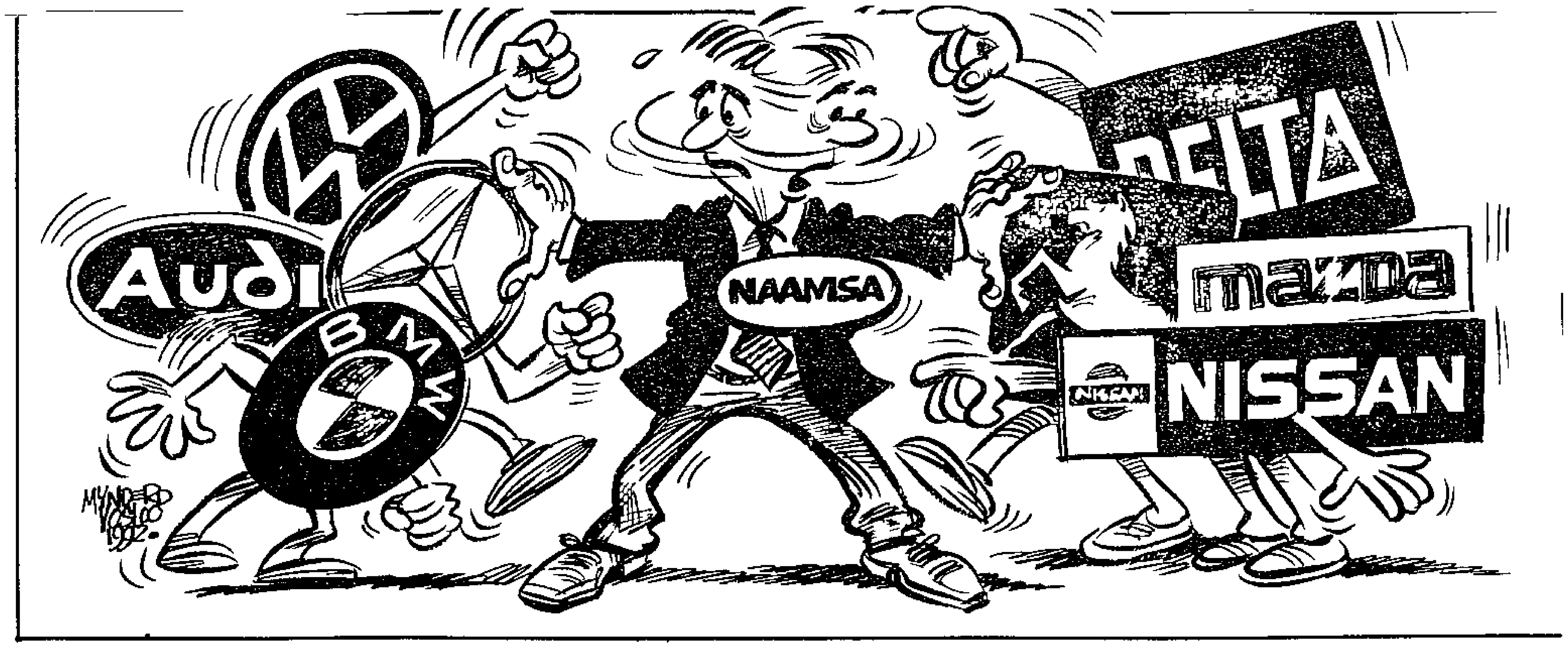
Peter Cleary, MB management board member for the passenger car division, says "We feel we achieved our objectives and indicated that we would not continue our contribution to the lower interest schemes"

Since the introduction of the packages in June, average sales have risen to 560 vehicles a month and reached 621 in November This compares with average sales of between 350 and 400 a month before

In terms of the new scheme, the four-year plan is continued, but at a fixed rate of 12,59% with no residual Another four-year plan is a linked rate of 14,03% with a 75% residual A two-year package has been introduced at fixed rates of 12,13% or 12,25%, with residuals of 80% or [illegible]5%

There are two schemes over five years at a linked rate of 13,82% or 14,63% with no residual, or 50% and an eight-year plan at a linked 14,90% with no residual All have a 24-month touring and maintenance plan

Other manufacturers offer 15% packages with varying maintenance contracts



Germany, Japan in a SA motor squabble

S/Times (BUSS) 6/12/92 (192)

By DON ROBERTSON

SALES of new cars are usually one of the first indicators of a turn in the economy

Sales of vehicles in the motor industry's four sectors — cars, light, medium and heavy trucks — in the September quarter showed an encouraging improvement over those of the previous three months and were higher than expected

"Statistically, there are indications that conditions in the various segments are bottoming out," according to the National Association of Automobile Manufacturers of SA (Naamsa)

But the industry is not out of the woods A task force initiated by the Minister of Trade and Industry Derek Keys recently asked interested parties to provide information about how the automotive industry could be improved, with emphasis on how production could be increased

The "investigators" include Naamsa and the National Association of Automobile and Allied Component Manufacturers (Naacam), which are at odds about local content, trade unions and Government officials

Naamsa executive director Nico Vermeulen says there are no specific reasons for improved vehicle sales

"The lack of any positive development in the world economy, uncertainty about SA's socio-political future and structural weaknesses in the economy have depressed confidence and impacted negatively on the recent performance of the industry"

Underpinning the upturn in vehicle sales has been the arrival of new models which have generated considerable interest The sales lift is expected to continue as a result of the November launch of the Toyota Camry and Volkswagen's new-generation of Golf and Jetta marques

This suggests that new-car sales could rise to 183 000 for the year, up from some earlier predictions of as low as 177 000

In spite of this, sales projections for 1993 remain at a low 185 500 and the forecast is 197 500 in 1994 and 209 000 the following year

A recovery in the motor industry is vital for the economy It is estimated that the assembly and component industries contribute between 4% and 5% to gross domestic product and the retail side adds 1% to 1,5% This makes the motor industry slightly larger than agriculture and second only to mining It also represents about a quarter of the total manufacturing industry in SA

SCOPE

The task force met for the first time two weeks ago This preliminary meeting set out what should appear on the agenda, the scope of the investigation and the priorities

The task force must report back to Mr Keys by December 1 next year

The year-long discussions are likely to be protracted and in some areas heated

There now appears to be a rift within Naamsa itself

Non-SA-owned companies BMW, Mercedes-Benz and Volkswagen believe the industry should be thrown wide open, allowing them to import components from wherever they choose at the cheapest price, convert them into final products and sell them wherever they wish

Japanese-based manufacturers, such as Toyota, Samcor through Mazda and Nissan, are wholly SA-owned companies and make products under licence This prevents them from joining a global market with their source companies They are restricted largely to the SA market

Peter Barbe, financial director of BMW, says SA has the ability to enter the world market, "but it must be able to obtain products from any source"

BMW, which supplies large quantities of components to its German parent, including about 70% of all leather seats worldwide, is investigating the possibility of becoming the only BMW manufacturer to produce right-hand-drive vehicles for the world market

Little has been done for the motor industry in SA, says Mr Barbe, and no incentives for expansion are offered He says incentives in the UK attracted several international companies to its shores and has made it a net exporter of vehicles.

"If SA were to offer similar incentives, there would be a substantial capital investment If we produced 70 000 cars in SA and sold only 15 000 here, they would be produced at world prices, provided we could get our parts freely from anywhere"

If BMW could sell 25 000 cars abroad, it would contribute about $300-million to gross national product in added value If Volkswagen and Mercedes-Benz did the same, about $1-billion would be added to the economy, he says

The company has made representations to Mr Keys and the proposals have been well received

PARTS

Ferdinand Piech, chairman of the Volkswagen group, told Leadership magazine that although Volkswagen had been supplying Germany for some time, he was investigating the possibility of Audi's producing all the right-hand-drive vehicles for the international market.

"It could not be done in the past because SA had to produce too many parts locally

"If we manufactured all Audi right-hand-drive cars in SA, we could import other parts that are the same for both right- and left-hand drive The plant in SA could be a much better investment than it is today"

He said it could involve about 35 000 cars

Erich Glanz, management board member f engineering and procurement, says Mercedes h investigated the mat but many points have to b resolved before any s can be taken.

"As an idea and if works, it would be v good But the problem be costs and efficiency

A long and winding road for pay talks

192

DIRK HARTFORD

A FIVE-month dispute in the motor industry on wage increases for about 150 000 workers at garages, petrol stations and panel beating establishments has not yet been resolved. B|DAY

Numsa spokesman Les Kettledas said wage increases offered by the SA Motor Industry Employers' Association (Samiea) — on minimum rates and not actual earnings — ranged from 5,1% for petrol pump attendants to 9,4% for artisans.

He said this was unacceptable given labour rates charged by franchise retailers to customers, the 144% profit margin of oil companies on petrol sales and a 31% increase in the margins of the retailers. 11|12|92

Samiea had also rejected Numsa's demand that measures be taken to avoid or limit retrenchments and that the long-term growth and viability of the industry be discussed, Kettledas said

Samiea also wanted to increase working hours to 12 hours a day, with overtime paid after a 45-hour working week. Negotiations on this issue were also stalled, he said.

The fact that the parties could not reach agreement would lead to a deterioration in relationships in the industry when the parties should be addressing jointly the future of the motor sector, Kettledas said.

New vehicles market 'has bottomed out'

(192) CT 9/12/92

Business Editor

ALTHOUGH new vehicle sales in November fell by 7,2% to 24 362 compared with 26 427 in October they were higher than the 22 974 sold in November last year

This is the second month in succession that they have outperformed the previous year's figures

Brand Pretorius, MD of Toyota (SA) Marketing and Tony Kirton, marketing director of BMW, said yesterday that they thought this indicated that the market had bottomed out

Car sales are a leading indicator — traditionally showing a trend which is later followed by other sectors of the economy

Total new car sales in November were 15 644, down from 17 035 in October but up from 14 200 in November last year Pretorius pointed out that combined October and November sales of 32 679 cars this year were 9,2% higher than the 29 793 sold in October and November 1991

Three manufacturers — Toyota, BMW and Nissan — increased their market shares in November In the case of Toyota and BMW it was due to the introduction of new models

In the case of Nissan, it was due to better supplies of its Sentra car, after stock shortages had limited sales

Toyota was still the market leader with 30,1% of total car sales — the first time they have topped 30%

The five top-selling models for the month were — Toyota Corolla (2 682), BMW 3Series (1 465), Toyota Camry (1 167, Nissan Sentra (1 139) and Opel Kadett/Monza (1 110)

Pretorius said the revival in sales "has been underpinned by stronger demand from the corporate sector where fleet replacement has now become unavoidable"

He said October and November sales of light commercial vehicles were 1,2% higher than in the same two months last year "If one takes that against a backdrop of sales that were lagging by 8% earlier in the year, then the trend is positive"

But, he pointed out "Despite the more positive trend the overall picture for the year remains one of depressed sales The market will be stretched to absorb over 182 000 passenger vehicles this year"

A spokesman for BMW said excellent sales of all its models during November, totalling 1 937, had given it a 12,4% share of the total SA market

Detailed figures released by the National Association of Automobile Manufacturers of SA (NAAMSA) showed sales of light commercial vehicles in November totalled 7 934 compared with 8 597 in October and 7 854 in November last year

Sales of medium commercial vehicles totalled 289 in November compared with 298 in October and 353 in November last year

Sales of heavy commercial vehicles totalled 495 in November compared with 497 in October and 567 in November last year

Individual manufacturers' car sales in November were — Toyota 4 181, Volkswagen 1 997, Samcor 2 265, Nissan 2 200, Mercedes Benz 1 723, Delta Motor Corp 1 341, BMW 1 937

Car sales decline 'bottoming out' (192)

B/DAY 9/12/92

EDWARD WEST

NOVEMBER'S new car sales fell 8,2% to 15 644 from 17 035 sold in October, according to National Association of Automobile Manufacturer's of SA (Naamsa) statistics released yesterday

However, the year-on-year monthly improvement in vehicle sales for the second month in succession suggested the market was bottoming out, Naamsa said November vehicle sales improved 6% to 24 362 from 22 974 sold in November 1991

Car sales reflected a similar trend, and were 10,2% higher than the 14 200 sold in the same month last year Light commercial vehicle sales of 7 934 fell 7,7% compared with October's 8 597, but climbed a marginal 1% over November 1991's 7 854

Sales in the low-volume, medium commercial truck (MCV) market recorded a 3% monthly drop to 289, and sales of heavy trucks (HCV) fell 4% to 495 against October's figures

Compared with November last year, MCV and HCV sales fell 18,1% and 12,7% respectively

Naamsa forecast continuing difficult trading conditions

☐ Toyota SA marketing director Brand Pretorius said the improvement in sales during the past two months over the comparative 1991 period was the first indication of a sustained improvement in sales Consequently the outlook for December and the next year was more positive

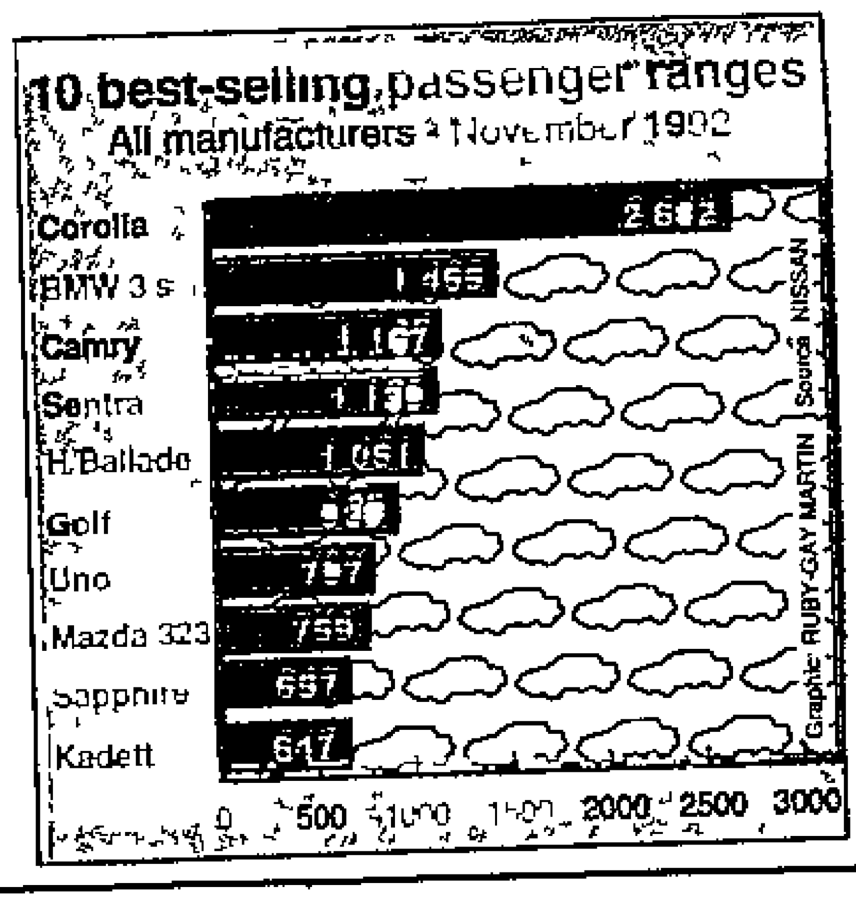
The revival was underpinned by demand from the corporate sector, where fleet replacement had become unavoidable. New models also stimulated sales

BMW SA marketing director Tony Kirton said although the market appeared to have bottomed out, it was still a long way from recovery Sales this year were unlikely to match those of 1991 Nissan, Toyota and Mercedes-Benz SA had forecast 182 000 car sales this year, compared with 197 736 sold in 1991

Toyota SA was market leader in November with a total share of 30,1%, followed by Nissan with 17,6% and Samcor with 15,5% Toyota's new model, the Camry, made its debut on the SA market in mid-November, and became the third best selling vehicle last month with 1 167 sales

Increased production gained BMW SA a 12,4% market share, which it claimed was the highest recorded in any BMW market in the world

Low interest rate schemes boosted MBSA's sales, and after selling an average of 560 Mercedes-Benz's a month since June, November saw sales climb to 621



Improved sales expected by Naamsa

B/DAY 11/12/92

(192)

LINDA ENSOR

CAPE TOWN — Prospects for the sale of medium and heavy commercial vehicles next year remained poor, but modestly improved trading conditions could be expected, National Association of Automobile Manufacturers (Naamsa) president Nico Vermeulen said yesterday

Positive factors outweighed the negative ones, he said

Vermeulen told a presentation organised by Atlantis Diesel Engines, the estimated total of medium and heavy commercial vehicles for 1992 was 8 840 units worth R1,5bn, with 9 500 units (6 000 heavy trucks) forecast for next year

He said there were encouraging signs of an improvement in the third-quarter motor vehicle sales figures, despite the many negative economic fundamentals In October medium vehicles rose 2,7% over the previous month and heavy vehicles 12,2%

Vermeulen said replacement demand pressures for heavy commercial vehicles were building up During 1992 sales as a proportion of the 215 000 heavy truck population would be as low as 2,5% compared with the historical average of between 7,5% and 8,5%

Figures since 1981 showed that the new medium commercial vehicle and heavy commercial vehicle sectors of the motor industry had performed worse than the new car and light commercial vehicle sectors, reflecting the severity of the recession

"The decline in 1991 and 1992 truck sales represents bad news for the industry Truck manufacturing represents a business with relatively high fixed costs and the industry's earnings and profitability remains highly sensitive to volume changes "

New car sales 'hinge on cost containment'

(192) CT 11/12/92

Business Editor

NEW cars will gradually become more affordable for the private buyer as incomes improve — provided manufacturers can continue to keep price increases below the rate of inflation — Nico Vermeulen, director of the National Association of Automobile Manufacturers (Naamsa), said in Cape Town yesterday

He said the weakening rand and declining disposable income had pushed new cars beyond the reach of the average individual

"We are getting poorer, standards of living are dropping and manufacturers are paying more for imported components Our domestic market is too small to achieve the economies of scale which Japanese and European manufacturers enjoy "

However, if SA could achieve sustainable economic growth of 5% a year the vehicle market would grow rapidly Annual sales of 300 000 would be quite feasible and there would be "a huge spin-off in terms of jobs and additional disposable income "

Vermeulen told a media presentation organised by Atlantis Diesel Engines (ADE) that positive factors for the medium and heavy commercial vehicle industries in the year ahead included

- A build-up of replacement demand,
- Improved manufacturing efficiencies and cost containment should keep new truck price increases below the inflation rate in 1993 and 1994,
- Emphasis on exports and diversification; and
- Deregulation and growth of informal sector will continue to boost demand for commercial vehicles.

Discussing the effect of regulations requiring local content to be 75%, Vermeulen said there was no doubt that protection of SA manufacturers would be reduced Competitors were waiting on the sidelines to come in

Gas for Columbus

STm 11/12/92

By Stephen Cranston

Sasol's heating fuel division is building a R120 million pipeline to supply gas to the Columbus stainless steel complex and other industries in the Eastern Transvaal 183

The pipeline from Secunda to Witbank and Middelburg will be completed by September 1994

Gascor, a subsidiary of Sasol, is SA's biggest producer and supplier of pipeline gas

Contractors for the pipeline will be appointed after tenders have been requested

Sasol pipeline gas has a low sulphur content, continuous availability and is clean-burning No stock-keeping is necessary

Sasol expects the pipeline to attract new industries to the Witbank/Middelburg area

The pipeline will be installed underground, with no effects on the environment

Three SA car producers to post a loss

S/Times (Buss) 13/12/92

By DON ROBERTSON (192)

ALMOST half of South Africa's car manufacturers have been driven into the red by price competitiveness and a depressed market which is expected to total only 280 000 vehicles this year Industry sources believe that possibly three of the seven manufacturers will report a loss this year, although only the JSE-listed Toyota is obliged to reveal its results

The difficulties in the industry have forced several companies to retrench workers, and this week Samcor laid off 160 salaried staff out of a total of 1 200 In August it got rid of 650 hourly-paid workers

Tony Twine, Econometrics director and a consultant to some of the manufacturers, says "The majority, if not all, are sailing very close to the wind"

The National Association of Automobile Manufacturers of SA (Naamsa) says although it does not calculate individual company performances, at least three producers could be in a loss position at the end of the year

Willie van Wyk, new managing director of Delta Motor Corporation, says Delta should meet budget this year, but it is not making an acceptable return on assets, a position he believes is common in the industry

An indication of the depth of the recession is given by Toyota which reported interim taxed profit for the year to June of R11,8-million, 74% below last year's R46,2-million

Small

Another profitable group is BMW, which has benefited from its extensive export effort, probably the biggest in the industry

Volkswagen marketing director Dave Malherbe says the company is expecting a small positive growth this year

Nissan chairman John Newbury says the company is substantially more profitable this year than in 1991 and he expects profits next year to be similar

Samcor refuses to discuss its profit position, but has taken retrenchment steps to cut costs

Sales of new cars dipped last month to 15 644 from 17 035 in the previous month, but was well up on the 14 200 in November last year Sales for the first 11 months are 169 888, suggesting that the total for the year will top 180 000

MOTOR INDUSTRY FM 18/12/92

Turning the corner? (192)

Car sales jumped in November for the second month in a row The optimistic say this is another sign that the economy will revive next year, pointing also to the improvement in business confidence and the announcement of several huge capital projects The pessimistic say the car figures are a fluke, due only to the introduction of new models, and cite the still struggling commercial vehicle market

Whatever the significance, car sales soared 10,2% last month over the same month last year In October, car sales rose 9,2% over October 1991

Costa Pierides, assistant director of the National Association of Automobile Manufacturers of SA, says the perception that the economy is improving may itself help to improve sales next year He concurs that the release of several new models, for which buyers have been waiting, has boosted sales but, on the other hand, if introducing new models is what it takes to spur car sales, there's nothing wrong with that

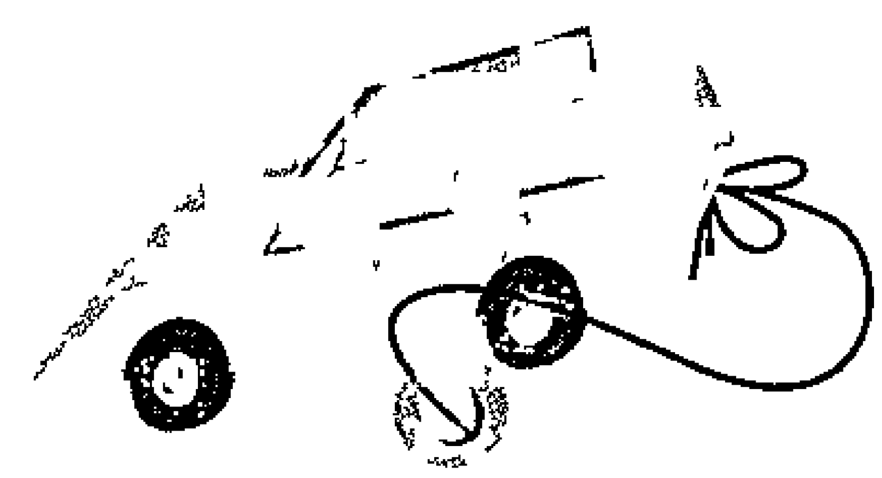
The new models include Toyota's Camry, Volkswagen's Golf, Jetta and Audi, the Nissan Sentra, Honda Ballade from Mercedes-Benz of SA, BMW's 3-Series and Delta's Opel Calibra The launches will continue next year with the introduction of Samcor's new Ford Telstar and its new Mazda 626, as well as Delta's new Opel Kadett and Monza ranges

The good news continued in the light commercial vehicle market Sales increased slightly for the fourth month in a row over the same month last year Sales were up 1% last month, after increases of 1,4% in October, 2% in September and 2,1% in August

Sales of heavier commercial vehicles, however, continue to fall But if the economy does in fact pick up next year, so should heavy vehicle sales The average age of the commercial fleet has now reached 13 years, according to some estimates, and many of these beasts of burden will have to be taken off the road soon

This year has even been a disappointment for one of the industry's most conservative forecasters, Adolf Moosbauer, Mercedes-Benz of SA's management board member for commercial vehicles Sales of vehicles with a gross vehicle weight of more than 5 000 kg are not likely to get anywhere near his original estimate of 10 600 units He now says 8 500 is nearer the mark, but this will rise to 9 000 next year, "provided progress is made on the political front"

The good news for Mercedes-Benz is that it has increased its share of the over-7,5 t market from 35% in 1991 to 37% this year, "and we're aiming at 38% in 1993" ■



November vehicle sales

Cars		Total	%*
Toyota	Corolla 2 682, Camry 1167, Cressida 292, other 40	[illegible]	26,7
[illegible]	Mazda 323 759, Sapphire 657, Ford Laser/Meteor 399, Mazda 626 288, Sierra 160, other 2	[illegible]	14,5
[illegible]	Sentra 1 139, Fiat Uno 797, Maxima 163, Skyline 77, 200SX/300ZX 24	2 200	14,1
VW	Golf 926, Jetta 645, Fox 224, Audi 197, other 5	[illegible]	12,8
BMW	3-Series 1 465, 5-Series 378, 7-Series 92, other 2	[illegible]	12,4
[illegible]	Honda Ballade 1 061, M-Benz W124 552, W126 66, other 44	[illegible]	11,0
Delta	Kadett 647, Monza 463, Rekord 211, Calibra 20	[illegible]	8,6

*% of the total car market

	1992	1991	% Change
November	15 644	14 200	+10,2
January–November	169 888	184 290	-7,8
October (17 035) –November			-8,2

Light commercials

Toyota 2 890 (36,4% of the market) Nissan 1 973 (24,9) Samcor 1 464(18,5) Delta 1 011 (12,7) VW 561 (7,1) AAD 35 (0,4)

	1992	1991	% Change
November	7 934	7 854	+1,0
January–November	85 945	92 981	-7,6
October (8 597) –November			-7,7

Medium commercials

Toyota 140 (48,4%) Samcor 59 (20,4) Delta 51 (17,6) M-Benz 21 (7,3)) Nissan 18 (6,2)

	1992	1991	% Change
November	289	353	-18,1
January–November	3 089	3 913	-21,2
October (298) –November			-3,0

Heavy commercials

M-Benz 176 (35,6%) Toyota 128 (25,9) Nissan 103 (20,8) Delta 42 (8,5) MAN 18 (3,6) Tyco 14 (2,8) ERF 12 (2,4) AAD 2 (0,4)

	1992	1991	% Change
November	495	567	-12,7
January–November	5 030	5 480	-8,2
October (497) –November			-0,4

Total vehicle sales

Toyota 7 339 (30,1%) Nissan 4 294 (17,6) Samcor 3788 (15,5) VW 2 558 (10,5) Delta 2 445 (10,0) M-Benz 1920 (7,9) BMW 1 937 (8,0) other 81 (0,3)

	1992	1991	% Change
November	24 362	22 974	+6,0
January–November	263 854	286 664	-8,0
October (26 427) –November			-7,8

Cut car model numbers urges new BMW head

(192) AEG 19/12/92

JOHN SPIRA
Weekend Argus Correspondent

SOUTH Africa's motor industry has long been plagued by the production problems inherent in an excessive model range and a relatively small market.

These factors have deprived the industry of economies of scale and, in the process, the motorist has paid for it

Hopefully, says Rainer Hagemann, who arrived in South Africa last week to fill the seat vacated by Reinard Kunstler, the situation could soon change

The solution — a win-win situation for all — is for domestic manufacturers to concentrate on the production of fewer models for the local and export markets, with the balance of the range being imported free of the crippling 110 percent duty

"In this way," contends Mr Hagemann, "we shall be in a position to reap the advantages of long production runs and pass them on to the consumer in the form of price stability

"We've already demonstrated — albeit in a small way — just how significant the benefits can be BMW South Africa's exports worth R350 million in each of the past two years have enabled us to hold price increases to a level considerably below the industry average and inflation

"The motor industry (and associated industries) would receive a tremendous shot in the arm, with spin-offs in the form of many more jobs and heightened prosperity And South Africa's foreign exchange earnings would also receive a major shot in the arm"

Mr Hagemann said the benefits would be purely guesswork at this stage, but they would add noticably to the country's Gross Domestic Product

He estimated the number of vehicles coming off the production line at BMW South Africa alone would increase considerably

Changing gear: Major benefits for the SA economy, with stabilisation in new-car prices, are in the offing if an innovative plan currently being discussed with government is approved. That's the word from new BMW South Africa chief Rainer Hagemann.

He cautioned, however, that for the export initiative to succeed, South African car manufacturers would need to be competitive in a global arena that demanded the highest quality at the right price

"Certain domestic manufacturers have a lot of work to do to reach these objectives, as will many suppliers of components and raw materials"

Mr Hagerman also warned against excessive enthusiasm in the near term

"We still have several hurdles to clear and even then the whole process will be subject to phasing-in I would nevertheless expect the wheels to start rolling before the end of next year"

The logistics were a drawback, since South Africa was a long way from the major markets BMW's exports would probably be to the UK and the shipping costs would certainly add to the price of the vehicle

Several component and raw material suppliers were not in a position to supply top quality products in the volumes that would be required, and would need to address this

On the standard of labour in the South African motor industry, Mr Hagemann said "South Africa is obviously at a disadvantage to, for example, Germany, where employees on the production line receive extensive training in relevant institutions before they get near a motor vehicle plant

"BMW South Africa has had to plug this gap by doing its own in-house training and the results have been highly gratifying We now have a stable and efficient workforce If the other domestic manufacturers have followed a similar path, then South Africa has nothing to fear on this score"

BMW in South Africa was wholly owned by the Munich-based parent company, and the directors at BMW AG had reacted favourably to the proposals under discussion

"They're for it one hundred percent They recognise the benefits and are fully prepared to play the role that would be required of them in the form of exporting to South Africa the BMW models that would no longer be manufactured here, and forging markets overseas for exports from the local production facility"

Mr Hagemann was previously controller of BMW's worldwide interests and his appointment as head of the South African operation indicates the importance the parent company attaches to its subsidiary in this country

New Nissan-Fiat link

ST Times (Buss) 20/12/92

RELATIONS between Nissan SA and Italian-based Fiat could be strengthened if current negotiations are successful, creating a bond which could have far-reaching consequences internationally Talks over the past three weeks, although not yet finalised, could pave the way for Fiat's financial return to SA

Europe's second largest truck-maker and the world's biggest diesel engine producer, Iveco — major shareholder Fiat — has been discussing a possible investment in Truckmakers Another big shareholder in Iveco is Magirus Deutz

Truckmakers, which makes Samil and Samag heavy trucks, is a subsidiary of Automakers, which owns Nissan SA

For almost three years, Nissan SA has had considerable success in marketing the Fiat Uno in SA, which established the initial Japanese and Italian connection The Fiat link was further strengthened in February when Truckmakers and Iveco signed an association agreement to build trucks

Two weeks ago, Iveco indicated that it would like to withdraw from this agreement and manufacture its own trucks in SA Since then the possibility that Iveco might invest in Truckmakers has been discussed Nissan managing director John Newbury says that "both offers are on the table", but believes the investment option is more likely

(192)

"We had hoped to have concluded the agreement this week, but it has taken longer than expected" Mr Newbury says an investment in Truckmakers would be welcome, but he does not see Iveco becoming the dominant partner

BMW SA to produce cars for world market

(192)

STimes (BUSS)

20/12/92.

By DON ROBERTSON

BY THE end of next year, BMW SA should be in a position to begin the limited production of right-hand drive cars for the world market Within two to three years, the South African company could be producing the full range of right-hand drive cars for the British and Japanese markets

This could see production levels rise to about 120 000, including the SA market, compared with sales this year estimated at about 16 000 A prerequisite for this development will be the ability of the company to buy its components from any source at the cheapest price

This exciting project will be fostered by Rainer Hagemann, the most senior manager from the German parent to be appointed to head up the company in SA

Mr Hagemann takes over as chief executive in January, having been chief financial controller of the BMW group

"Globalisation of the South African company is my main aim. By the end of next year we should be in a position to start production But we will probably select only one model, perhaps a 3-Series, and expand on this as revenues from exports come in

"It will, however, all depend on receiving government permission and we will, of course, have to work out the logistics and cost structures," he says

If the project is to work, BMW SA must be able to buy the cheapest components from any source South African manufactured components are generally not competitive internationaly and pressure will have to be put on them to keep prices down, Mr Hagemann says

He is also enthusiastic about government plans to reduce import duties on fully built-up cars Import duties were recently reduced from 110% to 100%, and Minister of Finance Derek Keys has indicated that, over a period of five to six years, duties could be cut to about 40%

"As things stand at present it is cheaper to build lower volume models in SA, but if we were able to export cars we could use the export credits to pay for completely built-up cars and eliminate the local production of some models This would give us improved economies of scale," Mr Hagemann says

BMW is one of the largest exporters in the local industry, with sales this year of about R350-million, compared with total exports of about R1-billion The local company supplies about 85% of all leather seats for the world market Mr Hagemann does not, however, see much growth in exports in 1993 as world economies — and thus car sales — decline

SA interest in vehicle expo

BDAY 24/12/92 (192)

Business Day Reporter

MORE than 30 SA companies are expected to take part in the first vehicle exhibition to be staged in Mozambique next year

The Expo Auto '93 show in April was meeting with growing interest from members of the local vehicle and component manufacturing industries, Intrancon marketing director Allen Roberts said

"A lot of interest is coming from component manufacturers and spare parts suppliers, but a major original equipment manufacturer of heavy road transport vehicles has already confirmed its attendance," he said "If the initial interest continues , there could be as many as 30 to 40 SA companies attending this exhibition "

This follows appropriate legislation having been passed by the Mozambique government to encourage capital and skills investment by SA companies in the country's recently privatised road transport industry, Roberts said

"It is one of four industry sectors, clothing/shoes, agriculture and construction are the other three, that have been marked as a priority by the Mozambican authorities, and which receive special favour in the application of foreign aid funding "

The Mozambique government is encouraging SA involvement either on a joint venture or full ownership basis

"We are aware tax and investment concessions are a necessary part of this programme," said Ernest Nhavato, a member of the Johannesburg-based Mozambique trade mission's commercial section

Bus sales likely to hit record low

(192) BDay 28/12/92

ROBERT WICKS

THE forecast for bus sales had been revised down to a record low of 400 new units for 1993, industry sources said at the weekend.

This compares unfavourably with the 554 units sold last year and annual average sales of 4 000 units during the '70s and early '80s.

Dorbyl Transport Products MD Rob Duff said "Bus sales have never been at a lower level, and no upturn will be seen until government recognises the socio-economic right of the man in the street to have public transport at his disposal"

He said a number of different studies were under way, but uncertainty regarding deregulation was hampering possible progess.

A Mercedes Benz spokesman said government orders were down substantially for 1993 Government departments were either not buying, or had opted for smaller units

The sources said the recession, growth in the taxi industry, high costs of capital expenditure and unemployment were also seen as major causes of the decline in sales figures

Busaf executive director Ray Karshagen said 1993 would be similar to 1992 when the industry "went through one of its toughest years to date"

The lack of policy direction within the sector was making investment opportunities difficult, he said

However, the sale of second-hand buses had increased to fill the gap created in the market by declining sales of new buses, he said

Johannesburg transport marketing director Jenny Gray said, notwithstanding the poor conditions in the industry, delivery of 19 new buses would be taken early next year Another 23 new buses would be leased through a finance company.

"This overcomes the problem of engaging in outright purchase which is difficult, given the level of expenditure required by the department," Gray said.

A slight increase in commuters had been noted during 1992 but it was not sufficient to boost revenues beyond a "holding even" level

Gray said the possible emergence of a new Public Transport Authority and the movement away from a subsidy scheme to a four-year contract programme was also adding to the level of uncertainty in the sector

Johannesburg transport technical director Brian Appleby said he was optimistic passenger volumes would pick up in the new year. The department had acquired 42 new buses, representing a 10% fleet replacement

Appleby said the bus industry had itself to blame for its predicament

"A traditional approach has been followed in SA with many people in the sector feeling that a new style of bus was not needed."

"We are currently looking at a modern new design which will be comfortable, modern and appealing to the public," he said

Some industry sources indicated a viable new export market in Africa could be opening up in the new year for 60-seater buses

Karshagen said his company had received numerous inquiries in recent months

"Unfortunately many regional countries face major financing problems. If enough foreign exchange was available, a number of large orders could be met," he said

World motor industry heads for a shakeout

BDAY 30/12/92 (192)

NEW YORK — The global motor industry is heading for a shakeout Companies from Detroit to Stuttgart to Tokyo are pulling back in a way few people anticipated a year or two ago, when the industry was winding up a decade of expansion, the Wall Street Journal said yesterday

While none of the manufacturers are expected to disappear, some have already lost their independence, more probably will, and many will emerge smaller

Among those cutting back

☐ Isuzu, which has just reported a net 12,68bn yen loss for the October fiscal year, says it will "suspend development of passenger cars", and concentrate on trucks, recreational vehicles and diesel engines

☐ Sweden's Volvo, with worldwide sales down 38% since 1986, says it will shut two of its eight assembly plants and probably retrench 2 250 workers

☐ Mazda recently abandoned a planned network of luxury car dealerships in North America, after spending hundreds of millions of dollars to develop new cars and sign up 82 dealers

☐ GM this month announced plans to close eight more factories, bringing the total to 22 About 74 000 workers are expected to be retrenched by the mid-90's

☐ Germany's Daimler-Benz says it will retrench 27 500 employees, 13% of its automotive workforce, by 1995

☐ Fiat is laying off workers temporarily as its Italian market share is down to 43% from 60% a few years ago.

☐ In Britain, Jaguar, which continues to lose $100m a quarter, in spite of slashing its work force to 8 000 from 12 000, says it will axe an additional 700 employees

☐ Japan's Daihatsu expects a loss of 5bn yen in the fiscal year ending March — its first loss since going public in 1949

☐ Toyota, the strongest Japanese maker, saw profit in its June fiscal year fall 40%

The global shakeout stems from simultaneous weakness in the major economies, something motor manufacturers did not expect when they built 25 new assembly plants between 1982 and 1992

In the past, when either Europe or the US suffered an economic slump, the other would be riding high Profit from the continuing surge of car sales in Japan fueled the expansion of Japanese producers

But now, worldwide excess production capacity totals 8,2-million vehicles a year Two years ago Japanese domestic sales hit a record 7,8-million cars and trucks in 1990

But last year, the industry collided with economic downturns at home and abroad In Japan, the country's 11 vehicle manufacturers saw sales dip 3%, the first decline since 1980 In the first 11 months this year, their sales fell 7,5%, with a 12% drop in November Japanese companies are paying for the strategy that made them such fearsome competitors in the 80's — grab market share even at the expense of profit With their "lean production" system, they could make high-quality, inexpensive cars with a seemingly limitless variety of body types and options

But the formula has a nasty side effect, what Jardine Fleming analyst Jonathan Dobson calls the "market-share paradox" He says although Japanese motor manufacturers' sales have tripled in the past 20 years, their profit margins have halved

That is because the market share strategy requires selling cars cheaply and spending heavily on plant and development to turn out a wide lineup of models. When sales were rising, the low margins still produced good profits. But now, some analysts believe six of Japan's manufacturers could lose money this fiscal year on weak domestic sales — AP-DJ

MANUFACTURING — MOTOR INDUSTRY

1993

JAN. — JUNE

Rolls Royce salesmen riding a rough road

B/Day 12/1/93

EDWARD WEST

ROLLS ROYCE sales in SA dropped to four last year — sharply down from the early '80s when sales topped 20 a year

McCarthy Motors MD Errol Richardson said Rolls Royce sales in SA had declined in line with a world trend of falling luxury vehicle sales (192)

In the past decade local sales had fallen to an average of four a year, mainly because of the declining economy

Richardson also forecast stagnant sales in 1993

Priced at nearly R1m — of which more than half is paid in import duties — the luxury cars are imported to customer specifications

The price might seem steep, but about 60% of all Rolls Royces built are still on the road

Grosvenor Rolls Royce MD Dennis Weston said approximately 500 of the cars were still on SA's roads

He said one of the newly introduced two-door Continental R coupes had recently sold in Cape Town for just more than R2m It was the only such vehicle to be allocated to SA by Rolls Royce in the UK

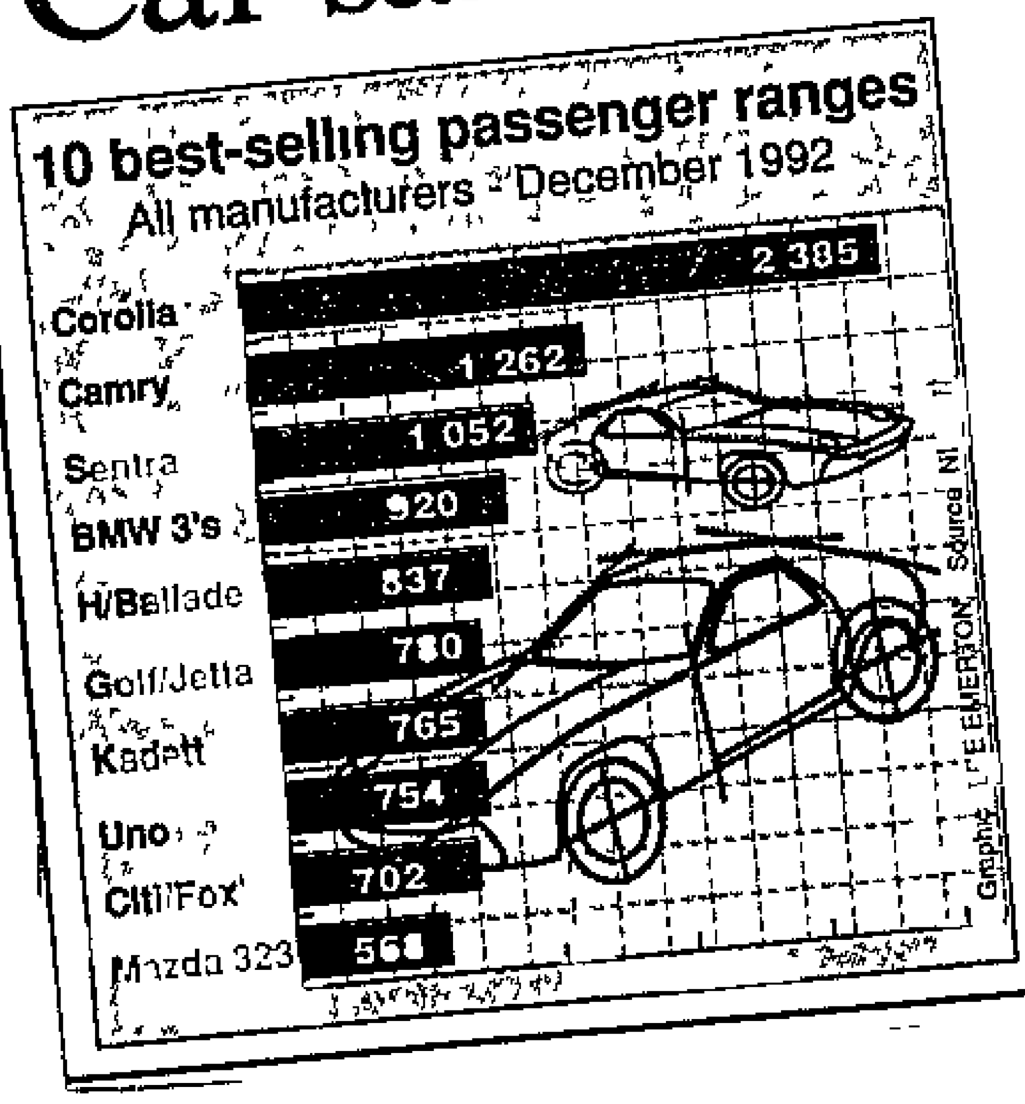
Only 70 Continental R models were to be built for markets in the US, UK, continental Europe and the Pacific Basin

The Rolls Royce franchise is held in the Transvaal by McCarthy Motors through Grosvenor Ford, in Durban by McCarthy MMI, and in the Cape by Brian Porter Holdings

Car sales stall in December

B|DAM 14/1/93

192 EDWARD WEST



DECEMBER vehicle sales ended 1992 on a weak note after a modest recovery in the previous three months, with annual sales falling for the fourth successive year, the National Association of Automobile Manufacturers of SA (Naamsa) said

New car sales fell 16,7% to 13 022 units compared with 15 642 units sold in November 1992 and 3,1% when compared with 13 446 sold in December 1991

Light commercial vehicle sales were 18,3% lower at 6 484 compared with 7 934 sold in November 1992 and 12,7% lower than the 7 424 sold in December 1991

Medium commercial vehicle (MCV)

□ To Page 2

Car sales

B|DAM 14/1/93

sales at 202 were 5,6% lower than December 1991's 214, while heavy trucks and bus sales (HCV) increased 13,1% in the same period when 327 were sold

MCV sales declined 26,8% compared with 276 sold in November 1992, as did HCV sales, down 27,2% compared with the 508 sold the previous month.

Naamsa was optimistic that slightly improved sales of September, October and November would continue into 1993 as early indications from vehicle manufacturers and financing houses suggested January 1993 new car and light commercial vehicle sales had improved considerably.

Toyota marketing MD Brand Pretorius said December's lower sales were no surprise but still disappointing in that they

□ From Page 1

reflected a slight reversal of the improved sales trend in the last quarter of 1992

Toyota believed the market had bottomed out, which underpinned a more confident outlook for 1993. "Toyota's 1993 car sales forecast is 2,2% higher at 187 000 compared with 182 908 sold in 1992"

Naamsa also expected a steady improvement in sales in line with an expected modest economic recovery.

Nissan SA marketing MD Stephanus Loubser said it was clear the car market was not yet back on the road to recovery, but there were some positive signs that it could start improving in the third quarter.

New vehicle sales in 1992 were 284 028, 7,8% lower than 1991's 308 120 Naamsa forecast 1993 sales to be 3,3% higher.

Nissan hopes for recovery

Blday 13/1/93.

TOKYO — Nissan Motor president Yoshifumi Tsuji said yesterday he expected Japan's economy to recover gradually in the second half, allowing domestic vehicle sales to rebound after falling for two years in a row

But exports by Japan's second-biggest car maker are expected to decline with overseas production surging

Tsuji said domestic sales were forecast to rebound 5,9% this year to 1,27-million units, noting that while sales were lacklustre in August, September and October, they had picked up in November and December (192

Nissan's exports are projected to drop 7,7% to 870 000 units with overseas production expanding by 22,4% to 1,06-million units That compares with a growth rate of 15,2% last year, mainly reflecting the launch of new models in the US, Britain and Spain At the same time, the company's domestic output is forecast to grow more modestly, by 1,1% to 2,14-million units, pushing up worldwide production by 7,3% to some 3,2-million vehicles

Tsuji outlined a three-pronged plan to reverse a 14,2-billion yen pre-tax loss in the six months to September, expected to reach 15-billion yen in the year to March, Nissan's first loss in more than 40 years The three priorities are to cut costs and improve productivity by 10% a year, strengthen domestic sales, and increase the self-reliance of operations overseas — Sapa-AFP

Politics hampers recovery in truck sales

BDM 13/1/93 (192)

TRACY SCHNEIDER

SOCIOPOLITICAL problems had put paid to any chance of recovery in truck sales for 1993, industry sources said yesterday

Toyota Trucks director Des Gush said the industry had expected sales to improve slightly in 1992, but political and economic stagnation now put any chance of improvement on hold

Gush said even a good year in the agricultural sector would not have a significant effect in the coming 12 months, but could have an affect in 1994

He believed price increases would be contained around 10% to 12% for 1993, being a little below or in line with the projected inflation rate for the year

Mercedes-Benz SA said it had cut its original estimate from 10 600 to 8 500 for heavy and medium commercial units

He anticipated commercial vehicle sales of 9 000 units for MBSA in 1993 This was slightly below 1991's 9 934 units sold

Nissan Diesel also forecast no growth in 1993 and hoped to sell 5 500 units Toyota forecast its 1993 sales at 5 200 heavy and 3 500 medium commercial units

With November and December sales still to be confirmed, Toyota revised previous forecasts for 1992 downwards by 800 heavy and 150 medium units to 5 200 and 3 500 respectively

MBSA commercial vehicle management board member Adolf Moosbauer said the deteriorating market was a result of ongoing sociopolitical problems

MBSA continued to dominate the heavy commercial vehicle category (7 500kg and over) and its market share was forecast at 37% by the end of 1992 from 35% in 1991 The company expected a further 1% increase this year

Nissan Diesel heavy vehicle director Dave Scott saw the company's market share improving "Our monthly volumes are increasing, and we have become a strong player in the total truck market for all vehicles over 5 000kg GVM," he said

Tractor sales of 2 207 units for 1992 were 23% lower than the 2 861 sold in 1991 and were the lowest ever, reflecting the severe economic and climatic problems which faced the SA farmer in 1992, the SA Agricultural Machinery Association said on Friday

Propects for 1993 were fairly encouraging, but were dependent on the country receiving widespread, continuous rains Tractor sales in 1993 were forecast at levels close to that of 1992 at between 2 200 and 2 400 units, it said

Recession axes growth in new vehicle sales

(192) CT 14/1/93

By MAGGIE ROWLEY
Deputy Business Editor

NEW car sales sagged 16,7% in December with total sales for 1992 declining for the fourth consecutive year

Sales for December dropped more than 2 000 units or 16,7% to 13 022 units against November's figures which in turn were down sharply on the previous month's sales figures of 17 035 units They were also down on December 1991 when 13 446 new cars and 7424 light commercial vehicles were sold

New light, medium and heavy commercial vehicle sales last month were also well down on November's levels

Releasing the latest figures yesterday, the National Association of Automobile Manufacturers of South Africa (Naamsa) said that due to "various extraneous factors which could serve to distort the market", December calendar month sales should not be viewed in isolation

The improved sales trend experienced in the three months to end November was expected to continue this year in line with the modest growth scenario for the economy which should lift vehicle sales, said Naamsa

Indications from various vehicle manufacturers and financing houses suggested that new car and light commercial vehicle sales had picked up considerably during January

According to Naamsa, the recession, restrictive monetary policy, lower levels of personal disposable income and uncertainty about the country's future had all played a role in dampening the demand for new vehicles in 1992

Recession

A total of 182 908 new cars were sold in 1992 compared to 197 736 cars in 1991 while light commercial vehicle sales for the year were 92 429 units against 100 450 previously A total of 3 279 medium commercial vehicles and 5 413 heavy commercial vehicles were sold last year against 4 127 and 5 807 in 1991 respectively

Naamsa's sales forecast for 1993 are 187 000 cars, 97 000 light commercial vehicles, 3 500 medium commercial vehicles and 5 900 heavy commercial vehicles

According to Naamsa, most major manufacturers were more confident about prospects for this year's sales while Toyota even went so far as to say the market had bottomed out in the last quarter of 1992

Toyota marketing MD Brand Pretorius said December's lower sales were no surprise but still disappointing in that they reflected a slight reversal of the improved sales trend in the last quarter of 1992.

Toyota's 1993 car sales forecast is 2,2% higher at 187 000 compared with 182 908 sold in 1992

Nissan SA marketing MD Stephanus Loubser said it was clear the car market was not yet back on the road to recovery, but there were some positive signs that it could start improving in the third quarter.

● The passenger vehicle market share of the various manufacturers is as follows. Toyota 24%, Volkswagen 18,1%, Samcor 15,6%; Nissan 14,3%, Mercedes-Benz 10%; Delta 9,4%, and BMW 8,6%

A flat 1992 for motor industry

By Sven Lunsche (192)

Car sales fell in 1992 for the fourth year in succession, but the industry is optimistically forecasting a slight improvement this year. Star 14/1/93

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that sales fell to 182 908 units, a decline of over 15 000 units on 1991, and the lowest level since 1987.

Similar percentage falls were recorded by other sectors Sales of mini-buses and bakkies dropped to 92 429 units (1991. 100 405), medium commercial vehicles to 3 278 (4 127), and heavy commercials to 5 413 (5 807)

The association attributes the decline in sales to the lower level of disposable incomes, reduced corporate investment spending and ongoing socio-political uncertainty.

While car sales in December fell sharply to 13 022 from 15 642 previously, Naamsa is optimistic that the improved sales trend of September, October and November will continue this year

"Early indications suggest that so far in January new car and light commercial vehicle sales have picked up considerably," it says.

Naamsa foresees a gradual improvement in new car sales this year to about 187 000 units, in line with the expected modest recovery in the economy

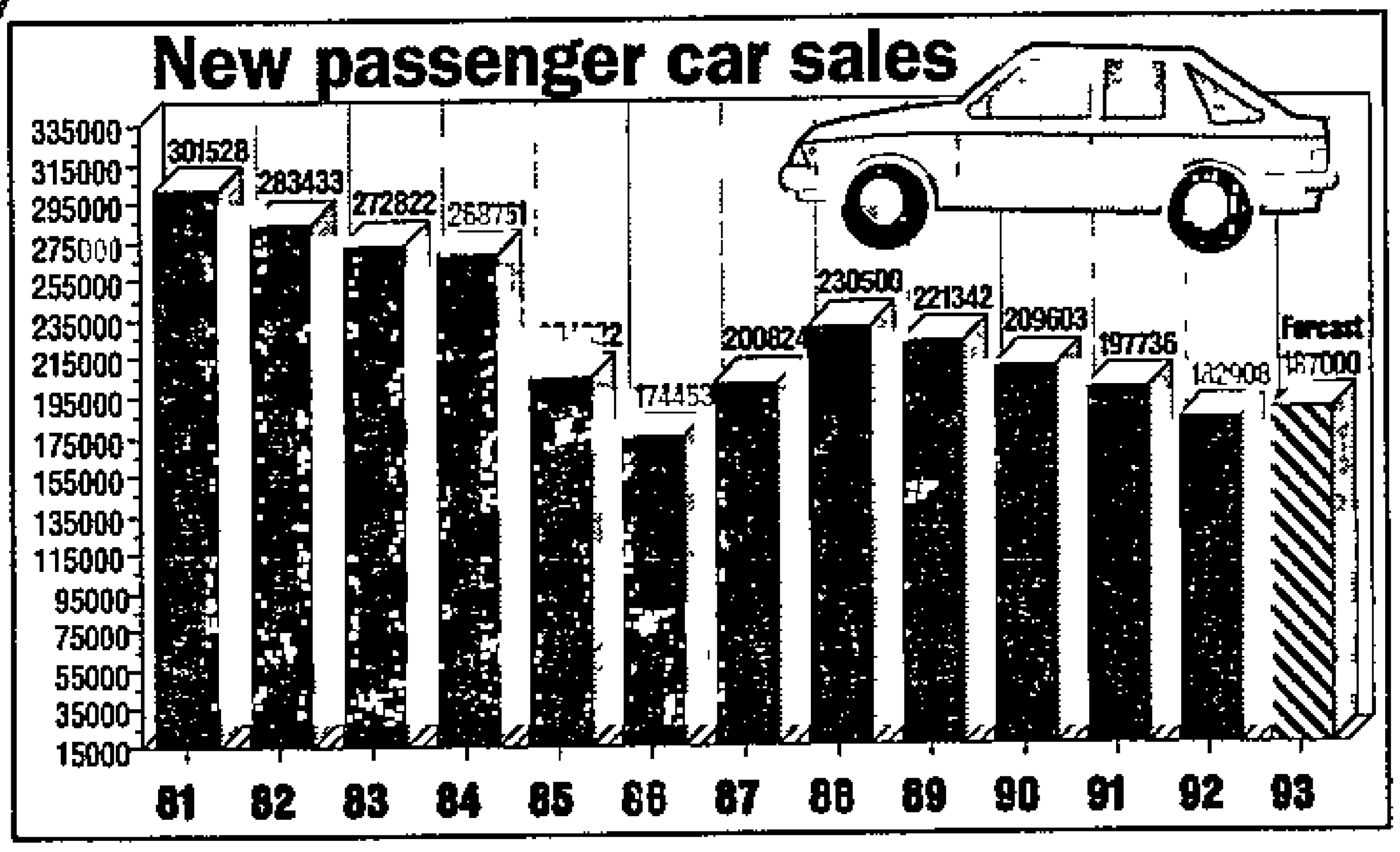
Brand Pretorius, managing director of Toyota SA Marketing, echoes Naamsa's more optimistic outlook for 1993

"The positive trend in passenger vehicle sales for the last quarter of 1992 provides an indication that the market has indeed bottomed out," he says

This is underpinning a more confident outlook for 1993 and Toyota's forecast for passenger vehicle sales for the year is 187 000 units, up 2,2 percent on 1992 sales

The Naamsa figures show that Toyota regained its market share in all sectors, after experiencing a temporary slump following the strike at its Durban plant.

For 1992, Toyota's share of the total vehicle market was 27 percent, followed by Nissan with 17,7 percent, Samcor 17,2 percent, VW 14,2 percent, Delta 10,7 percent, Mercedes 7,2 percent and BMW 5,5 percent



Another year of tough prices for car market

(192)

S.Times 17/1/93

(BUSS) By DON ROBERTSON

HIGH prices almost wrecked the new car market last year, but there is expected to be little let-up in 1993 with prices forecast to rise by between 10% and 13%.

New car sales last year plunged to 182 900, the fourth consecutive year in which sales have fallen They compare with record sales of 301 000 in 1981

Six of the seven manufacturers have started the ball rolling with an overall price hike this month ranging between 2,9% and 4,6%

Task force

Manufacturers say that the rising cost of local and imported components and the decline and expected further weakening of the rand, are the main reasons for their gloomy outlook

Although car makers are aware of the difficulties higher prices make for sales, they believe volumes will rise modestly this year, helped by the spate of new models launched late last year and early in 1993 This is evidenced by the industry's total capital expenditure this year, which is expected to reach about R520-million

A task force, involving assemblers, component manufacturers, Government and trade unions was established late last year to investigate, among other matters, the sharply rising cost of new cars The task force must report to the Minister of Finance by December

Market leader Toyota increased prices by 2,9% on average on January 1 and hopes to keep levels below inflation this year at between 11% and 12% This compares with 11,5% in 1992

Toyota managing director Brand Pretorius says, however, that the deterioration in the exchange rate is "very worrying" and could affect prices

He adds that comparisons between price increases from one year to the next are not always valid as they often include changes in model line-up and specification upgrades Toyota's capital spending this year is forecast at R60-million

The average increase posted by Volkswagen was 11,8% last year and could be as high as 13% in 1993 In January and February, prices of most Volkswagen vehicles will be lifted by 3% Capital expenditure this year will be between R50-million and R100-million compared with R230-million last year when the third generation of Golfs and Jettas was introduced

BMW increased prices by an unusually large 4,6% in January, but this was because of the introduction of the M60 with a V8 motor, which effectively replaces the six-cylinder 730i In addition, the Three Series 320i and 325i are now available on the full Motorplan scheme

Valuable

The overall price rise for the year is expected to be about 11% compared with 9% in 1992 as export volumes are unlikely to be as valuable as last year Spending will be about R100-million this year

Samcor, manufacturers of Ford, Mazda and Mitsubishi added between 0,22% and 3,8% to vehicle prices in January, but the Sapphire, Sierra and Mazda 626 were not affected The company believes this year's rises will be kept below the inflation rate, at perhaps 10% Prices rises last year were below 10%

Samcor will introduce a new range to replace the Ford Sapphire, Sierra and the Mazda 626 Capital spending is expected to reach R90-million Part of the tooling costs for the new models were incurred last year when spending reached R100-million

Nissan's increase was less than 3% on average this month, with some models escaping the rise The company's average increase last year was about 8% and it hopes to hold price rises in 1993 to below the inflation rate Capital spending will be about R160-million

Mercedes-Benz is the only manufacturer to have held prices steady at the beginning of the year Last year, prices of the W124 range rose by 12,4%, but this included the free two-year maintenance and touring package as well as radios fitted as standard equipment The company intends to keep prices below inflation this year

Capital expenditure in 1993 is estimated at R28-million

Delta pushed up prices by 10,9% last year and is looking at a 10,4% rise this year This month, prices were lifted by 1,7%

Delta, the most privately owned SA manufacturer, was reluctant to reveal last year's capex or predict what might be coming in 1993 It is understood that a new Monza and Kadett range will be launched this year

New car models capture market share

TRACY SCHNEIDER and EDWARD WEST

NEW models launched last year accounted for more than one-fifth of total car sales in 1992, enabling a number of manufacturers to increase market share BDM 18/1/93

National Association of Automobile Manufacturers of SA (Naamsa) statistics put sales of BMW's 3-series (11 550), Nissan Sentra (13 745), Mercedes-Benz SA's Honda (11 958) and Toyota's Camry (2 429) at 21,6% of 1992's 182 908 total sales

Toyota sold 1 262 Camrys in December — second highest number of cars sold in that month

It was the first full month of production, and helped increase the group's total share of the car market to 29,4% in December

The Corolla remained the most popular model, selling 33 996 units It ensured Toyota's market leadership for the 12th consecutive year at 24%, despite a nine-week strike at its manufacturing plant and a 2,1% drop in car market share from 1991's 26,1%

The new Nissan Sentra captured 7,5% of the car market in 1992 with 13 745 sales, up 3,3% from 1991 The car boosted Nissan's total passenger market share to 14,3% from 10,5% in 1991

Mercedes-Benz improved market share from 8% in 1991 to 10% in 1992, with the new Honda Ballade and the Prelude penetrating 6,5% of last year's passenger market, up from 4,1%

192

The BMW 3-series bolstered the company's overall market share to 5,5% in 1992 from 5% in 1991 The 11 550 3-series sold in 1992 was 6,3% higher than the 9 778 sold in 1991

Volkswagen, Delta, Samcor Ford and Samcor MMI lost market share in 1992 Volkswagen suffered a 2% drop in market share to 18,1% in 1992 from 20,1% in 1991, The Golf/Jetta range lost the most market share and ended December holding 6,7% of the market from 9,1% in 1991 Delta's passenger market share fell from 10,6% in 1991 to 9,4% in 1992

However, in terms of year-on-year sales, Nissan increased the number of its cars sold in 1992 over 1991 by nearly a quarter to 26 171, Mercedes-Benz by 15,7% to 18 240 and BMW by 1,5% to 15 678%

Inflation beats sales for McCarthy

DES PARKER (192) ARGUS 2/1/93

DURBAN — Inflation beat sales in December in all the operating divisions of the new retail conglomerate, McCarthy Retail

But with the economy in the poor state it is in, the fact that the group's stores and motor showrooms managed to trade at or above the levels of Christmas, 1991, is cause for great satisfaction in the estimation of chief executive, Terry Rosenberg

The group, formed from the merger last year of McCarthy Group and Prefcor and which owns Game Discount World, the Beares furniture chain, the Bee Gee clothing outlets and South Africa's biggest motor dealership, McCarthy, rang up sales totalling R540 million last month — equivalent to more than R17 million a day, Mr Rosenberg said

Turnover at Beares and Game was up 10 percent on December, 1991, while sales at Bee Gee were 15 percent better

"December margins were generally well held in the group's national store chains — Game, Beares and Bee Gee — while the motor side of the business remained steady, with December's new vehicle sales of just over 2 400 being on a par with November and with December a year ago"

The market for new vehicles appeared to be over the worst, although "significant growth" in the near future was out of the question

FM 22/1/93 (192)

Autoquip's Coquelle . *increased stock financing*

FM 22/1/93

and economic conditions allow. (192)

The share price has recently climbed from a low of 20c to 35c, where the p e is 5,1, reflecting difficult trading conditions and margin pressure Autoquip is adapting itself to the tougher market but the p.e is probably a fair valuation given high gearing and future earnings dilution *Louise Randell*

AUTOQUIP FM 22/1/93

Downhill ride (192)

Activities: *Wholesale distribution of automotive accessories, tyres and selected replacement parts*

Control: *Directors 38,2%*

Chairman & MD: *B D'A Coquelle*

Capital structure: *10,9m ords Market capitalisation. R3,8m.*

Share market: *Price 35c. Yields 7,1% on dividend; 19,4% on earnings, p e ratio, 5,1, cover, 2,7 12-month high, 47c, low, 20c. Trading volume last quarter, 378 900 shares.*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	3,8	4,4	4,1	4,8
LT debt (Rm)	0,35	0,37	0,26	3,5
Debt equity ratio	0,56	0,53	0,45	1,30
Shareholders interest	0,35	0,37	0,38	0,25
Int & leasing cover	8,9	4,3	3,1	2,0
Return on cap (%)	25,0	22,8	19,6	12,1
Turnover (Rm)	35,5	44,5	50,0	52,8
Pre-int profit (Rm)	5,2	5,2	5,0	3,8
Pre-int margin (%)	14,6	11,8	10,1	7,2
Earnings (c)	15,6	13,1	11,1	6,8
Dividends (c)	6,5	5,0	5,0	2,5
Net worth (c)	45,8	53,8	60,0	71,1

Autoquip had another difficult year in 1992 Since 1989, pre-interest operating margins, earnings and dividends have more than halved

Margins have been under severe pressure due to difficult trading conditions, price cutting by competitors and Autoquip's commitment to maintaining market share High interest rates on ballooning debt also undermined earnings last year Return on capital has been steadily deteriorating, falling now to 12,1%

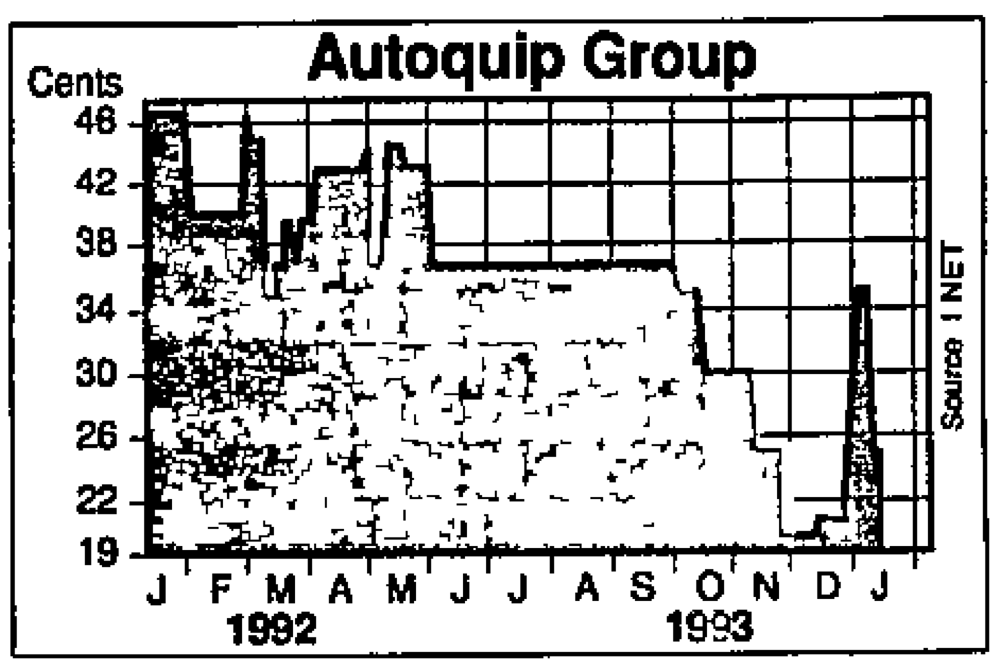
Gearing increased sharply, with medium-term interest-bearing debt rising from R260 000 to R3,5m Chairman Bruce Coquelle attributes this to increased stock financing but says the debt situation is being gradually rectified Medium-term debt includes a short-term loan of R2,8m repayable in July 1993

Total net debt (including redeemable prefs) more than doubled from R4,3m to R10,1m, lifting net gearing to 130% Net interest payable rose by over 18%, which, with lower trading profit, undermined gross cash flow to the tune of nearly two-fifths There was further pressure on cash flow from the near one-third increase in stock levels, which increased working capital funding requirements by nearly a quarter

The capital structure was changed during 1992, after management bought the 31,6% stake held by the majority shareholder and former chairman George Santana The stake, about 5m shares, has been transformed into convertible redeemable preference shares, which will be fully converted by July 1996 The conversion of the shares to prefs helped boost EPS in 1992 There will be a converse dilution effect during the period to 1996

Coquelle describes the group's products as replacement parts, wheels, performance accessories and tyres, whose sales have suffered by clients opting for cheaper items and having less preventative maintenance done — servicing and repairs are being dictated by mechanical breakdowns — and wholesale replacement part customers are reducing their inventories

Changes have been made to try to ease the effects of the recession on margins In Autoquip, the wheel, tyre and accessory division has moved into retailing to cut out the middleman The flagship, One-Stop Tyre Shop, which opened in 1991, and five other, smaller stores now stock a cheaper range of tyres Autoquip plans to expand the retail outlets when suitable sites become available



MOTOR INDUSTRY FM 22/1/93

Hoping against hope

(192)

Vehicle manufacturers have resumed production after the holiday break, optimistic — but not confident — that the worst of the motor industry's market nightmare is over

After four years of declining sales, companies say there are indications that the market has bottomed and they expect a gradual recovery to begin this year

Early forecasts generally agree that the new-car market will increase from last year's 182 908 to about 187 000 in 1993 Some, such as Nissan, think it could go as high as 190 000

But there are differing opinions about the commercial vehicle market There is consensus that sales in the light commercial — mostly bakkies and minibuses — and medium commercial sectors will improve on last year The only argument is on the degree of the improvement There is disagreement, though, on the size of the heavy truck market Most forecasters expect an improvement in 1993, with the National Association of Automobile Manufacturers (Naamsa) suggesting last year's 5 413 unit sales could rise to 5 900

Toyota, on the other hand, expects a decline to around 5 200, while Nissan puts the figure as low as 5 000

Toyota Marketing MD Brand Pretorius argues that despite an ageing truck fleet in need of replacement, low business confidence levels will continue to deter companies from capital spending So will the excess capacity already existing in many transport fleets A further brake may come from government departments, which account for more than a third of all truck sales "We think government purchases of heavies will be limited this year," says Pretorius

Naamsa director Nico Vermeulen counters that the effect of government cut-

continued

backs was felt in 1992 and is unlikely to worsen this year But he concedes that any improvement depends on several factors, notably an end to the drought, a stable socio-economic situation and a positive rate of economic growth

Overall, Naamsa anticipates a "gradual but steady" improvement in vehicle sales in 1993 The real lift-off will come, it predicts, when economic recovery enables long overdue vehicle replacement to finally take place

On the bright side — for customers, anyway — the motor industry's problems should continue to restrain new vehicle prices Most manufacturers last year held increases to below the rate of inflation That could be the case again in 1993 as competitive pressures force manufacturers to shave margins

But there is no guarantee A rise in the Vat rate could throw that hope out of the window, as could further deterioration in the exchange rate of the rand against the yen and Deutschemark, the two critical currencies for the motor industry

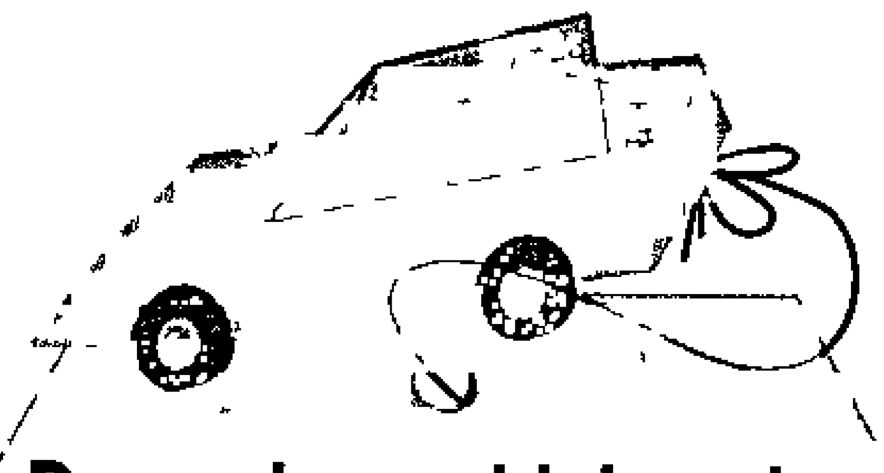
Export earnings also helped manufacturers to control prices last year and there is no reason why companies should not look forward to further windfalls this year

One area showing particular growth is built-up vehicles where exports are currently worth about R400m a year Volkswagen is especially active here From this month, says Naamsa, manufacturers will disclose details of these exports The only information missing will be the destination

Most companies, meanwhile, are expressing optimism for their domestic performance in 1993, especially in the car market Several predict new vehicle ranges will lift their market share

The immediate impact of Toyota's new Camry, added to earlier successful 1992 launches of vehicles such as the BMW 3-Series, Honda Ballade and Nissan Sentra, suggests there is still plenty of demand out in the market if the product is right

If only they could get the price right too! ■



December vehicle sales

Cars		Total	%*
Toyota	[illegible] Cressida 165, other 22	3 334	29,4
Nissan	[illegible] 200SX/300ZX 16 [illegible] 0 754	2 004	[illegible]
Samcor	[illegible] Laser [illegible] other 23	[illegible]	
VW	[illegible] Jetta 780, Citi/Fox 702, [illegible] 127	[illegible]	[illegible]
Delta	[illegible] Ford 201, Calibra 14	[illegible]	[illegible]
M-Benz	Honda Ballade [illegible] 156	[illegible]	
BMW	[illegible] 117	1 107	

	1992	1991	% Change
Dec	1[illegible] 022	[illegible]	
January–December	182 908	197 73[illegible]	[illegible]

Light commercials

[illegible]

Medium commercials

[illegible]

Heavy commercials

[illegible]

Total vehicle sales

[illegible]

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Cheaper cars is first priority

(192) ANC 23/1/93

TOM HOOD
Business Editor

MAKING cars that people can afford to buy is the No 1 priority for the beleaguered motor industry this year, according to Mr Bert Wessels, top man of South Africa's car makers.

He is is executive chairman of Toyota, the country's largest manufacturer, and president of Naamsa, the National Association of Motor Manufacturers

In review of the year ahead, he said "There is now reason to be a little more confident about the future of the industry There is a realisation among manfacturers, government and trade unions that our No 1 priority is to strive towards more affordable vehicles

"Adjustments to local content policies and levels of protection will help as well a growth in component export potential This last element has to be achieved without high levels of subsidy to the detriment of the taxpayer or the vehicle owner"

From a local investor's point of view, the motor industry was a favourable option compared to investments in the industry in many overseas countries

Local manufacturers and dealers were able to keep their heads above water a little easier than in other countries but the industry in South Africa still did not represent what most would consider a prime investment opportunity

The total 1993 market was expected to be about 292 000 vehicles — 187 000 passenger vehicles, 96 000 light comemrcials, 3 550 medium commercials and 5 200 heavy commercial vehicles

"We believe the slide in the industry has been arrested and this is supported by sales in the last quarter of 1992 but there is stil a long way to go before we see the heavy demands of 1981,' says Mr Wessels

South Africa entered 1993 with the impact of the severe recession of the past two years

However, there was cautious optimism that the recession had at least bottomed out and limited growth might be experienced, though from a low base

Positive indicators included month-on-month inflation figures that were down from 16 to 11 percent, a balance of payments situation that had remained positive for a time, a slowdown in capital outflows and a gradual move towards the build-up of foreign reserves

The motor industry had been plagued by industrial action over the past three years at a scale never experienced before This had a negative impact on the industry and its ability to contain costs and sustain high levels of employment in a shrinking market

Over the past ten years the motor market shrunk from 450 000 vehicles a year to less than 300 000

Behind this lay the country's general economic decline and a severe reduction in the disposable income of individuals

At the same time, vehicle prices rose faster than inflation and salary adjustments

Vehicle prices escalated by 35 percent after allowing for inflation over the period Expressed in another way, over 11 years the average prices of consumer goods increased by 500 percent but motor vehicles increased by 675 percent

Task force to call for cut in number of vehicle models

BDay 25/1/93. (192)

PETER GALLI

THE recently appointed motor industry task group intended recommending that the proliferation of vehicle models locally be limited, group chairman Derek Riley said at the weekend

It would also recommend to Trade and Industry Minister Derek Keys that those manufacturers who wanted to be players in the market meet minimum requirements

"The Task Group feels that a proliferation of models will lead to a reduced level of service to the consumer. It can, therefore, be expected the group will recommend to government that there should be specific minimum requirements to which all vehicle manufacturers who wish to participate in the local vehicle industry market must conform

"The group believes that greater international competitiveness driven by improved productivity, increased training of workers leading to growth in the industry, especially in employment and export, and to more affordable vehicles, must form the basis of future development of the vehicle and component industry."

While the group was in favour of the principle of a free market and competition, it "felt strongly" that soon vehicle manufacturers who wished to participate in the local market should have made substantial investments in SA and have contributed materially to local content development and use, Riley said

This would result in the creation of further jobs and development of a skilled and productive work force

The Task Group was appointed by Trade and Industry Minister Derek Keys to identify and address weaknesses in Phase VI of the Motor Industry Development Programme, to develop a basis for a Phase VII Programme, and then to make recommendations to government

Naamsa president and Toyota SA chairman Bert Wessels said at the weekend "Local content policies which required rapid escalation of local content during the '80s, and rapid technological advancements in the international motoring arena in the face of ecological and fuel conservation pressures, have impacted negatively on the motor industry

"There is now reason to be a little more confident about the future of the local motor industry There is a realisation among all concerned, including manufacturers, government and the trade unions that our number one priority is to strive towards more affordable vehicles," he said

Adjustments to local content policies and levels of protection would help in this regard as would a growth in component export potential, which had to be achieved without high levels of subsidy to the detriment of the tax-payer or vehicle owner, he said

Over the past 10 years the motor industry had seen its market shrink from 450 000 vehicles a year to less than 300 000 With this had gone a trend for vehicle prices to rise more than inflation and salaries

Committed to customer care

__Evolution__ has played a major role in the success of Clarke Nissan, whose quality vehicles have developed into award winners in the '90s.

STAR 27/1/93 . 192

Customer satisfaction is an overworked phrase in the modern advertising idiom Yet in its simplest, purest interpretation that is precisely what Clarke Nissan strives for — and achieves

The company proceeds from the premise that a car is no longer merely a form of transportation, but an investment As such it cannot be sold like a mere commodity

It has to be a quality product to begin with But it also has to have quality back up and support And that's what Clarke Nissan is all about in the '90s

This is no accident It is the result of many years of evolution as it were, from the early days of Datsun For example the Maxima was Car of the Year last year

But pause to look at the history for a moment Clarke Nissan was originally founded as John B Clarke, the first established filling station in Johannesburg — a fascinating bit of Africana

Today, John B Clarke, or Clarke Nissan as most of us know it, is one of the most flourishing motor organisations in the country and a dynamic member of the McCarthy Group

Indeed over the decades, Clarke Nissan has matured and is now a well rounded operation serving both the private and corporate markets

As for customer care, Clarke Nissan managing director Richard Wilkins puts it this way "At Clarke Nissan, customer care is not just a catchphrase but something to which we are deeply committed

"You'll feel that commitment the moment you walk into any one of our seven outlets in Johannesburg We believe in building long-term relationships with our customers, so you'll always enjoy prompt service, reliability, professionalism and even in these inflationary times, outstanding value for money

"At Clark Nissan the attitudes of our staff reflect integrity, pride, courtesy and efficiency in the service we provide We do things right — first time

"We also believe that employees are best motivated in an environment which offers them recognition and the opportunity for development, and you, our valued customer, reap the benefits " In essence, therefore, says Wilkins, Clark Nissan has a "how can we help you" approach

"Courtesy vehicles run every morning from our service depots to the various central business areas Workshop booking can be made in advance with our special 'While you Wait' service, suitable for minor tune-ups and service needs

"Moreover, our fleet of parts delivery vehicles covers the entire Reef within a planned area network designed to deliver parts and accessories at the right time to the right place

"And, of course, as a member of the McCarthy Group the company is able to draw on a wealth of knowledge and motor industry expertise and to pass on those benefits to clients

"Our staff are willing and competent to discuss any issues concerning transport management, vehicle selection and running costs "

"In this context the modern fleet motoring scene has become extremely sophisticated involving a host of factors to determine the best package for a particular individual from a tax point of view and Clarke Nissan is well geared to meet today's demands

"There was a time when dealing with a fleet meant negotiating with a single individual Today, such is the complexity of the tax laws applying to company cars and car allowance schemes that it has become necessary to tailor make a package for every individual member of such a scheme to suit his or her particular financial circumstances

"To cater for the needs of this market Clarke Nissan has a corporate fleet manager with dedicated fleet management personnel at every branch

"They are highly trained in the various packages available and have access to the in-depth knowledge of Stannic with whom we have close links

"The key to today's fleet management is affordability and the associated method of acquisition We have come up with some innovative packages, which, in fact, make corporate motoring entirely affordable, notwithstanding the rapid increase in motoring costs " For example, says Wilkins, one of Clarke Nissan's packages on an Uno involves free maintenance including tyres over 60 000 km or 36 months for a deposit of R2 863 with a guaranteed residual value of 65 percent for R699 a month

The beauty of this kind of package is that Wesbank are happy to underwrite it knowing there is equity in the car at the end of the agreement, while the motorist and his company know exactly what fixed costs are involved•

CLARKE NISSAN

We are different. And it shows

More than a catchword . Clarke Nissan managing director Richard Wilkins says customer care is something to which his firm is totally committed.

for the next three years

"The fact is that a motorist with company backing can lease a car without too much fuss Indeed we are extremely flexible and have become very inventive with our packages to ensure that we meet individual company motoring needs

"In fact we offer Full Maintenance Leases, with or without residual value and will gladly quote on a maintenance contract on any one of our range of vehicles

"On the floor of each Clarke Nissan dealership is a financial institution that can provide immediate advice and help you package a financial plan best suited to your specific requirements

"The all-important decision is on the best method of acquiring a vehicle and that needs sound advice whether you are a fleet owner, a private buyer or whether you will be buying a new or used vehicle

"On the other hand we realise that it has become increasingly difficult for South Africans to afford new cars and we have consequently paid a great deal of attention to our used car division

"Here buyers will find vehicles that have undergone the most careful scrutiny and stringent pre delivery checks and for which the buyer will receive an excellent guarantee," says Wilkins

Part of the reason for the company's success is of course the Nissan range itself

This has undergone a radical rethink in recent years and has emerged with vastly improved models from the superb Sentra 140 which is in the running for the Car of the Year award, to the stunning Nissan 300 ZX, which many pundits regard as being in every way the equal of the famous European Marques And then of course there is the excellent Nissan range of commercial vehicles such as the 1400 and the very popular 1 tonner range

There is no doubt that the current Nissan range is a market beater The figures say it all in that Nissan Sentra sales in 1992 improved by 66 percent

However, the needs of the market today are all embracing Superlative vehicles are not sufficient in them selves to win market share Neither is good back up alone

"Good vehicles and good back up are complementary to one another and totally interdependent if they are to succeed," says Mr Wilkins Thus Clarke Nissan has a holistic approach to its market

Everything has to be top quality from the well-appointed showrooms with their excellent customer facilities (videos, modern sales aids), to the workshops where the latest equipment is applied and the best possible trained personnel are at the service of their customers

"Also we have built up a clear corporate identity both visually and in terms of our reputation We like to do it properly and while nobody could claim for a moment that they didn't miss a catch every now and then, by and large we get it right," Wilkins said

Making sure that it is right is Louise Mar, Clarke Nissan's customer liaison officer

Her job is to stay in touch with clients to discover whether they have any niggling problems with service, their vehicles, their treatment and various other criteria

Any dissatisfaction is logged and measured according to a scientifically based Customer Care Index or CCI and action taken where appropriate or necessary, the overall objective being to stay close to customers and make Clarke Nissan accessible to them in turn

It hardly comes as a surprise to hear from Wilkins therefore that Clarke Nissan has never missed inclusion in Nissan's "Gold Award" dealer programme which analyses various facets of every department (sales, parts, workshop etc) and rates them on a scale of 100 Clarke Nissan consistently scores in the high '90s

Two years ago Nissan of Japan initiated an international customer satisfaction competition between SA dealers and those of Germany and Clarke Nissan emerged one of the winning SA dealers

Indeed every day and in every way, Clarke Nissan demonstrates repeatedly that it lives by its advertising credo —"We are different and it shows "

For further information, please telephone (011) 331-5651.

BMW sets its sights on export market

BIDAY 29/1/93. (192)

EDWARD WEST

BMW AG has underscored its intention of turning its SA subsidiary into a world supplier with the appointment of its chairman, Ebehart von Kuenheim, as BMW SA chairman

The move follows the recent appointment of BMW SA CE Rainer Hageman, the most senior manager from the German parent to head up the SA company. Hageman, formerly chief financial controller of the BMW group, took over this month.

Hageman said yesterday BMW SA's goal would be to produce vehicles for the world export market in the short to medium term. Initially there could be a doubling or trebling of production compared with 15 678 units sold in 1992. Some models would be imported, with their local production being phased out eventually

Local production of BMW's complete range was uneconomical by world standards But the plan to make BMW SA a world supplier of certain models fitted in with the group's strategy to source vehicles globally The most recent development in this regard was the announcement of a new plant in South Carolina to supply vehicles for the US and export markets

Hageman noted that SA's motor industry would have to move towards a free market system before BMW SA could realise its full potential. The 115% import duties on new cars prevented the import of vehicles at competitive prices, but he was optimistic that government would reduce import duties substantially by 1997 in terms of GATT.

BMW SA planned capital expenditure of R100m this year — mostly on production of new models to be launched this year. The company has become a leading exporter, accounting for 5% of manufactured exports.

Vehicle manufacturers try to jump start electric car market

(192)

BIDAM 1/2/93

BRUSSELS — Although Volkswagen pulled the plug last week on its electric car project with Swatch, most leading lights of Europe's motor industry are still trying to generate at least some spark with the idea

VW itself expects to offer an electric version of its popular Golf early next year, although it does not expect to sell many

Fiat is making and selling a few electric versions of its Panda and Cinquecento models, Peugeot-Citroen is testing electrified small cars, and even Mercedes-Benz and BMW are fiddling with electric cars, the Wall Street Journal Europe reported

But aside from a few government-sponsored trials and experiments, and despite the idea's allure among environmentalists, the technology simply has not been invented that would make electric cars practical for most uses Today's batteries will not power a car far enough, and they take too long to recharge

According to Peter Schmidt of Auto Industry Data in the UK "the prime requirement" would be for governments to give electrics a mandate, as California did

Starting in 1998, California will require that zero-emission vehicles — electrics — account for 2% of each carmaker's sales in the state, the proportion is to rise to 10% in 2003

Threat of such requirements is prompting Europe's carmakers to stay current on electric-car development Other US states may follow California and at least some European cities eventually may require electric cars in an attempt to clear the air in polluted downtown areas

European governments are backing some trials In Germany, the science and technology ministry is sponsoring an experiment on the eastern German island of Ruegen where VW, Mercedes, BMW and the Adam Opel unit of GM are testing electric models

In France, the government signed an agreement last July with Electricite de France to install battery recharging facilities in 22 French cities by 1995 The plan is to set up small service stations where electric cars can plug into devices for a six- to eight-hour recharge. There will also be points at large petrol stations, for a 10-minute recharge that will last about 20km

While such realities make car marketers despair, they do not daunt the visionaries and true believers in the future of electric cars Nicolas G Hayek may be one of them The chairman of Societé Suisse de Microelectronique & d'Horlogerie SA, the maker of Swatch watches, is sticking with his dream of producing a cheap, environment-friendly minicar, despite VW's defection

Clean Air Transport is an Anglo-Swedish firm that has been developing an electric car for the California market with assistance from Los Angeles. As recently as September 1991, the company promised to put its car, a luxury four-passenger electric with an auxiliary engine, on sale early this year But production is now due to start only in 1994 because of a delay in obtaining project finance — AP-DJ

RAINER HAGEMANN

New driving force at BMW

FM 5|2|93 192

Rainer Hagemann still wears an air of amused surprise when he considers the events that brought him to SA As chief controller of the BMW group worldwide and having spent his entire BMW career at headquarters in Munich, there was no reason to expect a call to the far end of Africa

But Reinhard Kunstler's sudden resignation as BMW SA's MD late last year caught Munich on the hop With no planned successor in place, the group had to move quickly A surprised Hagemann was given 72 hours to decide whether he wanted the job He needed only 48 hours

By the time he took control at BMW SA's Midrand headquarters last month, Hagemann was faced with another unexpected challenge Peter Barbe, the company's financial director since 1984 and its acting MD after Kunstler left, resigned

Deprived of the man who helped BMW SA reap record profits last year, despite motor industry recession, Hagemann is now handling both jobs, but the extra responsibility does not seem to worry him

As an established senior figure within BMW, Hagemann has little to prove. Instead, his presence will help Munich integrate BMW SA more closely into international group operations

"To involve SA more in worldwide operations, needs closer co-operation than in the past," he says "Up to now, the political situation has not allowed us to do as much as we would like" BMW SA is already an exporter of components to BMW's international network and Hagemann believes this could grow

In the opposite direction, closer co-operation could also mean BMW SA importing its top-of-the-range cars from Germany There is widespread industry and government support for a plan that would encourage car manufacturers to build more small cars in exchange for reduced import duties on low-volume, expensive vehicles

In BMW's case, that could mean continuing to build the 3-Series and 5-Series in SA, but importing the 7-Series from Germany Though it could take several years before this is legislated, Hagemann intends positioning BMW SA for the expected change

Hagemann (54) is married and has four children the two youngest are at school in Pretoria and the others are studying in Germany After gaining a business administration diploma from Hamburg University and post-graduate studies in the US, he specialised as a management consultant before joining BMW in 1978, rising to the position of chief controller in 1989

He expects to remain in SA for the duration of the transition period — "probably five to seven years" He admits the current uncertainty about motor industry policy makes planning difficult but believes BMW SA should remain financially successful

Hagemann *closer cooperation than in the past*

"By international standards, the return on investment is good Even in the past three years, when overall car sales volumes have declined, BMW SA's financial performance has been stable and deeply black" ■

EDDIE GEORGE

Sterling choice

A week since the announcement of his five-year contract as Governor of the Bank of England, Eddie George's nickname has changed from a misleadingly chummy "Steady Eddie" to "Hard Eddie"

The appointment of George (54), son of a London postman, who bypassed banking's notorious old boys' network on merit more than 30 years after winning an economics scholarship to Cambridge, reflects the need for long overdue change at the top His physical presence alone is a sign of the changes at the Old Lady of Threadneedle Street (though the position is end-June)

Renowned as an assertive, dedicated professional and meticulous technician with a strong intellect, he has never shied away from confrontation with politicians and is expected to enhance the Bank's independence from government

A workaholic who does not bear fools lightly, he leaves his modest semi-detached in Dulwich, London, at 7 am and chain-smokes through a brusque 12-14-hour day

A world-class bridge player who enjoys small boat yachting, George is a world apart from his laconic aristocratic predecessor Robin Leigh-Pemberton But he denies speculation, arising from a fluency in Russian, that he was once a Cold War spy in Berlin

He bears a personal grudge against inflationary practices, but has opposed rigid monetarism in favour of target bands

Described as the ideal central banker, he gained vast international experience through attachment to the Bank for International Settlements in Basle and global organisations, including the IMF, where he chaired the Committee of Twenty from 1972-1974 He has expert knowledge of Africa

George, who was made deputy governor in 1990, was an obvious candidate for the top job on ability and experience, though his indifference to Establishment influence and lack of what *The Sunday Telegraph* called "essential graces" was damaging

He makes no identifiable political noises, apart from agreeing that he is very much a member of the classless society Support from (equally classless) PM John Major helped him win the post ahead of a clutch of more traditional banking knights

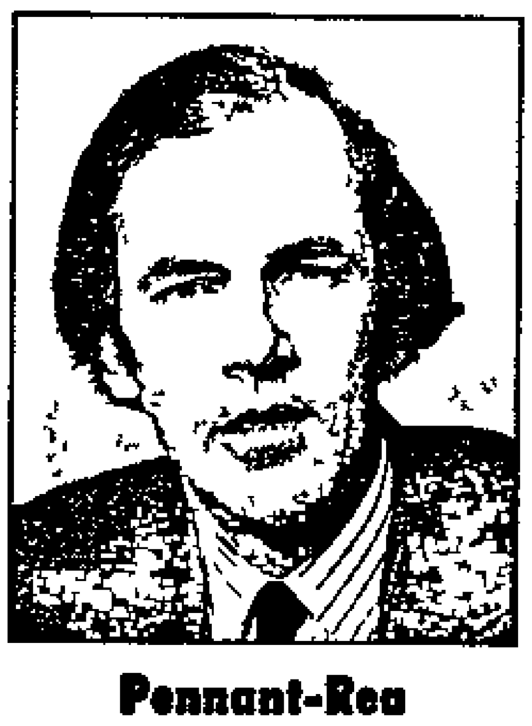
George and Major agree that after cutting the Bank's umbilical cord to government, the first need is price stability. They also agree that Britain's withdrawal from the ERM was inevitable The Irish devaluation bears out their firm view that there is no point in even considering re-entering the ERM for the foreseeable future

George's choice of Rhodesian-born Rupert Pennant-Rea (45), editor of *The Economist*, as his deputy aroused more surprise.

Pennant-Rea worked at the Bank's Economic Intelligence Department from 1973-1977 after earning economics and political science degrees in Dublin and Manchester.

Ambitious, three-times married Pennant-Rea, whose current wife Helen is a daughter of socialist peer Lord Jay, cheerfully mixes a blend of the best Thatcherite and Social Democrat values

George



Pennant-Rea

He believes in a balanced budget and is not a rigid monetarist Colleagues describe him as a clear thinker who will prove invaluable as Britain battles to emerge from recession while keeping inflation down ■

Langeberg expects earnings drop

LINDA ENSOR

CAPE TOWN — Food processing and canning group Langeberg Holdings would produce lower earnings in the six months to end-March than the previous period, MD Ray Brown said in an interview after the Tiger Oats subsidiary's AGM on Friday.

After a difficult financial year, the annual results would also be slightly down on last year B/DAY 8/2/93

In the year to end-September Langeberg generated a 29% increase in attributable income to R78,9m (R61m) on a 15% rise in turnover to R741,8m (R645,8m)

Brown said volumes on the local markets had fallen slightly while the rand realisation of exports would be much lower with the softening of prices and demand in the UK, Europe and the Far East Exchange rate fluctuations had not offset the falloff in international demand

Local prices had risen over last year but cost increases had been kept less than 12%

The benefits of Langeberg's cost cutting programme would be felt partially this year, but mainly so in subsequent years

Brown said the focus this year would be on reducing costs and asset management, though attention would be given to possible acquisitions in the food processing and canning sector

Nissan breaks out the bubbly for 1992 growth

B/DAY 8/2/93 (192)

TRACY SCHNEIDER

NISSAN SA experienced a "champagne year" in 1992, establishing a strong second position in the motor industry, Nissan SA marketing MD Stephanus Loubser said at the weekend.

Overall sales had increased 11,2% and Nissan had shown the fastest growth in passenger vehicle market share

The company's success was attributed to the launch of the Sentra, the steady performance of the Maxima and Uno, and Nissan's good reputation in commercial vehicles

"Everything fell into place in 1992 with the total production line being brought up. Nissan received much attention from fleet owners who bought more than 80% of all products," Loubser said

He foresaw a lean year in 1993 with no improvement in the overall vehicle market No new model launches or shareholding changes were expected. Nissan would concentrate on improving its market share

"We have no intention of overtaking Toyota We are achieving our objective of establishing Nissan as the strong number two in the market and will work on maintaining this position and narrowing the gap with Toyota," he said

The company showed solid profit for 1992 and was proud of its success in a market that shrunk 7,8% from 1991

"We achieved and exceeded our budget for 1992, which is quite an achievement in this industry. Our dealers were more profitable and this money has been reinvested in dealerships to enhance service," he said

The company had experienced supply shortages in almost all categories and had to increase production substantially.

"This was difficult as there is not much flexibility with equipment and labour. Some changes were made to our paint facility which had been a bottleneck and we plan to continue productivity and retraining programmes to enable employees to switch assembly lines," said Loubser

Increased production had brought unit costs down and enabled Nissan to keep price increases for 1992 at 9% across the range. Loubser said the company had budgeted for a 10% increase (excluding a VAT increase) for 1993

Nissan's Rosslyn plant has five robots and the company plans to move gradually towards increased automation

"We must keep our manufacturing process in line with the higher levels of technology required. However, the small vehicle market does not justify the investment needed for a complete switch to robotics It is also in the interest of the country to keep the industry labour-intensive," said Loubser

No staff cutbacks were expected for 1993 and Nissan hoped to maintain its previous two-year employment level

Morkels aims for flexibility

B/DAY 8/2/93

LINDA ENSOR

CAPE TOWN — The benefits of Morkels' cost containment and asset management programmes, which had begun to filter through to the bottom line in the six months to end-September, should be enhanced by the restructuring of its furniture chain, financial director Terry Simon said

To tighten management control and control of assets, the group had announced the creation of a separate business unit under MD Dodds Brand and the restructuring of regional operations, Simon said last week

This was the first move to position operating units as separate entities supported by a lean corporate operation encompassing finance, marketing, research, planning, development and labour resources

Simon said Morkels aimed to introduce more flexibility with decision-making being taken by operating units so that response times to specific market conditions and consumer demand could be quickened

A profit increase for the year to end-March would represent a turnaround for the furniture and sports goods group which suffered a 56% decline in attributable profit last year when market conditions in the retail trade had been exceptionally tough.

Not much growth had been experienced at the level of sales which had kept below last year's inflation rate with profit being generated mainly by tighter controls exercised internally.

The slowdown in the intense store opening programme, which last year saw the operating margin slashed from 10,6% to 6,9%, had reduced the cost burden and resulted in an improvement in margins.

Attention had also been given to widening margins in product lines where market conditions allowed.

Car sales start year in a slump

(192) BDay 10/2/93.

EDWARD WEST

NEW car sales started 1993 on an unexpected weak note and were 8,6% lower than the same month last year, statistics from the National Association of Automobile Manufacturers of SA (Naamsa) show.

Vehicle sales were lower in all categories, falling to 13 486 units compared with 14 763 units in January 1992, in spite of improving 3,6% over December 1992 sales of 13 022.

Naamsa said although retail inventories on certain model derivatives were low, January's low vehicle sales were indicative of continuing economic weakness.

Toyota marketing MD Brand Pretorius said while sales figures reflected a negative trend at first glance, there were market abnormalities in January which he estimated could have lowered sales by 1 000 cars.

Two new entries into the market, the Camry and the new series Golf and Jetta, were in very short supply during the month as were, to a lesser extent, certain derivatives of other models, he said

Sales of new light commercial vehicles, bakkies and minibuses declined 6,6% to 6 599 compared with 7 069 in January 1992, but were marginally up 1,77% compared with December 1992 sales of 6 484

Medium commercial vehicle sales fell 3,3% to 240 compared with 248 in the same month last year, but improved 18,8% on the 202 in December Heavy truck sales plummeted 12,8% to 333 from 382 in January 1992

Naamsa maintained its forecast of a moderate recovery in vehicle sales in 1993 over 1992, in spite of the low January sales Nissan marketing MD Stephanus Loubser said new model activity early this year and lower interest rates were expected to stimulate sales, with prices forecast to remain below inflation.

Pretorius believed as soon as the stock situation improved, there could be a significant acceleration in sales Fears of a VAT increase of 2%-4% could also stimulate sales in the run up to the Budget next month

BMW may export made-in-SA cars

STAR 10/2/93. (192)

By Derek Tommey

Eberhard von Kuenheim, head of the German BMW luxury car group, has good news for the ailing South African economy.

He told a Press conference in Midrand yesterday that BMW was investigating eventually sourcing all its right-hand drive cars from this country.

While it was not planned to do this immediately it would mean a major expansion of the South African plant.

Last year BMW sold about 120 000 right-hand drive cars while BMW South Africa produced 15 000 cars.

Von Kuenheim indicated that BMW in Germany could easily afford to invest up to R80 million a year in South Africa. BMW's total annual investment amounted to between Dm2 billion and DM2,5 billion or between R4 billion and R5 billion.

The South African plant would need the the most up-to-date technology, he added. However, he made it clear that BMW would only source cars from this country if BMW was certain that the South African product would remain the equal of the German-produced car.

According to a company spokeman other requirements for sourcing cars from South Africa will include a reduction of the 115 percent tariff on car imports.

BMW South Africa would have to reduce the range of products it made here if it wanted to enter the export market in a major way. This would mean that it would have to import some vehicles to make up the range. But the cost of this would be prohibitive while the punitive tariff remained on imports.

Another requirement would be that BMW would have to be able to import components should the local supplier at any time be unable to deliver and meet BMW's orders.

It was made clear that BMW South Africa could not compete overseas if a failure by a local supplier to meet his obligations resulted in a plant closure.

Von Kuenheim explained that the falling away of sanctions against South Africa had led BMW to feel that BMW South Africa should become fully integrated into the global BMW network.

Evidence of BMW's intention to make a greater commitment to its South African investment is seen in the appointment of Rainer Hegemann, BMW Group's chief controller for the past three years, as managing director BMW South Africa, and Von Keunheim adding the post of chairman of BMW South Africa to his other responsibilities.

Von Keunheim said the going had been tough in South Africa, particularly during the height of sanctions era. But at no time did he feel that BMW's daughter company would not have a rosy future.

Referring to BMW's decision to open a car plant in the United States, he said this was an important step towards safeguarding the company's success in the North American market. Experience in South Africa with international interlinked production systems would help BMW with its new project in the US.

He pointed out that the only other two European car manufacturers which had plants in the US — Volvo and Volkswagen — suffered heavy losses.

Answering questions he said that Mercedes Benz was BMW's only real competitor. The Japanese — and here he was thinking mainly of Toyota — had not done well in the luxury car market in Europe selling between 3 000 and 4 000 units last year.

Instead he was taking more interest in what was happening at Chrysler which had produced a car with higher technology and at a lower price.

Eberhard von Kuenheim . . . Big expansion plans.

Star 10/2/93

New car sales down on a year ago

By Sven Lunsche

The renewed weakness in the South African economy, evident in poor retail sales since the beginning of the year, was further illustrated by a sharp drop in January new car sales.

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that new car sales of 13 486 units in January, were 8,6 percent down on the same month last year.

They did, however, show a slight improvement of 464 units, or 3,6 percent, on December sales of 13 022

A similar trend was evident in the light commercial vehicles sector (including bakkies and mini-buses) with sales on an annual basis 6,6 percent lower, at 6 599 units, but 1,8 percent up on December's 6 481.

Sales of vehicles in the medium and heavy truck segment of the market fell by 3,3 percent and 12,8 percent respectively in the 12 months to January.

Naamsa said it was disturbing that sales in all sectors of the market were lower than a year ago

"The lower than expected new vehicle sales during January 1993 are indicative of the continued weakness in the SA economy," Naamsa said, adding though that for the year as a whole it expected a modest improvement in sales.

"However, this is dependent on a recovery in the SA economy and higher levels of gross domestic expenditure"

Naamsa previously forecast unit sales of 187 000 new passenger cars this year, which would represent a slight increase on the 1992 sales of 182 900 units.

Nissan's MD, marketing, Stephanus Loubser struck a slightly more optimistic note: "New model activity early in the year is expected to stimulate the market, while vehicle price increases are expected to stay below the inflation rate.

"However, an increase in VAT could change this. A drop in the interest rate should further stimulate sales," Loubser commented, adding that he expected total 1993 sales to reach 190 000 units.

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Abnormalities

Toyota's marketing director, Brand Pretorius, said some abnormalities should be considered when analysing January car sales figures. "Two key new entries into the market, the Camry and the new series 3 Golf and Jetta were in very short supply. We believe that this situation could have depressed the market by as many as 1000 units.

"As soon as the stock situation on these models eases there could be a significant acceleration in sales, while fears of an increase in VAT could also stimulate sales in the run up to the Budget next month," Pretorius said.

In contrast to the motor industry, sales of some durable goods seem to have picked up slightly towards the end of last year

According to Frans Jordaan, executive director of the Furniture Traders Association, sales of furniture, appliances and audio equipment recorded their first positive annual growth in a long time in December.

He said sales were largely driven by increased buying from the black community since September.

Compared with December 1991, furniture sales were up by 12,9 percent, appliance sales by 16,6 percent and audio equipment by 14 percent. Sales of TV and video equipment only showed a four percent improvement.

Looking at sales for the whole of 1992, Jordaan says furniture showed 5,5 percent real growth on 1991, appliance sales were up by 9,2 percent and audio equipment sales by 14 percent. Video and TV sales, however, declined by two percent in real terms.

January new vehicle sales hit the snail trail

(192) CT 10/2/93

Short supply of new models stalls growth

By AUDREY D'ANGELO
Business Editor

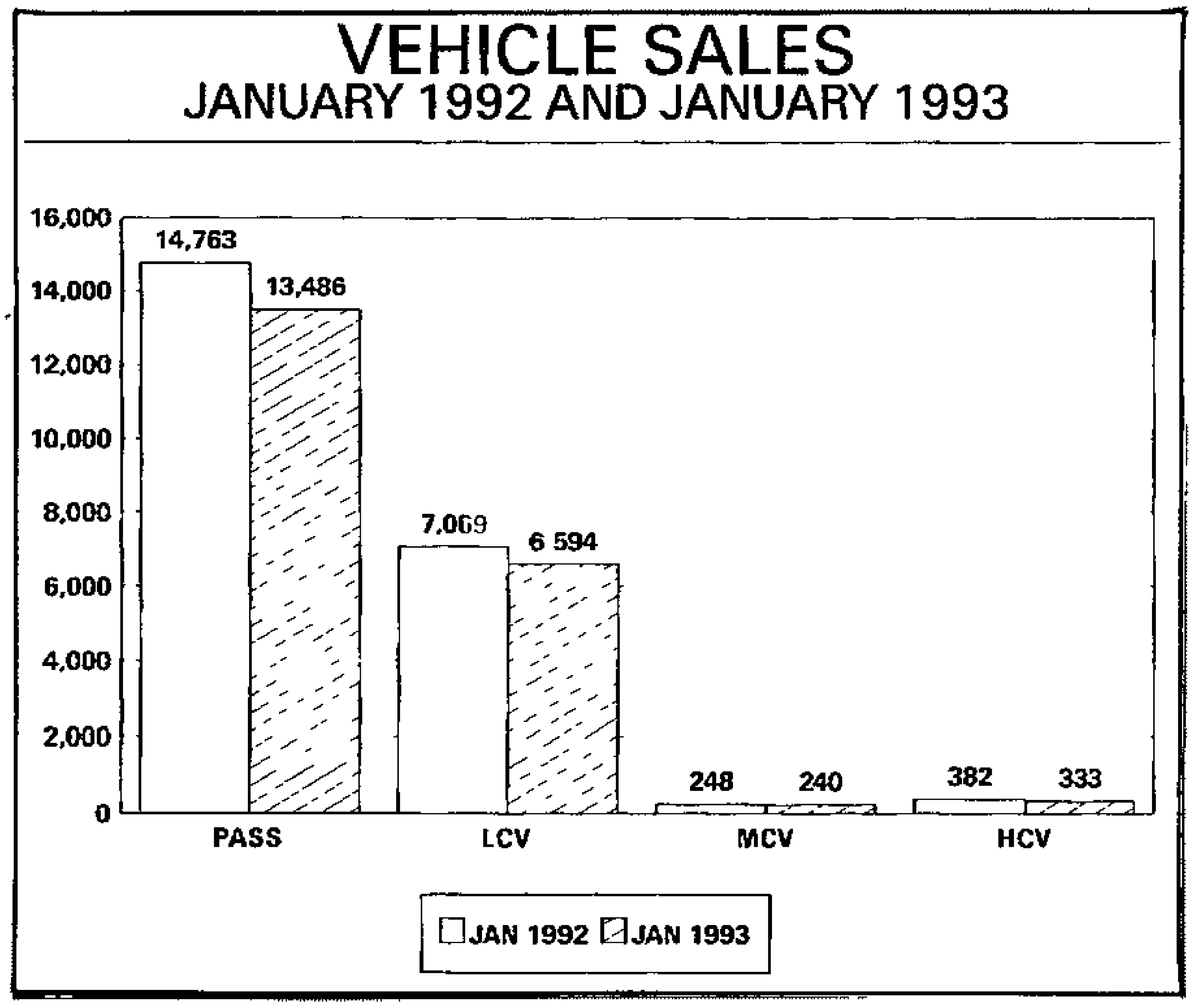
NEW car sales in January "started the year on a weak note" the National Association of Automobile Manufacturers of SA (Naamsa) reported yesterday

At 13 486 they were 8,6% lower than the 14 763 in January the previous year. In December they totalled 13 022

But at least three manufacturers said they were not disappointed by these figures.

Brand Pretorius, MD of Toyota (SA) Marketing, pointed out that the market had been distorted by the fact that "two key new entries, the Camry and the new Series 3 Golf and Jetta were in very short supply

"We believe that this situation could have depressed the market by as many as 1 000 units



"As soon as the stock situation on these models eases there could be a significant acceleration in sales

"Fears of an increase in VAT could also stimulate sales in the run up to the budget next month With this in mind there is no reason to react negatively to the rather slow start up to the year in the passenger vehicle market"

However, Pretorius said there was reason for concern about low sales of commercial vehicles.

Sales of light commercial vehicles totalled 6 599 compared with 7 069 in January last year and 6 484 in December

Sales of medium commercial vehicles totalled 240 compared with 248 in January last year and 202 in December

"The total commercial vehicle market is being depressed by the reluctance of businesses to commit capital to these purchases," Pretorius commented

"This is probably 70% of the problem with the continued drought in some areas contributing another 20% and the depressed taxi market making up the balance."

However, Pretorius said "Positive political and economic influences are expected to drive the market up in the second half of the year"

The MD of Nissan Marketing, Stephanus Loubser, commented "New model activity early in the year is expected to stimulate the market while vehicle price increases are expected to stay below the inflation rate"

He cautioned that a rise in VAT could change this picture But, meanwhile, lower interest rates could stimulate sales.

Loubser predicted that 190 000 passenger cars would be sold in 1993 compared with an average industry forecast of 187 000, and actual sales of 182 908 last year.

Peter Cleary, Mercedes Benz (SA) director, responsible for passenger cars, said the Honda Ballade had strengthened its position as one of the best selling marques in the country "Its 8,9% market share is the best ever in one month for Honda."

And, he continued "Demand for the Mercedes-Benz range of passenger cars, capturing 4,8% of the market, is one of the strongest performances for the marque in recent months.

"The 155 S-class units sold represented a stronger demand than expected It is likely that the current S-class range of cars will be sold out in this country around March"

A breakdown of sales issued by Naamsa shows that Toyota retained its position as market leader with sales of 3 351 cars and 2 180 light commercial, vehicles

Volkswagen (VW) sold 2 380 cars, Nissan 1 997, Samcor 1 957, Mercedes-Benz 1 876 including 1 202 Honda Ballades, Delta 957 and BMW — with a waiting list — 968.

Marginal growth predicted this year

BDay 11/2/93. (192)

MARGINAL growth is expected in the local motor industry this year, says Toyota Marketing MD Brand Pretorius.

"The 1992 sales prediction of 184 000 units should rise marginally to 187 000 in 1993, but generally the market will remain stagnant."

He says the composition of the market will change. "Our view is that the dramatic growth in the small and light car sector will not continue Light vehicle sales accounted for 40% of total sales in the early '80s and this figure is now about 70%.

"This will, however, flatten out and the medium car sector will show significant growth — at least 25%

"The reason for this is simple. Some very attractive medium cars were launched last year, and this year we expect more new models, so our view is the bottom end of those ranges will take sales away from the top end of the small car ranges."

The gradual reduction of import tariffs over the next five years will no doubt result in a wider range of luxury cars becoming available in SA.

"However," says Pretorius, "our currency is getting so weak that the one is almost cancelling out the other.

"The rand-yen cross rate is weakening, which means that as the duties are reduced, the cost of imports will rise. There will be greater selection at the top end of the market, but it will be more fragmented"

Toyota taking steps to avoid strike action

BDAY 11/2/93

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TOYOTA was the hardest hit in 1992 by strike action, as a 49-day work stoppage cost the company and strikers hundreds of millions of rands.

Toyota Marketing MD Brand Pretorius says the company will do whatever possible to prevent the recurrence of strike action.

"We have put into place a plan of action to ensure a higher level of commitment to the company.

"The company must ensure it deals with all possible grievances and that management displays the most constructive attitude in all instances Much work has been done to improve levels of understanding and more emphasis has been placed on communication with the unions

"Out of the adversity of the strike we learned a lot and many positive things were born.

"We feel very proactive in this regard and won't waste energy on bitterness or cynicism We're looking to the future with confidence, to bring about a balanced relationship The aim is to ensure that all parties involved recognise their responsibility and understand what our vision for the future is and what role they can play

Positive

"The strike, though affecting market share negatively, did have some positive ramifications for Toyota It gave us a new challenge — to recover as soon as possible. In some ways it served to restore the balance of power, as the company stood firm and did not capitulate.

"The union tested us and the workers tested us, but in the end it served to unite people and the dealer network. In many instances the strike cemented the relationships with customers, because we were forced to keep in very close contact with them Many were prepared to wait and we received plenty of tangible support from them.

"Others volunteered their support and postponed their purchases, which is one reason why our market share dropped to 13% and then shot up so quickly to around 28%.

"I want to pay tribute to our customers and our dealers The stock shortage gave dealers the opportunity to assess their operations. They cut unnecessary costs from overhead structures, identified additional profit-making opportunities, and the good news is that we did not lose a dealer. Some had no stock for four to nine weeks, but they managed to survive

The Toyota Camry executive express has been an instant success.

Pragmatic

"As a result of the recession, which has hit our industry particularly hard, the union is now adopting a more pragmatic stance It is putting, in relative terms, greater emphasis on job security and training

"They will still push for above-inflation wage increases, but they know what the realities are The protection of employment is now the key issue, as they lost many members during the strike, but I must admit we are slightly more hopeful about future labour relations.

"Trade unions are becoming less politicised, because hopefully by mid-1993 we will be in a transition phase, and Cosatu should have a much stronger political voice

"We believe that by improving communication between management and shop stewards, the company will be able to strengthen its affirmative action programme, eliminating racism, creating education programmes and attending to grievances"

FEMCO FM 12/2/93

Needs repairs

(192)

Activities: *Manufactures electric motors and wire harnesses for motor vehicle manufacturers*

Control: *Directors 64%*

Chairman: *Dr J P Kearney, Joint CEO's N L van Zyl and G Zammit*

Capital structure: *24,6m ords Market capitalisation R6,14m*

Share market: *Price 25c 12-month high, 90c, low, 25c Trading volume last quarter, 32 800 shares*

Year to Apr 30	**'88***	**'89***	**'90***	**'92****
ST debt (Rm)	1,7	6,4	10,4	23,3
LT debt (Rm)	7,1	19,4	11,1	4,0
Debt equity ratio	0,22	0,70	0,45	0,72
Shareholders' interest	0,52	0,47	0,55	0,41
Int & leasing cover	12,1	3,9	1,9	0,3
Return on cap (%)	26,2	12,5	9,0	n/a
Turnover (Rm)	79,2	110,1	107,2	160,7
Pre-int profit (Rm)	15,2	9,8	7,8	0,03
Pre-int margin (%)	19,3	8,9	7,2	n/a
Earnings (c)	37,5	30,0	21,1	(27,7)
Dividends (c)	17,0	12,0	5,0	nil
Net worth (c)	130	152	193,8	153,1

** 16-months to April 30 1992 * Financial year to end December 31

The late submission of annual financial statements earned Femco — a maker of small motors and wire harnesses — a rap on the knuckles by the JSE and hinted at the bad news to come To frustrate analysis

FM 12/2/93,

further, the *FM* encountered a reluctance at management level to impart more information on future plans to combat deteriorating profitability and indebtedness than was already in the annual report The 1992 results represent a 16-month trading period ~~due~~ to a year-end change

(192)

Turnover increased 50% but gross ~~margins~~ margins halved Depreciation and finance lease charges were much steep and the pre-interest margin deteriorated from 7,2% to a negligible level Pre-interest profit collapsed to only R30 000

Pre-tax profit was hammered by soaring net interest charges, which more than doubled to R6,9m, turning a R4,5m pre-tax profit into a R6,8m loss and leaving interest and leasing cover dangerously low at 0,3 The group does not pay tax but received a R0,9m deferred tax credit in 1992

Gearing increased from 0,45 to 0,72 due to a hefty increase in short-term borrowings and despite a reduction in long-term debt The net effect pushed up borrowings by more than a quarter

Cash flow generated from operations fell by more than 50% to R5,4m in 1992 — perilously low, given net interest charges of R6,9m

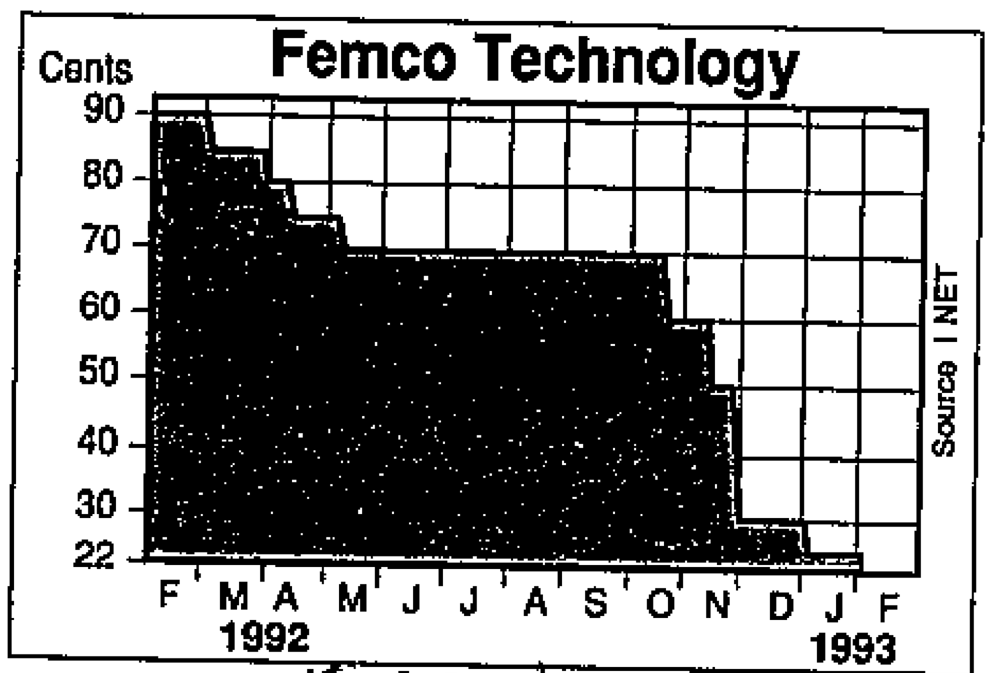
The asset base has been eroded, with ordinary shareholders' funds falling by a fifth The share price's 84% discount to NAV is a fair rating considering Femco's fundamental performance

According to the annual report, 1992 results suffered for including two "low seasons" between January and April demand for small motors declines, especially for lawnmowers and swimming pools The report adds that the recession has affected Femco's two major divisions which focus on the automotive and white goods sectors

The latest interim results are of dubious value since they compare six months to October 1992 with six months to June 1991, different trading periods

However, interim interest payments, compared with those for 1992 and annualised, are higher

The interim statement blames a Numsa strike, along with the effects of other strikes



continued

 FM 12/2/93

(192)

in the automotive industry, for ~~costing~~ costing the group about R3m Interim EPS were a negative 0,03c, compared with a loss of 27,7c for 1992, but comparisons are complicated by different trading periods and the year-end change

The share price has fallen steadily since mid-1990 and has weakened against the Electronics index Significant risks are associated with weak cash generation and high interest charges There is a good reason for the discount to NAV *Louise Randell*

6/DN 12/2/93

Nissan second (192)

IN SEPARATE reports in the motoring guide yesterday, both Nissan and Samcor were mentioned as being second to Toyota in overall market share for 1992 In fact, Nissan was second and Samcor third.

FM 12/2/93 (192)

FM 12/2/93 (192)

MOTOR INDUSTRY FM 12/2/93

BMW's plans for SA (192)

German luxury carmaker BMW plans to integrate its SA subsidiary more closely into its international activities, says CEO Eberhard von Kuenheim One likely result is that BMW SA will no longer build low-volume luxury cars like the 7-Series

Von Kuenheim, visiting SA this week, says that "with the falling away of sanctions in this country, we anticipate BMW SA becoming fully integrated into the global BMW network"

The appointment of Rainer Hagemann, formerly BMW's group controller worldwide, as MD of BMW SA, is an indication of the parent company's intention to have a greater say in its subsidiary's activities So is the decision announced this week to appoint Von Kuenheim as chairman of BMW SA In the past, that has been a post for less senior executives at BMW's Munich headquarters

Von Kuenheim

Until now, political circumstances have forced BMW in Germany to adopt an arm's-length attitude to BMW SA's manufacturing activities Hagemann confirms this hasn't always resulted in the best use of resources "We want to use our investments in a more economic way

"On the one hand, we want to push our exports On the other, we would like to use our production facilities better, concentrate on a smaller model range and import the bigger models and special cars"

Hagemann (*People* February 5) favours the idea of motor-industry legislation promoting local manufacture of high-volume cars in exchange for lower import barriers against imports In BMW SA's case, that means building the 3-Series and possibly the 5-Series locally and importing the 7-Series BMW won't confirm but it is understood that a decision has been made in principle not to build future 7-Series ranges in SA

If current import duties of more than 100% on built-up cars are lowered, BMW foresees problems for local manufacturers Hagemann and Von Kuenheim warn that manufacturers have much to do before they are ready to face foreign competition on more equal terms Says Hagemann "Some companies are already competitive on price and quality Most aren't, and they will find it hard"

Von Kuenheim agrees "You must streamline the industry to meet the competition coming from overseas"

January vehicle sales

Cars		Total	%*
Toyota	Co[illegible] Cre[illegible]	3 351	[illegible]
VW	Golf/Jetta 778, Ci[illegible]	2 380	[illegible]
Nissan	Sentra 1 119, First Uno 647 [illegible] 200SX/300ZX 24	1 997	[illegible]
Samcor	Sapphire 702, Mazda 323 525, Ford Laser/Meteor 307, Mazda 626 268, Sierra 133, other 22	1 957	-13,6
M-Benz	Honda Ballade 1 202, M-Benz W124 493, W126 155, other 26	1 876	45,3
BMW	3-Series 791, 5-Series 109, 7-Series 68, other 1	968	-12,6
Delta	Monza/Kadett 774, Rekord 173, Calibra 10	957	-33,2

*% of the total car market

	1993	1992	% Change
January	13 486	14 763	-8,7
December (13 022) –January			-3,56
Light commercials			
Toyota 2 1[illegible]0 (3[illegible] of the market) Nissan 1 780 (2[illegible]) Samcor 1 1[illegible] (17 6) Delta [illegible]7 (15,1) VW 457 (6 9) AAD 24 (0 4)			
January	6 599	7 089	-6,6
[illegible]			
Medium commercials			
Toyota 115 (43[illegible]) Sam[illegible] Nissan [illegible] (17) Delta 38 (15 8) M Benz 1 (0 4)			
[illegible]	240	248	-3,2
December (202) –January			18,8
Heavy commercials			
M Benz 135 (40,5%) Toyota 80 (24) Nissan 43 (12 9) Delta 34 (10,2) MAN 23 (6 9) ERF 10 (3) Tyco 6 (1 8) AAD 2 (0 6)			
January	333	382	-12 8
December (370) - January			-10
Total vehicle sales			
Toyota 5 [illegible]6 (2[illegible]) Nissan 3 8[illegible]1 (18 7) Sam[illegible] [illegible]) Delta 2 034 (9,8) VW 2 837 [illegible] M Benz 2 012 (9,7) BMW 968 (4 [illegible]) other 65 (0 3)			
J[illegible]	20 666	22 [illegible]	[illegible]
December (20 079) –January			2 9

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

☐ Manufacturers are unhappy with the latest vehicle sales figures, released this week Having forecast a slight recovery in 1993 after four successive years of market decline, January's numbers have fallen short of expectations

Car sales are down 9% on January 1992 and commercial vehicle sales by 8% Sean Bownes, sales and marketing director at Samcor, describes the figures as "disappointing relative to both January last year and to the fourth quarter of 1992" The National Association of Automobile Manufacturers of SA calls them disturbing

Both, however, continue to predict a gradual recovery for the rest of the year So does Nissan Marketing MD Stephanus Loubser, who says new-model launches in the first half of this year should stimulate demand, as should a further drop in interest rates The main cloud on the horizon, he says, is a possible rise in Vat, which could scupper manufacturers' efforts to hold price increases this year to below the inflation rate

David Furlonger

Ruling on tyre tariff increase awaited

ARG 13/2/93

(192)

Weekend Argus Correspondent

AFTER a slow turn of the wheel of administration it will be the end of next month before the Board on Tariffs and Trade rules on an application made last year for a virtual doubling of tariffs on imported tyres

Tyre dealers, who oppose the extent of the duties proposed by the Tyre Manufacturers' Conference (TMC), accept there is a need for increased restriction to put the brakes on the flow of poor quality new and used products entering South Africa

But they are concerned that too high a duty structure will stop world class car and truck tyres in their tracks and deny the dealers access to used casings for retreading

The TMC is motivated by the fall in its members' share of the tyre replacement market from 60 percent to around 45 percent over a few years to imported new and used tyres and retreads New tyre imports were pumped up by 22 percent between 1986 and 1990

"This is a life and limb product we are talking about, so one cannot just look at the economic issue and say restrictions should go because it is cheaper to import tyres than it is to buy the products made by any of our four local manufacturers," says Mr Ken Case, managing director of Durban-based dealer Natyre

"What we don't want to see is the local industry raising its margins while shielding under the umbrella of higher protection"

TMC executive director Mr Gert Fischer is on record as saying that in return for greater import protection, local manufacturers are prepared to rationalise their operations and become more productive

Interviewed in the wake of a report this week that sub-standard imported tyres contribute to two of every three minibus accidents in South Africa, Mr Case — emphasising he was not speaking in his capacity as Natal chairman of the Tyre Dealers' Association — said he was in favour of formula duties being retained in favour of a switch to an ad-valorem tariff system because the former "keeps the rubbish out"

"Only bona fide retreaders should be allowed to import casings to ensure they are retreaded and not sold as secondhand tyres"

The current tariffs are the higher of 25 percent of the fob price or R8,60/kg minus 75 percent of the FOB on truck tyres and R8,30 minus 75 percent of fob on passenger vehicle tyres The manufacturers want that increased to 25 percent or R17/kg minus 75 percent of fob on all imports

"The proposed levels are totally unacceptable," said Mr Case

"It will mean the current duty of roughly R150 on an imported truck tyre will increase to close to R550 Even with discount, the selling price will rise from about R1 300 to R1 400 to R1 700-plus

"Imported tyres like Bridgestone, which are among the best in the world, already sell at a premium but they wouldn't survive that sort of increase"

Transport operators' costs would rise because they would get fewer retreads out of tyres and hence an increased cost per kilometre

Dealers were also concerned that even once duties had been lifted the government might further delay suspension of the permit system — which was being abused anyway by pseudo-dealers importing inferior products

"We need access to imported casings because we can't get the quantities we need locally

"A big part of the problem is that the authorities do not enforce current minimum tread depth legislation"

BUSINESS

(192) ARGT 13/2/93

Prices put brake on private car ownership

SOARING car prices in the past decade have transformed South Africa into one of the developed societies with the smallest number of motor cars in private hands

Less than 30 percent of new cars are bought by people for their own use — the balance being company cars or those financed by company car allowances

The falling exchange rate, inflation, local content regulations and comparatively low sales volumes with high model diversity have all contributed to this state of affairs

However, manufacturers have vowed to do their utmost to ensure price increases in future are kept to the minimum They will have to if they wish to retain anything like their potential market

Bert Wessels, Toyota's executive chairman, this week defended local manufacturers and quoted Volkswagen in Germany to illustrate that manufacturers everywhere are subject to the same pricing pressures

He said there was a minimal increase in that company's prices between 1986 and 1989 — not much more than 2 percent

"From 1989 onwards, though, the picture changed quite dramatically with accelerated increases 2,9 percent in 1991, 3,9 percent in 1992 and 3,9 percent to 4,6 percent forecast for 1993

"The relative annual increase in CPI was 2,7 percent, 3,5 percent, 3,9 percent and 3,5 percent forecast for 1993"

He said despite popular belief to the contrary, from 1989 onwards vehicle price increases had followed the increase in the CPI closely

"There was a marked acceleration during the mid-1980s but over recent years a lot of restraint has been exercised by manufacturers

"It would be wrong to attribute the declining local market solely to vehicle prices There is some resistance to buying but the major impact on sales is the result of a very weak economy"

He said that in the longer term there were encouraging signs for potential buyers

A task group studying local content programme was keenly aware of the need to contain prices

Also, overseas parent companies were working hard to ensure their designs were cost effective

Mr Wessels said that for the next few years at least price increases would be lower than inflation but it was difficult to make longer term predictions

Meanwhile, International Compensation, a Randburg-based management consultants, advise motorists to pay their cars more than a little respect next time they drive it to the office Why? Because there is every likelihood that it will soon be worth more than your home

In fact if car prices continue to escalate at the rate at which they have for the past five years, you may well have to trade your home in on a new car

A preamble to a study by IC, who annually conduct a survey on company cars, says they have calculated the price escalation of popular models over the past five years and projected the rate over the next ten

Fancy a Merc 300E automatic? Well, you had better buy it now because in the year 2003 it will set you back R1,4 million

Even those with more modest tastes have a shock in store The Mazda 323 will cost you close to R200 000

Taking benchmark prices for typical company cars, they calculate the chief executive's limousine will set the company back between R1,5 million and R2 million, a senior manager's midde-of-the-road sedan between R750 000 and R1,5 million and a sales representative's runabout between R200 000 and R250 000

The results of the company's 1992 car and car allowance survey shows that there is a significant shift away from company cars to car allowance schemes

In 1990 a full 53 percent of the company's surveyed provided company cars and 17 percent paid car allowances In 1992, the equivalent figures were 31 percent and 23 percent

There was a marginal tendency among executives to favour company cars (55 percent) over car allowances At the extremes, 17 percent of companies provided company cars only while 13percent reported that all of their executives chose car allowances only

The survey found that most employees in the lower C grade (general sales representative) had cars priced between R40 000 and R45 000 (28 percent) followed by those between the R50 000 and R60 000 marks (20 percent)

Nearly 80 percent of executive cars were replaced at between four and five years of age while the majority of others (53 percent) were replaced at four years

Second cars for those at executive level were provided by 32 percent of the surveyed companies while one percent provided second cars to essential users

The most popular method of financing was on instalment sale with no deposit (43 percent) followed by financial lease (26 percent)

The majority of car allowances allocated to junior managers or senior supervisors in the upper C grade were between R1 000 and R2 000 (66 percent)

Sixty percent of the companies surveyed allowed employees either to upgrade or downgrade on their car options

A SLOW START FOR CAR SALES

S Times (B955) 14/2/93

THE shortage of some models after the Christmas shutdown got the motor industry off to a dismal start for the year.

Those that had readily available supplies — such as Mercedes-Benz and Volkswagen — benefited, showing sales increases of more than 40% over the December figure. January car sales at 13 486 were a modest 3,5% above the traditionally low December figure of 13 022, but were almost 9% below last year's January volume of 14 763 (1992)

By DON ROBERTSON

In spite of the poor January performance, Mercedes-Benz sold a record 1 202 Honda vehicles to push its total car market share to its second highest ever. This was helped by the sale of 155 S-Class models and it is expected that local production of this range will be sold out by March. After that, the S-Class range will be fully imported

Mercedes will soon introduce the smaller 190E range to the SA market This is in line with the company's recently stated policy of producing smaller, less sophisticated cars for the general market.

Volkswagen also had the opportunity of almost doubling sales of the outdated Citi Golf and Fox range, suggesting that the market is still eager for a reasonably cheaper and unsophisticated car. This gave the company a 44% increase in total sales

In contrast, Samcor, manufacturers of Mazda and Ford, suffered from a shortage of 1,3I vehicles, which left it with a "below forecast" sales outcome.

Toyota, Nissan and Samcor headed the light commercial sector which, at 6 599, recorded a disappointing 1,7% sales rise on the 6 484 in December. Sales in Januuary last year were 7 069

Toyota again dominated the medium truck segment with 115 units January sales were 240 compared with 248 last year.

Star 15/2/93

New car market 'has bottomed'

Although new car sales have started the year on an unexpectedly weak note, the market has bottomed out and 1993 sales should grow by around 10 000 units or five percent to 192 000 units

This is the view of Theo Swart, chairman of McCarthy Motor Holdings — the vehicle distribution arm of the McCarthy Retail Group

He said the used car market should increase by around 25 000 units to 300 000 this year.

Swart made his market forecasts against the background of the drop in interest rates, the more promising political scenario, and the expected positive growth in GDP as outlined recently by Finance Minister Derek Keys

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He added the new commercial vehicle market would also show growth this year — with sales of bakkies rising to 100 000 from the 1992 level of 92 400, medium commercials going up from 3 200 to 4 000 and heavies from 5 400 to 6 000.

"The overall vehicle market should pick up fairly strongly between now and early March as both companies and individuals climb in before the expected hike in VAT is announced in the Budget," said Swart

"I will be disappointed if VAT is raised by more than two or three percent," he added

Turning to McCarthy's performance in the market, Mr Swart said the group increased its share of the total dealer market for new vehicles from 13 to 13,5 percent last year

"This means that one out of every 7,4 new vehicles sold in the South African dealer market last year came out of McCarthy showroom," he said — Sapa

Exports a lifeline for motor industry

Bdom 19/2/93.

IT IS projected that the SA motor industry will have earned R2,2bn from its exports in the 12 months to June 1993. This compares with the R400m it earned in the 12 months to June 1990 — the first year of its Phase VI local content programme.

However, the phenomenal growth has had its price. National Association of Automobile Manufacturers of SA director Nico Vermeulen says the cost of the local content, which is incorporated in the selling price of the vehicles, is substantial. Vehicles are 12% more expensive than they would otherwise have been.

Volkswagen SA chairman and MD Peter Searle says the need to export is great as the SA market is unable to support seven motor manufacturers.

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Shrunk

"The market has shrunk from 301 000 passenger cars in 1981 to 195 000 in 1991. The industry can only secure its future with exports to niche markets all over the world," he says.

One of Volkswagen SA's export projects is supplying 12 000 left hand drive Jetta 11s to China by the end of this year.

The company started exporting components in 1986. It had to prove its quality standards were on a par with European manufacturers and overcome the perception that SA was a risky supplier.

Searle says that to counter the perception, Volkswagen brought purchasing, technical and quality personnel from overseas customers to SA to instill greater confidence in the company's ability to be a world class supplier.

The range of products for export includes press parts for SEAT in Spain, catalytic converters, latest model Golf 111 press parts for VW AG, and aluminium road wheels for Audi AG.

FM 19/2/93

TOYOTA

Starting to go right again

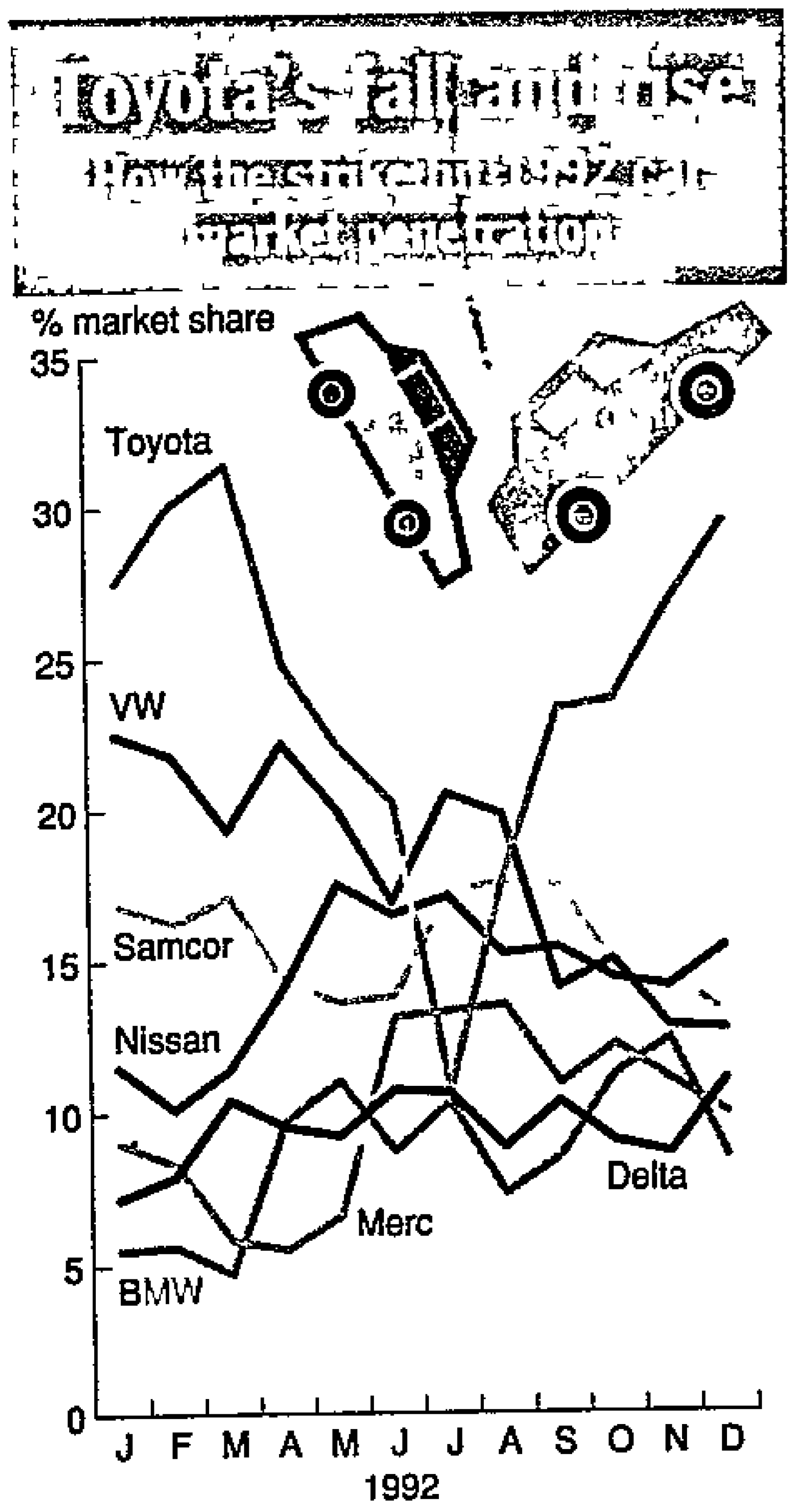
(192)

Pressures are easing, but the road ahead is still rocky

For Toyota SA, 1992 came perilously close to becoming its own *annus horribilis*

The 10-week, midyear strike at Toyota's Durban assembly plant cost the company thousands of vehicle sales and sent turnover and profits tumbling It even threatened Toyota's investment in the new Camry car range and sent management-worker relations plunging to a new low

CE Bert Wessels is understandably relieved to have put the year behind him But, while he insists Toyota has recovered fully from the strike, it is clear 1993 won't be trouble-free either



One of Toyota's immediate ambitions is to return sales to target levels Having aimed for 30% of the total vehicle market last year, the company ended up with 27% It could have been much worse In Toyota's favour was the fact that the strike coincided with a sales trough and competitors had limited excess stocks to mop up whatever demand Toyota couldn't meet

Even so, Toyota estimates the strike cost it nearly 9 000 sales At a conservative average of R40 000 a vehicle, that works out to R360m in lost turnover — far less than some of the figures being bandied about towards the end of the strike Some came close to R1bn As the *FM* pointed out at the time, much of that turnover was not lost, only delayed until orders could be met later

It is likely, therefore, that year-end figures for 1992 will be much better than the interims which were, frankly, miserable Pre-tax profit was down 72%, compared with the first half of 1991, from R100m to R28m Attributable income fell 74% to R12m, bringing EPS from 114c to 29c The dividend was passed for the first time since 1985

Though the strike continued into the second half — 33 working days were lost in May and June, another 16 in July — year-end results are expected to reflect the improved picture One certain improvement will be in Toyota's interest burden At the interim stage, interest-bearing debt had nearly doubled from the previous year, to R427m This was partly due to the Toyota Motor Co (TMC) of Japan being unable immediately to turn off supplies to the Durban plant after the strike started

"At one stage, we had nearly 30 000 unassembled vehicle kits piled up in the yard, instead of the normal stockpile of between 8 000 and 10 000," says Wessels When TMC was finally able to stop supplying, stocks ran down quickly and the situation was back to normal by October

The high interest levels also reflected investment in the new Camry, which replaced the Cressida late last year, and a new HiAce minibus The R250m Camry investment was by far the biggest contributor to 1992 capex of R350m With that money spent, "we are having a bit of a holiday this year," says Wessels Capex in 1993 probably won't exceed R80m "and there is scope to cut back on that " This year's spending could even be covered by depreciation

It's only a short holiday, however Capex will start to pick up again next year and will be very high in 1995 and 1996, says Wessels That's predictable, since Toyota is preparing to launch the next Corolla range around then

Toyota faces considerable cost pressures in 1993 Competition is forcing vehicle manufacturers to shave margins Toyota Marketing MD Brand Pretorius predicts that car price increases this year will average less than the inflation rate, probably 11%-12%

To achieve that and contribute meaningfully to profits is a tall order Some companies, desperate to move stocks, are already taking losses on certain car models Though, as market leader, Toyota's greater volumes give it a unit-cost advantage over rivals, it would surprise no-one if it were forced to do the same

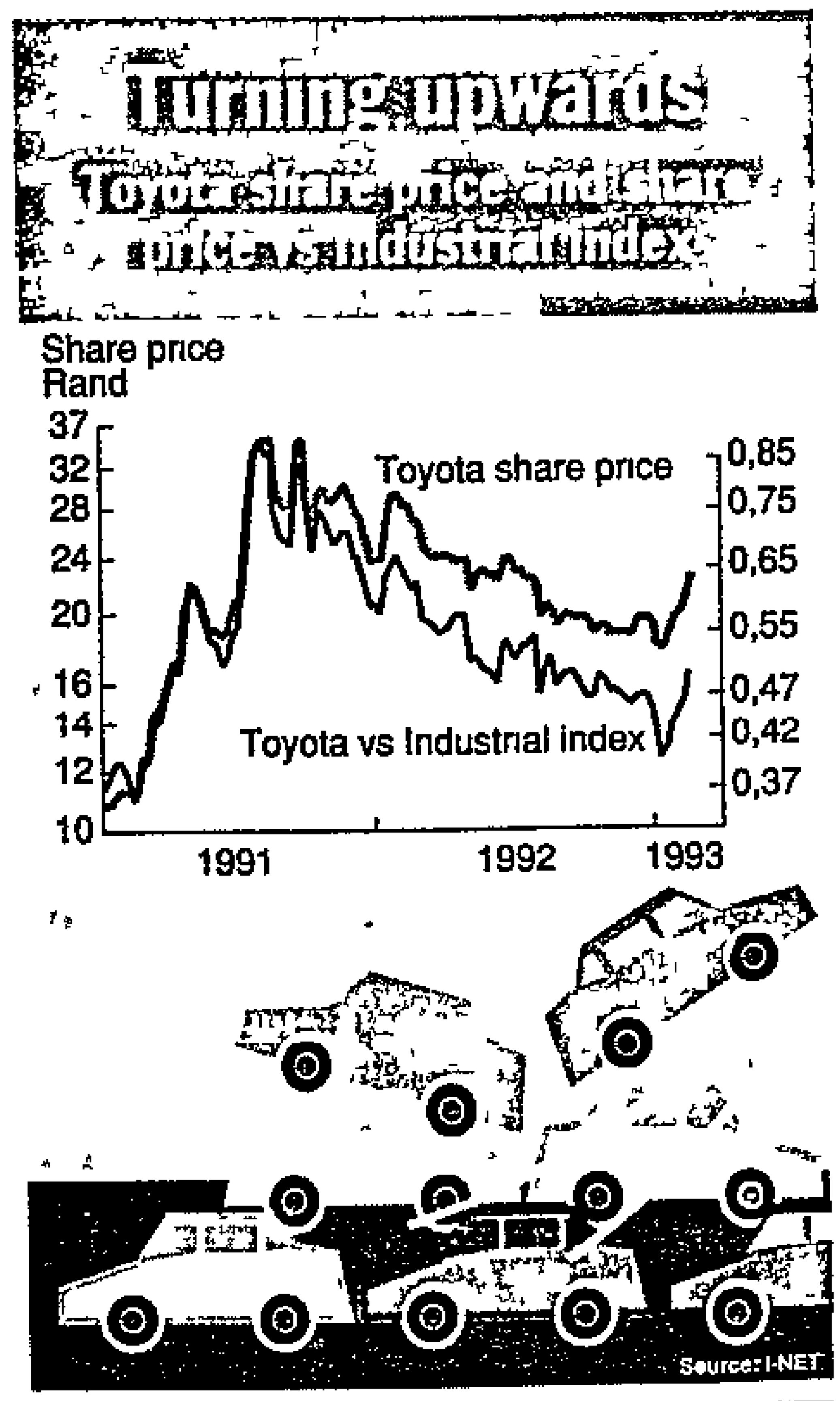
That pressure might be intensified this year because of demands by TMC As Wessels explains, the SA motor industry's latest decline "coincides with a sharp drop in international vehicle demands and a dramatic drop in profitability of all major motor manufacturers "

The multibillion-dollar 1992 losses just announced by Ford and General Motors are at the extreme end of the scale Some Japanese manufacturers also went into the red TMC remained profitable last year but saw profits at little more than half of 1990's record levels

Its response has been to call for greater effort and sacrifice from its subsidiaries and licensors Wessels explains that the Japanese company "has made onerous demands on us — both for sales volume achievements and the absorption of fob components " In other words, Toyota SA is being asked to sell even more vehicles while facing price increases worsened by the rand's continued weakening against the yen

The irony isn't lost on Wessels It's only a couple of years since, under Japanese government pressure, TMC Japan was restricting supplies to SA "It's a new thing for us to be pushed by TMC to achieve higher volumes and market share "

That makes it imperative for Toyota SA to reach its targeted 30% market share for 1993 In doing so, the local company, which accounts for about 2,5% of total TMC turnover, will have to absorb the higher supply costs from Japan Wessels says with under-



Wessels *certain Japanese ironies*

statement "It's true to say TMC is exerting pressures on us from all quarters"

Attempts to hold down prices will also come under pressure from the rand/yen exchange rate and a possible Budget increase in Vat Pretorius says all current price forecasts are off if there is a further short-term strengthening of the yen against the rand At around 38 yen to the rand now, the situation is already dire

As for Vat, Toyota and the rest of the industry have asked government to offset any increase by reducing, or better still, dropping the 2% ad valorem duty on vehicles The duty was imposed to recompense the Exchequer for its income losses when the introductory rate of Vat was reduced to 10%, from its intended 12%

If the rate goes up, the industry argues that it would be only fair to lighten the ad valorem burden Government, however, will not easily give up something that has brought in an estimated R240m a year If it doesn't, that might force Toyota and others to cut margins even more or face further market reduction.

Increasingly, domestic local vehicle sales are becoming less crucial to overall profitability Toyota's biggest growth potential lies in exports Wessels says TMC has become more accommodating about the SA company's export efforts than in the past, especially into Africa Previously, Toyota SA exports into Africa were almost surreptitious Now, with TMC's approval, the local company is openly signing distribution and marketing agreements Toyota SA hopes to increase vehicle exports into the region to at least 2 000 this year, from last year's 1 700

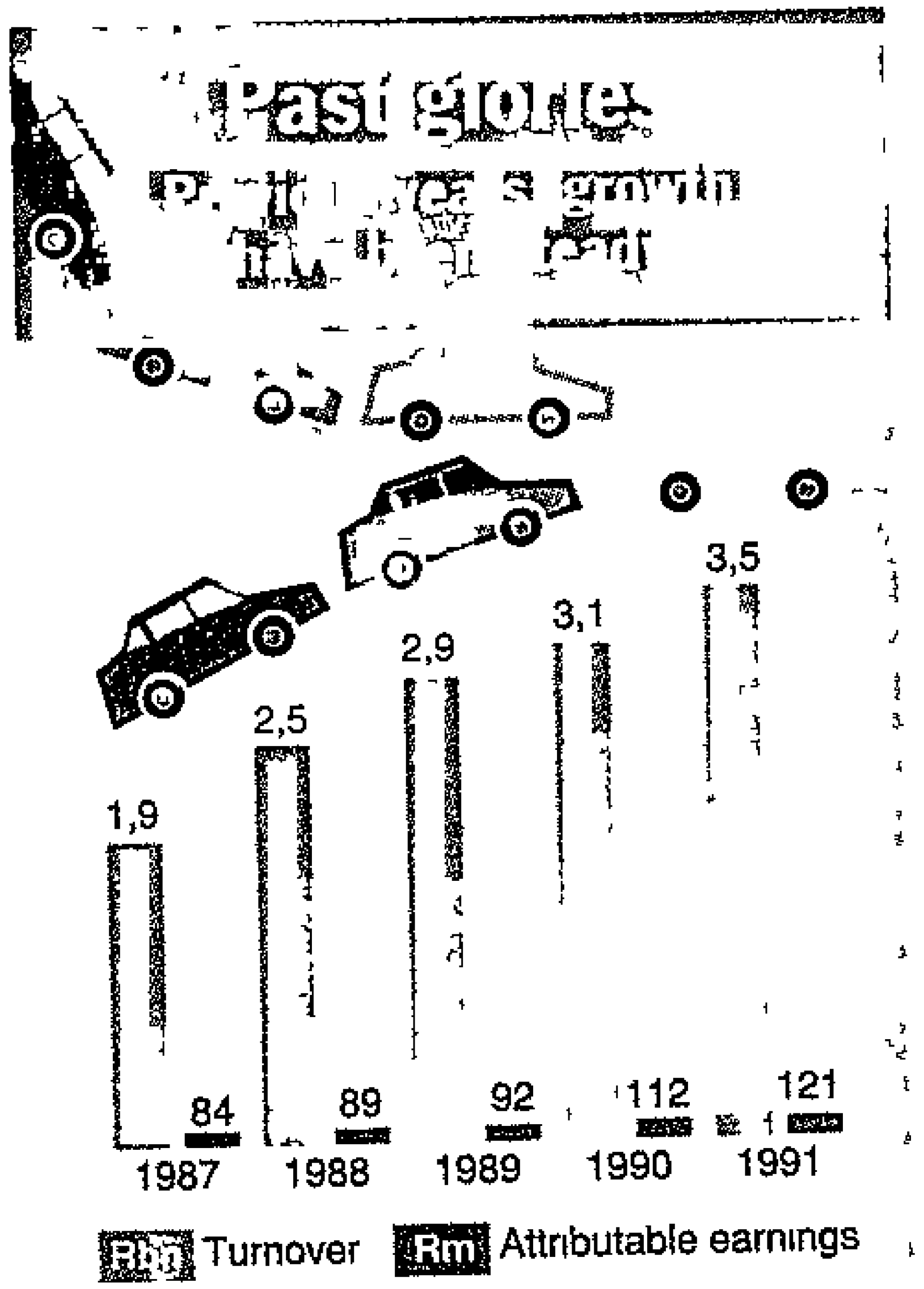
Wessels says exports will take place in co-operation with Japan "What TMC wants is for us to become a joint supplier to Africa with them Certain models will continue to come from Japan and others that we market here — that have been adapted for African conditions or that are no longer made in Japan — will be supplied by Toyota SA"

The company has also been allowed to negotiate component exchange agreements with other Toyota operations around the world "It's been a long, protracted process to reach this stage with TMC," says Wessels

On the labour side, he is optimistic that the bad blood of last year will not continue into 1993 "I detect a growing realisation by the unions of what can realistically be achieved by the workforce in these difficult times"

The trouble is, unrealistic expectations on the shop floor can force the unions' hand "I don't think shop stewards are under any illusion as to what's possible To what degree they are able to convey that to the shop floor, I don't know Even so, I don't foresee a repeat of last year's events"

If that proves to be the case, market analysts paint a much brighter picture for Toyota than they did at midyear One analyst expects year-end earnings to be down on 1991 but a big improvement on the interims



EPS at the halfway mark were 29,13c The analyst expects full-year EPS around 170c, compared with 1991's 297c On that basis, considering Toyota's usual six-times cover, he expects a year-end dividend of about 28c In 1991, the interim and year-end dividends together came to 47,5c

His is more concerned about the industry in which Toyota operates than the company "It's an excellent company with excellent products and is very well run But it's difficult to be enthusiastic about the industry It's still fundamentally weak and labour relations remain a real worry The risks are certainly above average," he says

The market seems to be anticipating some recovery Toyota's share is tightly held but its price, at R23, has climbed firmly off the 12-month low of R18 set early in January An improvement in unit sales this year would also benefit distributors, such as McCarthy, which has a significant exposure to Toyota products

David Furlonger

Phase VI rebate fraud uncovered

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Political Staff

CAPE TOWN — The auditor-general has reported that "serious irregularities have come to light" regarding Phase VI of motor vehicle local content programme, possibly involving "several million rands".

These irregularities arose from the "abuse of incentives" by certain businesses in the private sector. BIDAY

In his last report as auditor-general, for the 1991/92 financial year, Peter Wronsley said the Trade and Industry Department had summarily stopped payment of excess rebates about which doubts existed and subjected the irregularities surrounding the scheme to investigation.

The investigation had not yet been completed. 23/2/93

Wronsley said according to information these irregularities and the proportion they had assumed were not only due to fraud but to the lack of effective and efficient control measures.

He said a limited investigation into the operation of Phase VI and the control measures applied by Customs and Excise to ensure the correctness of excise duty rebates motor vehicle manufacturers were allowed showed a number of "risk areas" and "shortcomings".

He said an excise account return was primarily a self-assessment by a motor vehicle manufacturer, and because all supporting documentation was kept at the manufacturer, this limited the audit investigation. Because of this, it was "not possible to express an opinion regarding the fairness of the excise duty collected from the motor industry".

The risks and shortcomings had been brought to the attention of the Customs and Excise commissioner on November 23

T & N boosted by exports surge

B/DAY 23/2/93. (192)

EDWARD WEST

T & N HOLDINGS increased earnings a share 23% to 86c in the year to end-December 1992 from 70c reported in 1991 on the back of cost reduction, productivity improvements and surging exports.

The group's loss-making resin business was sold in 1992 — with R2,3m profit on disposal reported as an extraordinary item — and the 1991 income statement was restated to reflect the sale. The 1992 dividend climbed to 23c from 16,5c.

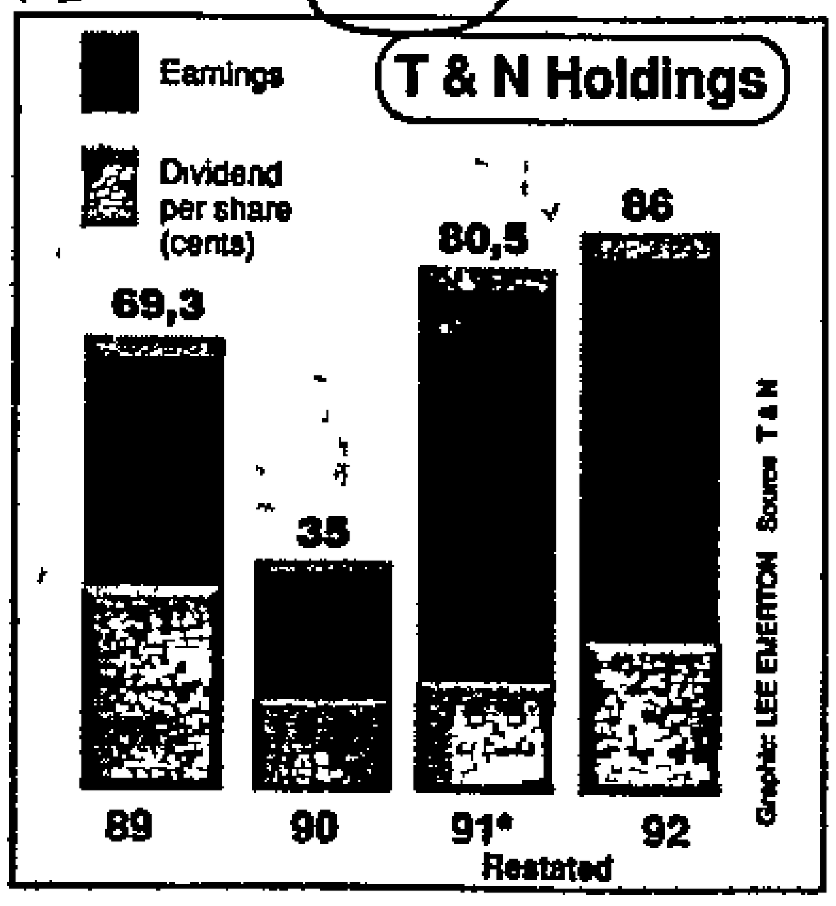
Sales of the remaining businesses climbed 8,9% to R423,7m from the restated R389,1m which, in turn, was R36,6m less than 1991's previously reported turnover of R425,7m.

Cost-cutting and productivity measures were evident in the 21,5% increase in operating profit to R48,5m.

CE Bill Cooper said the restated increase in operating profit to R39,9m from R34,8m was indicative of the extent at which the resin business cut into group profits in 1991.

Exports to the US and Europe climbed 53% over 1991 and comprised 13,7% of sales. Deputy chairman Mathys Pretorius said main contributors to exports were radiator manufacturers FHE Automotive and Silverton Engineering as well as AE Bearings. Prospects for further export opportunities were good.

Tax was higher at R8,7m from R3,3m. Pretorius said while the 28,7% tax rate was higher than in 1991, it was not expected to increase in the next few years because of capital expenditure and assessed losses from Dancor. Capital expenditure amounted to R22,1m.



T & N acquired Dancor in January, allowing further rationalisation and reduced distribution and administration costs, he said.

The pension contribution holiday was reduced to R1,5m from R4,8m and was not likely to continue. Plant and machinery were revalued and the R11m surplus was credited to non-distributable reserves.

On August 1 1992 a 70% stake in Fabflex was acquired for R4,9m.

Pretorius said 1991's R3m losses reported from the Roodepoort site of AE Pistons and AE liners had been arrested although the divisions were not yet profitable.

The friction material, radiator, heat exchanger and gasket manufacturing operations improved operating profits in 1992. The moulding powder performance was well down in 1991 because of the lifting of import controls.

Local trading conditions were expected to remain difficult, said Pretorius.

EXECUTIVE SUITE By William Wall

Ailing spares sector in export expansion drive

BDAY 24.2.93

GERALD REILLY

PRETORIA — The country's stagnant component spares industry was intensifying its drive to expand exports this year, National Association of Automotive Components and Allied Manufacturers (Naacam) director Denzyl Vermooten said yesterday.

Currently the focus was on the Middle East after members successfully participated in a Dubai trade fair last year.

But like the rest of the manufacturing industry, prospects for the year were firmly rooted in progress in reaching a political settlement without which the components and spares industry was likely to remain in the doldrums.

Retail sales in the motor vehicle industry last year amounted to R38,3bn — new vehicles R13bn, used vehicles R7,1bn, workshop revenue R4,3bn, spares and accessories R7,6bn and "other" R6,3bn.

(192)

During the year the components manufacturers supplied original equipment for vehicle building valued at R3,8bn — 9% up on 1991 and replacement spares and accessories R1,5bn — 17% up.

The value of total exports, including cars, reached R1,5bn — up 20%. Of this R450m was earned by components manufacturers — also up 20%.

"It illustrates the potential for expanding our niche markets in Europe and to a lesser extent in the US," Vermooten said.

The recession had taken a toll on jobs. In the past three years numbers had decreased 20 000 to 54 000.

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T&N HOLDINGS

Looking racy

T&N's 1992 results were firmly on track despite a hike in the effective tax rate and a pension holiday benefit R3,3m lower than in 1991 As more than 90% of its profits are derived from the depressed automotive sector, the 7% rise in restated attributable earnings looks racy

FM 26/2/93

Year-on-year comparisons in 1992 refer to the restated 1991 income statement, drawn up after the disposal of the R30m-turnover resin business in 1992. Earnings growth is attributed to a continuing export drive and rigorous cost controls T&N operates in high fixed-cost businesses — exports provide a vital overflow for excess capacity in the local market In 1992 exports rose by about half, contributing about a sixth of turnover, which management hopes to raise to a quarter

The effective tax rate increased to 28,7% from 13,8% in 1991, this is not expected to deteriorate because of sustained capex plans and the benefit of tax losses after acquiring 100% of the Dancor group, distributor of Beral friction products, in 1993 The pension holiday is not expected to continue in 1993

Finance director Chris Good says "We have been getting our house in order in 1992" In the troublesome chemical sector, the sale of loss-making resin business and assets of British Industrial Plastics SA realised an extraordinary profit of R2,3m T&N strengthened its position in the industrial sealing market with the R5m acquisition of a 70% stake in Fabflex

The automotive division accounted for 83% of sales in 1992, of which less than a fifth was from the original equipment market; most of the automotive sales comes from the replacement after market

(192)

FM 26/2/93

CE Bill Cooper stresses that T&N's exposure to the replacement market is a strategic focus to fit the recessionary market; repairs tend to displace new acquisitions The market mix comprises exports, OE and replacement after market. Says Cooper "We need to be in all three to play the right tunes in a changing market"

The share has soared by 75% from 270c in November to 470c now, despite the small public shareholding of between 5%-10% The low rating of 6,7 and high dividend and earnings yields look interesting, but difficult market circumstances look set to continue The recent rise in the price has discounted much of the good news *Louise Randell*

Quality glitches delay new Golfs

S/Times Buss 28/2/93. (192)

By DON ROBERTSON

VOLKSWAGEN SA has been forced to postpone the launch of its third generation Golf and Jetta range because quality does not meet the German parent company's stringent standards

The new vehicles were introduced to the media last October and to dealers and fleet owners in November

Volume production was supposed to get under way at the beginning of this year and the advertising campaign to promote the new model range was due to begin at the end of January This has now been moved out to mid-April

Reorganised

It is understood that quality controllers from Volkswagen AG found fault with the build quality of the vehicles and that items, such as the gap between the flush-fitting doors and the bonnet, were not up to requirements

Other quality problems — described by Volkswagen as "minor" — have also been mentioned

A Volkswagen spokesman says the start-up plan was aimed at achieving full production by March This volume obviously takes a while to work through to the dealers and hence national advertising will only start when production volumes are satisfactory

The company is reluctant to discuss the difficulties it has experienced but says that, during the Christmas shutdown, the entire plant was reorganised to accommodate volume production of both cars

It adds that quality is a cornerstone of its philosophy and "an uncompromising approach has been adopted that will ensure that the vehicles shipped from the Uitenhage plant would match those of the parent company's worldwide standards

"Meeting these exacting standards will lead to a restricted flow of vehicles to the local market over the next few months and initial supplies will not match customer demand

"The restricted availability has already given rise to great frustration from customers anxious to take delivery of their new cars, for which we apologise We have delayed our advertising to coincide with volume shipment"

Production has not been stopped, but stringent quality checks have been implemented

Replies to questions such as what was the initial planned production, the number of vehicles now being built, what the problems were, whether local supply companies had added to these difficulties, or for how long the advertising campaign has been postponed were not forthcoming

Second

Cars which have already been sold will not be withdrawn, says the company, as none of the problems relate to safety

Volkswagen enjoyed second spot in car sales last year with a market share of 18,1%, but suggestions are that it ran in the red

Managing director Peter Searle has been "playing a low profile" since recovering from a recent illness and is reported to be paying more attention to internal matters at the Uitenhage plant.

Training board started in automotive industry

192

DIRK HARTFORD

FOR the first time a training board, which incorporates education in its brief, has been launched by the auto manufacturing industry.

The board, which was launched last week and consists of auto manufacturing employers and trade unions Yster en Staal and Numsa — aims to shift focus beyond the traditional artisan and apprenticeship training concerns to include education for developing career paths for workers in the industry.

The board believes that education and training should be linked to programmes for economic transformation and industrial restructuring in the industry. Past racial and gender discrimination needs to be addressed through affirmative action programmes, it feels.

Workers attending training courses will do so at their normal rate of pay if it is during working hours, and training will be adapted to meet the needs of the economy

BIDAY 2/3/93

The board aims to recognise and establish clear links between formal education, industry training and other education and training systems.

It supports the idea of free and compulsory formal education to the "highest level the economy can afford" and endorses education and training as an integral part of employment.

All training must be linked to clearly defined career paths — moving from broad general skills to specialisation. And training should be modular and competency based within an industry framework.

The board also believes that training should provide portable skills recognised industrywide, while also providing particular workplace skills for future development

The programmes will include recognition of prior learning where this can be verified.

Trade unions will be involved in all aspects of literacy training in courses which will take learners to nationally acceptable standards Companies will provide facilities and support programmes for the training of trainers.

The board has already established a special project team to investigate the implementation of career pathing in the industry

● See Page 8

Numsa considers 'let's work it out' approach

BDM 2/3/93.

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DIRK HARTFORD

NUMSA's 230 000 members are discussing a new approach to collective bargaining in the metal, motor and vehicle manufacturing sectors that would mark a radical departure from its militant and confrontational style

Essence of the new approach is that the union negotiates a broad three-year programme of wages and industrial restructuring where wages, skill development and grading would be planned and negotiated over three years

It is envisaged that the wage negotiations will be linked to a grade reduction process designed to lay the basis for developing world-class manufacturing in the industries Numsa has organised

These proposals are contained in a document currently under discussion, but Numsa leaders refuse to comment on its contents, saying only it is part of series of union debates under way

The document has the support of Numsa's collective bargaining and national executive committees and is being discussed in the union's regions and at general meetings before being referred to Numsa's central executive for a final decision.

It fits into Cosatu discussions around a "reconstruction pact", as well as being underpinned by similar ideas addressed in Cosatu's two other big affiliates — the NUM and Sactwu.

It follows last year's defeated three-week national strike in the metal and motor assembly industries. And it mirrors the other major turn in Numsa's history when the then Metal and Allied Workers' Union joined the metal industrial council in the early '80s after a series of plant level strikes.

The document implicitly acknowledges that several major campaigns of the union — like for a living wage in the industry, for centralised bargaining and even for job security — will have to take a back seat, or at least be revisited in the context of the new approach.

The new approach boils down to accepting joint responsibility (with employers) for finding solutions to the crisis of the metal and motor assembly industries.

Numsa would propose measures it believes necessary to turn the manufacturing sector into one capable of competing on the world market, while also delivering jobs, skills, education, social benefits and affordable consumer products to workers in SA.

At first sight, such an approach is one employers will no doubt welcome. Wages and industrial action would be unlikely to be as centre-stage as they have been

In addition, a far more flexible attitude to centralised bargaining, with the possibility of introducing a two-tiered bargaining system, is being mooted.

It is these the union will inevitably have to "offer" in order to obtain a key role in co-managing restructuring of industries on the lines the document suggests

But the challenge for employers in the new approach is not, as in the past, who will triumph at the barricades. Rather it will be whether employers can accept the German-style co-determination approach that underlines the proposals.

The proposals — ~~broadly speaking~~ — rest on the belief that a major contribution to rebuilding SA industry can be achieved by using education, training and work organisation to drive wages policy.

It wants more modern, flatter, management structures, a life-long career path for all workers and a more skilled and less supervised workforce.

It also involves putting in place at plant level new work systems that ensure all workers have the opportunity to exercise their skills.

It specifically suggests a reduction to seven grades instead of the myriad of different grades that exist currently, especially in the metal industry. These grades should include flexible skills, rather than narrow task or craft definitions It suggests negotiations, after three years, should focus on a percentage increase for the artisan grade with wages in other grades automatically adjusted in terms of the settlement reached at artisan level.

The union, the document recommends, should continue fighting for a 40-hour week — possibly in exchange for ~~flexible~~ working arrangements — for training leave as a right for all workers and for a common "benefit package" for the industry including normal leave, bonus, retirement, medical, parental and other benefits.

The new grade system would provide for a career path for workers, recognition of prior learning of workers, multiskilling, measures to prevent workers being de-skilled through the introduction of new technology and safeguards for women workers.

Issues of tariffs, export incentive schemes, sector industry authorities, and industry protection policies are also addressed in in the proposals, all within the context of defending the industry while radically restructuring it to meet the challenges of a world market where protectionist strategies are falling away.

Although not Numsa policy yet, chances are good it soon will be. And given the central role Numsa has played in fashioning Cosatu policies, the majority of Cosatu unions are likely to pick up the new direction in their own industries under an overall Cosatu vision of a recontruction pact with the ANC for post-apartheid SA.

REVIEWS

Star 3/3/93

Currency swings pump up car prices

Finance Staff

192

Widespread car price rises were announced yesterday as a result of the recent strengthening of the Japanese and German currencies

Toyota Marketing's managing director, Brand Pretorius, announced increases on Toyota products ranging from 2,5 percent on the Corolla to 3,5 percent on Camry models

Both Delta and Nissan said their car prices would rise by 3 percent next week, and Volkswagen immediately raised the prices of its models, except the recently released Golfs and Jettas, by 4 percent.

Pretorius said the rand had fallen by 19 percent against the Japanese yen since July last year.

Similarly, the strength of the deutschmark had led to increases in the cost of imported components.

Car prices rose on average by 12,8 percent last year and by 22 percent in 1991.

Car makers increase prices

EDWARD WEST 192

CAR manufacturers have increased prices because of the strengthening of Japanese and German currencies

Toyota had increased the prices on all its cars, light commercial vehicles, medium-sized and heavy trucks by between 2,5% and 3,5%, Toyota marketing MD Brand Pretorius said

Volkswagen spokesmen said there would be an immediate 4% price rise on all vehicles except the recently launched model-3 Golfs and Jettas.

Delta announced price increases of between 3% and 3,5% on all its vehicles, effective from March 15, while Nissan said its prices would increase on average by 3% within the next few days

The only vehicle manufacturers not to announce price increases were BMW SA and Mercedes-Benz SA

BMW spokesman Chris Moerdyk said there would be no ad hoc increases because BMW bought forward cover and was not exposed to short-term currency fluctuations

Mercedes said no decision had been made to increase prices It increased Honda Ballade and Mercedes-Benz prices by 1,67% and 2% respectively in February

Pretorius said the strengthening of the yen had led to premature and unavoidable price increases, with German-sourced product also under pricing pressure

The increases followed a 19,1% depreciation of the rand against the yen since July 1992, compared with Toyota's forecast of 7,5% depreciation — which related to the differential between projected SA inflation at 11% and Japan's inflation rate of 3%. Pretorius said if the currency trend continued, the depreciation in exchange rates would amount to 17% in 1993.

The Phase VI local content programme compounded the issue of strengthening overseas currencies in that foreign exchange usage increased, local content decreased and excise duty penalties had to be paid, said Pretorius

In 1992 average vehicle prices increased 12,8% against a CPI of 14,1%, compared with 1991's 22,1% average increase against a CPI of 15,2% in that year.

8/3/93 B/DAY

MOTOR INDUSTRY FM 5/3/93

Revitalising Samcor (192)

Samcor, the Anglo American-controlled assembler of Ford and Mazda vehicles, is banking on new vehicle ranges and improved quality controls to revive its fortunes The company is preparing to launch two medium-car ranges this month — a new Mazda 626 and the Ford Telstar, which replaces the Sapphire/Sierra range

It has also invested R100m in new technology, including computer-aided electronics testing equipment, increased corrosion resistance and what Samcor describes as "the most highly automated vehicle body assembly in SA "

Directors expect the changes to overcome long-standing problems at Samcor Though still among the market leaders, it admits to disappointment at the image of the company and its products, with outside perceptions of quality shortcomings But they say there is a new mood of optimism at managerial and shop-floor levels as a result of actions being taken at Samcor In particular Robert Herbertson, a former steel marketer with limited motor industry experience when he succeeded Spencer Sterling as MD two-and-a-half years ago, has begun to leave his imprint on the company

Aided by Sterling's continued involvement as chairman, Herbertson is visibly more confident than when he started and his directors appear to be enjoying the greater freedom they are allowed in daily decision-making It is also notable that the directors are local motor industry men, those seconded from Ford in Detroit have returned to the US

Herbertson is in no doubt that the launch of new models is a further break with the past He calls the new 626 "The renaissance of Mazda" in SA and the Telstar "The reformation of Ford "

He predicts that the models will increase not only Samcor's market share but also the size of the medium-car segment, already boosted by recent products such as the BMW 3-Series and the Toyota Camry

Samcor plans to build the acclaimed Mitsubishi Pajero four-wheel-drive station wagon this year Herbertson says Mitsubishi in Japan has promised Samcor its co-opera-

continued

BUSINESS & TECHNOLOGY FM 5/3/93 (192)

tion in export markets

Like other vehicle manufacturers, Samcor sees exports as a big source of income in the future Africa is the logical target for built-up vehicles but Herbertson is confident Samcor can compete in the rest of the world in exports of selected components

With this in mind, he expects the under-used Samcor engine plant in Port Elizabeth to be used increasingly to build export components ■

Dividend for Varex after 'turbulent' trade

(192)

B/DAY 5/3/93

ANDREW KRUMM

NEWLY formed auto spares group Varex Corporation has declared a maiden dividend of 30c a share after 10 "turbulent" months of trading to end-December 1992

Attributable earnings stood at R9,5m for the period, which translated into a fully diluted 63,5c in earnings a share (undiluted 101,4c), the company said yesterday

The auto spares distributor was formed in March 1992 after a reorganisation of companies in the W & A group The restructure saw Eddie's Motors acquire Femo Auto Parts, Parts Centre and Autorite from W&A, while Vektra contributed V&R Engine Spares. An outsider, North Spares, joined the new group for R12,5m

W & A has ultimate control due to its 74% shareholding in Vektra, which in turn owns 72% of Varex Dividends would be declared twice a year, the company said

Varex chairman Alan Schelesinger said despite market conditions turnover amounted to R268,9m in December, while the "maintenance" of expenses and margins at acceptable levels resulted in a R24,2m operating profit

The company paid R1,9m in net interest costs, R1,1m to outside partners and R6,4m in taxes, which resulted in a taxed profit of R14,7m More than R5,1m in interest was paid to compulsory convertible debenture holders, leaving R9,5m profit attributable to shareholders

"The effective tax rate of 30% arises primarily from the utilisation of assessed losses in subsidiaries This rate is not expected to increase significantly in 1993"

On prospects, Schlesinger said although the company had budgeted to achieve "satisfactory" growth in 1993, demand in Varex's traditional local market was not expected to grow significantly during the year Fierce competition, the continued high level of vehicle theft for replacement parts, and the large number of imported replacement engines were factors affecting profitability

"However, Varex's large base, sound financial structure, sophisticated systems and trading expertise, should enable the company to mitigate the negative impact"

He added that Varex was exploring opportunities both in export markets and in the local taxi spares market.

Curnow earnings up despite stiff conditions

B/DAY 5/3/93

MARCIA KLEIN

AUTOMOTIVE refinishing products distributor Curnow M & G improved earnings by 6,5% to 4,9c (4,6c) a share in the year to end-December

A final dividend of 1c a share was declared, bringing the full year dividend to 2c a share, in line with the previous year

MD Mervyn Bloom said the company had strengthened its market position through "innovative marketing and high levels of service" under difficult trading conditions

Turnover rose by 5% to R46,8m from R44,6m, but operating income dropped marginally to R2,7m from R2,8m due to "intense competition" which kept margins under pressure

The sharply reduced interest bill of R491 000 (R851 000) reflected reduced borrowings on the back of improved asset management and lower interest rates, Bloom said

Pre-tax profit rose by 16,3% to R2,3m from R1,9m, but after a higher tax rate resulted in a 6,7% rise in income after tax to R1,1m (R1m)

(192)

Bloom said market conditions were unlikely to improve in 1993

Nevertheless, improved asset management and continued focus on customers' needs would enable Curnow to "at least maintain its performance" in the coming year

Vektra earnings up on lower turnover

BDay 5/3/93.

(192)

ANDREW KRUMM

W & A automotive subsidiary Vektra Corporation lifted attributable earnings before extraordinary items 16% to R5,1m (1991 R4,4m) despite lower turnover for the year to end-December 1992, the company said yesterday

However, a R2,3m extraordinary item knocked attributable profit down to R2,84m A final dividend of 9c (7c) a share was declared, bringing the distribution for the year to 15c (13c) Vektra chairman Alan Schlesinger said although the 2% decline in turnover to R484,7m from R493,5m in 1991 was largely due to "selective" marketing in Williams Hunt Delta, trade in parts and vehicles remained difficult during the year with continued pressure on margins

Williams Hunt is the principal component in Vektra's newly designated motor dealing subsidiary Venture Motor Holdings

"The volume of new vehicle sales was deliberately reduced in order to improve the quality of turnover and to limit exposure to vehicle repurchase undertakings"

He said the replacement parts business — carried on through newly formed subsidiary Varex Corporation — maintained profitability and market share despite intense competition

Schlesinger said "demand in Vektra's markets is not expected to grow significantly during 1993 and competition is expected to remain intense"

But given stable trading conditions, Vektra's businesses had budgeted to achieve satisfactory performance in 1993

He added that Williams Hunt should benefit from new model launches expected from Delta in the second quarter 1993, while Venture Motor Holdings might acquire additional Nissan franchises

Toyota profit plummets 50%

GRETA STEYN 192

TOYOTA reported a 50,3% plunge in taxed profit to R62,4m as worse than expected trading conditions in the second half followed a crippling 49-day strike in the first

However, the group kept its promise of paying a dividend after passing it at the interim stage, and declared 28,5c (1991 47,5c) Earnings a share were 151,6c from 297,3c. At the interim stage, analysts predicted earnings for the year of 195c and a dividend of 31c

Executive chairman Bert Wessels blamed the strike, the expenses associated with Phase VI local content requirements and a special duty charged by government for the weak profit performance "As we went into 1992 we predicted somewhat easier trading conditions in the second half of the year but these did not materialise."

He noted that the company's new vehicle sales had decreased by 13,5% to 76 751 units (1991 88 796) for the year as a whole For the industry, sales for the year were down by almost 8% to 284 028 vehicles compared with 308 075 the previous year

He said the strike at the Durban plant was the main reason for the sharp fall in sales, and had resulted in Toyota's market share dropping from 28,8% in 1991 to 27% in 1992 A total of 19 500 vehicles had been lost against the original production planning schedule, but it was estimated that the real loss in sales had been half that because of adverse economic trends

"Aside from the effects of the strike, 1992 was the first full year in which the motor industry had to operate under the constraints of accelerated Phase VI local content requirements The government also levied a 2,5% non-rebatable duty on new vehicles to offset losses associated with the change from GST to VAT at a lower rate"

Wessels described the group's effective tax rate, at 56%, as "on the high side" He

☐ To Page 2

Toyota BDM 5/3/93

192 ☐ From Page 1

said it reflected the effect of Toyota's policy of providing for depreciation on revalued assets whereas the tax computations were based on historical cost.

Although the company was budgeting for some improvement in the economy and a marginal increase in vehicle sales, there was no short-term prospect of a significant upturn

He expressed concern over the rand's weakness against the yen, saying it would have an adverse effect on vehicle prices It would be difficult to contain price increases in line with inflation

The group aimed to increase market share to 30%, with the focus on the Camry

Shareholders' equity increased through a profit contribution and through the company's policy of revaluing assets Fixed assets increased substantially as a result of the introduction of the Camry and the upgrading of facilities

Star 5/3/93

Dealers' cost cutting gives boost to Vektra

192

By Stephen Cranston

W&A's replacement parts and motor dealership subsidiary Vektra has reported a 16 percent increase in attributable earnings to R5,19 million

Earnings per share rose by 6,1c to 43,7c and dividends are up 2c to 15c

Turnover of R484,7 million was down two percent on the previous year as Williams Hunt reduced its volume of new sales to improve the quality of turnover and reduce risk.

Chairman Alan Schlesinger says the market for vehicles as well as replacement parts was competitive throughout the year.

The performance of the motor dealerships accelerated in the second half of the year thanks to cost reductions and tighter asset management

Williams Hunt was turned around by a reinforced management team, a major systems upgrade and improved working capital management

Star 5/3/93

(192)

Varex makes strong debut for W & A and looks for expansion

By Stephen Cranston

Varex Corporation, the automotive spares group which W&A created last year, has reported earnings per share of 101,4c for the 10 months to December

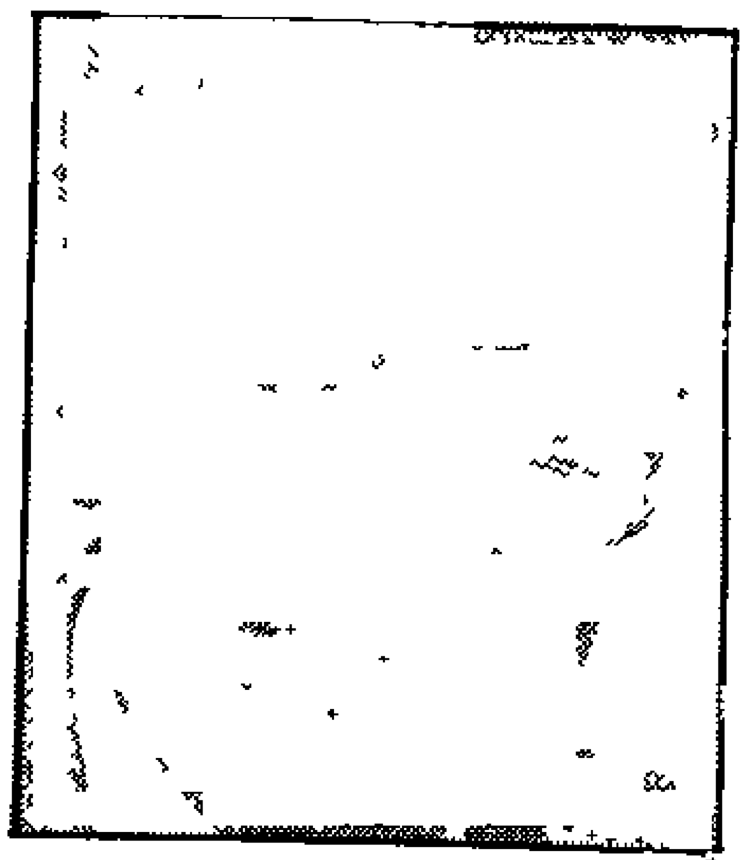
A dividend of 30c is being paid

The group was created on March 1, when what was then Eddies acquired V&R Engine Spares, Femo Auto Parts, Parts Centre and Autorite from Vektra for R105,9 million paid by the issue of ordinary shares and convertible debentures

Turnover was R268,9 million and operating profit R24,2 million.

Chairman Alan Schlesinger says the operating and financial performance for the period was satisfactory Despite the turbulent trading conditions, margins and expenses were maintained at acceptable levels.

The effective tax rate of 30 percent arises from the use of assessed losses in subsidiaries The rate is not expected to increase



Rob Crockett .. full rationalisation benefits still to come.

significantly during the year

Gearing is a healthy 10,6 percent

Chief executive Rob Crockett says the enlarged size of the group, and the complementary strengths and resources of its members, are already paying dividends even though the full rationalisation benefits between the Varex businesses will materialise only during the course of the year

The scale of the operation, and sophisticated computerised stock control has improved distribution efficiency and asset management. Maximum product availability is combined with minimum stockholdings

Schlesinger says total demand in Varex's traditional domestic market is not expected to grow significantly during 1993 Fierce competition, the increase in vehicle thefts for replacement parts and the large number of imported replacement engines will all affect profitability

But the large base, strong financial position, sophisticated systems and its experience in trading should enable the company to counter these negative factors

Varex is looking at export opportunities and is planning to expand the strong presence in the taxi market developed by Eddies

With stable trading conditions, Varex has budgeted for satisfactory growth this year

Strikes take its toll on Toyota SA

(192)

JOHANNESBURG. — Severe industrial action took its toll on Toyota SA's results for the year ended December 1992 as attributable income plunged by almost half to R61,7m from R120,9m previously.

Although turnover was largely unchanged, net income after tax fell by 49% to R62,9m.

Executive chairman Bert Wessels said this was due to the 13,5% drop in sales and the loss of a significant amount of planned production as a result of the 49-day strike at Toyota's Durban plant. CT 5/3/93

Earnings a share were halved from 297,3c to 151,6c while the board declared a final dividend of 28,5c a share, 19c lower than the previous year.

Wessels said new vehicle sales were likely to remain at last year's levels of under 300 000 units.

The new Camry brightens Toyota's troubled year

Star 5/3/93

(192)

By Stephen Cranston

A bruising strike and a 13,5 percent decline in sales led to a 49 percent plunge in Toyota's attributable income to R61,7 million in the year to December

Earnings per share fell from 297,3c to 151,6c

Chairman Bert Wessels says that the expected improvement in trading conditions in the second half of the year did not materialise

The overall market was down 7,8 percent to 284 028 but Toyota's sales fell almost twice as fast to 76 751

The 49-day strike at the group's factory in Durban meant that 19 500 vehicles were lost against the original production schedule, but the real loss of sales was approximately half of that due to adverse economic trends

Wessels says that 1992 was the first full year in which the motor industry had to operate under the constraints of accelerated Phase 6 local content requirements which raised local content to 75% by value.

The government also levied a 2,5% non-rebateable duty on new vehicles to offset losses associated with the change from GST to VAT at a lower rate and this impacted further on profitability

Although Toyota passed the interim dividend has declared a 28,5c dividend for the year

There was an increase in shareholders' equity through a profit contribution and through the company's policy of revaluing assets.

Fixed assets

Fixed assets have increased substantially as a result of significant investment in tooling up for the Camry and in upgraded facilities

Current assets are lower for 1992 as a result of efficient stock management despite the difficulties experienced over the period of the strike.

Toyota's effective tax rate was 56% for the year. This reflects the effect of Toyota's policy of providing for depreciation on revalued assets whereas the tax computations are based on historical cost

The Camry, which was introduced towards the end of the year into the medium car segment, faced strong demand and became the country's number two seller behind Corolla in December

Wessels says that the entry of the Camry into the market revitalised what had up until then been a fairly stagnant market segment

He says demand for the Camry seems set to remain strong through 1993 and will be at the forefront of a drive to achieve a 30% market share for 1993

"Although we are budgeting for some improvement in the economy and a marginal increase in vehicle sales there is no short term prospect of a significant upturn," says Wessels

He says there is a lot of concern about the recent strength of the yen against the rand and this will unfortunately have an impact on vehicle pricing

Toyota hit by strike and a sales slump

(192) ARG 5/3/93

Business Staff

A BRUISING strike and a 13,5 percent fall in sales led to a 49 percent plunge in Toyota's bottom line to R61,7 million in the year to last December

Earnings a share fell from 297,3c to 151,6c and the dividend — after passing the interim — is 28,9c, down from the 47,5c paid in 1991

Chairman Bert Wessels said the expected improvement in trading conditions in the second half of the year did not materialise

The overall market was down 7,8 percent to 284 028 units, but Toyota's sales fell almost twice as fast to 76 751

The 49-day strike at the group's factory in Durban meant 19 500 vehicles were lost in terms of the original production schedule, but the real loss of sales was about half that owing to adverse economic trends

Mr Wessels said 1992 was the first full year in which the motor industry had to operate under the constraints of accelerated Phase Six local content requirements, which raised local content to 75 by value

The government also levied a 2,5 non-rebateable duty on new vehicles to offset losses associated with the change from GST to VAT at a lower rate, and this impacted further on profitability

There was an increase in shareholders' equity through a profit contribution and through the company's policy of revaluing assets

Fixed assets increased substantially as a result of significant investment in tooling up for the Camry and upgrading facilities

Current assets were lower for 1992 as a result of efficient stock management, in spite of the difficulties experienced during the strike

Toyota's effective tax rate was 56 percent for the year, reflecting the effect of Toyota's policy of providing for depreciation on revalued assets, whereas the tax computations were based on historical cost

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He said demand for the Camry seems set to remain strong through 1993 and would be at the forefront of a drive to achieve a 30 percent market share for 1993

"Although we are budgeting for some improvement in the economy and a marginal increase in vehicle sales, there is no short term prospect of a significant upturn," he said

He said there was much concern about the recent strength of the yen against the Rand and this would unfortunately impact on vehicle pricing

During 1991 Toyota kept price rises in line with inflation and had hoped to achieve the same during 1993, but this would be difficult to achieve

Advertorial

Market Toyota helps keep the taxi industry going right

SOUTH

6/3-10/3/93.

192

MARKET Toyota, part of the Malbak Group conglomerate, is offering taxi drivers free training in communication and basic driving skills to reduce accidents and deaths on the roads.

Company spokesperson, Mr Theo McDuling, said the programme was introduced to train drivers from big companies which were Market Toyota customers.

This had helped companies' drivers drive more safely when delivering goods and enabled employers to save money and avoid unnecessary expenditure.

McDuling said the company was approached by the Convention for Democratic Taxi Associations (Codeta) six weeks ago for assistance in training.

"We had to re-plan the course because the industry was different from the delivery trucks we had been catering for."

About 60 taxi drivers had been awarded certificates for the four-hour course.

McDuling said one and a half hours of the course was spent on the attitude taxi drivers should adopt to-wards commuters. The rest was spent on how to use the vehicle safely.

McDuling said Market Toyota mainly trained drivers how to apply brakes and clutch — the basic items in driving.

"This would help reduce the death rate and accidents on the roads," he said.

Codeta spokesperson, Mr Kidwell Magwayi, said the taxi industry was perceived as a contributing factor in the increasing death toll in the country.

He said Codeta was trying to restore confidence in the industry by training its drivers.

Rocketing car prices slated

(192)

S/Times (BUSS) 7/3/93.

By CIARAN RYAN

SOUTH AFRICA's car industry is slammed in a new study for putting car prices into orbit.

The only beneficiaries of Phase VI of the local content programme for the car industry are vehicle manufacturers, a handful of local content manufacturers and fraudsters, claims Martin Viljoen in a thesis entitled The Impact of Phase VI on the Affordability of Passenger Cars in SA.

"The new car business is ill" Mr Viljoen says Phase VI of the motor industry's local content programme had a role in "creating the present day situation where new passenger vehicles are almost unaffordable to the man in the street"

Since the inception of Phase VI in 1989, Japanese vehicles increased by an average 13,75% a year and German cars by 14,86% Between July 1989 and June 1992, Toyota increased prices on its range by between 38% and 55%

Problem

Based on the assumption that there are 3,35-million economically active people in SA who should be able to afford a new vehicle once in every seven years, the size of market for private buyers should be of the order of 450 000 vehicles a year

"The current market of less than 30 000 new vehicles for private buyers indicates there has to be a problem"

Phase VI failed in several of its key objectives more than 20,000 component manufacturers have been put out of work despite the programme's objective to create employment, says Mr Viljoen It has also failed to produce affordable cars.

A key criticism is that, in terms of the existing formula, local content can be upped by increasing the price of the vehicle or by a manufacturer increasing exports Manufacturers face pressure to meet the local content targets as penalties apply to those who do not meet targets

Mr Viljoen says the absence of price competition in the motor industry establishes strong grounds for suspicion of price collusion in the industry

This is refuted by National Association of Automobile Manufacturers of SA (Naamsa) president and Toyota executive chairman Bert Wessels, who denies there is collusion in the industry

"There are seven vehicle manufacturers fighting for a declining market share It's naive to say that there is collusion It may appear that way to people because of the regularity with which price increases are announced Toyota is the market leader, but we have all been hit by the weakening rand As a result we were forced to move our price increases forward a month"

Mr Viljoen says there are only two ways to increase local content. increasing the local sourcing of components, which would require a substantial investment in plant and machinery, or by increasing exports

"With most of the seven manufacturers hardly having recovered from the heavy losses incurred during the 80s, there was no great enthusiasm from management and shareholders alike to increase their investments, given also the country's political uncertainty and especially when there was a far easier way to meet the local content target — exports"

Over three years, vehicle assemblers were able to reach a local content level of 72% by massive export promotion

Industry sources say Phase VI has added between 7,5% and 10% to new car prices, or between R1-billion and R1,3-billion a year, R400-million of which went to the government last year in the form of a 3% excise duty levied

Compete

The rest went to local component manufacturers and vehicle assemblers, paid for by the new car buyer in the form of higher prices

An internal report submitted to the government-appointed task force into Phase VII of the local content programme suggests that eight locally-manufactured models may have to be scrapped if import duties fall to the proposed 60%

At 50% duty, few local manufacturers could compete with imports

An industry source provided a breakdown of costs for a Japanese model introduced in 1992 The vehicle retailed for R105 600 last year, made up of R40 000 being the cost of importation in semi-knocked down (SKD) form, minor local content of R2 000, R18 000 assembly costs, R25 000 selling costs and profit contribution, a dealer margin of R11 000 and 10% VAT of R9 600

"True" local content — local components and materials — accounted for just R2 000, or roughly 2%, out of a sales price of R105 000

Yet in terms of Phase VI, the vehicle achieved a local content level of 53%

Nico Vermeulen, executive director of Naamsa, says the lack of affordability of motor vehicles in SA is one of the issues being addressed by the task force into Phase VII

Mr Vermeulen says the motor industry has asked the government to remove the 2,5% excise duty on new cars which is paid to the government "When this was introduced it was supposed to compensate government for reducing VAT to 10% If VAT is to go up, we want this to be removed"

In terms of Phase VI, vehicle manufacturers are rebated all but 2,5% of the 40% excise duty levied if they meet the local content target of 75%

In addition to vehicle assembly and manufacturing costs, administrative and selling expenses count towards local content — a situation many in the industry consider absurd because these have nothing to do with local content.

Strike action leads to fall in Metair earnings

BDay 10/3/93. (192)

EDWARD WEST

MOTOR component group Metair Investments' earnings plummeted 48% to 144c a share in the year to-end December 1992 from 275c in 1991 due to falling auto sales and the 10-week strike at its major customer Toyota SA

Today's published results show turnover 6% down to R365,7m (1991 R389,7m)

Profit margins nosedived and resulted in a 56% drop in operating income to R12m (R27,1m) The dividend was lowered to 40c (74c)

The directors of Metair — a group 42% owned by Toyota SA's parent Wesco — said results were affected by the 10-week Toyota strike, weak demand, intense competition, and poor profit margins in the parts replacement market.

Falling vehicle sales from an already low base further affected the company's turnover and profitability

The tax charge dropped substantially to R3,2m from R12,8m leaving taxed income 38% lower at R8,8m from R14,3m

A R7,8m extraordinary profit and the realisation of R4,7m non-distributable reserves arose on the disposal of Metlink Manufacturing to Toyota SA on April 1 1992

During the year Metair increased its stake in the First National Battery (FNB) Company to 71,3% from 35,65% The fixed assets of FNB were revalued at year-end resulting in an increase in asset values of R10,4m

The inclusion of the extraordinary item saw attributable income climbing marginally to R15,9m (R15,6m) Net asset value climbed to 2886c (2448c) Yesterday's untraded share price was 1100c.

Earnings for the year were well down, but the second half earnings at 132c a share improved substantially over the first half earnings of 12c a share

MD Alan Plummer said he was not optimistic about Metair's prospects in 1993 in terms of recession, its impact on the market and vehicle affordability.

However, the group had worked on its fixed cost structures and was well placed to take advantage of an economic upturn should it occur, said Plummer

Barring further political disruption, organised labour had adopted a pragmatic and less confrontational approach compared with last year toward keeping as many people as possible employed, he added

Urquhart motoring well — directors

EDWARD WEST

RESTRUCTURED Urquhart Motor Group's attributable earnings climbed 62,8% to R1,94m from a pro-forma R1,2m in the six months to end-December 1992, results published today show

A restructuring in September 1991 prevented a comparison with previous results as interest earnings on cash balances had been reversed Figures were consequently restated to reflect a pro-forma charge for interest

Earnings a share, assuming full dilution of preferred ordinary shares, was 10,2c compared with 6,3c in 1991 Company policy required the passing of interim dividends on ordinary shares, but an interim dividend of 12c was declared on preferred ordinary shares

Turnover increased 19,2% to R160,5m from R134,6m because of increased market share, acquisitions and inflation. Good performances from metropolitan outlets offset poor sales in the drought-stricken northern and western Transvaal Profit margins fell and trading profit was only 1,3% higher at R3,4m from R3,3m Directors said the runout of old models affected margins, but new products in almost all franchises by March 1993 should result in improved margins (192)

During the year Urquhart closed its Ford operation in Amanzimtoti which resulted in an extraordinary loss of R681 000.

Retail car sales were forecast to remain at current levels for the remainder of 1993 and recession and unemployment were expected to continue dampening demand for used vehicles

The effects of drought were again expected to impact on rural outlets. However, measures taken over the past 12 months were showing positive results and should allow the group to improve profitability, the directors said

February car sales show an increase

B/DAY 10/3/93. (192)

TRACY SCHNEIDER

NEW vehicle sales in February improved 20,8% over January, but year-to-date sales were 3,4% lower than in 1992, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

February car sales increased 19,7% to 16 146 from 13 484 in January 1993 Motor manufacturers attributed the increase to better availability, pre-VAT and pre-price increase buying and good sales to government departments and car rental companies

Light commercial vehicle sales were slightly up at 8 141 from 8 109 in February 1992, and improved significantly on January's 6 574 Year-to-date sales were 3,1% lower, with Nissan and Toyota capturing 60% of this market

Heavy commercial vehicle sales of 390 units were up on January's 332 However, this was 14,7% down on last year's 457, with Mercedes-Benz continuing to dominate the sector

Toyota SA marketing MD Brand Pretorius doubted that the increasing car sales trend could be maintained if VAT was increased in the Budget and the rand continued to weaken against the yen The group lowered previous forecasts of 187 000 cars sales for 1993 to 182 000

Nissan marketing MD Stephanus Loubser said that rather than influencing absolute volumes, an increase in VAT in the Budget and higher fuel prices were likely to result in structural changes to the industry, such as increased buying down trends

Samcor sales director Sean Bownes said February car sales bounced back to forecast levels and supported the notion that 1993 would be a slightly better sales year than 1992 Samcor experienced supply shortages of Mazda 323, Ford Courier and Mazda B-series bakkies in February, he added

Nissan forecast a 3,6% increase in vehicle sales volumes in 1993 based on lower interest rates, new model introductions, increased availability and improved business confidence levels

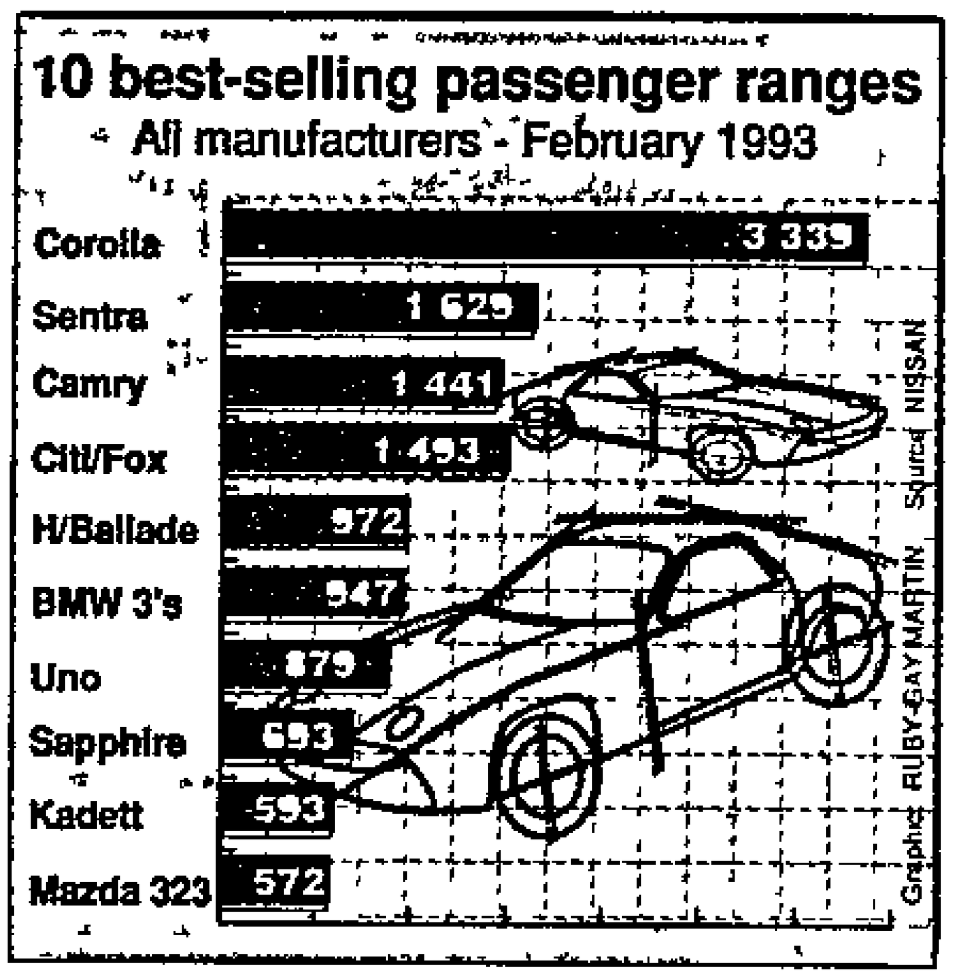
New model introductions this year include Delta's Calibra range and Samcor's new medium-sized car models

Toyota dominated the new car market in February with a 30,3% market share Nissan's market share in February increased to 17,2% from 10,1% in February last year

Volkswagen's market share dropped to 14,4% last month from 21,8% in February 1992 after experiencing availability and quality control problems.

At the end of February Nissan reported a 4,2% year-to-date growth in overall market share.

Three other manufacturers reported market share growth in this period, with a combined total of 4,1%. These were Mercedes-Benz 1,7%, BMW 1,1% and Delta 1,3%



New car sales rise 20% in February

(192) CT 10/3/93

By ARI JACOBSON

NEW car sales rose about 20% or by 2 662 units in February at 16 146 units over January, after a poor start to the year, but medium and heavy commercial vehicles remained at historically low levels

Manufacturers point out that demand for new motor vehicles was triggered by an inevitable Vat hike in the March budget and "fleet buying" ahead of February year-ends

Sales of new light commercial vehicles, bakkies and minibuses rose 23,8% or 1 567 units to 8 141 units compared to January's figure of 6 574 units

However, sales of commercial vehicles have sagged 21% since February 1992 and heavy trucks 14,6% in the same time period

New car sales have edged up about 304 units or 1,9% from February 1992

Nissan's marketing MD Stephanus Loubser said that the group's view was that there would be a 3,6% increase in new vehicle sales in 1993 — even though at present the market was down 3,4% on the 1992 figure

Loubser expects the rise in sales to be encouraged by lower interest rates, new model introductions, increased availability and increased business confidence levels

"Rather than influencing absolute volumes, an increase in the Vat rate in the March budget and higher fuel prices are more likely to bring about structural changes in the market' place, such as increased buying down trends"

National Association of Automobile Manufacturers of SA (Naamsa) points out that pre-emptive buying in the run up to the March budget was expected to also boost March's sales figures

However they say that "any improved demand was likely to be shortlived, with tax increases set to have a negative effect on new vehicle prices, thereby aggravating the already precarious new vehicle affordability problem"

Naamsa predicts a modest improvement in new car vehicle sales but this they say will also depend on SA economic recovery and the need for higher levels of gross domestic expenditure.

Toyota dominated passenger vehicle purchases in February — with 30% market share — next in line was Nissan with about 17%, Volkswagen with 14,4%, Mercedes Benz with 9,4%, Ford 8,5%, Delta 8,3%, BMW 7,2% and in last place Mazda at 4,7%.

Toyota's MD in SA, Brand Pretorius, points out that on face value the vehicle sales for February look good "but it is important that this month is not taken in isolation"

"Instead of looking at the 20% improvement in sales in February, compared to January, one should look at sales over the first two months of 1992 in relation to the first two months of 1993 This will give a proper perspective"

In this regard he said that sales were still lagging by 3,4% on 1992

"The market in February appeared, on paper at least, to have quite a bit of underlying strength"

Pretorius says this was helped by fleet owners whose year-end was in February and supported by demand from rental companies

Pretorius points out however that there are negative influences in place and although original forecasts for the year estimated new car sales of 187 000, this has been lowered to 182 000, slightly lower then the 182 900 reported in 1992

Star 10/3/93

Metair profits hit by Toyota strike

By Sven Lunsche

(192)

Earnings of Metair, the motor component supplier, fell sharply last year as profits were hit by the two-months strike at Toyota, its major customer

Both Metair and Toyota SA are owned by Wesco

Earnings per share plunged 48 percent from 275c to 144c and the total dividend has been cut 46 percent to 40c (74c)

Metair says, however, that earnings in the second half recovered sharply to 132c from 12c in the first six months, when the industrial action at Toyota took place

Apart from the strike, Metair says trading conditions were affected by the overall decline in car sales, intense competition in the industry and poor profit margins

As a result turnover fell six percent to R365,7 million (R389,7 million) and operating profits 56 percent to R12 million (R27,1 million)

Tax payments however were sharply reduced to R3,2 million (R12,8 million), while Metair also realised an extraordinary profit of R7,8 million from the disposal of Metlink Manufacturing in April

During the year the group raised its holding in First National Battery from 36 percent to 71 percent, lifting its assets by R10,4 million

Bidvest details its plans for restructuring

MARCIA KLEIN

IN A major restructuring, Bidvest Group subsidiaries Afcom and Crown Food are to delist from the JSE and become wholly owned subsidiaries of Bidvest. (194)

The group announced yesterday that after these transactions, Bidvest would embark on a R31m rights offer to reduce borrowings, and holding company Bid Corporation (Bidcorp) would hold a R14,3m rights offer to follow its rights.

The announcements followed a cautionary announcement issued jointly last week by Bidcorp, Bidvest, Afcom and Crown.

Chairman Brian Joffe said the deal would give Afcom and Crown minorities a chance to participate directly in Bidvest. He said growth opportunities in Bidvest were stronger than in its subsidiaries. The two listed companies were fairly small businesses with similar shareholders.

The group had had to decide how to develop and whether to sell businesses down to the listed companies or sell up to Bidvest. He said institutions had indicated that they would prefer to invest in the holding companies with a larger market capitalisation. BDAY 11/3/93

The decision to take out the minorities in Crown and Afcom would result in a more cohesive group, and would reduce the conflict of interests within the group's companies. Catering interests, for example, were currently held in listed Crown as well as wholly owned Cater Plus.

The deal would give the holding companies access to cash flows in the subsidiary companies and would result in cost savings.

After the transaction, Bidvest would have a market capitalisation of R820m. This size would be attractive to institutions and would give the group the ability to make a major acquisition, Joffe said.

In terms of the proposed scheme, Afcom shareholders would be offered 3 92 Bidvest shares or debentures for every 100 shares held, or 265c a share. Crown shareholders would be offered 2,5 Bidvest shares or debentures or 190c a share.

Joffe said it was expected that there would be a small acceptance of the cash alternative

TOYOTA FM 12/3/93

Still highly rated

(192)

Year-end results show how Toyota, as a substantial player, was caught in a costly squeeze between the two other forces which make up the triumvirate of economic powers

On one side, the 49-day strike knocked 19 500 vehicles off the production schedule, contributing in no small part to market share slipping to 27% (1991. 28,8%) and the near halving of operating profit to R140m

On the other, government forced the motor industry to operate under what executive chairman Bert Wessels calls "the constraints of accelerated Phase Six requirements, which raised local content to 75% by value"

Government also slapped a 2,5% non-rebatable duty on new vehicles, to recover losses from the change from GST to Vat That further hit profitability

With a 7,8% drop in 1992 national new vehicle sales, competition was fierce One suspects Toyota, along with the rest of the industry, had to make considerable sacrifices

HALF MEASURES

Year to Dec 31	1991	1992
Turnover (Rm)	3 467	3 453
Operating income (Rm)	262	140
Attributable (Rm)	121	62
Earnings (c) ...	297 3	151,6
Dividends (c)	47 5	28,5

in profit margins Together with the strike, that must have added to pressure on operating margins — down to 4,06% (7,57%)

Last year's R350m capex bill, the bulk in preparation for the new Camry range, nearly doubled interest-bearing debt to R463m. But the balance sheet also shows Toyota kept a firm grip on stocks, reducing current assets by R6,5m

Wessels sees no short-term prospect of a

FM 12/3/93 (192)

significant upturn but says Toyota is budgeting for a marginal increase in sales and plans to capture 30% of the market, led by strong demand for the new Camry, already SA's second-biggest seller behind Toyota's Corolla range

With capex likely to be much lower and investment for the Camry already in place, Toyota's goal of increasing market share and stemming the profit slump seems attainable

The share price, at R22, has been drifting since recovering from a January low of R18 But it still has the top rating in the sector and has every prospect of picking up on any improvement in results *Shaun Harris*

MONEY

Import duty cut could put eight SA cars off road

ST Times (Buss) 14/3/93 192

By CIARAN RYAN

IT WOULD be cheaper to import top-of-the-range BMWs and the Honda Ballade than make them locally if South Africa's import duties were brought into line with international standards

A study which compares the cost of importing German and Japanese manufactured models against the cost of local production has been submitted to the task group investigating Phase VII of the motor industry's local content programme

It warns that local production of eight models may have to be stopped if import duties fall to the proposed 60% Few locally manufactured models would be viable if import duties fell to 50% Import duties are 100% at present and are due to fall 10% a year stopping at 60%

Other models which would be cheaper to ship in with a 60% duty are the Mazda 323 series the Golf GTi 16-valve, the Jetta GLi 16-valve Executive, the Nissan Maxima and the VW Microbus

At present, South Africans cannot afford the same cars as their British or American counterparts if new car prices are measured against gross monthly earnings for the same job type

The comparisons are basic and do not take into account differences in tax rates, costs of living and disposable income

Ignores

A Golf GTi 2l costing R64 618 is equal to 13 months' salary for a divisional sales manager in SA earning R5 000 a month The same car in the UK costs £14 730, equal to 6,7 months earnings for a sales manager on roughly £2 200 a month

The price of the Golf GTi 2l in Britain, expressed in rands, is slightly more expensive at R67 758 than SA's R64 618

Because of lower duties, the same car in the United States costs the equivalent of R42 140 ($13,378), equal to nearly five months' gross earnings for a divisional sales manager earning roughly $2 800 a month.

The same level manager in Britain would pay £21 350 (R98 210), or nearly 10 months gross salary for a manual BMW 325i His counterpart in SA would pay R116 600, more than 23 months' gross salary for the same vehicle

This ignores the costs of financing, which would worsen the relative position of South African car buyers

Although government plans to reduce import duties there are doubts in the industry that the targeted rate of 60% will be acceptable under the General Agreement on Tariffs and Trade, given the rates of other countries

In Australia and New Zealand, motor vehicle import duties are 32%, in Thailand 42%, in Brazil 40% and in Taiwan 30%

Most of these countries operate local content programmes and some, such as Taiwan, Argentina and Korea, limit imports through non-tariff means, such as import quotas Taiwan prohibits the import of vehicles from Japan

Motor industry sources suggest that SA's local content requirements add up to 10% to the price of a vehicle

This provides effective protection of 50% to local component manufacturers As a result, local components are up to 45% more expensive than the equivalents overseas

In view of the threat to the local industry as outlined in the report, there is growing suspicion that the motor industry will call for a moratorium on import duty reductions to protect the local manufacturers from a flood of low-cost imports

Alfa Romeo and Subaru have started to import vehicles in anticipation of lower tariffs

The motor industry task force into Phase VII of the local content programme issued a statement last month saying it was in favour of free markets provided competitors made substantial investments in SA and satisfied local content requirements

This is interpreted as a sign that importers will have to establish dealer networks guaranteeing service and parts availability for several years Importers will probably have to meet certain minimum capital requirements

Margins

According to this study, the motor industry requires import protection in excess of 70% The study assumes that vehicles could be imported to SA from Germany and Japan at ex-factory prices

The figures are based on US retail prices of imported vehicles, stripping out dealer and distribution margins of 25%, import duty of 2,5%, freight costs of 5% and an average 6,8% supplier discount to arrive at a free-on-board price equal to 61,36% of the US retail price

To this was added South African import duties (110%), VAT (10%), freight and insurance (10%) and dealer and distribution margins (30%) to arrive at potential retail prices in SA

The cost of importing vehicles to SA (1992 prices) and the US From Germany and Japan

Exchange rate applicable in July 1992

Imports from Germany	SA price no duty	SA price 100% duty	Actual SA retail (Local manufacture)	US price (Import duty 2,5%)	US price in Rands ($1=R2,80)
Audi 100/500	R81,600	R136,000	R108,240	$28,752	(R80,505)
BMW 318i	R57,588	R96,000	R66,000	$20,290	(R56,812)
525i	R99,040	R165,100	R147,730	$34,895	(R97,958)
735i	R146,19[illegible]	R243,700	R251,680	$51,508	(R14,222)
Mercedes 300E	R135,333	R225,600	R210,400	$47,682	(R133,509)
300SE	R152,969	R255,000	R236,642	$53,896	(R150,908)
VW Fox 1.8	R24,295	R40,500	R37,268	$8,560	(R23,968)
Golf Gti 16v	R37,972	R63,300	R67,144	$13,378	(R37 458)
Jetta Gti 16v	R44,6[illegible]1	R74,400	R83,160	$15,752	(R44,030)
Microbus 2.1 4x4	R52,969	R88,300	R116,780	$18,662	(R52,253)
Imports from Japan					
Honda Ballade 150	R28,194	R47,000	R37,268	$9,659	(R27,045)
Mazda 323	R20,275	R33,800	R35,420	$6,946	(R19,449)
Toyota Corolla 1.6	R26,694	R44,500	R41,833	$9,145	(R25,606)
Cressida 3.0	R66,226	R110,400	R101,123	$22,688	(R63,526)
Nissan					
Sentra 1.6	R26,934	R44,900	R41,050	$9,227	(R25,835)
Maxima 3 0	R56,568	R94,300	R109,380	$19,380	(R54,264)

Graphic: LEE EMERTON

Auto sales likely to fall

EDWARD WEST 192

VEHICLE sales were likely to fall after March if the VAT rate was increased by 3% or more, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Naamsa said if the increase in the VAT rate was limited to 1% or 2% in the Budget, the effect on motor sales would be limited. However, a 3% increase or more was likely to result in vehicles sales slipping during March, April and May

Naamsa said although a petrol price increase would be onerous to the motorist if announced in the Budget, it was unlikely to affect vehicle sales this year.

Motor manufacturers polled yesterday were uncertain how the Budget would affect them.

Samcor said, based on statements by Finance Minister Derek Keys and the motor industry task group determining the industry's future, the Budget would be a radical departure from the predictable Budget of the past

Nissan declined to comment. BDAY 16/3/93

A Toyota spokesman believed the Budget would yield nothing to pull SA out of recession this year.

VAT hike: Motor sales 'still slow'

(192)

Staff Reporter CT 16/3/93

"SHELL-SHOCKED" motorists have shown little inclination to buy vehicles in advance of tomorrow's probable 3% VAT increase

A random survey of motor dealers yesterday found only one city dealer who had enjoyed a rush of sales All other dealers contacted had shown virtually no increases in sales

Sales managers blamed the depressed economy and consumer apathy

Diep River Ford dealer Mr Graham Jameson said "I think the South African public is shell-shocked from continuous price increases When petrol prices rose some years ago cars queued for miles, but now motorists have come to accept their fate and hardly react to price increases"

However, city MMI motor dealer Mr Malcolm Pettiquin said he experienced an "astounding" mini-boom last Saturday as buyers rushed in to beat a VAT increase The previous weekend he did not sell a single car.

Sales may improve if a VAT hike is announced but not implemented tomorrow, giving buyers until a set date to buy at the old VAT rate

● The saving on a R40 000 car bought before a 3% VAT increase is R1 200

Keys 'tough on motor industry, motorist'

Star 18/3/93 (192)

By Peter Davies

Motor Industries Federation (MIF) president Errol Richardson yesterday described Minster of Finance Derek Keys's Budget proposals as "clever and business-like, but tough on the motor industry and motorist alike".

He warned that in order to encourage growth in the South African vehicle market, some "hard thinking" was required by the Government.

Richardson said that — with taxes and levies on a litre of 93 octane petrol sold on the Reef moving from 72 to 88c — more than half the new pump price of fuel (R1,75) would for the first time be tax-related

"The severity of the approach to petrol, always a highly visible and critical means of gathering tax, is a downside of the Minister's proposals," said Richardson.

A further concern was the retail dealer margin on fuel being reduced from 9,5 percent of the pump price to 8,6 percent.

With close to R4,5 billion coming from fuel alone, the tax burden on both industry and the motorist had reached substantial proportions. Total revenue from the 1992-3 tax year was R76 billion, of which the motoring sector contributed R1 billion

On the positive side, Richardson said the MIF was pleased the Minister did not increase fringe benefits on company cars and allowance scheme cars But the impact of the VAT increase on new car sales would see a surge in buying before the April 7 deadline, followed by a drastic fall-off

However he did not believe 1993's new-car market would be much different from the 193 000 units sold in 1992.

Caltex South Africa, meanwhile, said it was "perturbed" by the 16c-a-litre increase in the price of petrol and diesel, noting that the increases would not accrue to oil companies as they comprised a rise in the fuel tax insurance fund and an adjustment to the basic price.

Caltex acknowledged that taxing fuel was an efficient way of collecting revenue, but the negative effects on the oil industry and the impact on the consumer had to be recognised.

FM 19/3/93 (192)

MOTOR INDUSTRY FM 19/3/93

Slowing to a crawl

(192)

It's still heavy going in the heavy-vehicle market But though the truck market continues to fall short of even the most pessimistic sales forecasts, there are those who remain convinced that better times are just around the corner

There are signs that, after several years of decline, car and light commercial vehicle sales this year may yet show an improvement After a miserable January, February's figures brought a general sigh of relief

But no such luck in the medium and heavy commercial sectors, where sales continue to lag far behind 1992 levels General industry feeling is that truck-makers are in for another tough year, with annual sales down yet again

Nevertheless, Des Gush, director of Toyota Trucks, suggests that the worst may be over With a bit of luck, he thinks the market could still surprise a few people An improved market in 1993 is "a real possibility"

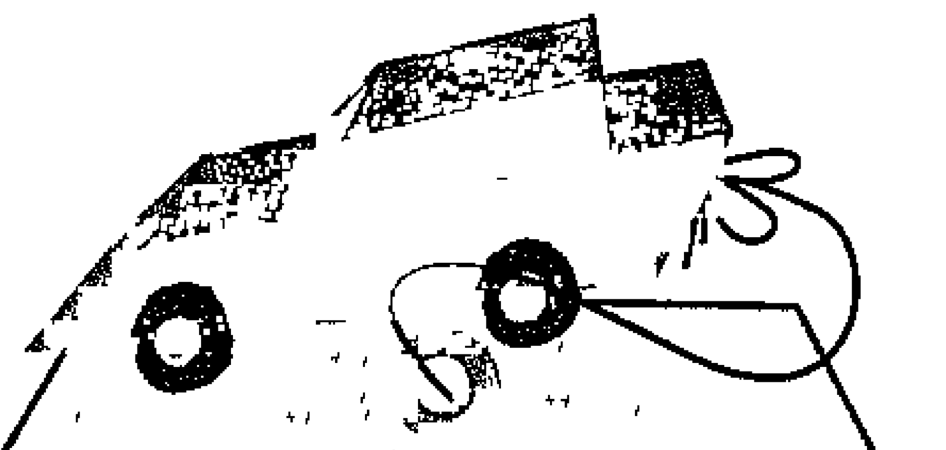
For one thing, he cites increased activity in the truck-hire sector, the first time in years he has noted any buoyancy there Traditionally, such buoyancy usually leads to more sales, "so we should see this impact on sales later in the year"

Gush also sees further potential in the African export market All major SA truck companies have made inroads into this market in recent years and most are predicting greater successes, particularly now that their Japanese and European principals are offering more support

Though he is more optimistic than many of his industry colleagues, Gush expresses concern at the level of discounting that is taking place as companies struggle to sell vehicles

Competition is so intense that companies are offering discounts of up to 20%, cuts so deep that he suspects some are selling below cost That's not good for the manufacturer or for the long-term value of the product, he says

Maybe But it's good for the hard-pressed business that otherwise couldn't afford a new vehicle ■



February vehicle sales

Cars		Total	%*
Toyota	Corolla 3 339, Cressida 67, Camry 1 441, other 51	4 898	30,3
Nissan	Maxima 257, Skyline 4, Sentra 1 629, 200SX/300ZX 7, Fiat Uno 879	2 776	17,2
VW	Golf /Jetta 581, Citi Fox 1 493, Audi 255	2 329	14,4
Samcor	Ford Laser/Meteor 553, Sierra 120, Sapphire 693, Mazda 323 572, Mazda 626 179, other 11	2 128	13,2
M-Benz	Honda Ballade 972, M-Benz W124 333, W126 171, other 46	1 522	9,4
Delta	Rekord 172, Kadett/Monza 1 145, Calibra 16	1 333	8,3
BMW	3-Series 947, 5-Series 171, 7-Series 41, other 1	1 160	7,2

*% of the total car market

	1993	1992	% Change
February	16 146	15 842	+1,9
January – February	29 630	30 605	-3,2
January (13 484) –February			+19,7

Light commercials

Toyota 2 836 (34,8% of the market) Nissan 2 083 (25,6) Samcor 1 518 (18,6) Delta 1 121 (13,8) VW 554 (6,8) AAD 29 (0,4)

February	8 141	8 109	+0,4
January – February	14 715	15 178	-3,1
January (6 574) –February			+3,8

Medium commercials

Toyota 126 (53,4%) Nissan 43 (18,2) Delta 42 (17,8) Samcor 24 (10,2) M-Benz 1 (0,4)

February	236	299	-21,2
January – February	476	547	-13,0
January (240) –February			-1,7

Heavy commercials

M-Benz 129 (33,1%) Toyota 89 (22,8) Nissan 83 (21,3) MAN 45 (11,5) Delta 24 (6,2) ERF 15 (3,8) Tyco 5 (1,3)

February	390	457	-14,7
January – February	722	839	-13,9
January (332) –February			+17,5

Total vehicle sales

Toyota 7 949 (31,9%) Nissan 4 985 (20,0) Samcor 3 670 (14,7) VW 2 883 (11,6) Delta 2 520 (10,1) M-Benz 1 652 (6,6) BMW 1 160 (4,7) other 94 (0,42)

February	24 913	24 707	+0,8
January – February	45 543	47 169	-3,4
January (20 630) –February			+20,8

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Sales slump will follow new car buying spree, predicts Naamsa

(1927)

EDWARD WEST

A WAVE of new car buying was expected in the run-up to the implementation of a 14% VAT rate on April 7, followed by a slump lasting up to three months, National Association of Automobile Manufacturers of SA (Naamsa) president Bert Wessels said yesterday

BIDAY 19/3/93

Wessels said the Budget would affect vehicle manufacturing and its associated industries, and sales forecasts would probably have to be revised downwards

Motor Industries Federation chairman Errol Richardson said there was already a surge in car buying to beat the VAT deadline However, "we no longer believe the 1993 new car market will be different from the 183 000 sold in 1992"

He said the VAT increase would add about R1,25bn to state coffers from the motoring sector, which, with the R750m from the fuel price increase, amounted to an added increment of R2bn in 1993

With close to R4,5bn being derived in total from fuel, the tax burden on the industry and motorists would top R13bn this year, a sixth of all revenue generated by government, he said

A Toyota SA spokesman said a trend could be determined only by averaging pre-VAT buying this month — traditionally the year's highest sales month — with the expected sales slump after the VAT hike

McCarthy Retail CE Terry Rosenberg said a R120 000 new car sold for R132 000 at 10% VAT At 14% the same car would sell at R136 800 which, on a 48-month lease and assuming a 50% residual, would raise the monthly instalment by R140 a month

But with most new cars comprising fleet purchases, a new R120 000 car bought on full maintenance lease at 14% VAT would cost only R105 more a month on a 48-month contract The higher VAT would not significantly affect the business sector of the car sales market, Rosenberg said

Richardson said the unchanged fringe benefit tax on company vehicles or car allowances was positive for the motorist

TRACY SCHNEIDER reports the industry said it had been further penalised by the decision not to scrap the 2,5% non-rebatable ad valorem excise duty on vehicles The ad valorem tax was introduced to compensate government for revenue sacrificed from a reduction in the original VAT rate from 12% to 10% in 1991

"We believe that, as a matter of principle, the authorities should reduce or remove the ad valorem duty," Wessels said

Naamsa had written to Keys about this in January, but had received only a standard acknowledgement

RACY FM 19/3/93 [redacted] (192)

A curious agenda [redacted]

A small hurricane is blowing around Racy Group Holdings Two months ago the controlling shareholders rammed through a resolution under S 228 of the Companies Act, which in effect stripped Racy of its assets and turned it into a cash shell

Disaffected minorities led by Syd Gervis ("Gervis for Service" — the Edenvale Toyota dealer) gave notice they intended

FM 19/3/93 [redacted] (192)

[redacted]

employing countermeasures And they have Last month they petitioned the Minister of Trade & Industries to appoint inspectors under S 257 of the Act to investigate the affairs of Racy The Minister has asked controlling shareholders either to respond by providing essential information, or to postpone a special general meeting scheduled for today A Racy spokesman says the company is endeavouring to meet the Minister's request

The special meeting was called by Racy's controlling shareholders with a curious agenda, the effect of which, if all the proposals are approved, will be to constitute sole control of Racy in the hands of one shareholder — Ivor Jacobson, a member of one of the controlling families

As the proposals for consideration by the meeting are special, they require approval by 75% of shareholders present and voting to become effective They are unusual in that they propose conversion of all ordinary shares into redeemable prefs, the issue of new ordinary shares to Ivor Jacobson only, and the immediate redemption of the newly created redeemable prefs

The proposals would remove all minority shareholders on terms and conditions set down to the satisfaction of the controlling families (the Jacobsons and Hendlers)

Gervis confirms he intends to keep fighting It all goes to show that in the world of minority shareholders every day brings another surprise

David Gleason

IMPHOLD FM 19/3/93 (192)

Cradle to the grave

An unusual business mix has helped Imphold maintain real growth

Despite four years of an economy in recession, Imphold stands out as one of the few companies in the industrial sector that has consistently produced real earnings growth An enviable track record of successful acquisitions in the motor, transport and travel-related industries has helped to double attributable income since 1989

Executive chairman Bill Lynch is confident the pattern of real growth can be sustained Recent interim results add credence to his confidence operating margins were steady at 8,4% on a one-third rise in turnover and despite substantial dilution, EPS and DPS each rose by about a fifth

The market rates the share highly, confirming widespread confidence in the quality of group earnings Stockbrokers' analysts contend the share is well worth blue chip status

At first glance, the dynamic earnings performance is baffling, given that the significant operations are in car rental and motor dealerships — sectors hard hit by recession,

CRUISING AHEAD

Market value & ratings

Price: 1 000c **PE:** 20 **NAV:** 261 2c **Div Yield:** 1,9 **12 month Hi/Low:** 1 025c/560c **Market Cap:** R647m

Income statements

Year to end June 25	'89	'90	'91	'92
Turnover (Rm)	447	545	598	781
Operating inc (Rm)	38,8	50,1	56 8	72,6
Net interest paid (Rm)	5,0	7 6	6,2	10,3
Pre-tax profit (Rm)	33,8	42,5	50,6	62,3
Attributable (Rm)	14,0	16,9	21 5	27,7
EPS (c)	25,0	30,2	38,3	45,7
DPS (c)	10,2*	12 1	15,0	17,5
CFPS** (c)	33,6	44,1	53,5	66 1

* Notional ** Gross cash flow divided by average number of ordinary shares

Interim ratios†

Operating margin: 9,1 **Debt:equity:** 0 36 **Effective tax rate:** 46 7 **Div cover:** 2,6

† Based on 12-month earnings to December 25 1992 interims

as shown in prices and volumes According to Lynch, car rental volumes have shrunk to four-fifths of what they were in the last peak year in 1989

The key to Imphold's success, he says, is "cradle-to-the-grave service and sticking to what the group knows best" Group businesses include motor service and repairs, insurance and truck haulage All are firmly motor-related The insurance operation is focused only on short-term motor insurance, where it has expertise

The business mix promotes interdependence, providing a complete service for the consumer When Imphold sells a new car it can offer a range of related services insurance, panel beating, car hire, service and repairs and eventual sale of the same vehicle Vertical integration means the first transaction opens up opportunities for follow-on transactions

It's difficult to classify Imphold in investment terms Lynch is adamant that it is not a conglomerate It has a modular structure, which can easily be extended within its motor-related sector

But, as recent acquisitions show, the motor-related sector is wide-ranging Mercurius has added Mercedes-Benz and Honda franchises to existing motor dealerships, Quattro (long-distance transportation) complements truck operations, Springbok Atlas (luxury coach transportation) adds a tourism dimension, and Van Zyl's Springs makes, distributes and repairs automotive springs for the after-sales market

Acquisitions have until now been financed by issue of new equity, the asset base has more than doubled since 1989 and the net debt equity ratio has remained low The acquisition philosophy, says Lynch, is to buy on a p e lower than that of the group This avoids earnings dilution

It is difficult to quantify the effect of acquisitions on earnings growth, because of the large number made in a comparatively short time But Lynch contends that earnings growth has been achieved equally from acquisitions and existing operations

Imphold, up to now, has made light of recession and is gaining the reputation of being recession-proof But can it sustain this, assuming a recovery doesn't happen for another two years or so? Lynch is confident that EPS growth in 1993, adjusting for dilution, can equal or better that of 1992, EPS this year should be 55c or more, compared to 45,7c in 1992

The recent cautionary announcement concerning another major acquisition is likely to involve further issue of new equity, going by the pattern of previous financing of acquisitions If additional debt has to be raised, it is not expected to affect gearing levels materially

Lynch expects to achieve R1bn turnover, an increase of a third, in 1993 And yet he describes Imphold as "a teenager with plenty of growing to do"

Wholly owned Regent Insurance has premium income of about R50m — less than 2% of SA's R2,5bn motor insurance premium income Imperial Motors has turnover of R350m, compared to R3,5bn turnover from

Imphold's Lynch *not a conglomerate*

McCarthy's motor business — the growth of a black middle class would increase the number of car owners Recently acquired Springbok Atlas has "major growth potential," says Lynch, though this depends on an upturn in tourism

Growth potential is undeniable, but realising it will hinge on an upturn in the economy and a drop in political violence — problems not expected to be resolved soon Management expects that all divisions will achieve real growth this year, aided by acquisitions, a continuing strong performance from Regent Insurance and a steady performance in the other divisions

Contributions from the four divisions to pre-tax profit have changed dramatically

Continued on page 34

LOOKING BACK

The *FM* is now 34 years old and in this new feature we will recall major stories in the corresponding (at first, fortnightly) issue of 34 years ago

On March 26 1959 an *FM* leader castigated then Finance Minister Eben Donges's Budget, saying that by his stated guiding principle of stimulating economic growth and business expansion, it was an "obvious failure" At a time when there was everything to be said for holding costs down and widening the local market, SA was offered a Budget that cut into purchasing power, raised transport costs and impaired the competitive ability of industry in both home and export markets

Plus ca change ?

Continued from page 31

since 1989 Insurance contributed a fifth of pre-tax profit in 1992 from a negligible level in 1989, car rental's near one-third contribution to profit in 1989 fell to about a quarter in 1992

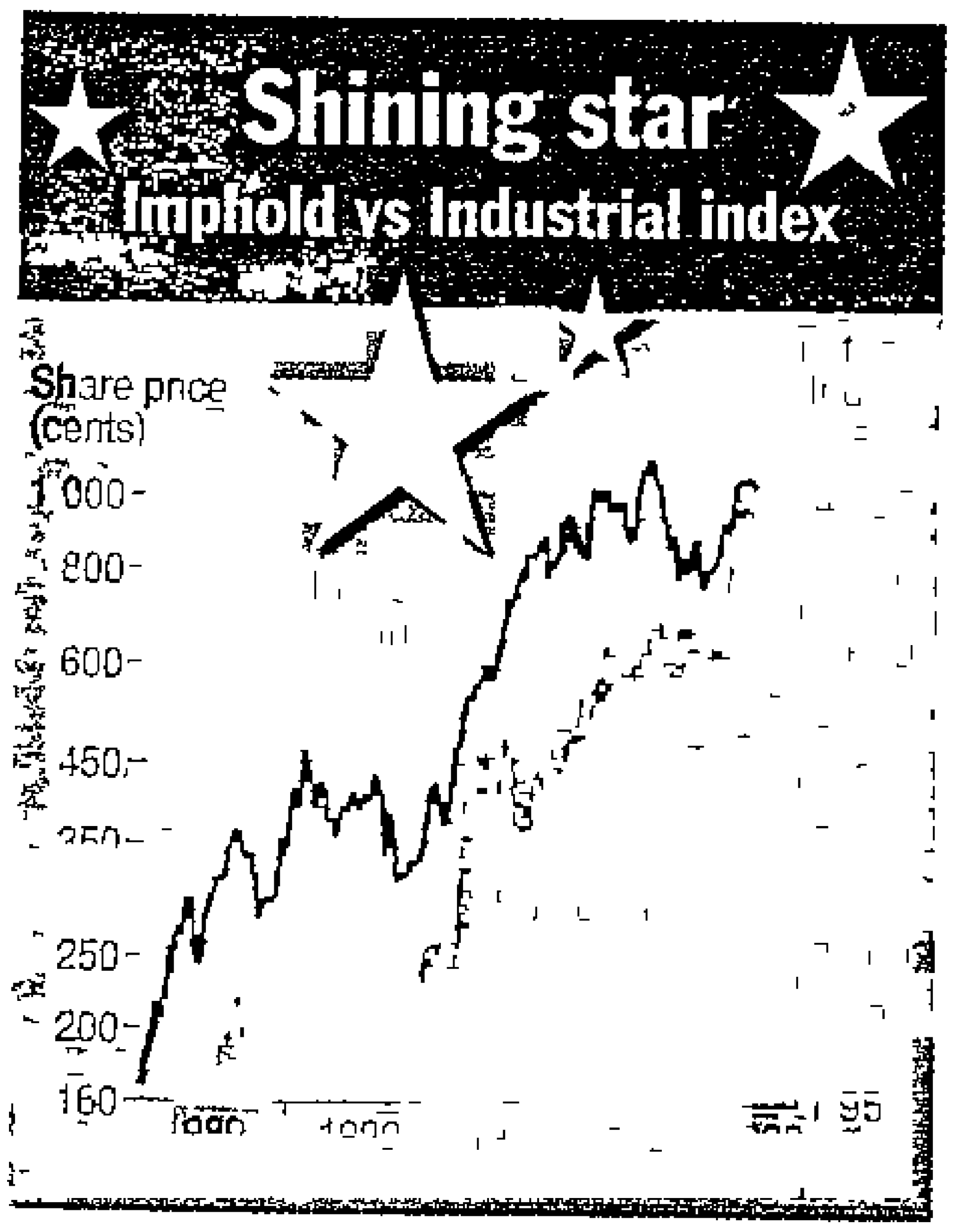
The insurance, finance and property division mainly comprises Regent Insurance Finance and property are not intended to be commercial profit generators Regent has complemented panelbeating operations since 1989 and has become a major contributor to profitability with substantial growth potential, according to Lynch Its niche market is insuring hire purchase vehicles

The insurance division's 125% growth in pre-tax profit in 1992 — admittedly off a low base — is expected to fall over the next few years but will continue to drive group earnings growth This division has the highest pre-tax margins of the four divisions more than 20% in 1992

The motors division is the largest in turnover (R353m in 1992) but not in pre-tax income, due to low industry profit margins Since 1989, pre-tax margins have tended to be just over 5%, but the slump in demand for new cars pushed margins down to 4,2% in 1992

Wholly owned Imperial Motors now has nine Toyota dealerships out of a total of 320 in SA and there is room for expansion, according to Lynch The latest was a dealership in Strijdom Park, Randburg Despite the Toyota strike in the early part of the financial year, Imperial improved interim earnings thanks to cost controls and further improvements are expected to flow from the launch of the new Toyota Camry Earnings by Mercurius Motors, the Mercedes/Honda dealership, were spurred by the launch of the new Honda Ballade and Van Zyl's Spring Works produced satisfactory results

Imperial Car Rental has suffered from intense competition Margins fell from 10,1% in 1991 to 8,6% in 1992, though this is partly to do with the change in profit contributions from the different parts of the division.



As the largest car rental firm in SA, it has a fleet of about 4 500 cars and claims a 45% market share, this was increased at the interim stage due to improved customer service Turnover was up nearly 40% in 1992, due to the acquisition of Tempest car hire (economical car rental), otherwise volumes were flat Imperial's two major competitors, Budget and Avis, have maintained pressure on prices

Car rental would obviously benefit from an increase in tourism but this is not likely to happen in 1993 Imperial Car Rental is skewed towards the corporate market, only about a sixth of total sales come from the leisure market

The recent acquisition of the remaining 50% of Prime Car Leasing is proving to be successful, according to the interim statement Its principal business is providing full maintenance rental facilities on motor vehicles This market has grown substantially over the last few years, offering as it does an alternative to outright purchase

Auto Pedigree's used car sales have also benefited from the depressed demand for new cars Sales stock consists of one-year-old cars with less than 30 000 km on the clock "We take a big hit on depreciation on a new car and then sell it," says Lynch Auto Pedigree is planning on expanding the number of its outlets to increase the volume of sales of its rental cars

The truck systems division increased turnover by about 7,5% in 1992 Over the year, pre-tax margins remained the same. The December 1992 interims were pressured by over-capacity in the casual hire market and the slump in the sale of new trucks, which fell to a third of the average going volumes in the Eighties

Dedicated transport (delivery contracts providing vehicles, drivers and full service), aided by the Quattro acquisition, is expected to perform satisfactorily in the 1993 financial year, major contracts include Metal Box and Nampak Full-maintenance leasing is also expected to perform well

There are three obvious benefits of providing a matrix of different motor-related services. The first is a smoother earnings path, the counter-cyclical businesses help to balance the recession-hit cyclical ones Another advantage of "sticking to the business we know best," says Lynch, is the mass of relevant expertise and opportunities for rationalisation. Lastly, the broader the service, the higher potential turnover per client

Imphold's commercial strategy helps earnings stability In the trucks system division, 85% of all trucks are committed to short- to medium-term contracts The insurance business, parts and service operations, property income, full-maintenance contracts (Prime Car and Flexifleet Truck Leasing) also provide some earnings stability

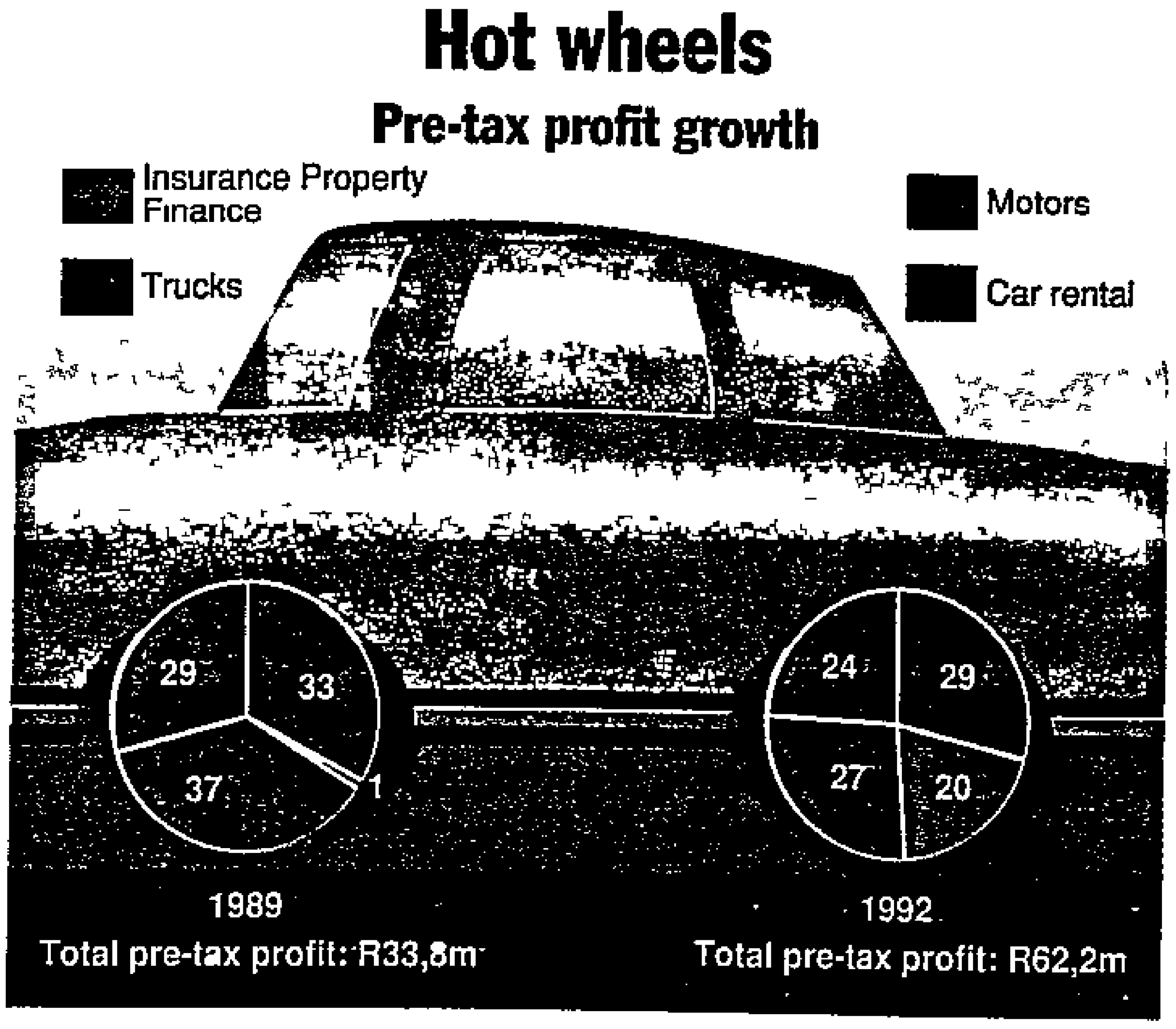
The balance sheet is strong, with gearing of about 0,36 But Imphold has an off-balance-sheet joint finance company with Nedbank, which buys about 50% of rental cars. A recent change in accounting standards, effective from January 1 1993, means the 1994 annual report will bring this financing on to the balance sheet

This change will increase short-term liabilities and current assets Finance director Abdul Mahomed expects assets and liabilities will increase by about R68m — equal to existing total interest-bearing debt of R68m The additional interest incurred (using a 13% interest rate) is expected to be about R9m This will increase gearing to marginally over 0,50, according to Lynch, but it may be modified by further share issues Interest cover will fall from eight times, but is expected to remain respectable at around four times

The increase in the interest charge is not expected to affect earnings, because Imphold is already paying an interest and depreciation charge for the vehicles to Nedbank in the form of a rental charge

The price leaped from around 650c in December 1992 to more than R10 in March 1993, re-rating the share to 20 times earnings Over the past five years compound growth in EPS has been 36%

The share may look expensive compared to the JSE Industrial index — but then resilience to recession, self-generative sales from the group's business mix, future growth potential and sound financial management deserve a premium A caveat must be that any policy of growth by frequent acquisition is not without risk That has been demonstrated all too often in the past *Louise Randell*



COMPANIES

Companies avoiding luxury cars

TRACY SCHNEIDER

DOWNGRADING of executive company cars had begun in earnest as vehicle prices soared and luxury cars were deemed unacceptable in the face of high unemployment, International Compensation (IC) management consultants director Dave Dickens said yesterday

BDAY 23/3/93

IC's latest survey of 200 major companies indicated the highest levels of downgrading yet undertaken

The number of companies downgrading cars for upper and middle management had nearly doubled since last year and there was an increase in companies embarking on general scaling-down programmes.

"Of the companies surveyed last year, 18% had decided to scale down company cars, but the majority of this had occurred at middle management strata. Only 10% had scaled down at executive levels", said Dickens.

A BMW spokesman said the company felt the impact of luxury car downgrading and had "definitely seen a buying down trend", especially in the 7-series category.

He attributed this to the high cost of the vehicles and because it was "not politically correct to be seen driving a luxury car" in harsh economic times

(192)

Mercedes-Benz spokesman said there had been a definite scaling down effect in the corporate sector "This has been evident in buying trends among large corporate customers who have bought down from the executive S-class range"

Volkswagen may cut 25% of workforce

ERICA JANKOWITZ

192

VOLKSWAGEN SA and employee representatives have started negotiations which are expected to lead to a reduction of about 25% in the company's workforce

Last Friday VW management met the National Union of Metalworkers of SA (Numsa), representing 6 000 hourly paid workers, and the SA Iron, Steel and Allied Industries' Union, which claims about 2 000 members They met again yesterday and another meeting is scheduled for Friday

A VW spokesman said the company was considering all opportunities to cut costs because of the state of local and international car markets VW declined to confirm suggestions that it was seeking to reduce its 9 500-strong workforce by 2 300 through layoffs, natural attrition and early retirement The spokesman said VW hoped to avoid retrenchments but this could not be ruled out

He also denied that the cutbacks were due to VW's falling market share

The company produced about 15% fewer vehicles in 1992 than in 1991 and lost 2% of its market share — second only to Toyota which was affected by a protracted strike

The launch of VW's third-generation Golf and Jetta ranges has been postponed to mid-April because inspectors from VW's German parent company ruled that the quality was substandard

Iron and Steel Union spokesman Van Niekerk Venter said rumours of 2 000 retrenchments had been denied by VW MD Peter Searll But in the past "the grapevine had been proven to be accurate" A Numsa spokesman refused to comment "because of the sensitivity of the discussions"

B/DAY 24/3/93

Volkswagen in talks to reduce staff by 25%

Own Correspondent (192) (122)

JOHANNESBURG — Volkswagen SA has begun negotiations with employee representatives expected to lead to a reduction of about 25% in the company's workforce.

Talks with the National Union of Metalworkers of SA (Numsa), representing 6 000 hourly paid workers, and the SA Iron, Steel and Allied Industries Union, which claims about 2 000 members, and VW management began last Friday and again yesterday. Another meeting is scheduled for Friday this week. CT 24/3/93

A VW spokesman said the company was looking at all opportunities to cut costs because of the current state of the SA and international car markets.

VW declined to confirm suggestions that it was seeking to reduce its 9500-strong workforce by 2300 through lay-offs, natural attrition and early retirement. The spokesman said it was hoped to avoid retrenchments but this could not be ruled out.

He also denied the cutbacks were due to VW's falling market share.

The company produced some 15% fewer vehicles in 1992 than in 1991 and lost 2% of its market share - second only to Toyota which was badly affected by a protracted strike.

Further, the launch of VW's third generation Golf and Jetta ranges has been postponed to mid-April because of sub-standard quality determined by inspectors from VW's German parent company.

Iron & Steel Union spokesman Van Niekerk Venter said rumours of 2 000 retrenchments had been denied by VW MD Peter Searll. But in the past "the grapevine had been proven to be accurate".

At present the company was discussing reducing its workforce considerably by means of early retirement and natural attrition, he added.

A Numsa spokesman yesterday refused to comment "because of the sensitivity of the discussions".

● German auto group Volkswagen suffered a 12,6% plunge in its world sales in January-February by comparison with the same period last year, a spokesman said yesterday, Sapa-AFP reports.

The group sold a total of 488 000 vehicles during the period, 350 000 bearing the VW name, 55 400 Audi, 50 200 Seat, and 32 400 Skoda.

The spokesman said that, for the year as a whole, the group expects its sales to drop by 20% compared with 1992 in Germany, where they were off by 28,8% for the first two months.

FM 26/3/93 (192)

RAND EASTER SHOW

Back to basics

After years of living in a fantasy land where they believed that "this year we'll get 1m visitors," organisers of the Rand Easter Show have come to grips with reality and are instead setting their sights on attracting 800 000

"We have to accept that there is a recession raging out there and that there isn't a great deal of disposable income available," says GM Anton Post The closest the show came to 1m visitors was 846 000 in 1989 Last year it attracted just under 700 000

This year, because of the international recession, and the flat local economy not presenting much of a draw, there will be fewer international exhibitors "Last year we had 27, this year we'll have 21," Post says

The official participants, where governments are involved, are Russia, Greece, Taiwan, China, Mozambique and Lesotho

Pakistan, Britain, Brazil, the Czech Republic, Austria, Germany, Turkey, Romania, Bolivia, Kenya, Malawi, Morocco, Botswana and Namibia are being represented by the local arms of companies headquartered in those countries, or by local companies that have ties with them

Notable absentees from last year's list include Italy, which was a huge exhibitor, Poland, which had a smaller exhibit, and Yugoslavia, which was promoting tourism while the war raged there

FM 26/3/93 (192)

Despite the lower number of foreign exhibitors, the show, on April 2-18, will be bigger than last year's "We sold 42 000 m² under cover this year, compared with 41 000 m² last year, and could have sold more," Post says "We couldn't accommodate everyone who wanted space We'll have to expand " The space under cover was sold at an average of R280/m²

The motor industry will be watching Samcor's 5 500 m² stand, where it will launch its new Ford Telstar and Mazda 626 ranges If Samcor succeeds, the industry may again start using the show to kick off new products Market research indicates that many visitors, particularly men, would like the motor industry to use the show as its shop window

The Rand Show was SA's industrial shop window until the middle Seventies, when it changed its image to become a consumer exhibition It was used by the motor industry for product launches and to create public awareness of products until the early Eighties, when "manufacturers felt it wasn't a marketing success," says a National Association of Automobile Manufacturers of SA spokesman

"Other manufacturers will watch Samcor's effort at the show with interest," he adds "As far as they are concerned, it will be testing the water with its own toe, not theirs "

Samcor spokesman Ruben Els says the company will spend R6,5m on its stand "For the past few years manufacturers showed their new products to fleet owners, distributors and the press, and that was it We have done all that We'll use the Rand Show to show our new products to the public It will be more effective than showing them to limited audiences It's an extremely cost-effective way of creating public awareness and enhancing the image of the company "

Els believes that most visitors will visit the Samcor stand, which will also feature a small robotic assembly line He also believes the show may attract 1m visitors He may just be right Organisers are trying to be more user friendly, with the sale of multiple entry tickets that will include vouchers for amusement park rides It will also absorb the four-percentage-point Vat increase imposed by Finance Minister Derek Keys, which takes effect six days into the show

The show has little chance of again appealing to industrial exhibitors They, and the countries and organisations that sponsor their exhibits, now favour dedicated trade exhibitions As for the motor industry, the show will have to wait until exhibitors begin signing up for next year to see whether it was the right vehicle ■

Toyota SA moves into cental African market

EDWARD WEST (192)

TOYOTA SA would officially move into the central African market for the first time after an agreementto supply Mobile Motors in Malawi with SA-built vehicles, Toyota SA said yesterday.

The move into central Africa came in the wake of changing attitudes towards SA and the acceptance of the country as an economic and manufacturing force in Africa, said CE Bert Wessels. BDAY 26/3/93.

The group's export opportunities into Africa previously were limited by Toyota Motor Corporation in Japan to countries within the SA Customs Union. The agreement, which Wessels hoped would be the first of many in Africa, had the backing of Toyota in Japan.

SA-built Toyotas would substantially reduce the delivery time, about 6-12 weeks from date of order, against about 25 weeks from Japan, said Wessels.

The range to be supplied included the Corolla 1,3l sedan, selling for 104 000 kwacha (R77 000), and the Toyota Stallion pick-up at 80 075 kwacha (R59 314) It would be expanded to include the Venture. The vehicles would be fitted with a "Harsh and Dusty road" package for the harsher road conditions.

Toyota's SA's annual production of about 85 000 vehicles — about a third of SA's market — amounted to half of all vehicles sold on the continent outside SA. Sales volumes in Malawi were expected to be relatively low and could be affected by a lack of foreign exchange, a spokesman said.

Credit Guarantee business development manager Richard du Toit said Malawi's forex reserves were so low Credit Guarantee would not cover exports to that country. It had closed its offices there.

Not what you'd expect from a VW

W/Mail 26/3 - 1/4/93

192

Attempts by Volkswagen to lay off a quarter of its workforce, with its ensuing ripple effect on other industries, will be another blow for the troubled eastern Cape economy.

By **BEVERLEY GARSON**

VOLKSWAGEN South Africa is likely to retrench up to 25 percent of its workers, according to industry sources. This news could shake an already fragile labour scene in the eastern Cape.

The company is locked in negotiations with the National Union of Metalworkers of South Africa, which has 6 000 members at VWSA, and with the South African Iron, Steel and Allied Industries' Union which has 2 000 members.

The company employs 9 500 workers and is expected to thin out its workforce by 2 300 employees through layoffs, natural attrition and early retirement.

Both the company and the union declined to comment.

Manufacturing companies in the region are being forced to retrench workers because of the weakening economy, but unions believe other solutions can be found.

Already thousands of workers have been retrenched — the highest figures in the region — and labour experts predict this number will increase steadily during the year.

A survey by a BA Honours (Industrial Relations) student at the University of Port Elizabeth (UPE), Julie Andrea Ehinger, found that six percent of the total workforce in Port Elizabeth and Uitenhage alone had been retrenched between January 1990 and August 1992. Ehinger predicts that these retrenchments will increase during 1993 and bases this on discussions held with people in industry.

Martheanne Finnemore, of the UPE Industrial Relations Unit, supports her predictions. Finnemore said retrenchments will continue in 1993 and that this trend has already been proven with the announcement by two established Sappi companies that there will be retrenchments in its factories.

"The picture for 1993 looks bleak," she forecasts. "We are aware that people are being retrenched all the time. Permanent employment is diminishing in the area and nobody that leaves is being replaced.

"With one in every 14 people finding a job the picture looks bleak. If people with degrees can't find jobs what about people with only Standard Six?" asks Finnemore.

She believes trade unions will push for a moratorium on retrenchments and that this will be strongly resisted by managements. Union leaders feel workers should not bear the brunt of the bad economy and that other methods of survival for the region should be investigated.

An eastern Cape Congress of South African Trade Unions representative, Thobile Mhlahlo, feels retrenchments are unacceptable. "Retrenchments are not the only method that can be applied in addressing the crisis in the economy of the eastern Cape. Retrenchments will contribute to the 70 percent of people who are already unemployed in this region," Mhlahlo says.

He says workers will think of strategies on how to respond to possible retrenchments and each Cosatu affiliate will have to give direction on what workers want. Mhlahlo says workers will have to decide if they are going to fight strongly for a moratorium on retrenchments during this year's annual negotiations.

"The question of retrenching workers is negative. It is negative to the economy, processes of negotiations and to the reconstruction process."

He says instead of retrenching workers companies can improve skills training under the reconstruction process. However, business sees no other solution but retrenchments, but is fairly positive that this trend will change during the second half of the year.

Midlands Chamber of Industries (MCI) representative Madeleine Loyson believes the continuing trend of retrenchments will continue at least until the middle of this year. She says retrenchments in one industry will have ripple effects in other industries and this continuing "spiral downwards" has not stopped.

On a positive note, Loyson says employers are "much more sensitive about job creation" and that the MCI is becoming involved in assisting the informal sector and small business which must be encouraged because of retrenchments.

In February the East Cape Economic Development Forum was launched in Port Elizabeth with top speakers highlighting ways of rebuilding the eastern Cape economy.

This forum incorporates major business representatives, all political parties and organisations and interest groups striving to improve the local economy which could, in turn, lead to more employment opportunities rather than retrenchments.

Work to rejuvenate the eastern Cape economy will not be done overnight and the forum certainly has its work cut out for it. One advantage this region has over others is that there is a relatively low level of violence. — Pen

The battle of the German giants

Sowetan 26/3/93. (192)

■ Audi streaks ahead of its major rival in car sales

By Sello Rabothata

AUDI has outsold its major rival in the prestige car sector of the market for the third consecutive month.

National Association of Automobile Manufacturers of SA figures show sales of Audi were 49 percent ahead of BMW 5 series models in February, with 255 Audis sold. In December 1992, 42,7 percent more Audis were sold than the BMW 5 series models and in January this year Audi again outsold the 5 series by 90 percent.

Mr Dave Malherbe, marketing director of Audi, attributed these successes to the fact that consumer confidence in the marque was increasing.

He said. "A recent independent survey by Markinor, conducted among respondents with a monthly household income of R8 000 or more, indicated that trust and confidence in Audi were steadily growing."

The results showed that over an eight-month period the number of respondents who said they had "a great deal" or "quite a lot" of trust and confidence in Audi increased by six percent. This assumes additional significance as the trust and confidence rating of the two prestige German competitors in this study declined over the same period. The International Motor Sports Association (IMSA) said the Audi's broadly based performance reveals it to be an important new force in the continuing struggle for luxury supremacy

RACY

FM 26/3/93 [redacted] 192

No break in logjam

What will it take to break the logjam surrounding still suspended Racy?

Racy, listed in the transport sector, hit the news late last year when the directors announced their intention to sell the main assets to the three Hendler brothers, all of whom are directors The sale was structured in terms of Section 228 of the Companies Act, which provides that votes from a simple majority of shares are adequate approval

The deal met stubborn resistance from disaffected minorities, led by former motor dealer Syd Gervis He submitted an alternative (and conditional) offer which effectively valued the share at 56c, compared with 51c in the deal with the Hendlers The offer was rejected, significantly because the Hendlers made it clear to their controlling shareholder partners, the Jacobsons, that failure to proceed with a legally binding agreement would result in their seeking appropriate redress

Gervis then petitioned Trade & Industry Minister Derek Keys to investigate Racy in terms of S257 of the Companies Act Minorities hope such an investigation will lead to an application to the courts under S252, which protects minorities against oppression

Chairman Ivor Jacobson agrees the situation has now reached a stand-off He hopes Keys will decline to send in inspectors However, he is faced with near certain defeat at a resumed general meeting on Friday, which he postponed for a week following a suggestion by the Registrar of Companies

He is asking shareholders to agree to some novel steps, including converting the ordinary shares into prefs, redeeming the prefs at a rate which equals the R12,3m received for the sale of assets and subsequently issuing new ordinaries to a single shareholder — Ivor's brother (and MD) Allan Jacobson

Any alteration in the structure of a company's capital requires a special resolution and 75% approval Jacobson is unlikely to win this That will leave Racy in a state of limbo, sitting on cash of R12,3m and facing delisting, probably in August

The major matter separating the parties is the price at which Racy's assets were sold Jacobson says the deal was at arm's length, at a price which Standard Merchant Bank (SMB) agreed was fair and reasonable Minorities dispute SMB's conclusion

Asked why — if the money value preventing resolution is as little as 5c a share — he

FM 26/3/93

FOX

[redacted] 192

does not arrange to close the gap, Jacobson retorts that it's distasteful to him to give some parties "huge" windfall profits

David Gleason

DP laments loss of 500 000 jobs

ARG 26/3/93 192

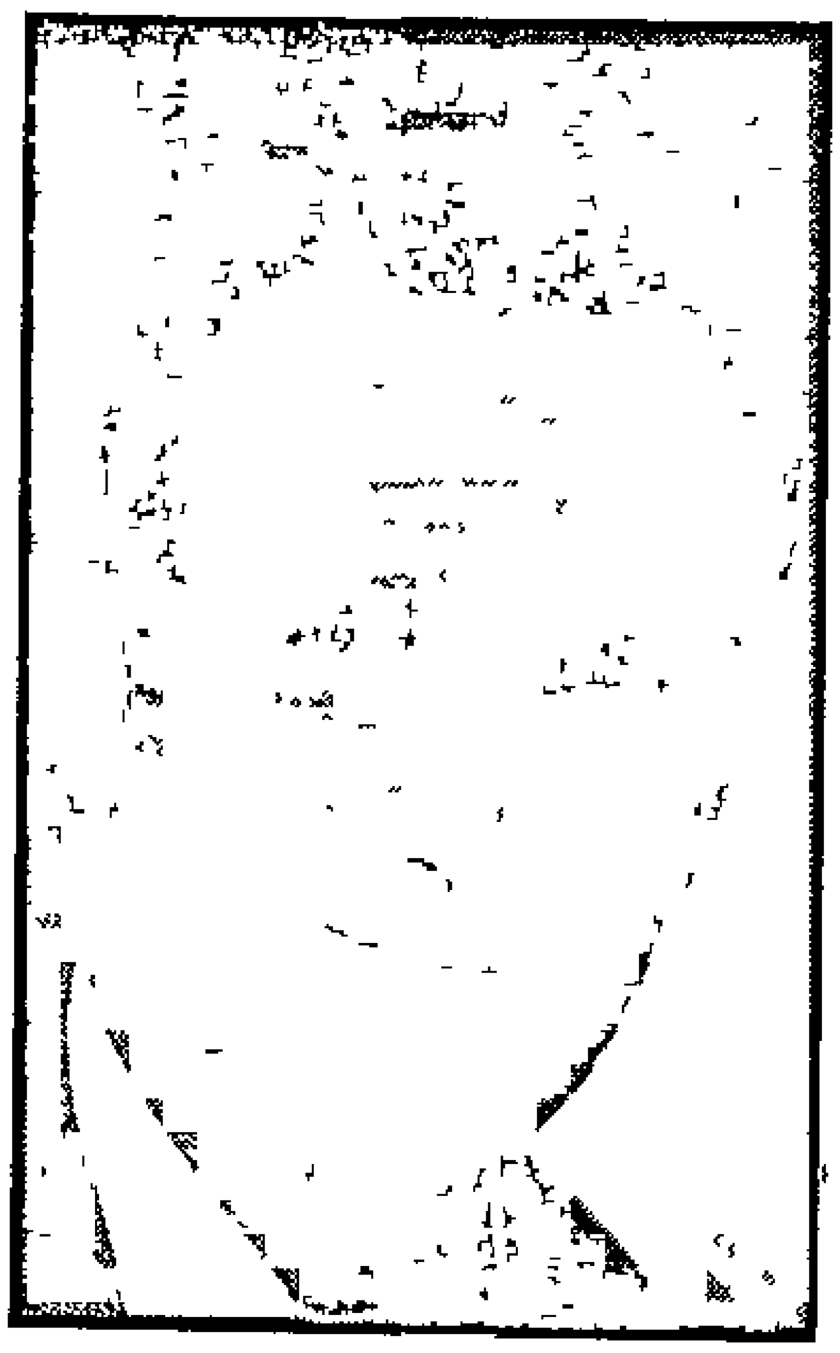
SHARON SOROUR
Labour Reporter

GOVERNMENT and management policy, and the counter-productive impact of trade unions, has cost South Africa nearly 500 000 jobs, claims Democratic Party Manpower spokesman Robin Carlisle

Mr Carlisle said the DP noted "with concern" the possible reduction of the Volkswagen SA workforce by 2 300, or 24 percent.

"Retrenchments throughout the country have now reached deluge proportions, causing irreparable structural changes and ripping the guts out of South Africa's wealth-creating capacity," he said.

Although Volkswagen had refused to confirm it was aiming to reduce its 9 500-strong workforce by 2 300 through layoffs, natural attrition and early retirement, the company said it was looking at "all opportunities to cut costs because of the current state of the national and international car markets



Mr Robin Carlisle

Negotiations between the National Union of Metalworkers of SA and the Iron, Steel and Allied Industries Unions and company management began last week

Mr Carlisle said the loss of nearly 500 000 jobs in recent years "underlies the failure of management, of government policy and the counter-productive impact of trade union demands"

Lashing out at government policies and at trade unions, he said "Government protectionism, coupled with trade union greed, has resulted in South Africa building the most expensive cars in the world"

He said the DP called for a "return to sanity" in the manufacturing sector and for a strategy that took account of the phasing out of counter-productive protectionism, the acceptance by trade unions that they had a key responsibility to protect their members' jobs by improving productivity and the end of "wholesale" retrenchments

● Volkswagen is cutting staff in a worldwide programme in response to sharply deteriorating markets in Germany and across Europe

Sub-grade tyres flood SA market

192

CT 30/3/93

DANGEROUS and inferior tyres have been flooding the market because of a loophole which allows substandard tyres to be imported legally

Imported tyres are not subject to quality control, as import permits only distinguish between new and used tyres Used tyres may only be imported for retread purposes

Unscrupulous importers will be able to exploit the loophole for at least another six months while the SA Tyre Manufacturers' Conference and the SA Bureau of Standards work towards having European tyre standards (the E-mark) adopted

Dr Piet Barnard, the director of Import and Export Control, said he favoured the imposition of quality controls on tyres

SA Tyre Manufacturers' Conference executive director Dr Gert Fischer said "Customs are helpless Without quality control a loophole exists for unscrupulous dealers wanting to make a quick profit"

The availability of cheap, inferior tyres has also raised the ire of local tyre manufacturers

A national survey in 1992 showed that 16% of all 14-18 seat taxis were riding on dangerous tyres — some only suitable for animal-drawn transport

Imported snow and mud tyres are typical of the sub-standard tyres cited by both the SA Black Taxi Association and the National Association of Automobile Manufacturers as the cause of one in three minibus accidents

Snow tyres soon blister and disintegrate in the South African heat, according to Mr Piet Venter, managing director of a local tyre company

Metair, Toyota labour action holds back Wesco

BDM 31/3/93. (197)

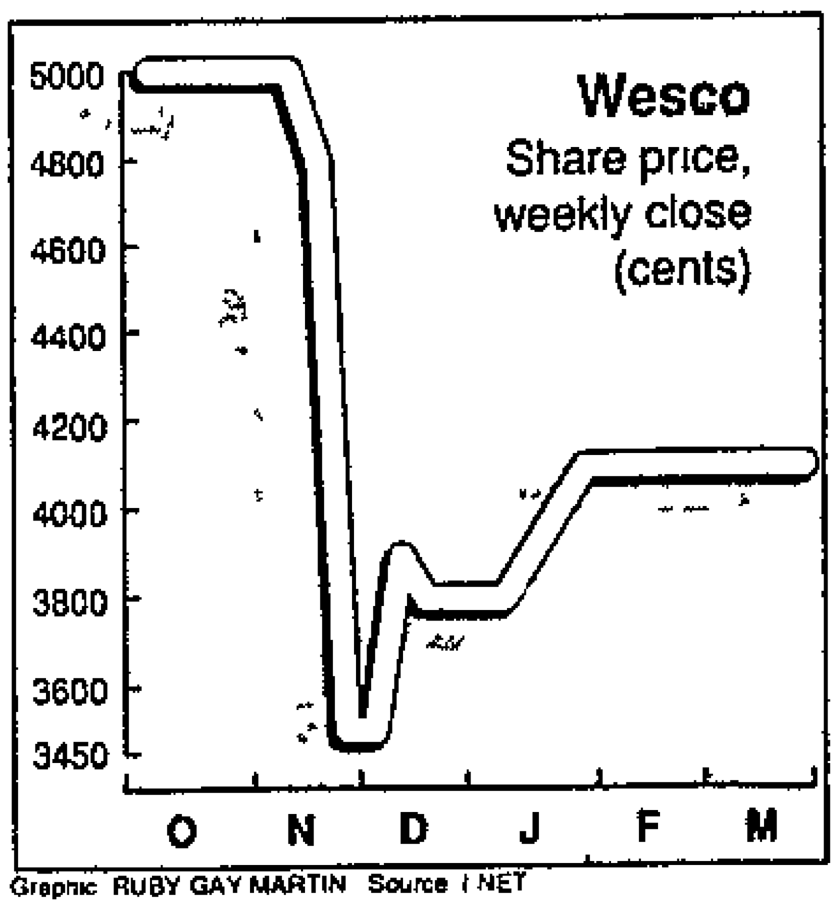
EDWARD WEST

LABOUR unrest at Toyota SA and Metair reduced holding company Wesco Investments' earnings a share by more than two-thirds to 261c (714c) in the year to end-December 1992

Wesco, which derives most of its income from a 50% stake in Toyota SA and 42% of the motor component manufacturer Metair, maintained dividend for the year at 86c

Turnover was R3,45bn (R3,47bn), but pre-tax income dropped by nearly half to R136,2m (R262,7m) This was caused by costs associated with the Toyota strike last year, and to a lesser degree labour stoppages at Metair, said Wesco company secretary Allan Stewart

Tax was lower at R77,7m (R138,9m) No interest charge was disclosed Interest bearing debt more than doubled to R493m (R239,5m)



Graphic RUBY GAY MARTIN Source I-NET

which brought gearing up to 44% from 24% Fixed assets climbed 22% to R848,1m (R695,3m)

Stewart said gearing — still at comfortable levels — periodically fluctuated because Toyota SA needed to keep its products up to date with demand for new technology

Income before extraordinary items was sharply lower at R22m (R60m) An extraordinary item of R2,78m related to Wesco's share of income derived from Metair's sale of subsidiary Metlink to Toyota SA

Directors reported the outlook for 1993 was not as gloomy as 1992's results which were affected by a fourth year of economic downturn, lower vehicle sales and labour disruption

The recession would abate toward the end of 1993 and expectations of an upturn were uncertain However, Wesco did not expect to operate in the same confrontational and hostile industrial relations environment

At most of Wesco's companies, management and employees were engaged in serious attempts to forge better relationships at all levels, directors said Toyota SA was working toward increased market share

Metair's subsidiaries should also perform better in 1993 and directors expected a gradual return to previous profit levels

Bergers going to market

LINDA ENSOR

CAPE TOWN — The Bergers group, which skidded badly into the red in the year to end-December with a loss of 7,7c a share, compared with a profit previously of 6,2c, is to go to the market to raise R35m

Bergers Trading Holdings (Bertrad) hopes to raise R18m by means of a renounceable rights offer, while parent company Bergers Group intends to raise R17m to follow its rights in the Bertrad offer

Executive chairman Howard Mauerberger said yesterday the funds raised would increase the capital base of the group, reduce gearing and provide for future growth An announcement on the terms of the offers would be made shortly

With an onerous interest burden and a gearing which increased to 119% (86%) during the 1992 year, the group needs to recapitalise

Mauerberger said major institutions and other investors had indicated they intended to follow their rights in the offer

Payment of dividends by Bertrad and Bergers has been waived

An aggressive approach to stock reduction by means of markdowns and write-offs cost the group R8m and contributed to the sharp fall in operating profit to R425 000 (R11,6m) on a 1% rise in turnover to R166,7m (R165m) The real decline in turnover was produced on a larger number of stores, an indication, Mauerberger said, of the tough trading conditions

MD Mervyn Jacobson said carry-over stock was reduced by about R10m over the year to improve cash flow and get rid of surpluses Heavy discounts were introduced to protect the group's market share

All the chains in the group — Bergers, Weiner and Jones — had performed negatively and marked down heavily, Jacobson said

With an interest bill of R6,4m (R4,8m) and an abnormal item of R1m relating to retrenchments and the closure of the Johannesburg head office of Jones, the group was deep in the red

However, Jacobson was confident about the group returning to profitability this year, despite trading conditions remaining harsh.

Parent company Bergers, which has a 94% interest in Bertrad, reported a loss of 30,8c a share (24,5c profit)

Silveroak takes severe tanning

DUMA GQUBULE

LEATHER tanner and manufacturer Silveroak Industries reported a 72% drop in attributable income to R1,9m (R6,8m) on an 11% advance in turnover to R96,9m (R87,7m) for the half-year ended December

This was equivalent to earnings of 12,3c (38,1c) a share The company did not declare an interim dividend The payout at the half-way stage last year was 16,2c a share

MD Owen Townsley blamed the "exceptionally severe drought", which had resulted in poorer quality and lower quantities of raw material creating an over-competitive demand at higher values in spite of falling consumer demand for unfinished leather Margins were squeezed and operating income dropped by almost half to R5,4m from R10,4m

Finance costs fell to R1,7m (R2,6m) and pre-tax income was down 52% to R3,7m (R7,8m) BDM 31/3/93

Pressure on margins would continue until a freer and more transparent marketing system had been established, Townsley said The second half of the year was unlikely to show much improvement

VW retrenchment plan

RAY HARTLEY 192

VOLKSWAGEN SA proposed rationalising 2 270 of its 9 500 workers — 28% of the workforce — this year, National Union of Metalworkers of SA (Numsa) national organiser Gavin Hartford said yesterday.

Hartford said an alternative proposal by Numsa, which suggested that 623 workers over the age of 55 be retired with full benefits and 150 service workers be moved out of Volkswagen with their wages protected for between 12 and 18 months, had been rejected by Volkswagen yesterday. Sdmy 31/3/93.

Volkswagen managers had told the union they would go ahead with a three-phase rationalisation process including voluntary retirement and retrenchment, followed by compulsory retirement and ultimately by compulsory retrenchment.

A total of 762 jobs were under threat in the first half of the year according to the management plan, he said.

A further 250 workers in security, cafeteria, training and from the company's defunct export operation to China would be retrenched in July, according to the company proposal, Hartford said. The remaining retrenchments were set for the second half of the year

The local retrenchments formed part of plans to retrench 36 000 workers in Volkswagen operations around the world, Hartford said.

McCarthy buys Cape Nissan franchise

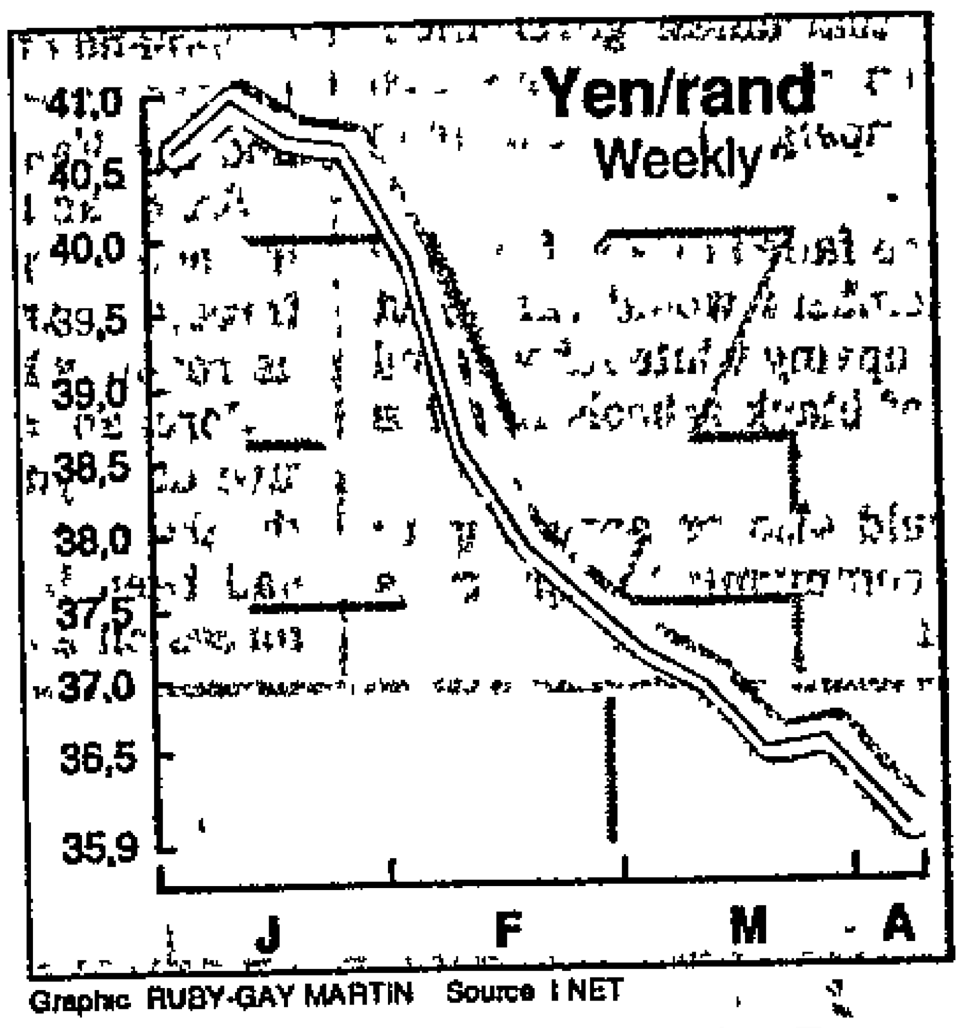
(192) EDWARD WEST (BD)

THE McCarthy Retail group has expanded its Nissan motor franchise network to the Cape by buying Cape Nissan for an undisclosed sum

McCarthy Nissan franchise manager Ray Nethercott said Cape Nissan, which had assets worth R9m, would add about R50m to McCarthy Nissan's R400m turnover McCarthy Nissan accounted for 15% of Nissan's national dealer sales

Cape Nissan operates a passenger car and light commercial dealership in Bellville BDAY 1/4/93

McCarthy recently bought two Toyota dealerships in the UK, Volkswagen dealerships in Middleburg and Durban, an Umhlanga Rocks Nissan dealership, and Toyota and MAN truck dealerships in Maritzburg



Graphic RUBY-GAY MARTIN Source I NET

Yen bodes ill for car firms, buyers

112

TIM MARSLAND and EDWARD WEST

THE rand continued to fall against the soaring yen yesterday, boding further ill for local Japanese car manufacturers

The rand closed at 35,96 yen from Wednesday's 36,22 yen It has lost about 11% against the Japanese currency so far this year BIOM 2/4/93.

A dealer said the yen was the "flavour of the year" on international markets because of speculation that the G-7 group of industrialised nations privately supported a stronger yen to reduce Japan's trade balance with the US

Also boosting the yen was the Japanese financial year-end which resulted in companies selling dollars for yen to strengthen their balance sheets at home — a short-term pressure which could abate over the next few weeks, dealers said.

Motor industry sources said new car buyers were likely to be battered by price rises that were higher than inflation this year, because of the rand's depreciation against the yen.

A dealer said local car makers with Japanese parents could suffer if they had not taken out sufficient cover to protect themselves against yen strength

A Nissan SA spokesman said the yen's movement would affect mainly Japanese sourced vehicles Prices were likely to increase above, or close to, the inflation rate, despite earlier predictions to the contrary

He said the weak rand made it impossible to keep price increases within single-digit figures

"As a rule of thumb, if you have a 1%

☐ To Page 2

Yen

BIOM 2/4/93 192

☐ From Page 1

forex movement against you, the selling price has to be adjusted upwards by about 0,5%."

Japanese sourced vehicles make up about 45% of SA's market.

Toyota marketing MD Brand Pretorius said currency fluctuations and the four percentage point increase in the VAT rate would lead to the group's car prices increasing close to, or above, 12% this year All vehicle prices would rise from April 7 in line with the increase in VAT.

"We're caught between currency depreciation, competitiveness, a serious affordability crisis, keeping plant throughput at sustainable levels and the need to keep dealers in business.

"Margins are thin and there is not much left to cushion buyers with, and we do not see the rand stabilising yet," said Pretorius.

Four new models are being launched in the next two months. These include Delta's Astra, Samcor's Telstar and new Mazda 626, and Mercedes-Benz's 190 series.

Pretorius said these vehicles would be launched into the demand vacuum created by the pre-emptive buying before the increase in VAT on April 7

NEWS IN BRIEF

B|DAY 1/4/93

Miners resume work

NORMAL underground work has resumed at Genmin's Beatrix Gold Mine All workers, except for 400 Zulu speakers whom management moved to the St Helena Hostel after they clashed with Pondos, reported for duty on Tuesday

Gengold spokesman Albert de Beer said a peacekeeping committee of workers and management would monitor the hostels and mine main entrance

Film subsidies returned

B|DAY 1/4/93

THE Home Affairs Department said in Pretoria yesterday film companies which misappropriated government subsidies had paid back more than R1m Some companies, however, still faced criminal charges

'Last post' sounds

B|DAY 1/4/93

THE SA Defence Force's first retrenchment parade took place at Cape Town Castle yesterday when about 400 Western Province Command members were bid farewell to the strains of Auld Lang Syne

Nearly 6 000 SADF personnel have been retrenched recently The SADF budget has been slashed by more than a third in the past five years

'Call up jobless only'

B|DAY 1/4/93

THE unemployed should be called up for national service to combat crime and violence and unionists who instigated labour unrest should be held criminally responsible, SA Iron and Steel Union manager Nic Celliers said yesterday The suggestions are part of a security and commerce plan the AWB and the union want to discuss with President F W de Klerk

Employment Act

B|DAY 1/4/93

WE REPORTED incorrectly yesterday that "As legislation now stands, the Basic Conditions of Employment Act will grant to farmworkers the right to strike" The Act does not deal with strikes Business Day regrets the error.

REPORTS Business Day Reporters Own Correspondent Sapa

AHI wants ceiling on wages, prices

B|DAY 1/4/93

TIM MARSLAND

THE Afrikaanse Handelsinstituut (AHI) has asked its members to hold wage and price increases to 5% or lower for the next two years in line with the declining trend in money supply growth and inflation

AHI chief economist Nick Barnardt said yesterday his organisation had taken the decision in line with its support of Reserve Bank policies to combat inflation

The decision was also aimed at trying to prevent further declines in business volumes

"The AHI general management accepted a motion at its six-monthly meeting to encourage members to hold price and wage increases to below 5% The message of discipline should be communicated to members and the broader business sector," he said

Inflation would peak close to 11% as a result of the VAT, fuel price and other increases included in the Budget, Barnardt said.

However, he saw it falling sharply after that, possibly to 5% in 1994

He said any temptation to raise interest rates to protect the balance of payments should be resisted in light of the decline in inflation and money supply growth as well as the deepening recession

The pressure on the balance of payments should rather be managed by mainly continuing the fluid exchange rate policy and the "overall laudable monetary policy flexibility" of the past six months

In the current recession, a moderate real depreciation of the rand would have a minimal negative effect on inflation, but would actively encourage exports

He said the AHI continued to support the Reserve Bank's focus on disciplined monetary expansion, which implied that interest and exchange rates were largely determined by the markets

Once the balance of payments stabilised, he expected a further cut in interest rates in response to low credit demand.

This would partially offset negative effects the hike in VAT and other taxes would have on the business cycle and could help prevent a deepening of the recession, he said

Talk of VW layoffs 'premature'

B|DAY 1/4/93

ERICA JANKOWITZ and EDWARD WEST

VW SA said yesterday it was too early to say it would be retrenching more than 2 000 workers this year

But up to 1 000 workers were in danger of being laid off in the near future VW human resources director Brian Smith said 500-1 000 jobs at the Uitenhage plant were "currently under review" because of a sharp drop in exports and a declining local market

Numsa national organiser Gavin Hartford said on Tuesday the car manufacturer had proposed rationalising 2 270 of its workforce this year

VW said talks of staff reduction was "premature" and dependent "on the impact of the recent Budget on the local market, the outcome of various export orders currently under discussion and the success of the new Golf and Jetta range"

Smith stressed the company would try to "achieve reductions through voluntary packages offered to all employees, early retirements, outsourcing and natural attrition"

He said VW SA was renegotiating a contract to supply Jettas to China The future of workers involved with exports to China would depend on the outcome of the negotiations and on local market conditions

Putco, Sabta pledge not to raise fares

B|DAY 1/4/93

THEO RAWANA

PUTCO and the SA Black Taxi Association (Sabta) fares will not increase when fuel prices go up tomorrow

Putco MD Jack Visser said yesterday the bus company would absorb the increase of 16c/l on diesel for three months Sabta also said it would not increase its fares and was negotiating with the Mineral and Energy Affairs Department for a "special consideration" for taxis

Visser refused to say how much it would cost Putco to absorb the increase "We are so close to our annual increase on July 1 that we did not feel it necessary to raise fares now"

Sabta public affairs manager Cyprian Lebese said the organisation had given Mineral and Energy Affairs "a few options" The taxi organisation expected a reply today

Postal tariffs and suburban train fares went up at midnight last night and petrol will cost 15c/l more at the coast, and 16c/l more in the interior

Postal tariffs will cost an average of 30% more A stamp for a standard letter will cost 45c from today

Suburban train fares will cost an average of 9,75% more, but the SA Rail Commuter Corporation has assured its customers that there will be no further fare increases this year

Sapa reports that cheaper dialling times for overseas telephone calls will be introduced today

Telkom said the standard rate to more than 100 countries would drop by about 7% and the new off-peak rate would be up to 20% cheaper than the standard rate But VAT on calls would increase to 14% on April 7

VW drops into the red

BDAY 11/4/93

WOLFSBURG — Volkswagen Germany suffered an after-tax loss of DM1,25bn in the first quarter of this year compared with a DM0,2bn profit for the same quarter last year, the group said yesterday.

The provisional results showed group sales of DM19bn, down by 10% from DM21,2bn.

Financial officer Werner Schmidt said VW, Europe's biggest car manufacturer, also expected a loss in the second quarter, "but it will be much less than the first-quarter loss". (192)

He said VW expected a profit for the second half of the year, and the group would break even for the year with sales of 3,3-million units against 3,5-million last year.

In the first quarter, the group sold 767 000 vehicles, down 12% percent on the same period last year, while deliveries totalled 783 500, down 10,5%.

Group production in the quarter was 755 000 vehicles, down 18%.

VW estimated car sales in Germany plunged by 25%, and by 17% in Europe. The North American market was down 0,9% while sales in the Japanese market fell 8,2%. — Sapa-AFP.

Falling rand bodes ill for local car prices

(192)

ST 2/4/93

JOHANNESBURG. — The rand continued to fall against the soaring yen yesterday boding further ill for local Japanese car makers.

The rand closed at 35,96 yen from Wednesday's 36,22 yen. It has lost about 11% against the Japanese currency so far this year.

A dealer said the yen was the "flavour of the year" on international markets because of speculation that the G7 group of industrialised nations privately supported a stronger yen to reduce Japan's trade balance with the US.

Also boosting the yen was the Japanese financial year-end which resulted in companies selling dollars for yen to strengthen their balance sheets at home — a short-term pressure which could abate over the next few weeks, dealers said.

Motor industry sources said new car buyers were likely to be battered by price rises that were higher than inflation this year, because of the rand's depreciation against the yen.

A dealer said local car makers with Japanese parents could suffer if they had not taken out sufficient cover to protect themselves against yen strength.

A Nissan SA spokesman said the yen's movement would affect mainly Japanese sourced vehicles. Prices were likely to increase above, or close to, the inflation rate, despite earlier predictions to the contrary.

He said the weak rand made it impossible to keep price increases within single digit figures. "As a rule of thumb, if you have a 1% forex movement against you, the selling price has to be adjusted upwards by about 0,5%."

Japanese sourced vehicles make up about 45% of SA's market.

Toyota marketing MD Brand Pretorius said currency fluctuations and the 4% VAT increase would lead to the group's car prices increasing close to, or above, 12% this year. All vehicle prices would rise from April 7 in line with the VAT increase.

"We're caught between currency depreciation, competitiveness, a serious affordability crisis, keeping plant throughput at sustainable levels and the need to keep dealers in business. Margins are thin and there's not much left to cushion buyers with and we don't see the rand stabilising yet," said Pretorius.

Four new models are being launched in the next two months. These include Delta's Astra, Samcor's Telstar and new Mazda 626, and Mercedes-Benz's 190 series.

VW accelerates export ventures

Business Editor

VOLKSWAGEN of SA plans to increase its market share to more than 20% and to "aggressively explore further exports to the Far East and Africa," chairman Peter Searle said yesterday.

It has already exported cars to mainland China.

Production at the factory was held up in order to meet the improved standards laid down by VW's new international chairman Ferdinand Piëch.

Searle said yesterday that the SA company was meeting the "very tough" international quality standards required for its new third generation Golf and Jetta ranges, and more than 1 000 had left the factory in the past two weeks.

"We are extremely positive about our prospects with the range. We are now in a position to push up the build rate in an attempt to meet our growing waiting list."

Discussing the employment situation at the plant, Searle said: "The extent to which we will have to reduce our workforce is largely dependent on the success of the current marketing initiatives."

FM 2/4/93

VOLKSWAGEN

Answering the charges

192

Bombarded by damaging stories about the quality of its vehicles and the state of its business, Volkswagen is fighting back

Facing reports that the German parent is unhappy with the quality of SA-built vehicles and that the Uitenhage plant is preparing to slash its workforce, VW MD and chairman Peter Searle insists there is no crisis

Searle, who has headed VW for 15 years, doesn't deny there are important issues to be faced within VW or that 1993 will be another tough year But given the parlous state of the motor industry generally, he says he's not unhappy with the way his company is progressing

His comments are among the first in an exercise to address publicly growing concerns about the state of VW. After a prolonged period of VW silence in which doubts were expressed about the future of the company, he is anxious to set the record straight.

And not before time When one of Volkswagen's biggest customers, whose company buys thousands of VWs and Audis every year, asks "What the hell's gone wrong at VW?" it's clear that VW faces a serious image problem The results of a new survey of car-buyers' opinions of manufacturers also suggest VW's stock has fallen.

Much of the current uncertainty stems from last year, when VW's policy of near-silence proved a fertile breeding ground for rumours about the company the German parent wanted to replace senior SA management, Audi vehicles would be built elsewhere; the company was losing money hand over fist, and more

Most were just that — rumours Others are more difficult to play down Searle confirms that availability of the new Jetta and Golf ranges has been delayed by quality problems at the plant But he says the issue is not one of falling quality Rather, the cars could not immediately meet higher standards demanded by the German parent

"Germany is insisting on a new quality standard, both for itself and for subsidiaries There is a huge quality drive throughout the group and we are part of it"

Searle says the quality problem has been overcome and the company already has shipped more than 1 000 new Golfs and Jettas to dealers

The question of plant over-staffing is a sensitive one The biggest employer in the still-depressed eastern Cape, VW employs about 8 000 people, including 6 000 who are hourly paid It has been slower than other motor companies in reducing numbers and industry sources say VW wants to lose at least 2 000 jobs

Searle says the figure is exaggerated The short-term target is between 500 and 1 000 jobs, which he says can be phased in through early retirement and without retrenchment "Negotiations are proceeding with unions on

FM 2/4/93

how to rationalise the company and on how we can become a lot leaner in line with competitive demands and reduced export business"

192

VW was able to support an inflated workforce last year because of an aggressive export drive that earned the company R500m Searle thinks VW will be lucky to match that in 1993 because of reduced demand in Europe

On the bright side, Searle says VW has completed its latest capital expenditure cycle, which included R170m in 1992 Most of that was for the new Jetta, for which the total investment was R250m He expects capital expenditure this year to drop to R50m

"We have basically completed our product programme for the time being and we have the product range we want We are ready to go and take VW back to where it should be We are in good shape"

David Furlonger

Much cheaper BMWs further down the line

(192) ST 3/4/93

By AUDREY D'ANGELO
Business Editor

THE cost of a BMW car could be reduced by R16 000 if the company could source its components globally instead of obtaining them from local suppliers — 80% of whom are not internationally competitive — a senior executive said yesterday

Plans are far advanced for BMW (SA) to build all right-hand drive 3-series cars for the world market, importing other models, as part of a co-ordinated global production plan

BMW (SA's) new MD, Rainer Hagemann, said the cars produced in SA were up to the required standard But costs were higher than necessary because the SA market was too small for economies of scale and because some local component suppliers — protected against competition — did not reach international standards of productivity and efficiency

Some could be helped to reach these standards and some "should eventually be replaced"

Hagemann said SA's balance of payments would benefit from the export of a large number of cars, and the import of a smaller number without the present punitive 110% duty

It would clearly be impossible to remove the duty and reduce the present Phase Seven local content requirement immediately, without causing chaos in the industry

But he thought even manufacturers such as Toyota (SA) and Delta, who were not subsidiaries of foreign firms but manufactured under licence, could come to an arrangement to reduce their range and make certain models as part of global production

This would stabilise the cost of cars in this country and make them more affordable

BMW (SA) has a current turnover of R1,7bn of which R400m comes from exports — mostly of leather car seats and trimmings made at Garankuwa

These are used in most BMW models made in Germany, and are flown out by Lufthansa and SA Airways

Chris Moordyk, head of media relations at BMW (SA), said that even its present export business provided 1 000 extra jobs including the ripple effect and accounted for 5% of SA's total manufactured exports

There would be "a dramatic rise" in the number of jobs if production were lifted from the present level of between 15 000 and 20 000 cars a year to 50 000, to supply other markets And there would be a huge jump in foreign exchange earnings

● Swedish car manufacturer Volvo is considering re-entering the South African car market after an absence of 17 years, Volvo announced yesterday

Motor industry should cheer tax clarification

STAR 5/4/93

By Derek Tommey

The Government has clarified some of the problems arising from this year's Budget, and brought some cheer to the motor trade, the mining industry — and possibly to the stock market.

The deputy Minister of Finance, Dr Theo Alant, says that where an invoice has been issued, or a payment made for goods before April 7 and these goods are delivered on or before April 28, the old VAT rate of 10 percen will still apply.

This move will be of particular benefit to the motor industry The increase in VAT from 10 percent to 14 percent has resulted in an upsurge in orders for vehicles

The industry has been complaining that it will not able to deliver them before April 7

Motor dealers and others who can deliver only a few days after receiving an order will now be able to continue selling goods today and tomorrow, if they are open, for delivery in the next three weeks at a VAT rate of 10 percent

Minister of Finance Derek Keys has also clarified the position over payment of dividends by gold mines which do not adopt the dual tax system

Derek Keys . new system improves cash flow of companies

Keys says the majority of shareholders of gold mines are companies In order to achieve the objective of leaving those gold mines which elect to retain the present tax formula in the same position, it is necessary to allow a credit to their corporate shareholders for dividends declared by them

This will ensure that the tax position of these mines will remain unchanged.

Keys says there is no intention of changing the present definition of dividend with regard to capitalisation shares

Where shareholders have the option of taking capitalisation shares or a cash dividend, the capitalisation shares will not be regarded as dividends, but the amount taken as cash will be

Dealers says the clarification of the situation could lead to many more companies offering shareholders the option of taking capitalisation shares or cash dividends

This would contribute to companies ploughing back more money, in addition to the savings arising from the cut in company tax from 48 to 40 percent

(192)

Keys has refused to make any changes in rules concerning the payment of secondary tax on companies (STC) — the tax linked to the payout of dividends

He claims that the new system improves the cash flow of companies and more than offsets the burden of STC

STC may nominally increase last year's tax payment to more than 48 percent

By the time last year's dividends are paid, the reduced tax rate on company profits will provide immediate benefits and offset the STC

Keys says that in view of the long-term benefits of the lower tax rate and the concession to backdate the first dividend cycle to September 1 1992, no further concessions can be justified or afforded

The Commissioner for Inland Revenue will ensure that companies applying to change their years of assessment to take advantage of the lower tax rate will not benefit from the change

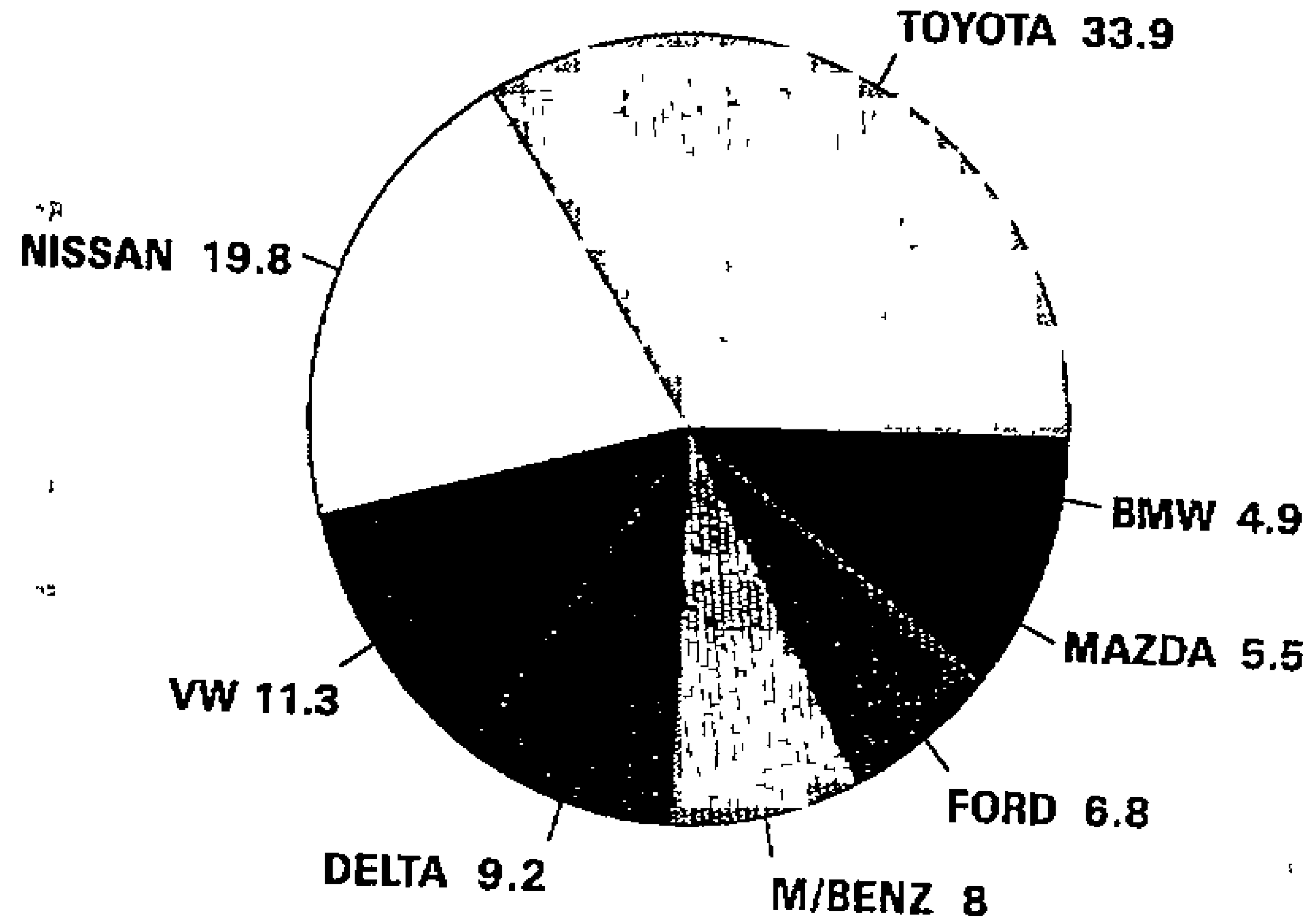
Dividends credited to loan accounts prior to March 17 1993 will be dealt with by the revised equivalent of the former Section (8b) to ensure that payments from loan accounts, which are in essence distributions of profit, do not escape STC

Keys says it has always been the objective to exclude foreign-sourced profits from the base of STC because these profits do not enjoy the benefit of the lower normal tax rate

This objective will now be achieved by allowing all foreign dividends as a credit against dividends declared

VEHICLE SALES

TOTAL MARKET SHARE
ALL MANUFACTURERS - MARCH 1993



Car sales soar on bid to beat VAT increase

(192) cr 8/4/93

Business Editor

A RUSH to avoid paying more VAT sent new car sales soaring in March They totalled 18 665 — 15,8% above the 16 119 sold in February, and 7,3% above sales in March last year

But the National Association of Automobile Manufacturers of SA (Naamsa) warned that this improvement would not be sustained and forecast that sales for the second quarter would be lower than expected

Sales of new light commercial vehicles, bakkies and minibuses totalled 10 177 — 25,6% more than the 8 105 sold in February and 12,7% more than in March last year

Sales of medium and heavy trucks rose even more compared with February. Sales of medium commercial vehicles rose by 46% but were only 5,5% above those in March last year Sales of heavy trucks were 30% higher than in February but only 0,8% higher than in March last year

Toyota was still the clear market leader, with sales of 6 013 cars and 3 711 light commercial vehicles

Brand Pretorius, MD of Toyota Marketing, said it had achieved its highest sales since June 1983 with total sales of 10 075, achieving a market penetration of 33,9%

'We had planned for increased production across the range of our vehicles and the improved availability of stock coincided with the increased demand."

But, Pretorius said "We remain concerned about the cost pressures that exist in the motor industry "

Nissan achieved the second highest sales with 2 987 cars and 2 797 light commercial vehicles

John Jessup, director of market planning and communications, said it had so far increased its market share by 4,2% in 1993

Commenting on over-all market trends, Jessup said· "It would be realistic to expect a period of consolidation over the next three months after which we could well see further growth again in the second half of the year — with the total market recovering to between 290 000 and 295 000 after 1992's 284 028 units."

Volkswagen calls in outsiders to tackle its malaise

BIDAY 8/4/93. (192)

CHRISTOPHER PARKES

AN EMERGENCY team has moved into Volkswagen's Wolfsburg's headquarters and is dishing out bitter medicine in equal measure all round

The group's employees, shareholders and top management have all been subjected to a stiff dose in the three months since Ferdinand Piech took over as chairman The aim is to effect a cure and put group earnings back on the path to growth by next year, according to Piech.

Volkswagen, which encompasses the VW, Audi, Seat and Skoda marques, is Europe's biggest car maker with annual turnover equivalent to about 3% of unified Germany's economic output. The symptoms of the group's malaise, detectable in less acute forms elsewhere in German industry, include concentrating on turnover and employing large numbers of workers at the expense of costs and profitability

Proclaiming an "emergency", Piech disclosed at the company's annual media conference last week that Volkswagen had plunged into a DM1,25bn loss in the first three months of this year The underlying seriousness of the situation had already been exposed two weeks ago when the group reported an 87% collapse in after-tax profit last year to DM147m — all earned on the supply of spares.

Piech drafted his restructuring programme within days of arrival. About 36 000 jobs were earmarked to go by the end of 1997 His announcement that 20 000 would be cut this year alone, mostly in Germany, underlined his determination to curb spiralling wage costs Capital investments for this year have been throttled back by about half, to DM6bn

The first victim of the spending cuts will be plans to expand capacity "A lot more can be squeezed out of existing plants without the need for great investments," Piech said The development of a new factory in Mosel, eastern Germany, has already been delayed

Guided by their charismatic company doctor, grandson of the legendary Ferdinand Porsche who developed the VW Beetle, the group's supervisory board (which oversees policy-making and management) agreed to hack the 1992 dividend from DM11 to DM2 and remove three management board directors, including the finance director

And now the therapy is to be shared more widely — among 1 500 suppliers — following the hijacking of the idiosyncratic arch-motivator Jose Ignacio Lopez de Arriortua from General Motors in Detroit.

Lopez, the group's new purchasing director, dubbed "the merciless", is armed with a reputation worthy of his nickname Within days of his recent appointment he was at work searching for economies in the group's estimated DM50bn annual bill for bought-in components and services

In an attack on the overengineering pinpointed by others as a prime failing of German industry, he ordered that the present 16 rear-axle variants for the VW Golf should be reduced to four He proclaimed that in future the company would concern itself with "core" competences in engine blocks, gearboxes, bodywork and painting The rest would be left to outside suppliers, which would be cut to fewer than 200 They would be required to supply standardised modular components — complete brake units of pedal, discs and anti-lock electronics, for example — which could be installed in the greatest possible number of models

The arrival of Lopez has rattled the suppliers, which currently provide about 65% of components to the group worldwide and about half that level in Germany Piech tried to soothe their fears, claiming that price cuts would be made on a co-operative basis "If a supplier does not think he is able to manage, our people will go in and help," he promised "We can only survive together in symbiosis" While he would not say precisely how far procurement costs must fall, the price cuts had to be as big as possible "without causing our suppliers to go under"

Confirming his reputation in the motor industry as a leader, Lopez last week delivered six of his senior GM buying team members — his "warriors" as he calls them — to Piech One, Jose Gutierrez, immediately replaced the procurement director for the VW marque

This move underlines Piech's determination to shake up and rebuild the cosy relationships between the company and its suppliers and at the same time revitalise its congested hierarchy with outside senior managers "Within the group there are basically 200 to 300 people who are absolutely indispensable for our survival," Piech said recently

There was a huge mass of people in group administration who now had to ask themselves what they did to earn their keep, he remarked "I have always paid more to those people who did not see it as their business to build up hierarchies than to those who built up substructures in order to push themselves one step higher" Work is now under way to reduce the current nine management levels to three.

The restorative action being undertaken has been widely welcomed. But while investors have tended to view the dividend cut as their contribution to overall belt-tightening, the loss announcement reinforced scepticism at the management's claim that the group would break even by the end of the year

Amid such apprehension it is easy to lose sight of the strengths underpinning Piech's faith that the '90s would be a decade of profit. Thanks to his grandfather, the Volkswagen name is one of the best-known car marques in the world Despite the domestic slump and slow sales in Europe overall, its market share of close to 17% still dominates its rivals Thanks to Carl Hahn, who led the group's international expansion during the '80s, Volkswagen is also less dependent than most of its European competitors on the west European market, where estimated long-term growth of up to 3% a year must increasingly be shared with the encroaching Japanese

Although the group's US market share has collapsed to about 1%, other overseas investments are performing strongly Its plant in Mexico helps supply a 32% share of the local market, and forms the likely launch pad for a renewed assault on the US. China, where the group's first factory increased output by 86% to 65 000 units last year, is forecast to become the group's third biggest market after Germany and Italy by 1996 Skoda, the Czech affiliate, reported an 18,5% increase in deliveries in January and February this year over the same 1992 period

However, many underlying problems remain As one industry observer notes "VW is a classic case of a company that has made too extreme a sacrifice in short-term profitability for future growth" The price is now being paid By sharing the pain among all involved and setting clear targets. Piech has acted according to the international book of good corporate housekeeping But he has also launched a violent assault on the stifling management and industrial practices common to German industry The restructuring programme is at odds with German management's ingrained softly, softly approach to radical change

It is no accident that the frontline team picked to drive it through is entirely foreign Lopez is a Basque, and Daniel Goeudevert, main board director responsible for the flagship VW brand, is French Piech is an Austrian, although his old-fashioned sense of duty and commitment has earned him the sobriquet of "the last Prussian"

By selecting outsiders to resolve the crisis, the supervisory board has sent the clearest possible signal that it believes traditional German management is not up to the job of steering Volkswagen away from the brink of disaster — Financial Times

VW's export deal on track

EDWARD WEST (192)

VOLKSWAGEN SA said yesterday negotiations for multimillion-rand exports to China were at an advanced stage

Chairman Peter Searle said the firm would supply tooling to China worth R100m and export more of the company's Jetta range in 1993 and 1994

Volkswagen was exporting 4 500 semi-knocked-down Jettas to China worth R150m as part of a two-year order for 12 500 vehicles The order was won last year and was also intended to help China establish its own assembly operation

Searle said VW AG in Germany saw the local operation as important in the development of VW's growing business in China, as well as strengthening its business in SA and the subcontinent

Volkswagen SA in future would play a part in VW AG's global sourcing strategy Recently appointed VW AG chairman Ferdinand Piech was determined to pursue the idea of the SA firm being a worldwide source for right-hand drive Audis, said Searle

Because of the lower forecast for the domestic market after VAT increases, and lower exports to Germany as a result of a sudden downturn in that market, VW would streamline operations

Searle said negotiations between VW and Numsa and the Yster and Staal trade union, on the results of making its operations leaner, were continuing Between 500 and 1 000 jobs at the Uitenhage plant were under review

Production of the third-generation Golf and Jetta was back on track after production shortages occurred earlier this year after adjusting to new standards to meet new German quality improvements, said Searle BDAY 8/4/93.

He said more than 1 200 new Golfs and Jettas were shipped to dealers in March and production was being increased to peak at 85 a day by mid-May VW was targeting a 25% share of SA's total market

Virgin rules out SA flight this year

STEPHANE BOTHMA

VIRGIN Atlantic Airline would definitely not be flying to SA this year because of the battle between Heathrow Airport officials in London and the carrier over landing and take-off slots for the SA route

However, the UK-based carrier yesterday signed a contract with Airbus Industrie for the acquisition of four ultra long-range A340-300 aircraft which would be used to open new services

Virgin spokesman James Murray yesterday said although Virgin had managed to obtain the slots requested for the UK summer, Heathrow could not guarantee similar landing slots for the English winter — the best time to fly to SA

"Until we get a guarantee that the slots requested will be granted, we will not start flying to SA," he said

Meanwhile, Virgin will start to take delivery of its A340s in October this year Besides SA, the airline also planned to use the aircraft to open new routes to the US East Coast and the Asia-Pacific region

Virgin chairman Richard Branson said that with the A340, the airline would have a fleet featuring the most modern long-haul aircraft of any UK airline

Farmers' package deal makes way for housing

BDAY 8/4/93 ADRIAN HADLAND

PRETORIA — More than 200 farmers have agreed to sell their land en bloc in a development project aimed at creating housing for about 370 000 people.

The Klipfontein and Kruisfontein development project, situated just north of Pretoria, was "one of a kind at provincial level within SA", Transvaal Provincial Administration (TPA) director of town and regional planning E P van der Walt said yesterday

The farmers had agreed to sell their land on condition that all 200 plots were lumped together in a package deal, that assistance was provided for the relocation of historic family graves and that the land price was fair and reasonable, Van der Walt said. The sale was expected to be completed by July.

The plan catered for the 65 000 residential plots, schools, primary health centres, churches, community centres and a central business district.

The initial cost for the establishment of infrastructure at the 3 500ha site was estimated at R300m. This would be shared by the TPA, the Pretoria Regional Services Council, the National Housing Fund and other bodies, Van der Walt said.

The cost of erecting the 65 000 houses and other facilities would be borne by private developers.

"This is the first time that a community in the Transvaal has shown such a positive attitude towards urbanisation," said TPA MEC for physical planning and development John Mavuso

Although the aim of the project was to settle middle- to low-income groups in the area, higher-cost housing could also be incorporated in what was intended to be a nonracial development, Mavuso said.

In a bid to ensure the universal acceptability of the project, 39 groups, ranging from civic associations and the Pretoria City Council to Eskom and UN representatives in SA, had been consulted.

Head of the Klipfontein and Kruisfontein Development Trust, AVU MP Koos Botha said he hoped the project would bring the new SA nearer to the people.

Volkswagen pulls out stops to rev up image

Own Correspondent

PORT ELIZABETH — Volkswagen SA pulled out all the stops yesterday in a bid to recover from the knocks that their image has taken in recent months

Chairman Peter Searle personally hosted a news conference attended by journalists from around the country and said "We've not fallen apart and we've not come to the end of the road"

Searle, flanked by his top executives, was speaking on a tour of the Uitenhage plant during which the trouble-plagued new Jetta and Golf models were rolled out for inspection

In the wake of speculation that South Africa would be placed under the whip by increasing pressure on the international front following the appointment of VW AG chairman Ferdinand Piech, Searle said "Dr Piech is a friend of South Africa"

He said a visit by Dr Piech to South Africa earlier this year had shown that the new chairman was a "hands-on man" and had demanded that the VWSA comply with the stringent international quality control measures

Addressing the much speculated retrenchment issue, Searle said discussions were under way between trade unions on a continual basis

But it was regrettable that the company's "open approach" and involvement with the unions and the sharing of confidential information had led to "information leaks" He said misunderstanding and "all sorts of speculation" had arisen as a result

(192) CT 8/4/93

Searle said any staff changes would depend on the performance of the local car market and future exports

VWSA is hoping to clinch a R100m tooling order deal with China The company exports Jetta II cars to China at present and further exports are in the pipeline

It was clear from Searle's address that VWSA was not to be left trailing in the dust of VW International He emphasised that the company would play an important part in the continuing development of VW's extensive and fast growing business in China

"Dr Piech sees South Africa, VWSA and our suppliers as playing an important potential part in the VW group's global sourcing strategy in the future," Searle said

Star 8/4/93

Fillip for car sales

By Sven Lunsche

Sales of new cars received a boost in March from pre-emptive buying to avoid the four percent rise in VAT, which took effect yesterday.

The National Association of Automobile Manufacturers (Naamsa) cautioned, however, that in the long-term higher VAT and other cost-pressures could reverse the expected rise in car sales this year.

(192)

Naamsa figures show that that car sales increased by 15,8 percent from 16 119 units in February to 18 655 units last month.

Even on a yearly comparison, the March figure looks favourable, showing a 7,3 percent rise on the figure for March last year.

The strong performance trend was also evidenced in other vehicle sectors

Sales of light commercial vehicles, bakkies and minibuses at 10177 units in March showed an improvement of 25,6 percent, compared with February, and of 12,7 percent over March last year

Sales of vehicles in the medium and heavy commercial sectors rose by 46,2 percent and 30 percent respectively on a monthly basis.

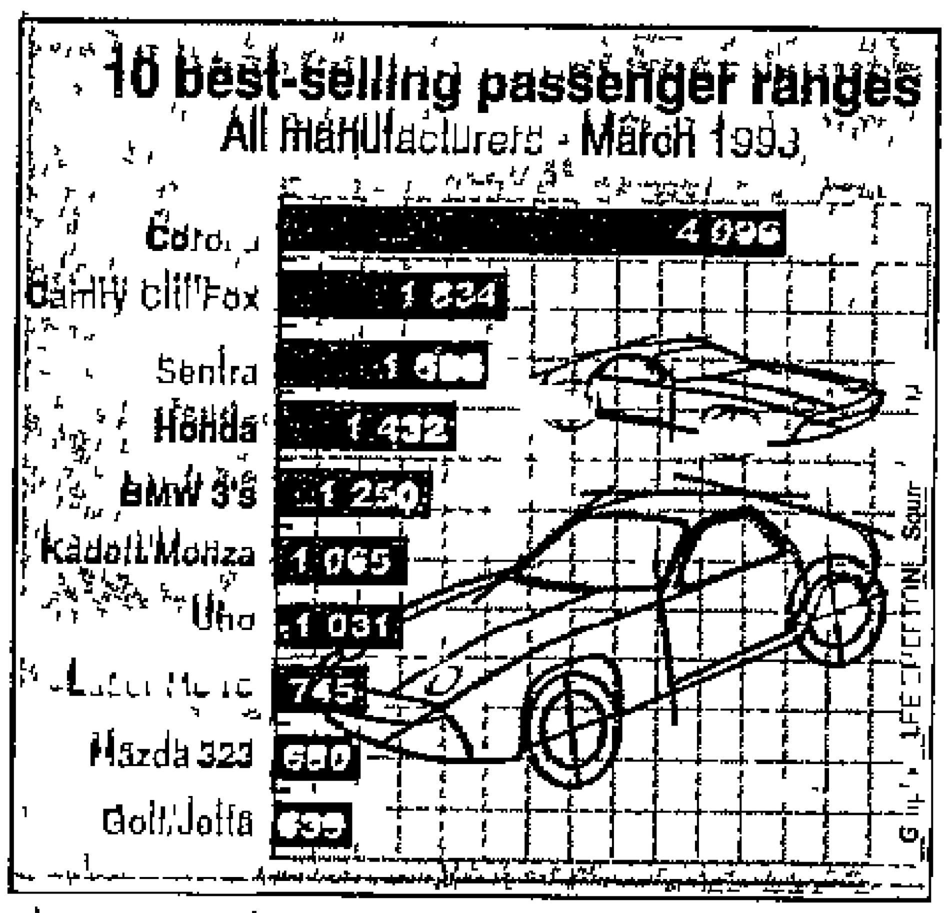
Naamsa attributed the sharp upward trend in March solely to pre-emptive buying ahead of the VAT hike.

It warned, however. "The higher-than-expected increase in VAT, the rise in the fuel price, additional cost pressures facing manufacturers due to the weak rand and the generally poor state of the economy are expected to have a negative effect on business conditions

"Prospects of little or no growth in the economy in 1993 mean that new vehicle sales projections for the year will probably be revised downwards during the second quarter."

Small and medium sized ranges dominated the market

Strong demand for the Corolla, Conquest and Camry ranges allowed Toyota to lift monthly sales above 10 000 units for the first time, giving it a market share of over 32 percent, while the share of the Fiat Uno range has risen above five percent



Pre-VAT spree boosts car sales

EDWARD WEST (192)

NEW car sales improved substantially by 15,8% to 18 665 in March from 16 119 in February, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Naamsa said the increase could be attributed to pre-emptive buying to avoid the VAT increase and fears of increases as a result of exchange rate pressure.

New car sales were 7,3% higher than the 17 390 sold in March 1992 in spite of shortages of some models. Year-on-year vehicle sales in the first quarter of 1993 followed the marginal upswing of the final quarter of 1992, he said. B/DAY 8/4/93

Sales of light commercial vehicles, bakkies and minibuses climbed 25,6% to 10 177 units over February's 8 105 and 12,7% against the 9 026 sold in March 1992.

March sales of medium (MCV) and heavy commercial vehicles (HCVs) also climbed substantially against February. MCV sales climbed 46,2% to 354 from 236 while HCV sales rose 30% to 502 from 386. Compared with the same month last year, MCV sales were 5,5% up from 327 and HCV 0,8% up from 498.

However, the VAT increase, fuel price increases, the depreciation of the rand against the yen and the ailing economy were expected to result in previous sales forecasts being revised downwards.

☐ To Page 2

Car sales B/DAY 8/3/93 (192)

☐ From Page 1

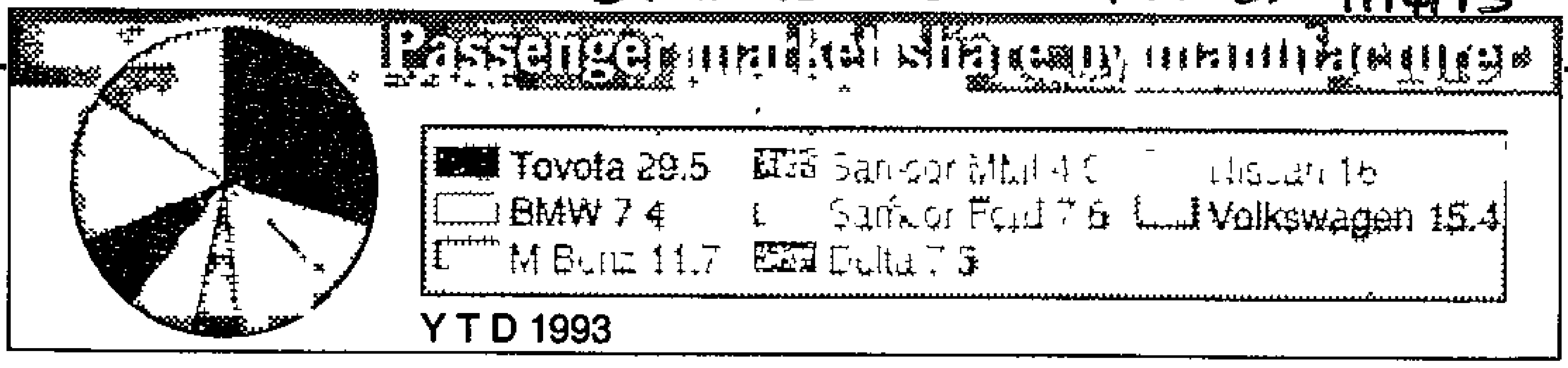
Naamsa said

Toyota marketing MD Brand Pretorius said many companies moved into a new financial year in March with new budgets for purchases. There was also a high number of car rental and tender deliveries.

Nissan market planning director John Jessup expected consolidation over the next three months to precede resumed sales growth in the second quarter, with the market in 1993 recovering to 290 000-295 000 sales against 1992's 284 028.

Jessup said reasons for the increase in commercial vehicle sales in March had yet to be ascertained as no VAT was paid on these vehicles and no significant government purchases were made.

SI Times (Bus. Times) 11/4/93



VEHICLE sales are expected to fall "quite dramatically" in the current quarter as the 40% increase in VAT trims disposable income even further.

New-car sales for 1993 will probably be lower than last year's 182 900.

Sales in the four sectors of the motor industry picked up sharply in March as buyers bought ahead of the VAT increase

Car sales rose by 15,8% to 18 665 from 16 119 in February, light commercials by 25,6% from February's 8 105 to 10 177, medium commercials 46,2% to 345 from 236 and heavy trucks 30% to 502 from 386

In spite of these gains, car volumes in the first three months of the year are only 0,6% ahead of last year at 48 268 compared with 47 995.

Brand Pretorius, managing director of Toyota Marketing, says there are fears that vehicle prices will

By DON ROBERTSON

192

increase because of the declining rand. This could have prompted additional sales in March

Several companies moved into a new financial year with revised budgets for vehicle purchases Car rental and tender deliveries increased in March

At the beginning of March, Toyota expected total car sales for the year of about 182 000, but has revised this to 180 000 "in a worst scenario"

This suggests average sales of 13 500 a month in the current quarter

The National Association of Automobile Manufacturers of SA (Naamsa) also believes that sales projections will have to be reduced

Although Toyota is gloomy, it had excellent March sales of 10 075 This was the first time one manufacturer had topped 10 000 since 1984, when Toyota sold 10 900 vehicles This gave it 33,9% of the market, the best penetration recorded by the company since it took over leadership 12 years ago In addition, the Corolla derivative sold 4 096 units, achieving higher sales than the total car volumes of any other manufacturer

The Toyota Camry, on the market for only four months, was joint second with the Volkswagen Citi Golf and Jetta with sales of 1 834 units

The Nissan Sentra was third with 1 686, followed by the BMW 3 Series at 1 250 and the Honda Ballade with 1 432

Samcor suffered from stock shortages because of the runout of the Ford Sapphire and Sierra and the Mazda 626 range Production of the replacement models has not reached full tilt

Company round-up

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)	% change	Earnings a share (c)	% change	Div a share (c)	% change
Omnia	487,0	+11,0	22,6	−36,0	59,47	−29 0	40,0	14,0
Tomkor	—	—	4,2	+39,9	23 6	+18,6	20 0	+5,2
Equikor	26 8	−26,1	1,8	−59,0	0,7	−58,8	—	—
Corwil Inv	—	—	0,28	+26,1	14,7	+26,7	14,0	+27,2
INTERIMS								
Octodek	12,2	+1 6	0,359	−4 0	0,39	−25,0	0,39	−25,0
Minaco	41,5	+38,5	4 9	−14,9	10,8	−33,7	—	—
Nu-World	31 5	+63,0	0,98	+21,0	5,1	+21,0	—	—

Importers beat gun on duty cuts for cars

S/Times (Bus. Times) 11/4/93

(192)

By DON ROBERTSON

SEVERAL businessmen are anticipating the eventual cut in import duties on imported cars and are negotiating with manufacturers to reintroduce famous marques, such as Alfa Romeo and Volvo

Finance Minister Derek Keys recently reduced duties on imported cars by 10% to 100% He promised that in the next five to eight years duties would be reduced by 10% a year to between 40% and 60%

Several businesses plan to make their move ahead of duty cuts

The cars will ostensibly sell in SA at twice their price in their countries of origin The sellers will tackle a market which is expected to increase by only 2% this year after plunging last year to its lowest since 1986

A reduction in import duties to, say, 60% would make many of the top-range cars made in SA cheaper to import

Vic Campher, of Tom Campher Motors which services the Volvo fleet, this week continued discussions with Swedish parent with a view to establishing a distributorship

Mr Campher says that between 1962 and 1976, 33 000 Volvo cars were sold in SA. About 8 200 are still in use.

Tom Campher Motors carries spares worth about R400 000 for these vehicles

Volvo withdrew from SA in 1976 when then distributor Lawsons Motors went insolvent. It was prevented from re-entering the market because of sanctions

The first Volvo, the new 850 version, is expected in SA in June and will be used to test the market. It has a five-cylinder, multi-valve engine which drives the front wheels

Change

But Mr Campher's efforts might be stymied because Saficon subsidiary LSM Distrubutors is also negotiating for a Volvo distributorship LSM is the only SA importer of Porsche cars.

Paul Croeser, director of marketing services at Saficon, says his company has put a lot of work into the Volvo negotiations. He believes that Volvo cars will have a niche market.

Cars International has signed a three-year agreement with Alfa Romeo and its parent Fiat in Italy It will change its name to Alfa Romeo Concessionaires

The intention is to open six showrooms to sell a nine-~~model range~~ by May and to increase this to 12 by the yearend The company plans to franchise 10 outlets The models include the Alfa 33 16-valve Boxer which will sell for R88 000 and the 3l V6 24-valve Quadrifoglio, costing R254 000

The prices compare favourably with SA equivalents, largely because of the devaluation of the lire and keen prices negotiated with the parent company

The company hopes to sell about 500 vehicles a year

Beating both the Alfa and Volvo negotiators was Southern Motor Holdings which introduced the up-market Japanese Saburu range in June last year after almost a year of negotiations More than 40 vehicles have been sold and the target for this year is 100

The cars range in price from R127 000 for the Legacy to R299 000 for the sporty SVX at the new VAT rate All have synchronised four-wheel-drive and anti-lock braking systems (ABS)

Finanacial director Michael Mapes says Southern Motor Holdings has invested millions in the Saburu range.

"Even though margins have been kept to a minimum, it is a profitable operation," says Mr Mapes.

Star 13/4/93

Toyota sees improvements

By Des Parker

192

Toyota predicts a modest improvement in sales, profits and market share in 1993 after a year when recession and a seven-week strike knocked nearly 20 000 units off production

Although the company accelerated back to pole position among motor manufacturers after the wage-related strike was resolved, shareholders took a knock, earnings coming down by almost half to 151,6c (297,3c) a share and the share price falling back from a year's high of R30 to end 1992 at R18,50 It is currently around R23

The total dividend was reduced from 47,5c to 28,5c, cover being kept at 5,3 times (6,3), to maintain what chairman Bert Wessels says is a healthy proportion of internal funding

About R227 million was invested in projects for commissioning both last year and this

Wessels says in the annual report that the continued inability of the economy to start growing again predicates another difficult year

'Automation necessary for car export opportunities'

BDay 13/4/93. 192

TRACY SCHNEIDER

SA MOTOR manufacturers could lose export opportunities if plant automation was not stepped up, Delta engineering and quality assurance manager Rolf Mentzel said yesterday

Increased automation was essential if the motor industry wished to attain world competitiveness and quality standards, he said

Samcor assembly operations director Terry Bloomer said "Automation is the only way to go since vehicles are becoming more technically advanced and demand precision in production which has no room for human error"

Some manufacturers had already made significant investments in automation, with Samcor earmarking R1bn for upgrading facilities and Delta recently investing R250m

"State-of-the-art technology including robotics and high precision equipment has been installed at our Pretoria plant at a cost of about R70m to produce new models to the highest possible quality standards," said Bloomer

He said the company's investment made it the most automated manufacturing plant in southern Africa, on par with the average European plant

However, Mercedes-Benz SA and Toyota said automation was not economically viable because of low production volumes

Bloomer said Samcor followed the Japanese trend of investing and upgrading in a downswing in order to quickly capture market share in an upswing

Mercedes-Benz and Delta agreed automation was essential for manufacturers looking for export opportunities since exacting standards were required when competing against countries such as Japan and Germany

Toyota had automated in selective areas but warned that robotisation could lead to retrenchments Samcor and Delta said improved quality and productivity resulted in a greater market share and more skilled staff

Metair awaits better days

BIDAY 13/4/93 (192)

EDWARD WEST

NEW management strategies at Metair and expectations of sounder labour relations should improve Metair's profit this year, chairman Elisabeth Bradley said in the motor component group's 1992 annual report

However, no real improvement could be expected until economic and social conditions improved and until the motor industry task force formulated control measures which made industry regulations more predictable

In the 1992 financial year earnings fell 48% to 144c a share, more as a result of unstable labour relations than poor economic conditions, she said.

The strike at Toyota SA, Metair's biggest customer, had resulted in lower demand for components

Tight times for T & N

192

EDWARD WEST

ANY improvement in T & N Holdings' profit would have to be derived from cost reduction, improved productivity and further exports, chairman Colin Hope said in his 1992 annual report

The automotive components manufacturer expected no significant improvement in demand for its AE Engine Parts in 1993 although increased sales volumes were forecast with the introduction of alternative products to combat imports

BDAY 13/4/93

To maintain profit in its AE Bearings operation, productivity plans were being implemented

AE Valves' exports to Europe were expected to continue in 1993, but the export of AE Pistons would require strong cost management to maintain the improvement of 1992

Hope said no significant recovery could be expected from the group's local and overseas markets

Exports boost T & N's sales

STAR 15/4/93. (192)

By Stephen Cranston

Exports came to the rescue of industrial holdings groups T&N in the year to December

The annual report shows that group exports rose from R42,7 million to R53 million whereas total turnover fell by R2 million to R423,7 million

There was no recovery in the engine parts market last year, although market share was maintained The orientation, as in many other divisions, moved from original equipment sales to the parts and accessories market.

There was an increase in export demand for bearings from group aftermarket companies in Europe and the start of exports to AE Components Eastern in Hong Kong. There was also growth in AE Valves's exports to North America and Europe

Exports also provided a growing percentage of output at AE Pistons, while AE Liners shipped its first export orders in the final quarter and there is a positive trend in order books

Gaskets manufacturer Payen Components continued to increase local production of cost effective quality products

It has sold cylinder head gaskets and sets for Japanese model applications from the T&N distribution centre in Hong Kong, and for European application from group companies in France

Brake and clutch component manufacturer Ferodo has improved market share in a static market, which was affected by the introduction of new models with imported brake assemblies, but there were significant gains in the aftermarket.

Beral Autoparts is in the process of merging its marketing and distribution with Veltol-Parko, wich manufactures the Motorbrake and Duratorque range.

There was further substantial growth for FHE automotive technologies, manufacturer of radiators, air conditioning condensers and evaporators

Silverton Engineering increased turnover thanks to a 32,4 percent increase in exports, which now accounts for 26,7 percent of sales

FM 16/4/93 (192)

MOTOR INDUSTRY

FM 16/4/93 (192)

Artificial boost

As far as the motor industry is concerned, it's Finance Minister Derek Keys for President His announcement that Vat would be increased by four percentage points on April 7 gave March vehicle sales a boost they haven't enjoyed for a long time Now if Keys could only raise Vat every month

Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA, which compiles the figures, says that despite scattered stock shortages, last month's new-car sales were nearly 16% up on those for February, and 7,3% up on those for March 1992

New light commercial vehicle (bakkie and minibus) sales were 25,6% up on the previous month's and 12,7% up on those of March 1992 Gains were even more impressive in the low-volume, heavier categories Compared with February, medium commercial vehicle sales were up 46,2% and heavy vehicle sales 30% But, compared with March 1992, medium commercial vehicles showed only a 5,5% rise and heavy ones not even 1%

Despite the one-off boost, Peter Cleary, Mercedes-Benz of SA's management board member for passenger cars, sees no reason to alter his estimate that only 180 000 units will be sold this year, "unless the political situation worsens and dampens the market" even more

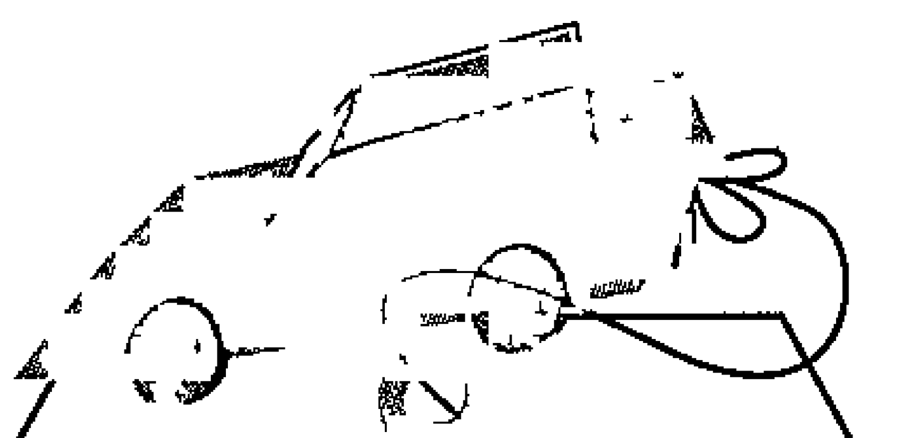
Manufacturers are under pressure and will increase prices because of the rand's weakness According to the motoring journal *Automobil*, the price of the average car has soared from R6 992 in 1980 to more than R60 000 last year At that price — and prices have risen since — those who bought in March saved R2 415 on Vat

Another reason, though minor, for the increased sales was that there were 27 trading days in March, three more than in February

Budget Rent-A-Car MD Tony Langley warns that the vehicle manufacturing industry cannot expect the car-hire industry to bale it out of the doldrums as it has on occasion There is no reason to believe that it will take more than the 15 000 units it bought last year In fact, it is performing marginally worse than a year ago In the six months to the end of January 1992, it enjoyed 1,246m rental days but only 1,225m to the end of January this year

Toyota director of commercial vehicles Des Gush believes the market will absorb 3 350 medium commercial vehicles this year, a slight increase on the 3 278 sold last year, and that manufacturers will make and sell 5 400 heavy vehicles into the local and export markets, as they did last year

But there is a flicker of hope that the two sectors will do better this year With the phasing in of the road transport quality system in July, trucks will have to be fully roadworthy But the average truck is 12 years old, so owners must decide whether to rebuild, buy new ones or lease The odds are that sales will be bolstered ■



March vehicle sales

Cars		Total	%*
Toyota	Corolla **4 096**, Camry **1 834**, Cressida **31**, other **52**	6013	32,2
Nissan	Sentra **1 686**, Fiat Uno **1 031**, Maxima **259**, Skyline **7**, 200SX/300ZX **4**,	2 987	16
VW	Citi/Fox **1 834**, Golf /Jetta **639**, Audi **260**	2 733	14,6
M-Benz	Honda Ballade **1 432**, M-Benz W124 **493**, W126 **87**, other **216**	2 228	11,9
Samcor	Ford Laser/Meteor **745**, Mazda 323 **680**, Sapphire **309**, Sierra **99**, Mazda 626 **80**, other **7**	1 920	10,2
BMW	3-Series **1 250**, 5-Series **170**, 7-Series **40**	1 460	7,8
Delta	Kadett/Monza **1 065**, Rekord **233**, Calibra **26**	1 324	7

*% of the total car market

	1993	1992	% Change
March	18 665	17 390	7,3%
January – March	48 268	47 995	0,5%
February (16 146) – March			15,6%

Light commercials

Toyota 3 711 (36,4% of the market) Nissan 2 797 (27,4) Samcor 1 723 (16,9) Delta 1 290 (12,6) VW 624 (6,1) AAD 32 (0,3)

March	10 177	9 026	12,7%
January – March	24 856	24 204	2,6%
February (8 141) – March			25%

Medium commercials

Toyota 201 (58,2) Nissan 29 (8,4) Delta 75 (21,7) Samcor 33 (9,5) M-Benz 1 (0,2)

March	345	327	5,5%
January – March	821	874	-6%
February (236) – March			46%

Heavy commercials

M-Benz 158 (31,4) Toyota 150 (29,8) Nissan 81 (16,1) MAN 49 (9,7) Delta 37 (7,3) ERF 12 (2,3) Tyco 14 (2,7)

March	502	498	0,8%
January – March	1220	1337	8,7%
February (390) – March			28 7%

Total vehicle sales

Toyota 10 075 (33,9) Nissan 5 894 (19,8) Samcor 3 676 (12,3) VW 3 357 (11,3) Delta 2 726 (9,1) M-Benz 2 387(8) BMW 1 460 (4,9) other 75(0,2)

March	29 650	27 241	8,8%
January – March	75 193	74 410	1%
February (24 913) – March			19%

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

BUSINESS DAY, Wednesday, April 21 1993

Vehicle import rules redefined

192

EDWARD WEST

LOOPHOLES in the definition of imported completely built-up (CBU) and completely knocked-down (CKD) vehicles had been blocked by motor industry task group proposals, industry sources said yesterday

The proposals come into effect on June 1 and follow the import of 1 800 Mercedes Benz 190E models this year

The vehicles were brought in knocked down, attracting a 40% excise duty and a rebate of 50c for every rand earned in local content The drive-trains for the vehicles were imported separately CBU imports attract 115% duties

Sources said although Mercedes Benz's imports were legal under Phase VI, manufacturers' small volume imports had forced the task group to redefine the CKD definition because built-up vehicles were being imported under CKD

Mercedes Benz board member Peter Cleary said although the 190Es were legally imported, the definition of CKDs was imperfect

The motor industry task group's short-term working group said it recognised that the changed definition could detrimentally affect manufacturers which had complied with local content regulations in the past

Those motor manufacturers not complying with the revised CKD definition would be given a phasing-out period, with no penalties, up to the end of February 1994, the working group said

Vehicles built locally from imported components in a more advanced stage of assembly than the revised CKD definition allows, would also be subject to an additional non-rebateable excise duty of 50%, the task group said

Under the new definition, the floorpan, body sides and roof assemblies of all cars and light commercial vehicles had to be imported unassembled

Imported chassis and/or floorpans could not be fitted with drive-train components, axles, wheels, radiators, fuel tanks or braking and electrical equipment

MARLIN HOLDINGS

FM 23/4/93 (193)

Engraving its tombstone

The appalling results indicate the shake-out among granite producers is by no means over Marlin itself could well be the next victim, landed by Italian group Conti, which has already set the hook in deep

Conti stands behind Marlin ex-director Mario Pedretti, who is now calling all the shots on Marlin's granite production, including the Belfast black granite quarries Mar-

cont

FM 23/4/93. (193) X

RED TIDE

18-months to Dec	*1991	1992
Turnover (Rm)	120,7	155,2
Taxed profit (Rm)	14,2	(12,9)
Attributable (Rm)	12,1	(16,1)
Earnings (c)	22,8	(35,1)
Dividends (c)	5,0	nil

* Year to June

lin receives the bulk of its income from black granite, of which it is SA's largest producer

That was part of the deal announced in December when Marlin sold its Rustenburg grey granite quarry — Marlin Granite Rustenburg (MGR) — to Conti for R9,54m

Pedretti left Marlin in 1990 but has returned to run MGR, which has the right to operate all Marlin's quarries for its own account until July No further losses will accrue to Marlin during this period but neither will it receive any income from what is, after all, its main business

The clear impression is that Conti is having a close look at Marlin's Belfast black granite operations prior to making a buy-out bid Marlin MD Graham Treagus comments "Conti would not have entered into this agreement unless it had long-range interests in our business but whether another deal will be negotiated is anybody's guess "

Excluded from the arrangement are Marlin's granite beneficiation and processing companies — Marble Pentelic and Barracuda Granite Tile — as well as its foreign companies These include granite trading companies, a quarry and a beneficiation plant in North America Treagus describes these assets as "meaningful" but won't comment on what they might earn

If Marlin is forced to sell its remaining quarries it will be a sad demise for a group that once boasted of its prowess in a range of granite products and diversification in downstream beneficiation

The current share price of 13c compares with the 1990 rights issue price of 350c Marlin's demise can only further sour investors' views on the granite business, widely touted in the late Eighties as a growth industry, when a number of producers were listed

Results for the 18 months to December indicate an implosion in Marlin's business and are far worse than expected — particularly the R34m extraordinary item

This reflects the write-off of all quarry development costs, including costs in prior years, discontinued operations, significant write-offs against trade investments and a provision against the value of the Marlin staff share trust

Some analysts have expressed grave unhappiness with Marlin's accounting treatment They point out quarry development costs should not have been capitalised in the first place but instead treated as operating expenditure That, of course, would have made previous results look a lot worse

The R16,1m operating loss reflects major cost problems at the quarries and demonstrates the extent to which world recession has badly knocked the market even for much-vaunted Belfast black granite

Executives used to claim the superior quality of this product meant customers would use it in almost any circumstances Sadly, the reality is that architects and builders have turned to similar but much cheaper material from Zimbabwe and India

Treagus says trading conditions seem to be improving The unfortunate truth, though, is that shareholders aren't likely to see much of the benefit A truncated "new" Marlin may get back into the black, but without quarries the group has decidedly limited potential

Brendan Ryan

METAIR (192) FM 23/4/93

Bewildering gear shifts

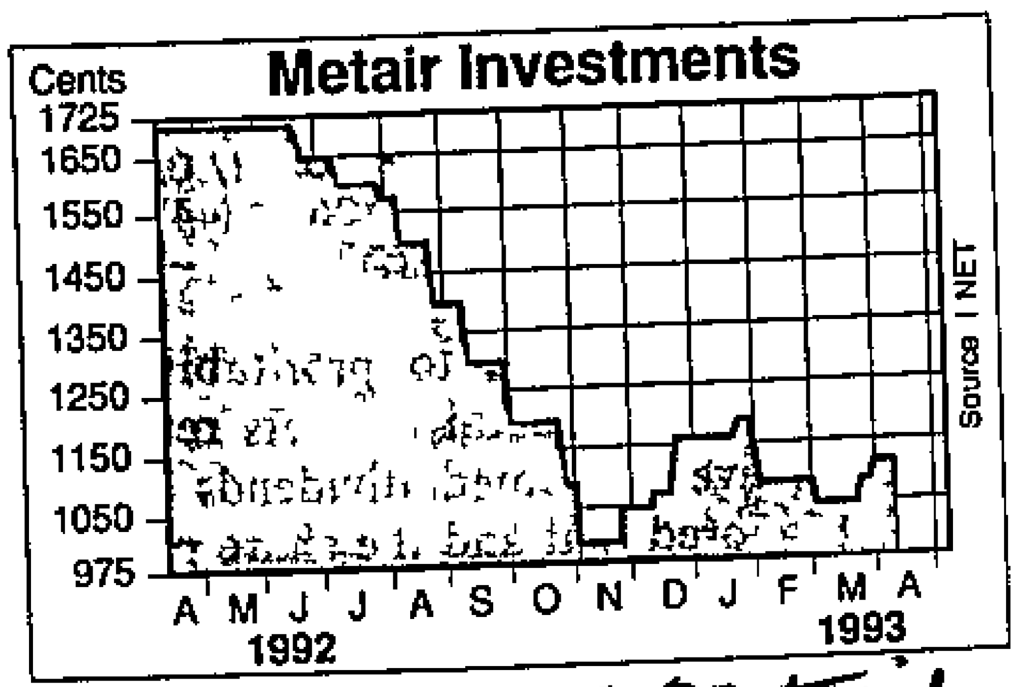
Activities: *Makes motor components*
Control: *Wesco (42%), directors (29%)*
Chairman: *E Bradley, MD A D Plummer*
Capital structure: *5,7m ords Market capitalisation R60m*
Share market: *Price 1 050c Yields 3,8% on dividend, 13,7% on earnings, p e ratio, 7,3, cover, 3,6 12-month high, 1 700c, low, 1 000c Trading volume last quarter, 6 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	2,1	4,2	8,1	21,3
LT debt (Rm)	8 1	26 2	35,9	15,3
Debt equity ratio	0,08	0,22	0,16	0,18
Shareholders interest	0 65	0,62	0,58	0,64
Int & leasing cover	8,5	4,0	4,3	1,8
Return on cap (%)	18 0	13 5	14,1	9,8
Turnover (Rm)	309	330	390	366
Pre-int profit (Rm)	30,6	25,6	35,3	27,4
Pre-int margin (%)	9,9	7,6	9,0	7,4
Earnings (c)	245	153	275	144
Dividends (c)	63	63	74	40
Net worth (c)	1 925	2 063	2 571	2 994

Among the requirements for a return to grace by Metair must be more stable earnings Whereas chairman Elisabeth Bradley says 1992 was awful, a more apt description of the past three years would be chaotic — from a peak of 245c in 1989, EPS plunged 38% in 1990, only to recover the next year to 275c The 1992 year saw a 48% reversal, with EPS of 144c the worst since 1986

Nor do gyrations seem to be over If, for example, borrowings can be kept at the end-1992's R36,6m, interest charges could fall by about R9m, adding about R5,5m to the bottom line This alone would bring EPS back up to 240c, suggesting that without a repeat of last year's labour disruptions (at Metair and main customer Toyota), full recovery to the 1991 high might be possible

Such a possibility is partly supported by the 1992 earnings pattern All but 12c of the 144c was earned in the second half If that level of profitability can be maintained for the full 12 months, EPS will exceed 260c



FM 23/4/93.

Even then, the immediate conundrum centres on prospects for 1994

The situation doesn't lend itself to detailed analysis, because of big structural changes last year Main elements were the sale from April 1 of Metlink to Toyota (almost its only customer) and the unrelated purchase from April 30 of Fed Volks's holding in First National Battery, changing it from a 35,7% associate to a 71,3% subsidiary

At the time these transactions were not expected to affect results materially, but neither Bradley nor MD Alan Plummer comment on the final outcome

All that can be said is that the R15,1m drop in pre-tax profit was split between trading results (down R7,9m) and higher interest charges (up R7,2m) The latter, at R15,4m, would suggest average borrowing exceeded R80m compared with the year-end R36,6m and mid-year R60,9m Any significant interest saving is likely to depend on improved stability here as well

Another area needing stability and predictability is the motor industry itself, specifically on the Phase VI local content programme, which partly favours assemblers at the cost of components makers

While Bradley and Plummer expect better results from all subsidiaries and investments this year, Bradley says results will not be really satisfactory till economic and social conditions improve and the Motor Industry Task Force formulates measures "to give stability and predictability to the regulations which govern our industry "

The share has been in a downtrend for a few years, and it's probably too early to talk of a turnaround The 65% discount to NAV points to substantial recovery potential — but only if the industry achieves stability

Brian Thompson

MOTOR INDUSTRY

In the clouds

FM 23/4/93.

(192)

Motor industry employers and unions are deeply divided after the first round of annual pay talks Vehicle manufacturers have rejected outright union demands for further centralised control of the industry And they claim that pay demands could virtually double some companies' wage bills Unions warn that the employers' attitude threatens to create a conflict "which would make all previous conflicts in the industry look like a tea party"

Representatives of the two sides are meeting this week in an attempt to find common ground before the next full round of talks early next month Negotiations are between manufacturers, the National Union of Metalworkers of SA (Numsa) and the SA Yster en Staal union

Numsa is insisting on a package of changes to be phased in over three years to June 30 1996 The main features of its initial demands are

- ☐ An average annual wage increase over three years equal to inflation plus 5%,
- ☐ The differential between artisan rates and bottom wage rates to be reduced to 20%,
- ☐ Actual, rather than minimum, earnings to be common throughout the industry,
- ☐ Average working week to be reduced from 40 hours to 39,
- ☐ Employers to dock non-union staff the equivalent of union subs and pay the money to the unions,
- ☐ Individual company pension and provident funds to be converted to a single industry retirement fund by July 1994,
- ☐ Guaranteed job security for all employees during industry restructuring, and
- ☐ A single bargaining forum for the entire motor industry, including vehicle manufacturers, motor components companies and tyre manufacturers.

While Numsa admits its programme is intended to bring about fundamental change in the industry's negotiating relationship, it

cont'd

FM 23/4/93

(192)

insists the demands are "more reasonable than ever before"

Employers disagree They say the pay package will double some companies' wage bills, particularly if unskilled workers are paid 80% of artisans' rates At present, unskilled workers often earn less than half as much as skilled

They add that Numsa's demands are at odds with the union's declaration of intent in its bargaining proposals, to create an efficient, world-class vehicle manufacturing industry

To demand more pay for fewer hours in an industry whose wages are already above those of some overseas competitors, and where productivity is declining, is not the route to a world-class industry, say employers Nor is the attempt to centralise motor industry control at a time when other world motor industries are devolving power

Attempts to form a single motor industry bargaining forum have been made, and rejected, before Most motor components companies are members of Seifsa and will strongly resist incorporation into a central industry forum For one thing, their wages are well below those of vehicle manufacturers and they do not relish being forced to match the higher rates

Tyre manufacturers have their own association and have also expressed their opposition to central bargaining ■

500 walk out of VW factory

(192)

ARG 24/4/93

BEVERLEY GARSON
Weekend Argus Correspondent

PORT ELIZABETH. — More than 500 white workers walked out of the Volkswagen plant following a labour dispute.

Members of the South African Iron and Steel Union walked out after the company withheld the outcome of a disciplinary hearing which took place yesterday

Public relations officer Mr Matt Gennrich about 500 left the plant following a dispute over a disciplinary matter

He denied that the walkout was a sign of mourning for the leader of the Conservative Party, Dr Andries Treurnicht, who died this week.

The union's area manager for the Cape region, Mr Pieter Veldman, said one of their members, who had a clean service record of more than 30 years was unfairly dismissed last week by a top Volkswagen official.

Mr Veldman did not want to identify the official or worker. But he said it would be shocking to reveal who the official was.

Mr Veldman said that on April 21 the worker was standing outside the factory when the official saw him and asked why he was outside

Mr Veldman said that although the worker explained he was on his tea break, the official said he was "fired".

"This is an unfair labour practice. We told the worker he must not leave," said Mr Veldman.

A disciplinary hearing was held but the company has withheld the decision — Ecna.

700 jobs to go at VW

PORT ELIZABETH — Volkswagen South Africa had begun its drive to reduce costs by offering voluntary early retirement to all employees from the age of 55-years and up. 192 355 CT 24/4/93

A company spokesman said in Port Elizabeth yesterday the slump in the world automobile market had led to a significant cancellation of some of VW's export orders, necessitating a production cutback in some areas. 355

In addition, a voluntary separation package was being offered to employees

It was expected this headcount reduction would affect approximately 700 employees at all levels — Sapa

VW's early

S/Times 6455J

retirements

25/4/93

VOLKSWAGEN SA has begun its drive to reduce costs by offering voluntary early retirement to all employees from the age of 55-years and up

(192)

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No cuts at M-B SA

S Times (Buss) 25/4/93 (192)

MERCEDES-BENZ SA says it will not be affected by plans by its German parent company to shed jobs.

M-B AG chairman Werner Niefer said this week in Stuttgart that the company planned to reduce its payroll by more than 8 000 jobs by the end of the year. M-B SA spokeswoman Wendy Hoffman said the job losses in the parent company would not affect the South African operation.

White workers return

Sowetan 27/4/93

MORE than 500 white workers at the Volkswagen plant in Port Elizabeth resumed work yesterday following a walkout on Friday (192)

The men, who are ~~all members~~ members of the Iron and Steel Workers Union, downed tools over a disciplinary case involving one of their colleagues Volkswagen public affairs manager Mr Matt Genrich said the disciplinary case had not resulted in any employee being fired and that production at the plant had not been affected by the walkout work of landscaped pedes- ity of a development and lake and embankment will be R30m

many of the original offices in the buildinge have been four courtrooms, including the original three, will be The building will have to be completely rewired

Garden city venture on cards for Rosslyn

BIDM 27/4/93

NISSAN SA and Murray & Roberts have agreed to be partners in what they believe could be a first for Pretoria and SA

They have embarked on a joint venture to create Nissan/Rosslyn Garden City within easy access of Nissan's Rosslyn plant, northwest of Pretoria

The project will aim to create a quality living environment for 3 000 to 4 000 Rosslyn employees However, the idea is not to create a Nissan-only village, which would not result in bond support from the financial institutions, says BDA Worker Housing and Development Consultants spokesman J Dunstan

But Nissan will be the front-runner to the community development, with low-cost, fully serviced homes surrounded by parks, child care facilities and other amenities

The facilities will be built as the practical part of a job creation and training programme to be run by M & R Sunflower, which will hold small business training and literacy courses

(192)

M & R Construction will be responsible for planning, community and worker liaison, training, costing and project management

The housing units will be priced to suit the pocket of every grade of worker at Nissan Houses are expected to cost about R28 000 each

Planning

Nissan's involvement will be participation in the planning of the environment as a corporate social investment project Its involvement is likely to cost about R50m

Finance will be raised from the private sector and agencies like the IDT An approach will be made to Nissan Japan

Nissan and M & R have already purchased 140ha of land at what they describe as the "amazingly low price of R2 100 per hectare"

Zoo animals to live in 'natural' surroundings

BIDM 27/4/93.

IN THE year 2000, all animals in the National Zoological Gardens will live in enclosures resembling their natural habitats as closely as possible.

This will be due to the Masterplan for the zoo, commissioned by the Public Works department and executed by Pretoria architectural firm Dry and Joubert at a cost of R250 000.

Expected to be implemented over just more than 10 years, it will cost more than R12m. With government subsidising R5m of that amount, the rest will be generated by the zoo itself and the public and private sectors will have to become actively involved to guarantee the plan's success.

Turnabout

The masterplan was designed to meet the major turnabout in philosophy towards total naturalism during the last 15 years, says Public Works director-general Theo van Robbroeck.

Zoo animals will be grouped according to the six continents As the cause-effect relationship between climate and vegetation determines the type of animal found in an area, environmental aspects such as topography, slope, vegetation, soil and water at the zoo have been studied.

In the new zoo, natural barriers will separate visitors from animals and species from one another. Depending on the type of animal, separations will take the form of dry or water-filled moats, natural fences concealed by shrubbery or raised paths

KPMG Aiken & Peat audits council, govt

INTERNATIONAL auditing firm KPMG Aiken & Peat's involvement in Pretoria dates back to 1902 and since then the group has attracted major clients such as Telkom, Iscor, the SABC, Volkskas and the Pretoria City Council

Aiken & Peat's Pretoria office is the second largest KPMG office in SA, comprising 13 partners, under the leadership of senior partner Dawie Jordaan, and 104 staff members

A large division of the office specialises in the provision of internal audit services, mainly to municipalities and government entities — the primary client being the city council

The public sector group specialises in the audit of, assistance to and consultancy of government and quasi-government clients, including the Wheat, Maize, Citrus, Egg and Tobacco boards

The computer audit department is responsible for backup and support of computerised auditing functions, as well as carrying out internal control evaluations, systems evaluations and client support.

The performance audit group attends to "value for money" evaluations of primarily government and quasi-government organisations BIDM

Training

27/4/93.

Internal and external training courses, workshops, technical updates, publications, technical bulletins, seminars and research projects are handled on behalf of clients by the professional practice and training department

Other services offered by KPMG Aiken & Peat include litigation support, fraud investigations, forensic accounts, executive search and staff support

Restructured Midas posts huge loss

BDM 30/4/93.

TRACY SCHNEIDER

(192)

MIDAS reported a R20,3m attributable loss after extraordinary items on aggregate in the 12 months to end-February from a previous profit of R3,1m after drastic restructuring

This was equivalent to a loss of 16,9c a share against earnings last year of 63,9c on a total turnover of R293,1m (R284,3m) The dividend was passed

The sale of four businesses, goodwill write-off and unprofitable product lines produced a total R21,6m charge in extraordinary and abnormal items

The group, whose core business is the distribution of motor parts and accessories, saw operating profit for continuing operations drop sharply to R8,9m (R14,2m), resulting in a profit before taxation of R113 000 (R8,6m) This was turned into a loss of R1,1m for the year after a tax bill of R1,2m (R225 000)

MD Sarel de Vos said operating margins continued to be eroded in all divisions because of the recession

Discontinued operations reflected a loss of R2,6m against a profit of R617 000 in the previous year

"It is encouraging to note that Midas performed better in the second half of last year, virtually breaking even before extraordinary items," said De Vos

The balance sheet was strong, showing a 44% drop in interest-bearing debt to R19m Investment inventories were substantially lower at R46m (R76m) and the debt to equity ratio improved from 53% to 46%

De Vos said the strong balance sheet and the decision to concentrate on the core business would enable Midas to take advantage of any economic recovery

The group sold off Champion Chain Store Services, Hyperquip Packaging, computer bureau ELCB, and Motonet Computer Systems The sale of Kawasaki Motors is yet to be finalised

In addition, the in-house computer department was closed in favour of outsourcing total information technology requirements

The group deemed it prudent to provide for future property lease costs relating to discontinued operations

De Vos based a projected turnaround on the historically successful performance of the core business and the growth of the group's well-established franchise distribution network which had grown to 130 outlets

CURNOW M&G FM 30/4/93

Executives wax fatter

Earnings were maintained despite a competitive market characterised by a plethora of small players Finance director Michael van Niekerk says. "As the largest player, we are striving to maintain market share; we may have even strengthened it in 1992" He does not want to give a figure on this, for competitive reasons. (192)

A 5% turnover increase ~~was~~ offset by a 5,5% rise in operating costs, caused mainly by a two-fifths increase in emoluments to two executive directors, Van Niekerk and MD Mervyn Bloom Consequently, the operating margin slipped to 5,9%, the lowest for several years

Pre-tax income rose by a sixth thanks to more efficient asset management, reducing short-term borrowings and cutting the interest bill by about 40% Van Niekerk says "Efficiencies in asset management are the

(→) Cont →

result of 18 months of hard work"

The effective 1992 tax rate was more than 51% This included items disallowed in the previous year, like leasehold improvements The lower corporate rate will benefit the bottom line, though some tax will be levied on dividends Says Van Niekerk "Historically, dividends have accounted for about

Activities: *Supplies materials for the repair, manufacture, protection and restoration of all modes of transport*

Control: *W&A investment Corp & AECI Ltd 71,4% jointly*

Chairman: *T S Munday, MD M L Bloom*

Capital structure: *22,3m ords Market capitalisation R7,8m*

Share market: *Price 35c Yields 5,7% on dividend, 14% on earnings, p e ratio, 7,1, cover, 2,5 12-month high, 35c, low, 16c Trading volume last quarter, 74 440 shares*

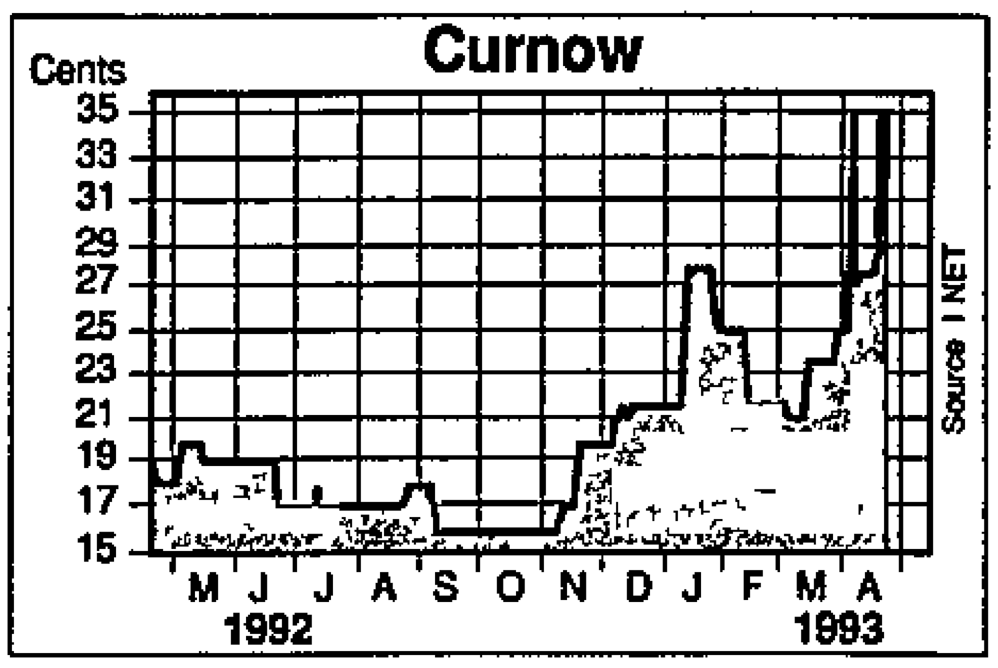
Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	3 015	2 958	4 119	2 740
LT debt (Rm)	—	—	—	—
Debt equity ratio	0,7	0,6	0,7	0,4
Shareholders interest	0,4	0,4	0,4	0,4
Int & leasing cover	2,3	2,6	2,0	2,4
Return on cap (%)	17,7	22,3	18,1	19,2
Turnover (Rm)	33,9	39,1	44,6	46,8
Pre-int profit (Rm)	2,2	3,1	2,8	2,7
Pre-int margin (%)	6,3	7,9	6,2	5,9
Earnings (c)	4,3	5,6	4,6	4,9
Dividends (c)	1,75	2,3	2,0	2,0
Net worth (c)	20,0	23,4	25,6	27,6

two-fifths of earnings We don't expect this to change"

Thanks to the reduction in short-term borrowings, the debt equity ratio has been cut from 70% to about 40% The leasing of assets has been treated as an off-balance-sheet item A new accounting regulation will require that these are put on the 1993 balance sheet This change is not expected to have a material affect on the 1993 accounts

In this belt-tightening market, there were some surprises in the accounts — the generous pay rise to the two executive directors mentioned above and an extraordinary item of R200 000, a restraint-of-trade payment to Bloom This is effectively a tax-free golden handcuff requiring him to stay with Curnow until April 1995, though it will become operative only if he leaves Curnow's employ

A sum of R200 000 looks generous, given that it's equivalent to a fifth of total profits and that there was no improvement in earn-



ings Bloom says "I've been in the business for 38 years and I'm a specialist" That may be so and the *FM* would never subscribe to a reluctance to reward excellence The question is whether Curnow can afford this in a hard and bitter recession

The share price has done well, rising from about 16c in November to 35c, rerating it on a p e of 7 Though shareholders should be satisfied with the results, minority stakeholders are entitled to wonder how much their executives are really worth *Louise Randell*

Cars 30% cheaper if they were imported

S Times (Buss) 2/5/93

(192)

By CIARAN RYAN

CAR prices would drop by 20% to 30% if South Africa imported all its vehicle requirements. But this would drain R9-billion a year from the trade account, say motor sources

The Reserve Bank would have to raise interest rates to protect the balance of payments and at least 150 000 jobs would be lost

A confidential report on the motor industry says the car market would grow by between 10% and 15% a year if all vehicles were imported

The Government is obliged to consider protection for the industry. Phase VI of the local content programme is blamed for lifting car prices by 10% a year since its introduction in 1989

The motor industry faces a new threat from imported cars with the news that the first batch of 600 Alfa Romeos was landed in SA this week

Brian Taylor of Cars International says he can import the cars from Italy, pay 115% duties and surcharge and still make a reasonable profit

Mr Taylor says the Alfa Romeos will sell for the same price as comparable SA-produced vehicles.

A two-litre 16-valve Alfa 155 will sell for about R90 000, similar to other two-litre 16-valve competitors Top-of-the-range Alfas will sell for much less than the equivalent Mercedes-Benz

Mr Taylor says: "One of the big advantages of these cars is that they are built in one of the most technically advanced factories in the world Only VW and BMW have factories in SA which could compare"

Other foreign producers are also keen to export to SA, but few are willing to manufacture here while the market remains depressed

SA producers are worried that competitors may dump vehicles in SA to gain a market foothold, sacrificing profit margins until import tariffs are lowered.

A submission to the Government-appointed task force investigating Phase VII of the local content programme proposes restricting vehicle importers by requiring them to establish maintenance networks and invest here

Import tariffs on vehicles are due to fall by 10% a year from the present 100% to 60% in the next four years, although after last year's 10% drop no further reductions are expected until the Government announces its Phase VII local content programme It will be aimed at improving vehicle affordability

Australia

The report says lowering tariffs to 60% would increase vehicle sales from the current 183 000 to 290 000 units by the year 2000 as imported vehicles flood the market, reducing the profitability of SA manufacturers.

Another report suggests that eight SA models would have to be scrapped if import duties fell to 60%

It is believed that the task force is considering recommending a local content programme similar to Australia's to rescue the producers who have suffered a 40% decline in car sales in the past 12 years

An Australian motor delegation saw the task force this week

Australia levies import protection of 32,5% on imported cars and components against SA's 100% for cars, plus a 15% surcharge, and 50% for components

The average level of protection for the motor industry worldwide is 30%

Australia restructured its motor industry over a decade ago, dropping import tariffs from 100% to 45%, and then by a further 2,5% a year to the present 32,5%. Duties are due to fall to 15% by 2000

The local content target in Australia is 85% compared with SA's 75%. No penalties are levied on Australian manufacturers which fail to meet the target

Imports account for 30% of the market, half of which is domestic manufacturers sourcing components and vehicles abroad

Four manufacturers in Australia — Holden, Ford, Mitsubishi and Toyota — offer seven models compared with SA's 33

The Australian programme is neutral from a balance of payments point of view because each dollar of exports generates a dollar duty-free import entitlement

Not everyone agrees that the Australian model is suitable for SA

A report by the Board on Tariffs and Trade says the programme resulted in higher foreign exchange usage and loss of jobs Implemented in SA, this model would favour imported models at the expense of local manufacturers.

More than 350 000 new cars are sold annually in Australia compared with 183 000 in SA

Ratel designer in deal to import Romanian truck

S Times (Buss) 2/5/93

By DON ROBERTSON

THE designer, developer and manufacturer of the SA Defence Force Ratel and Buffalo troop carriers is to take on the truck industry with the introduction of a Romanian heavy-duty vehicle.

Ranko Stojakovic established Springfield Engineering several years ago and developed army and police vehicles

Springfield was one of the largest bodybuilders in SA and prouced the Scania range. Production stopped in 1985 Mr Stojakovic has reopened the company under the name Springfield Roman

He will begin assembly of Roman trucks in September at a 6 000 square metre site in Isando, Johannesburg

Other truck manufacturers have indicated they will enter the SA market in spite of declining sales They include the Dutch DAF, which will be assembled by Associated Automotive Distributors (AAD), and the Italian Iveco, assembled by Truckmakers, a subsidiary of Automakers, which owns Nissan.

The first two Roman trucks will arrive in SA on May 5 for evaluation. Technicians from the plant in Brasov will arrive at the end of the month.

The trucks, in six-by-four and four-by-two configuration will be in the 30-ton range. They will be offered to the military and police.

Knocked

They can be converted into mobile crane carriers or for fire fighting.

Mr Stojakovic has negotiated a long-term contract with the Roman company and hopes to sell the vehicles at between R80 000 and R100 000 below the price of Mercedes-Benz and MAN trucks.

The vehicles will be imported completely knocked down (CKD) It is possible that the 460 horsepower ADE engine will be fitted. Local content could be as high as 65%.

Week in brief

A SUMMARY of the week's corporate announcements:

MONDAY: Maid o' the Mist (Pty) bids for Barbrook, whose liabilities exceed assets by R94-million and whose shares will be cancelled.

THURSDAY: The 1993 tranche of Sage prefs converts on 4/6. Absa sells 49% of Amalgamated Insurance Holdings to Sage effective from 1/10/92. Tongaat warns

Picture ROBERT BOTHA

SA chapter of IMC would communication

Motor industry 'terminally ill' (192)

EDWARD WEST

THE motor industry was in so much trouble it could help neither itself nor the motorist in the quest for afforable new cars, National Association of Automotive Component and Allied Manufacturers (Naacam) director Denzyl Vermooten said at the weekend. BDM 3/5/93.

Speaking at the opening of the Cape Motor Show in Goodwood, Vermooten said the love affair that once flourished between SA motorists and their cars had been soured by high prices

The R38bn-a-year automotive industry was employing 150 000 people whose livelihoods were at stake due to the steady deterioration of the industry

He said 24 000 employees in component production and 7 000 in the retail trade had lost their jobs over the past three years New car sales peaked in 1981 at 300 000 units, but last year's sales of just more than 180 000 was lower by more than a third.

The downturn started with the sharp drop in the rand in the '80s because the local content programme had failed to curb imports This, the economic downturn and flaws in the local content programme had caused car prices to escalate

Seifsa employers opt for industrial councils

BDM 3/5/93.

ERICA JANKOWITZ

ABOUT 75% of Seifsa employers wanted the existing industrial council system to continue, although there was a trend towards decentralised bargaining over the past few years, a survey conducted by the Innes Labour Brief found.

Significantly, half of Seifsa's Natal respondents was opposed to the continuation of the council compared with only 17% of PWV companies, 28% from the eastern Cape and 27% from the western Cape

Innes found that 64% of the Natal companies opposed to centralisation wanted regional bargaining, with only 32% supporting plant-level bargaining

In contrast, 65% of PWV companies who oppose centralisation would support plant-level bargaining

Last year there was another decrease in the number of industrial councils operating in SA, to 87 from 89, the latest National Manpower Commission report said

Councils only covered 873 000 workers in 1992 compared with a million in 1991. So far this year, the building industrial councils seemed to be under threat of closure with major employer bodies withdrawing.

Last year's Seifsa agreement was the first to discourage the long tradition of two-tier bargaining in the sector

Previously, unions would try to win additional benefits to those contained in the council agreement by bargaining with individual employers

Innes found 33% of respondents still operated plant-level bargaining structures, mainly in the western Cape. In 60% of cases Numsa was involved

Plant-level bargaining usually covered conditions of employment, wages, productivity, training and benefit funds

Innes said this was important in that issues which were previously regarded as part of "management prerogative" were now being negotiated with the union

"Discussions are under way at Numsa's initiative to reform the current process, nature and content of the industry's collective bargaining arrangements," Innes said

Mine equipment firms eye China

JONO WATERS

SA's mining equipment manufacturers will be trying to capture a share of the $50m China spends each year on mining equipment imports, at SA Minetech '93 in Shanghai later this year.

More than 70 SA firms ~~are taking~~ part in the August 31-September 4 exhibition Delegates from about 300 Chinese mines are expected to attend.

Exhibition organiser John Thompson said he expected SA mining executives would attend to gain experience of Chinese mining practices.

Shanghai Exhibition Centre deputy director Xia Guo Liang said the Chinese investment code allowed for the setting up of joint ventures, co-operation in the manufacture of technology and direct investment in some mining operations

SA has a Centre for Chinese Studies in Beijing. Director Robert Moodie said China's geology and mineral resources ministry "strongly supports the expo and is keen to establish mining industry business exchange through this and other avenues". BDM 3/5/93.

NEWS IN BRIEF

Wiehahn task group

B/DAY 3/5/93.

THE Manpower Department has appointed a task group under the chairmanship of labour specialist Prof Nic Wiehahn to investigate the Industrial Court

The group includes employer, trade union, government and Industrial Court representatives and its investigation will cover the administration of the court as well as its presiding officers

The court has had credibility problems — especially as far as unions are concerned — because of the unpredictability of a perception that it is geared to management needs

Christian TV opens

CHRISTIAN Network, televised on M-Net's spare transmitter, began its first broadcast yesterday with a discussion programme including President F W de Klerk and church leaders

De Klerk said the roles of state and church often overlapped but that the two should not interfere with each other's sovereignty

Freedom in focus

B/DAY 3/5/93

VIOLENCE against journalists in SA in the past three weeks has put Press freedom in "sharp and tragic focus", says International Federation of Journalists general secretary Aidan White

In a message issued to mark the UN's World Press Freedom Day, White said "The brutal and outrageous acts of violence against journalists in SA in recent weeks ( ) illustrate how much has to be done to make the World Press Freedom Day dream come true"

Pringle awards

THE English Academy of Southern Africa has invited submissions for the Thomas Pringle award, sponsored by the Achievement Management group of firms Awards will be made for reviews of plays, books and TV series, educational articles and poetry published in 1991 and 1992 Entries must be submitted by May 31

REPORTS Business Day Reporters Sapa

SA recovery 'in political hands'

B/DAY 3/5/93.

LINDA ENSOR

CAPE TOWN — The gradualist approach towards lowering the exchange rate through fundamental economic reform heightened the risk of the process being sabotaged by politicians, Board of Executors (BoE) senior portfolio manager Rob Lee said in the latest Investment Outlook.

He urged the speedy implementation of the objectives outlined in the normative economic model (NEM) in order to enhance the international competitiveness of SA's economy These objectives included the abolition of exchange control, lower and simpler import tariffs and the abolition of the import surcharge

"Our concerns about the implementation of the NEM boil down to a fear that 'political realities' will prevent an adequate reduction in the size of the public sector and impose a far too gradual timetable for the lifting of exchange control and tariff protection," Lee said

Instead of lowering consumption expenditure's percentage of GDP by merely holding government spending levels in real terms while economic growth resumed, the absolute size of government needed to be cut first.

Lee felt it would be appropriate to implement the economic model within the next few months when the international economy had begun moving into a sustained recovery

While the economy had the potential to grow at rates of 4% and more in 1994/95, this potential was unfortunately in the hands of the politicians The lack of rapid political progress would probably result in another year of negative growth, while mass action campaigns would also worsen prospects

Lee pointed to several favourable factors, such as the improved prospects for the international economy and commodity prices, the uptick in the dollar gold price; and agricultural recovery A reduction in interest rates before year-end was possible if the capital account improved

He believed a boom in commodity prices would make the economic adjustment process less painful The commodity cycle might be close to its bottom, although slack demand and high levels of stock meant there would not be a significant strengthening in prices until well into 1994

"A sustained uptrend in commodity demand and prices from the mid-90s may yet provide SA with an opportunity to lift itself off its 'low road' economic growth path," Lee said

The dollar gold price had technically broken its long-term bear trend, while fundamentally gold's supply-demand situation was very positive

Delta invests R195m in tooling upgrade

TRACY SCHNEIDER

DELTA Motor Corporation has invested R195m in tooling and improved plant technology for the launch of the new Opel Kadett and Astra

B/DAY 3/5/93.

MD Willie van Wyk said Delta had passed the "true test", funding investments solely out of cash reserves without resorting to borrowings

Delta had been profitable for each of the past six years, he said The way forward now was to focus on customer requirements and the elimination of inefficiency and waste

The Astra is Delta's first completely new passenger car

Adam Opel AG chairman and MD David Herman said at the launch of the Astra that Delta played an important role in Opel's global sourcing and development of international export markets An Opel audit of the new Astra and Kadett had endorsed Delta's quality levels as being on a par with those at Opel's European plants

Vaalauto halts losses

EDWARD WEST

192

MOTOR retailer Vaalauto's earnings a share has improved to 0,4c in the year to end-February 1993 from a loss equivalent to 21c a share the previous year

Earnings of Vaaltrucar, which has as its sole asset a 81% stake in Vaalauto, climbed to 0,3c a share from a loss of 17c a share in 1992.

3/5/93

Results reflected the closure of the Brits and Verwoerdburg branches, as well as the sale of the group's interest in Spareco/Eddies, reflected as a R1,7m extraordinary item in Vaalauto's accounts, directors said

Results for the second half of the year reached breakeven as final costs of restructuring worked through the group.

Vaalauto's turnover dropped to R86,6m in 1993 from R121m in 1992, but operating profit jumped to R1,7m from a loss of R123 000 in 1992

Finance costs were lower at R1,6m from R2,5m

Directors said although Ford had launched its new Telstar range, results for 1993/94 would to a large extent remain dependent on the unfolding economic and political scenario

Task force deadline set

Political Staff 192

CAPE TOWN — The task force investigating short- and long-term strategies for development of the motor vehicle and component industries has been asked to submit its report by December 1

The Trade and Industry Department's annual report said the long-term strategy should incorporate "achievable and practical recommendations" to develop an industry, which would be economically viable and increasingly competitive internationally

Considerations to be taken into account were

- ☐ The advisability of reducing the number of motor vehicle models being manufactured in SA,
- ☐ The industry's potential for economic growth, job creation and human resources development,
- ☐ Appropriate amendment to Phase VI of the local content programme prior to Phase VII, B/0/74
- ☐ Affordability of vehicles, parts and accessories,
- ☐ The effect on the balance of payments, and 5/5/93
- ☐ International trends in automobile manufacturing and trade, including obligations under GATT

Car prices 'to increase 5%'

(192) EDWARD WEST

FURTHER new car price increases of up to 5% are imminent with the continued deterioration of the rand against the ~~yen~~, industry sources say

Annual average industry price increases are now expected to be in the region of 15%, instead of the 12% most manufacturers predicted early in the year.

New car buyers will pay more to cover the rising import costs of motor manufacturers, particularly those that source vehicles and components from Japan The yen has appreciated 16% against the rand since the beginning of the year, while the Deutschmark has appreciated 6%

Toyota marketing MD Brand Pretorius, noting that the rand had deteriorated against the yen by 30% on a year-on-year basis, said the exchange rate situation had reduced manufacturers' local content and was forcing the payment of higher excise penalties to government

Nissan marketing MD Stephanus Loubser said the currency movements indicated that mid-year industry prices would increase by no more than 5% "Barring any further exchange rate deterioration, annual average industry price increases are expected to be in the region of 15% instead of the 12% predicted"

Pretorius said Toyota's average vehicle prices would increase 4%-5% from July 1, while a Samcor spokesmen said price increases would be announced within the next two months Mercedes-Benz SA's Japanese-sourced Honda prices increased on average 3% last Wednesday, while Mercedes-Benz price increases were expected later this month

Volkswagen public affairs spokesman Matt Genrich said VW prices would increase roughly 3% in July, while a BMW SA spokesman said the company had no plans to increase prices for at least the next three months

BD 8/6/95

More car price hikes due

(192) CT 5/5/93

JOHANNESBURG — More price increases of up to five percent on new cars are imminent with the continued deterioration of the rand against the yen, industry sources said yesterday

Predictions for increases this year have now been revised to about 15%

Buyers of new cars will pay more to cover the rising import costs of manufacturers, particularly those whose vehicles and parts come from Japan

Toyota marketing managing director Mr Brand Pretorius said the company's average vehicle prices would increase by four to five percent from July 1

Nissan marketing managing director Mr Stephanus Loubser predicated prices would increase by no more than five percent

Honda car prices increased by about three percent last Wednesday and Mercedes-Benz price increases are expected later this month

A Volkswagen spokesman said VW prices would increase roughly by 3% in July A BMW SA spokesman said there were no plans to increase prices in the next three months

● The task force investigating short- and long-term strategies for the development of the motor vehicle and component industries has been asked to submit its report by December 1

New cars set to accelerate out of the reach of private buyers

Star 7/5/93

By Peter Davies
and Own Correspondent

Motor car manufacturers are expected to increase the price of new vehicles soon, further accelerating the cost of new vehicles beyond the reach of the public

A 5 percent increase will soon take the price of SA's cheapest model, the Nissan-manufactured Fiat Uno Fire, past the R30 000 mark It now costs R29 703.

Comparative figures for the past six years show that the price of a middle-range car, such as a Nissan Sentra, has more than doubled in the past six years. In 1987, a Sentra was a snip at R19 740 (excl GST) Today the equivalent model costs R41 991, an increase of almost 113 percent.

Volkswagen, with its long-earned image of a family car, has undergone similar price rises over the same period. In 1987 a Citi Golf retailed new at R15 790 compared with its current price of R31 150 That's an increase of 97 percent.

A Mercedes-Benz 230E sold for R64 460 in 1987. The price of the equivalent model today is R146 000, a price leap of 126,9 percent over six years

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Decline

Many manufacturers predict price increases of up to 5 percent over the next few months. Unsubsidised private motorists thus have little chance of buying that shiny new car as the steady decline in the exchange rate of the rand against the yen and German mark takes its toll

Nine out of 10 new-car buyers are companies, and the bulk of private new-car buyers are those receiving car allowances from employers.

Toyota Marketing managing director Brand Pretorius says his company will put up prices by between 4 and 5 percent on July 1 Volkswagen SA prices will rise by an average of 3 percent in July and Nissan has hinted at a 5 percent increase

Despite the fact that new-car prices have risen out of all proportion to inflation since the mid-'80s, demand among private buyers remains constant

Econometrix economist Tony Twine says "a massive differential" has to occur between inflation and prices before private motorists are filtered out of the market

Demand for new cars remains relatively constant Sales were about 204 000 in 1985 and have not risen above the 228 742 of 1988, falling to a low of 182 908 last year

April passenger car sales beat expectations

(192) CT 8/6/93

By AUDREY D'ANGELO
Business Editor

SALES of 14 936 passenger cars in April were higher than expected after the rush to beat the higher VAT rate which boosted sales in March to 18 668. They were well above the 13 646 sales achieved in April last year.

Car sales for the first three months of this year totalled 63 207 compared with 61 614 in the same period last year.

But Brand Pretorius, MD of Toyota (SA) Marketing, said these figures had been "boosted by abnormal circumstances in the market rather than any revival of economic activity.

"We still believe that, at best, the market for 1993 will only match that of last year."

Stephanus Loubser, MD of Nissan (SA) Marketing, said the sales were "better than the industry expected. Now model activity obviously influenced the market."

Loubser said he thought the car market had bottomed out. "We expect sales to continue at current levels for a few more months before there will be a gradual upturn.

Cost pressures

"Factors that will play a major role are the expected price increases in June and continuing cost pressures through a weak exchange rate.

"We at Nissan are therefore confident that our forecast of 190 000 passenger vehicles for 1993 is an objective and realistic view of the market."

However, Mercedes Benz (SA) director Peter Cleary said that the 14-day period of grace for dealers to invoice business at the old VAT rate of 10% "must have had some impact. We believe May will tell the true state the market is in."

Toyota remained the market leader in April with sales of 3 852 cars. VW was in second place with sales of 3 032 and Samcor third with total sales of 2 565 of which 1 323 were Ford and 1 242 Mazda.

Nissan sold 2 074 passenger cars, Mercedes Benz 1 634 of which 986 were Honda Ballades, BMW 1 423 and Delta 365.

Sales of light commercial vehicles totalled 7 132 compared with 7 153 in April last year and 10 177 in March.

The National Association of Automobile Manufacturers of SA (Naamsa) says that following a reasonably buoyant first quarter it expects a poor second quarter as a result of the impact of the budget, the poor state of the economy and socio-political uncertainty.

But it hopes for "a modest recovery during the third quarter."

S/Times CBussJ 9/5/93

Strong yen making life hard for SA car-makers

192

THE rand's continuing decline against the yen has reached critical proportions for some motor manufacturers, especially in the past eight weeks, and could give makers of German cars a pricing advantage

Since January last year, the rand has lost almost 30% against the yen and almost 14% since January this year But it has fallen by only 14% and 0,5% respectively against the mark

The affordability problem facing motorists was brought into focus with the release of the April vehicle sales figures which were well down on the previous month

The sharp drop in the rand in the past two months has been brought about largely by the yen gaining strongly against the dollar The rand dipped against the dollar This affected cross rates

Dramatic

Opinion is that the strong yen has hit Japanese exporters and yen-dollar rates may soon stabilise But the rand-yen rate is likely to continue its trend of marginal falls

"The increase in costs has been dramatic and is a major problem facing the industry," says Brand Pretorius, managing director of Toyota Marketing

Mr Pretorius says a 1% decline in the exchange rate represents a 1,4% increase in the cost factor

He believes the quarterly price increase for cars in June will be between 4% and 5% This follows an average increase in March of 3,5% and a Vat related rise in April of 3,6%

The higher cost of imported components translates into lower local content because the 75% required by

By DON ROBERTSON

Phase Six is based on the wholesale price of a vehicle

This results in most assemblers of Japanese-sourced vehicles falling below the 75% minimum, requiring them to pay a surcharge of 50c in the rand to return them to the 75% minimum

In many instances, manufacturers are able to compensate for this discrepancy through exports which earn an equal 50c rebate

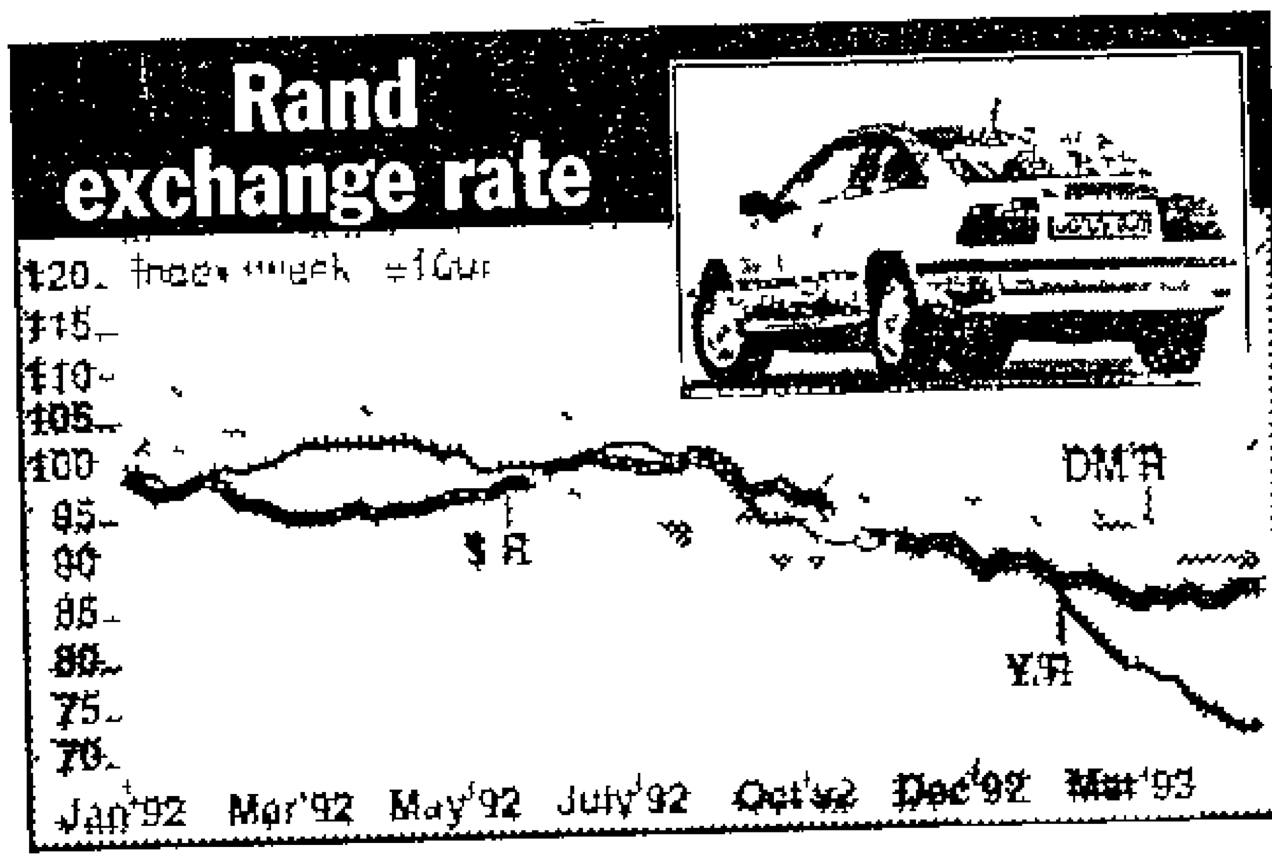
Unlike other manufacturers, Toyota chose to offset Phase Six regulations by increasing local content through a capital expenditure programme for component manufacture It decided not to increase exports to make up the difference

John Cuming, marketing and sales director of Delta, says local content of the Isuzu range has fallen to about 65%, but this is more than compensated by exports The cost pressure on the Opel range, sourced from Germany, is not severe

Isuzu prices are likely to rise by between 14% and 15% this year

Stephanus Loubser, managing director of Nissan, believes that if the rand continues to weaken, price increases this year will be about 15% compared with earlier forecasts of 12% The June increase could be as high as 5%

Nissan, like other Japanese-sourced companies, will try to increase productivity to contain costs This could be possible because of the more stable labour force



Penalties

Peter Cleary, management board member for cars at Mercedes-Benz, says the declining rand means that higher local content penalties have to be paid on the Honda range

He believes the price of Japanese-sourced cars will rise by about 15% this year

Most manufacturers bring in, by value, about half of their parts for assembly

Matt Gennrich, head of public affairs at Volkswagen, says it is unlikely that German manufacturers will benefit from the cost differences

Since mid-1989 until last year, German-sourced vehicles suffered a similar fate to that now facing buyers of Japanese components

Volkswagen expects price rises to be kept below inflation

Car sales in April fell to 14 936 from 18 668 in March

Figures in March were buoyed by pre-emptive sales ahead of the price increase The decline of 20%, however, could have been worse had it not been for the extension of the "protection period" to April 28 for cars bought before April 7

The commercial sector suffered more Light commercials declined by 29,9% to 7 132 in April from 10 177 in March Medium trucks lost 44,3% to 192 from 345 Heavy trucks and buses shed 25,3% to 375 from 502

The National Association of Automobile Manufacturers of SA (Naamsa) forecasts poor sales in the current quarter

April car sales down 20%

BDay 10/5/93

EDWARD WEST

APRIL new car sales slumped 20% to 14 963 following the 18 668-unit buying spree ahead of March's VAT increase, National Association of Automobile Manufacturers of SA (Naamsa) figures showed

April new car sales were nonetheless above industry expectations and improved by 9,4% compared with the 13 646 new cars sold in April last year (192)

The April sales figure was an indication that the new vehicle market had reached the trough after a four-year recession, said Nissan marketing MD Stephanus Loubser

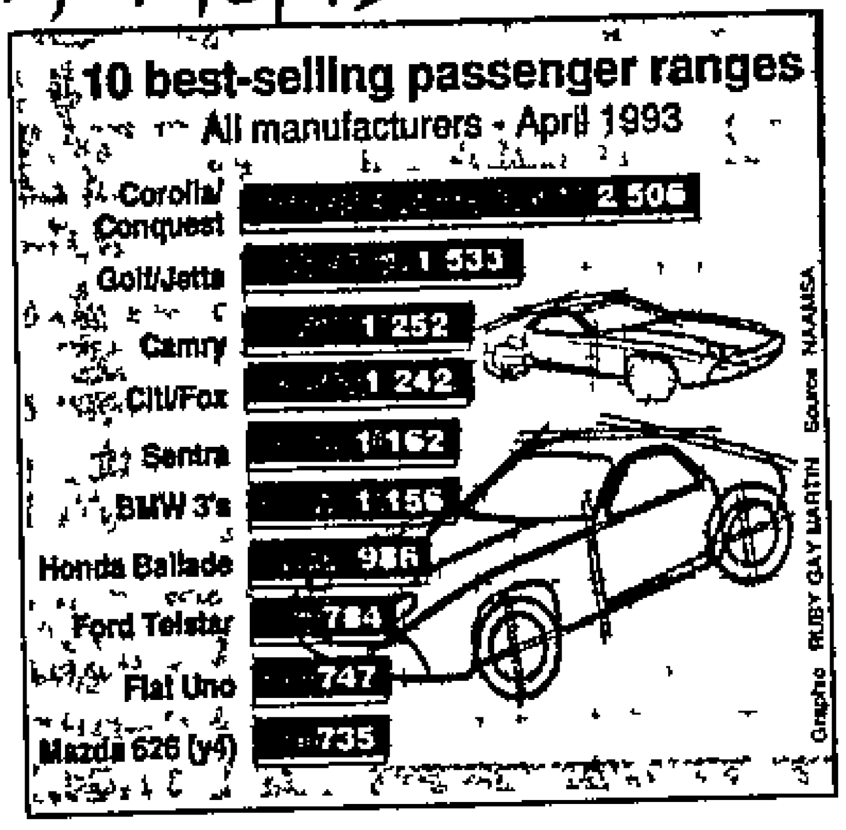
Factors which affected April car sales included shortages of new models, fewer selling days due to public holidays, political unrest and the VAT increase, said Delta Motor Corporation

Mercedes-Benz SA board member Peter Cleary said the 14-day period of grace for dealers to invoice at the old VAT rate must have had a positive effect on sales, and he believed May sales would reveal the true shape of the market

April minibus and light commercial vehicle sales amounted to 7 132, 29,9% lower than the 10 177 sold in March

Year-on-year, sales fell a mere 0,3% from the 7 153 sold in April 1992

However, heavy commercial vehicle (HCV) and medium-sized truck (MCV) sales continued to spiral downwards



The 192 MCV sales in April was 44,3% lower than the 345 sold in March and 26,4% lower than the 261 sold in April 1992

HCV sales fell 25,3% to 375 from 502 in March and 14,2% over April 1992 sales

Naamsa said high fuel prices, the VAT increase, the weaking of the rand against the yen, political unrest and the weak economy would continue to knock vehicle sales in the months ahead.

The industry was once again subject to irregular growth and after a relatively buoyant first quarter, these factors would result in a poor second quarter with hopes of a modest recovery in the third quarter, Naamsa said

Modest improvement predicted for Toyota

(192)

BDay 10/5/93

TRACY SCHNEIDER

UNEMPLOYMENT, starvation and high levels of crime and unrest could not be halted unless there was upward economic growth, Toyota SA executive chairman Bert Wessels said in the group's 1992 annual report

He said the continued inability of the local economy to start growing again was of great concern

"The prevailing factors cause overseas businesses to be wary of investing in this country"

He said Toyota fell short of expected earnings in 1992, but a modest improvement could be achieved in terms of sales volumes, market share and profits in the 1993 financial year. But 1993 would remain difficult for the industry The loss of 49 days due to labour unrest severely curtailed Toyota's ability to meet demand

Group facilities and maintenance were expanded together with improvements to product lines and the enhancement of production facilities. The group invested R227m in capital projects in 1992

Localisation of components in terms of the local content programme was continuing, with management investigating the feasibility of every localisation project

Wessels said funding of capital expenditure would continue to be internally sourced and increased borrowing was not expected to have a significant effect on gearing ratios for the next two years

New vehicle sales for the entire industry for 1992 dropped 7,8% from 303 075 units in 1991 to 284 028 units

Toyota achieved a market share of 27% of the total market, which was considered disappointing compared with the original target of 30%

Attributable income to ordinary shareholders fell 48,9% in 1992 to R61,6m (R120,8m) Dividends plummeted 40% to R11m from R19m and a final dividend of 28,5c ((47,5c), with no interim dividend, was declared

"The group wanted to maintain a healthy proportion of internal funding and for this reason the dividend is considered to be appropriate," he said The total dividend would absorb R11,5m and was covered 5,3 times (1991 6,3 times)

Operating income fell 46,6% to R140m (R262,3m), and as a percentage of turnover was 4,1% in 1992 (1991 7,6%) Wessels said this fall was a result of the continued downward trend in the economy, and the predicted upturn in the second half of 1992 not materialising

Motor industry's No 1 performer

(192) Star 10/5/93

Pace-setting *Toyota South Africa has dominated the market for at least 12 years, and its market share appears to be increasing.*

THE STORY of Toyota South Africa is of many successes, the creation of an automotive dynasty, of a company that not only survived the sanctions period but thrived and whose sales have dominated and continue to dominate the SA vehicle market

Today the company that Albert Wessels founded in 1961 is still the pacesetter It is common cause that Toyota has been the top seller since 1980 Less well known is the fact that, in the face of the worst recession in 40 years, the company's market share is at an all-time high Its total market share for the year to date of 31,6 percent is a record for both Toyota and the motor industry as a whole Sales peaked at 33,9 percent of the total in March

The company's break down of performance for the year is car market 29,5 percent, light commercials 35,1 percent, medium commercials 53,8 percent, heavy commercials 26,1 percent

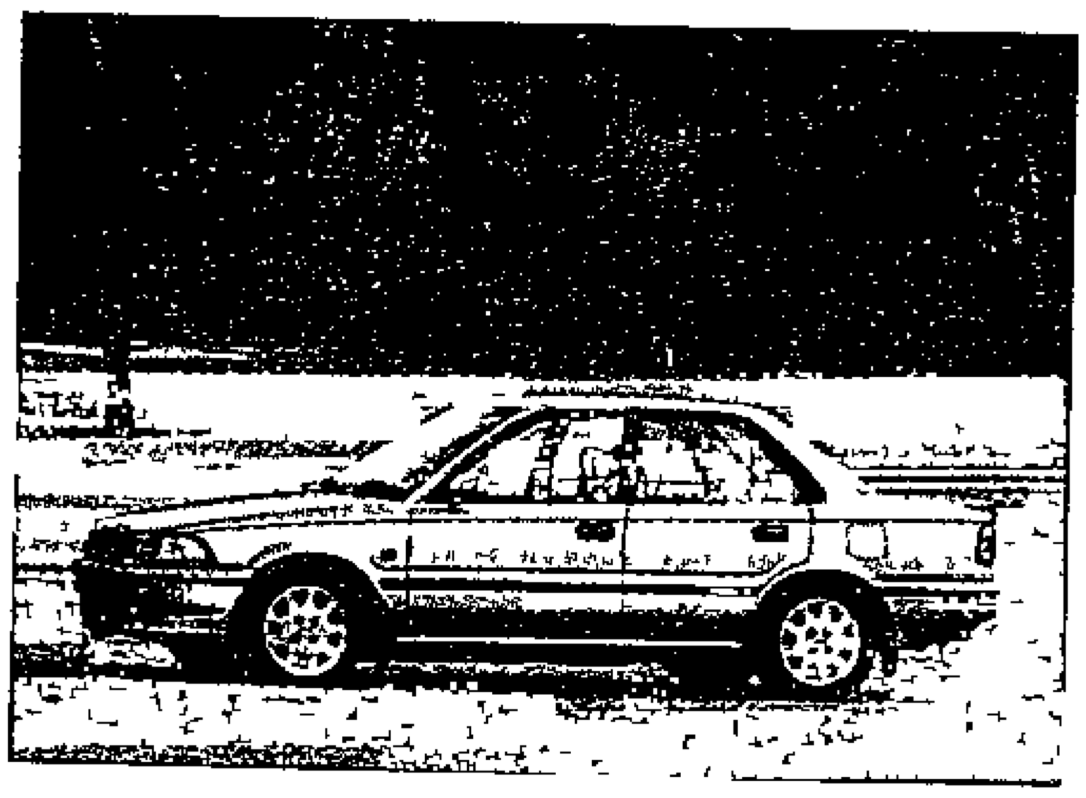
In all these categories, except heavy commercials where the company ranked second in sales, Toyota dominated the market

Corolla has been the biggest seller in the passenger market since 1981 and the Toyota Hilux the biggest seller in the light commercials market since 1973 And the winning formula continues the Camry is now the second best seller

The Toyota Venture has also been a remarkable success story it is a local adaptation of a utility vehicle which has been technically and aesthetically revamped and positioned in the market place as an affordable general-purpose family vehicle

Even in international terms Toyota South Africa is a heavyweight The latest assessment gives the company a projected turnover for 1993 of a staggering R4,3 billion, ranking it sixth in the world out of the international Toyota family's total of 160 distributors

These achievements were recognised by Toyota Japan when it recently presented the SA company with one of its only three awards in the entire international Toyota distributors' family



Brand Pretorius ... managing director of Toyota SA Marketing.

Leading the pack ... The Corolla continues to be the mainstay of Toyota SA's ongoing success. Corolla's March sales were more than twice those of its nearest competitor.

But the Toyota story is not merely one of dry statistics It is one of real endeavour, a determination to succeed, and of fierce independence

Brand Pretorius, managing director of Toyota SA Marketing, said "We remain entirely independent of Toyota Japan or local investors We belong to no conglomerate, nobody else is calling our tune We stand or fall on our own endeavours and there is no safety net from some big principal to rescue us

"We value that independence highly It is in fact a great inspiration and has instilled a culture of self reliance and flexibility We are consequently a lean organisation with informal pro-active structures that are better able to cope with the recession than most and that makes us highly competitive "

A major factor in the company's success is the determination to progress — to meet demands for better quality and greater value

In this context the superb Lexus launched in SA earlier this year gave notice to the rest of the automotive world and the public that Toyota is now in a different league and able to compete with the very best of European and American passenger vehicles

Pretorius says "The Lexus is a luxury vehicle with a very definite up-market niche It has played an important role in raising standards for Toyota generally and its enhanced points of reference have influenced Toyota passenger vehicle designs profoundly, including of course the Camry which bears a striking family resemblance to the Lexus "

Paradoxically, however, raising standards has raised the issue of affordability — at a recent international conference of Toyota distributors this was a central issue

"Value for money is a major objective of Toyota SA," says Pretorius, "and that implies value in the broadest sense of the entire ownership experience."

The aim of restraining price increases presents an enormous challenge Exchange rates, inflation, industrial problems and low productivity all militate against success in this direction

Yet Toyota is determined to keep its products affordable Pretorius is realistic about these problems but far from disheartened, believing that in combination Government and the motor industry will solve the fundamental difficulties and that Toyota itself will as always adapt successfully perty (RMP) in a valued at close to RMP is expected to be maintained at about R71 million cash pay- tions.

Star 10/5/93

Car sales in steep decline

By Sven Lünsche

192

New vehicle sales fell sharply in April and look set to decline further in the months ahead as recent tax increases dampen demand.

The National Association of Automobile Manufacturers (Naamsa) said on Friday the sharp fall in all four categories could in part be explained by above-average sales in March when consumers rushed to avoid the increase in VAT.

Compared with March, new car sales in April declined by 20 percent, or 3 732 units, to 14 936 units.

Sales of bakkies, minibuses and light commercials fell by 29,9 percent (3 045 units) to 7 132 units.

Medium commercial vehicle sales fell by 44,3 percent and those of heavy commercials by 25,3 percent.

Compared with last year, however, car sales are holding up well.

In the first four months of this year 63 207 cars were sold — 2,5 percent more than in the same period last year.

Toyota Marketing MD Brand Pretorius said sales were boosted by abnormal circumstances, such as pre-emptive buying ahead of the VAT hike, and the launch of a number of new models, rather than any revival in the economy.

"We still believe that at best the market for 1993 will only match that of last year. Business confidence remains at a very low level and until there is a significant improvement in this important indicator we cannot see any major upswing," he said.

This echoes Naamsa's forecast for the remainder of the year.

"The impact of the 40 percent increase in the VAT rate, the rise in the fuel levy, additional new price pressures facing manufacturers caused by the weakening of the rand, and the continuing socio-political turmoil will inevitably impact negatively on business conditions in the months ahead," Naamsa said.

"It is unfortunate that as a result of recent budgetary measures, the industry will once again be subject to irregular growth.

"Following a reasonably buoyant first quarter, the above-mentioned economic and political factors will result in a poor second quarter, with hopes of a modest recovery in the third quarter," Naamsa said.

Lawyers and

R billion

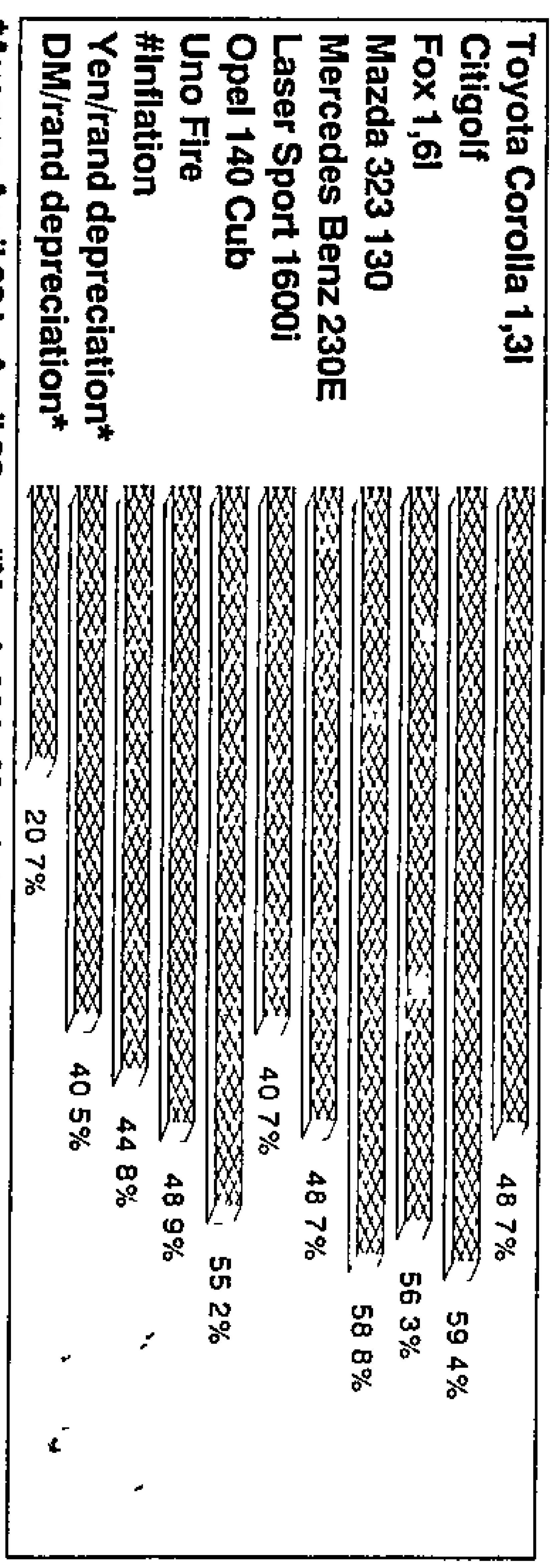
BUSINESS

Car prices still race ahead of inflation

W mail
14/5-20/5/93. (192)

The rise in car prices seems inexorable. **REG RUMNEY** *takes a closer look*

DESPITE lower demand, car prices continue to rise The prices of some of the most popular basic car models have outstripped inflation over the past three years



*Average April 90 to April 93 #March 90 to March 93

We have compiled a table of the list prices of selected cars over a three-year period from April to the first week of May this year The prices include 13 percent GST in 1990 and 14 percent VAT now.

For comparison, the table shows inflation as measured by the Consumer Price Index over those three years.

Also, we have calculated imported inflation through the depreciation of the rand against the yen and the Deutschemark over the three-year period. Depreciation of the rand has often been cited as a contributory cause of car price inflation, since a certain percentage of the components of all cars is imported

The graph shows that the prices of some popular models have not only outstripped inflation but also outpaced the devaluation of the rand

Also, the rand/yen devaluation was double that of the mark, but this is not reflected in the price rises. The prices of some German-sourced cars rose higher than the prices of some Japanese-sourced cars and vice versa

Gauging car price increases is made difficult by both the introduction of new models and changes in the specifications of existing models. To compare apples with apples we have taken only those 1990 models which are still produced.

Even then, comparison is bedevilled by specification changes. For instance the specifications of the Mercedes 230E Automatic have changed since 1990 Mercedes Benz management board member Peter Cleary says that some of what is now standard equipment on the 230E was optional three years ago, such as the Meridian two-year free maintenance package which would otherwise cost R5 800, a Becker radio costing R1 949, and an anti-theft system costing around R1 200 Stripping these sort of things out gives a price increase between January 1990 and January 1993 of 41,5 percent.

Cleary accepts, however, that the consumer has no choice about whether to have the new standard items or a cheaper car and so a straight price comparison, without taking into account minor changes, has validity

Why the price rises when the number of new cars sold is falling?

The prospect is of manufacturers selling fewer and fewer cars at increasingly higher prices Cleary reckons that low car sales are not only related to price, but to the weakness of the economy

The reasons for the seemingly inexorable car price spiral are varied and complex Two are the falling rand and wage increases in the motor industry higher than inflation The 110 percent protective duty on imported fully built-up cars, keeping out competition from imports, is another But a big cause is the government's Phase 6 "local content" programme This, a misnomer in that its aim is to save foreign exchange rather than increase local content, has its own inbuilt cost-raising factors

If a manufacturer cannot achieve the stipulated 75 percent local content he pays punitive duties Or he can export motor components — such as pollution-preventing autocatalysts — to get credits which count as local content Failing that he can automatically achieve higher local content simply by putting up the wholesale price of the vehicle. The local content, by value, is arrived at through a formula which allows this

Toyota marketing manager Brand Pretorius reckons that until the rand stops depreciating and some change is made to Phase 6, prices will continue to surge. Over the past 12 months the rand has depreciated 30 percent against the yen, he notes

A government task force on the motor industry is expected to report at the end of this year on, among other things, affordability

FM 14/5/93 (192)

MOTOR INDUSTRY FM 14/5/93

Tightening the belt (192)

Job security is again becoming a key issue in the annual round of motor industry pay talks The number of jobs in the vehicle manufacturing sector fell by 3,5% in the first three months of the year, reports the National Association of Automobile Manufacturers (Naamsa) Further reductions seem certain

Though some companies plan to soften the blow through natural attrition and early retirement packages — Volkswagen hopes to cut its workforce by up to 1 000 in this way — others fear tougher measures might be needed

Naamsa notes that "employment levels will remain under pressure "

A director of one of SA's biggest carmakers is harsher He says "Given the current state of the market, my company and the industry are unquestionably overmanned It's a tough decision when so many people are already out of work, but if the market doesn't pick up, we'll all have to look at our numbers "

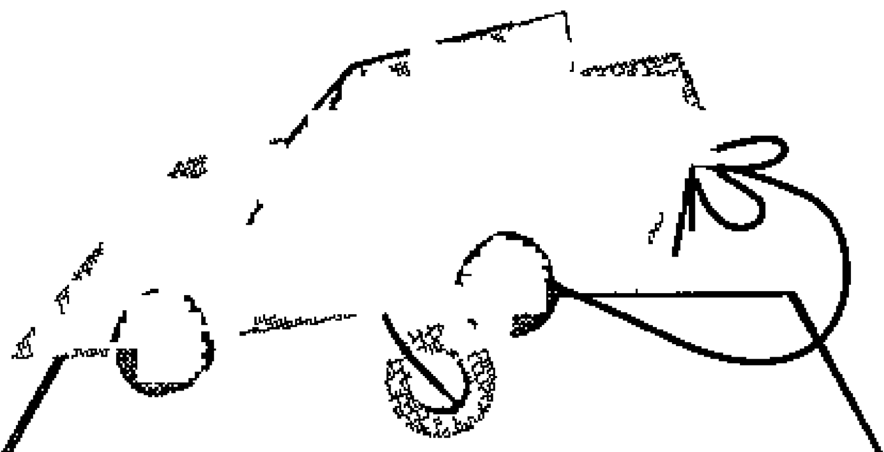
Job guarantees arc already high on the agenda at pay talks between vehicle manufacturers and unions The industry's current agreement on pay and conditions expires at the end of June and unions have made it clear that they see job security as a priority

Employer representatives say it's almost impossible to offer non-retrenchment guarantees But they don't rule out a compromise that would encourage unions to reduce their pay demands Though there is a narrowing of the gap between the two sides on some negotiating issues, they remain poles apart on the question of pay A little arm-twisting on the jobs argument could help bring them closer together

Manufacturers, meanwhile, remain cautious about short-term prospects for a recovery in new vehicle sales VW and Samcor, both benefiting from the launch of new models, might be smiling about the April sales figures but other companies had less cause to rejoice

Total sales of cars and commercial vehicles were an improvement on those for April 1992, but nearly 24% down on March And recovery is not expected soon

Says Naamsa in its latest quarterly report "Prospects of little or no growth in the SA economy during 1993 will force the industry to revise downwards sales projections for the year " ■



April vehicle sales

Cars		Total	%*
Toyota	Corolla 2 506, Camry 1 252, Cressida 25, other 69	[illegible]	25,8
VW	Golf /Jetta 1 533, Citi/Fox 1 242, Audi 248	[illegible]	20,2
Samcor	Ford Telstar 784, Laser/ Meteor 417, Sierra 40, Sapphire 82, Mazda 323 490, Mazda 626 (Y4) 735, Mazda 626 (old) 13, other 4	[illegible]	17,2
Nissan	Sentra 1 162, Maxima 153, 200SX/300ZX 9, Skyline 3, Fiat Uno 747	[illegible]	13,9
M-Benz	Honda Ballade 986, M-Benz W124 402, W126 27, W201 193, other 26	[illegible]	10,9
BMW	3-Series 1 156, 5-Series 197, 7-Series 69, other 1	[illegible]	9,5
Delta	Rekord 108, Kadett/Monza 250, Calibra 7	[illegible]	2,4

*% of the total car market

	1993	1992	% Change
April	14 936	13 646	+9,5
Jan – April	63 207	61 641	+2,5
March(18 668) – April			-20,0

Light commercials

Toyota 2 [illegible]17 (38,1% of the market) Nissan 1 661 (23,3) Samcor 1 496 (21,0) Delta 829 (11,6) VW [illegible] (5,5) AAD 34 (0,5)

	1993	1992	% Change
April	7 132	7 153	-0,3
Jan – April	[illegible]	[illegible]	+2,0
March [illegible] – April			-29,9

Medium commercials

[illegible]

	1993	1992	% Change
[illegible]	[illegible]	[illegible]	-26,4
[illegible]	[illegible]	[illegible]	[illegible]
M[illegible]			-44,0

Heavy commercials

M-Benz 13[illegible] [illegible] 4,3) ERF 14 (3,7) [illegible]

	1993	1992	% Change
April	375	437	-14,2
Jan [illegible]	[illegible]	[illegible]	-10,1
March [illegible]			25,3

Total vehicle sales

[illegible] 3 (0,4)

	1993	1992	% Change
April	[illegible]	[illegible]	+5[illegible]
Jan [illegible]	[illegible]	[illegible]	+2[illegible]
[illegible]			

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Car shortage as VW hit by quest for high quality

ST Times (Buss) 16/5/93

(63) (192)

By DON ROBERTSON

VOLKSWAGEN has been hit by a critical shortage of new-generation Golf and Jetta models and it could be four months before the backlog is met.

The cars were launched last November, but failure to meet the high-quality standards set by the parent company in Germany stopped production for about six weeks

The quality problems prompted Ferdinand Piech, chairman of the parent company, to visit the Uitenhage plant He insisted that new equipment be installed and that additional quality controls be instituted

To meet these standards, production had to be slowed by a half Since December, only 3 000 units have been built In addition, six production days were lost during the Chris Hani mourning

Car allocations to the 200 national dealers have been restricted and some say thousands of potential sales have been lost.

Some dealers say they do not have vehicles for motorists to test drive

Dealers approached by Business Times asked that their names not be mentioned

Natal

A Northern Transvaal dealer says that since November he has received only six vehicles He usually sells between 20 and 30 Golf and Jettas a month

Another dealer in Pietersburg says the position is critical and he has had no cars since February Sales are usually about 20 a month

A Natal dealer says his allocation of four a month is sold out until June He normally sells about 15 a month

A Cape Town dealer has a waiting list of four months and does not expect the position to improve until September He says several corporate buyers have switched to other manufacturers, all of which have introduced new models

The largest Volkswagen distributor has a backlog of 1 650 units in spite of improved deliveries.

Volkswagen marketing director Dave Malherbe concedes that the shortage of stock must be frustrating for Volkswagen buyers, but says the backlog might not be overtaken until October

Workers on the Golf and Jetta assembly line are working two hours overtime each day and on Saturday Production is running at about 85 a day and it is hoped to increase it to 90 Production peaked last month at 1 300, compared with 640 in March, 580 in February and 780 in January

Forecast of new-car sales is reduced again

STimes (Bus) 16/5/93

(192)

By DON ROBERTSON

MOTOR manufacturers have again reduced their forecasts of new-vehicle sales for the year, but the adjustment appears optimistic

The National Association of Automobile Manufacturers of SA (Naamsa) predicts new-car sales of 183 300 compared with a 186 000 forecast at the beginning of the year Light-and heavy-commercial forecasts are unchanged at 97 000 and 5 400 respectively

Medium-commercial sales are forecast lower at 3 200 against 3 420

Naamsa says in its survey of the first quarter that the projections appear optimistic, given the unfavourable economic fundamentals and socio-political uncertainty which will have a negative impact on the motor industry

They will probably force the industry to lower its expectations again

Since the release of April figures last week, most manufacturers expect new-car sales for the year to fall to 180 000 or below.

Although most manufacturers increased production use in the quarter, more than 1 000 jobs were lost in the assembly industry

The supply of imported components was satisfactory, but those sourced from Japan increased significantly in price because of the rand's weakness against the yen

The price of SA components rose by an annualised rate of between 10% and 12% But the price of steel-based components rose at a quicker rate because of the higher-than-expected rise in steel costs announced by Iscor in January

Capital expenditure ammounted to R68,9-million compared with R29,6-million in the previous quarter

An Eastern Cape manufacturer has reduced planned expenditure by 9,3% up to 1997

COMPANIES

Varex Corp plans for growth

VAREX Corporation, the automotive parts group created by W & A last year through a series of mergers and acquisitions, is investigating opportunities for growth through internal development and acquisitions, said chairman Alan Schlesinger

In the 1992 annual report he said while Varex had operated for only a few months — the company's formation took place between August and September — local and export expansion opportunities were being explored, while attention was being given to rationalising operating expenses and reducing operating assets

Although demand in Varex's markets was not expected to grow significantly in 1993 and the trading environment was likely to remain difficult, a satisfactory profit was expected this year, he said

The company's maiden results showed an operating profit of R24,2m on a turn-

EDWARD WEST

over of R269m for the 10 months to end-December and attributable earnings of R14,6m or 63,5c a share

(192)

Schlesinger said while the ~~demand~~ for spares had generally held up better than demand for vehicles as the national fleet continued to age, the overall spares market was static in 1992 Intense competition was exacerbated by an influx of spares from unconventional sources such as stolen vehicles and imported used engines

Varex is a 72% held subsidiary of the W & A subsidiary Vektra, which also has motor dealership interests

Vektra strengthened its structure, enhanced the value of its businesses, extended it operations in 1992, and was now poised for a new growth phase, said Schlesinger, who is also Vektra's chairman

Tractors to come cheaper

BDM 17/5/93 (192)

GERALD REILLY

PRETORIA — Tractor manufacturers are marketing more affordable "economy" models in an effort to boost sales, says Jim Rankin, spokesman for the manufacturers' organisation, SA Agricultural Machinery Association

He said last year's drought had resulted in low sales of 2 207 tractors

Eight new "affordable" tractor models from the four major suppliers had been on show recently They were priced between 9% and 27,7% less than the "local" models The average price reduction for the eight models was 18,4%

Rankin said most overseas principals had been squeezed for better prices and profit margins had been shaved

Over the past few years inflation had eroded the protection afforded Atlantic Diesel Engines, enabling some models to be imported with full rebate of duty because of the sliding scale rebate protection

CMH 'set to beat inflation'

192

EDWARD WEST

COMBINED Motor Holdings (CMH) expected earnings in 1993 to again exceed the inflation rate, chairman Maldwyn Zimmerman said in the 1992 annual report

However, Zimmerman said the forecast was subject to the absence of any major political or economic upheaval during the forthcoming year

BDM

Tough rationalisation implemented over the past two years placed the group in a position to make the most of any improvement in trading conditions, Zimmerman said

17/5/93

CMH was divided into six major car franchises, with Ford and Nissan representing about 73% of turnover

An increased contribution came from Nissan in 1992 largely from the acquisition of Datnis Nissan in Maritzburg In the absence of any acquisitions this year, the turnover mix for 1993 was expected to remain in line with that of 1992, he said

Industry observers warn of price war in car market

BDAY 17/5/93 (192)

TRACY SCHNEIDER and EDWARD WEST

MOTOR industry analysts cautioned that a price war could be looming between car manufacturers later this year from an oversupply of imported completely knocked-down (CKD) car stocks

Manufacturers had placed orders for about 210 000 CKD units for 1993 based on optimistic sales forecasts in late 1992 This would result in nearly 20 000 excess CKD units, based on current forecast sales, sources said

Motor manufacturers polled at the weekend rejected the notion of a price war because of already tight margins, capital investment recently undertaken for the new models and public perceptions associated with vehicle discounting

However, Econometrix economist Tony Twine said manufacturers' margins were already thin, but they would be less profitable if excess stocks had to be funded Surplus units could cause a price war later this year, he said

Annual car sales forecast was lowered to 179 000 from results in the first four months of the year, from 190 000 at the beginning of 1993 Because CKD imports had up to a nine-month lead time, orders would have been placed earlier this year, and would have been based on the earlier sales forecast Twine warned that because the lead time in ordering CKD units was ending, manufacturers often played down sales forecasts This was done to persuade competitors to lower imports

The latest average annual sales forecast for 1993 by the National Association of Automobile Manufacturers of SA was 179 000 units Based on sales in the first four months, average monthly sales over the remaining eight months would be 14 500, well below the 15 800 average of the first four months

Nissan marketing MD Stephanus Loubser dismissed the possibility of a price war The company would not follow suit in case of one

"Our profit margins have been heavily eroded and even a 5% decrease in price will not enable us to cover costs," said Loubser

Volkswagen marketing director Dave Malherbe rejected the idea of a price war, saying the company did not have an oversupply of CKD vehicles He believed this was true for the other producers as well

VW would not participate in a price war "We have always been consistent in our marketing and have never been big discounters since this affects the image of a product It would be silly to give products away when millions of rands are spent on introducing a new model"

Delta Corporation MD John Cuming said the company had based its purchasing on an attainable market forecast of 180 000 units He did not foresee an oversupply

Samcor sales and marketing executive director Sean Bownes said an oversupply situation could result if sales were well below the forecast 180 000, but this was unlikely since no sharp slump was forecast

An oversupply could result if manufacturers forecast increased market shares higher than the average 105% to 110%

After having canvassed the seven manufacturers, Business Day calculated a conservative total of 112%

FM 21/5/93 (192)

RAPTOR MOTOR HOLDINGS

A good overseas nest egg

Activities: *Holds Toyota franchise for Rustenburg and Thlabane Operates service stations and a second-hand dealership in Brits*
Control: *Southern Motor Holdings 65%*
Chairman: *D A Khonat, MD E S Moonda*
Capital structure: *3,3m ords Market capitalisation R7,3m*
Share market: *Price 225c Yields 11,1% on dividend, 37% on earnings, p e ratio, 2,7, cover, 3,3 12-month high, 250c, low, 225c Trading volume last quarter, 0 shares*

Year to	'91†	'92
ST debt (Rm)	0,24	2,9
LT debt (Rm)	—	0,09
Debt equity ratio	n/a	1,16
Shareholders interest	0,23	0,17
Int & leasing cover	1,3	n/a
Return on capital (%)	35,5	42,1
Turnover (Rm)	25,3	41,0
Pre-int profit (Rm)	1,8	2,6
Pre-int margin (%)	7,2	6,5
Earnings (c)	85*	83
Dividends (c)	45	25
Net worth (c)	38	96

† 16 months * Annualised

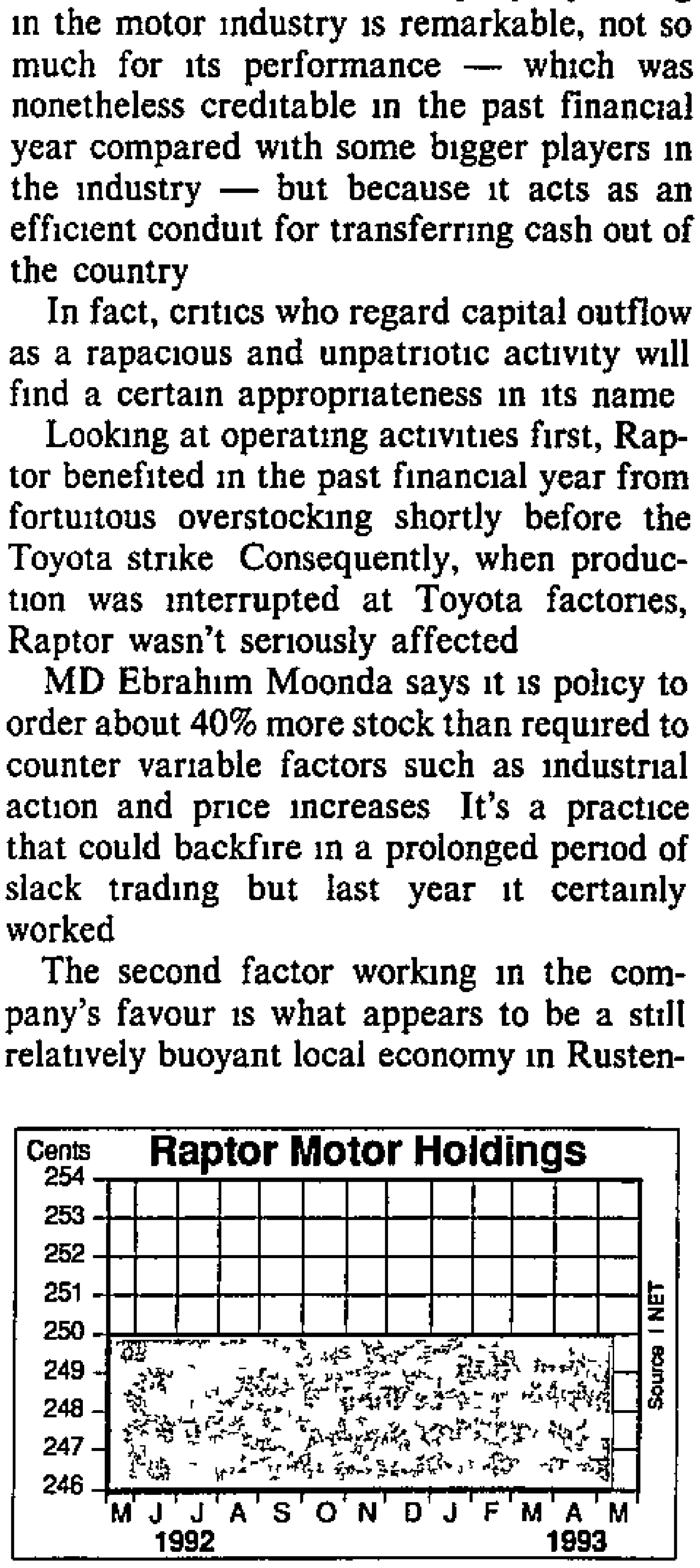
This Rustenburg-based company operating in the motor industry is remarkable, not so much for its performance — which was nonetheless creditable in the past financial year compared with some bigger players in the industry — but because it acts as an efficient conduit for transferring cash out of the country

In fact, critics who regard capital outflow as a rapacious and unpatriotic activity will find a certain appropriateness in its name

Looking at operating activities first, Raptor benefited in the past financial year from fortuitous overstocking shortly before the Toyota strike Consequently, when production was interrupted at Toyota factories, Raptor wasn't seriously affected

MD Ebrahim Moonda says it is policy to order about 40% more stock than required to counter variable factors such as industrial action and price increases It's a practice that could backfire in a prolonged period of slack trading but last year it certainly worked

The second factor working in the company's favour is what appears to be a still relatively buoyant local economy in Rustenburg Moonda says with the recent acquisition of a majority interest in a second Toyota franchise, Thlabane Toyota (near Rustenburg in Bophuthatswana), Raptor now covers a wide area in which there is little local competition



Raptor *truck loads of money*

"Our only real competition is from the big boys on the Reef, and many individual customers prefer to buy from a local dealer," he says New vehicle sales have increased in real terms, partly boosted, Moonda says, by some local mines offering employees a new car-allowance scheme

Raptor also expanded into Brits by opening a used-car branch

Comparisons are not meaningful because of the previous 16-month period, but reflect nevertheless a healthy increase in operating profit on a slightly tighter margin to R2,6m Annualised earnings drop slightly but, considering the state of the motor industry, Raptor's performance has been good

Tax charges are negligible because of an assessed loss of about R2,3m, though Moonda expects that to be exhausted this year and says the company will probably start paying tax in its 1994 financial year

The interesting part comes when examining the dividend policy Most of the payout goes to 65%-shareholder Southern Motor Holdings, based in the Virgin Islands My inquisitiveness deepened when I noted that of the entire issued share capital of 3,26m shares, 3,22m are beneficially or nonbeneficially held by directors

Apart from leaving a mere 39 000 shares over for minorities, that means there must be common directorship Moonda says "he thinks at least one director" of Raptor, chairman Dawood Khonat (a British citizen), is also on the board of Southern Motor Holdings Doesn't he know, or is it that he's embarrassed to tell?

To be fair, Raptor has toned down the extent of its dividend payments since the previous year-end when R1,5m was paid out, leaving a paltry R187 000 in retained income This year it has paid out R815 000 and kept R2m in the company, but that probably has something to do with a note accompanying the interim results, which said that as an "externally controlled" company borrowing facilities were limited by the Reserve Bank

To help retain some profits, Raptor accordingly waived the interim dividend Still, over the past 18 months about R1,5m out of retained earnings of R2,2m has made its way to the tax-free Virgin Islands, into the hands of at least one common director

That this is allowed is really a matter for the Reserve Bank and presumably its officials are satisfied However, another question is why Raptor is listed, or why the JSE allows it to keep its listing With only 39 000 of its 3,3m shares theoretically tradeable, it's little wonder the share price has not moved in the past year (see graph) and that no shares have changed hands in the past three months What is the point of this charade?

One thing's for sure it's a great share for investors with a foreign bank account and an interest in the holding company

Shaun Harris

COMBINED MOTOR HOLDINGS

Beginning to accelerate

Activities: *Operates in the retail motor vehicle industry through six franchises*
Control: *Directors 68%*
Chairman and MD: *M Zimmerman*
Capital structure: *19m ords Market capitalisation R12,4m*
Share market: *Price 65c Yields 16,3% on dividend, 40,4% on earnings, p e ratio, 2,5, cover, 2,5 12-month high, 80c, low, 55c Trading volume last quarter, 744 000 shares*

Year to Feb	'90	'91	'92	'93
ST debt (Rm)	—	2,3	7,3	11,0
Debt.equity ratio	0,34	n/a	0,28	0,37
Shareholders interest	0,39	0,40	0,36	0,35
Int & leasing cover	4,1	4,3	2,9	2,7
Return on cap (%)	21,1	16,4	11,5	12,3
Turnover (Rm)	370	367	416	555
Pre-int profit (Rm)	14,0	10,9	9,1	10,6
Pre-int margin (%)	3,8	3,0	2,2	1,9
Earnings (c)	28	22	19	23
Dividends (c)	10,7	10,7	9,3	9,3
Net worth (c)	146	139	149	160

Like most industries, motor vehicle retailers have been through four tough years, so it's encouraging to see some upbeat results coming through from Combined Motor Holdings (CMH) With dealerships covering six of the major franchises in SA — Ford, Nissan/Uno, MMI, Delta, Mercedes-Benz/Honda and Toyota — the group is broadly represen-

P.T.O

tative of the industry in general

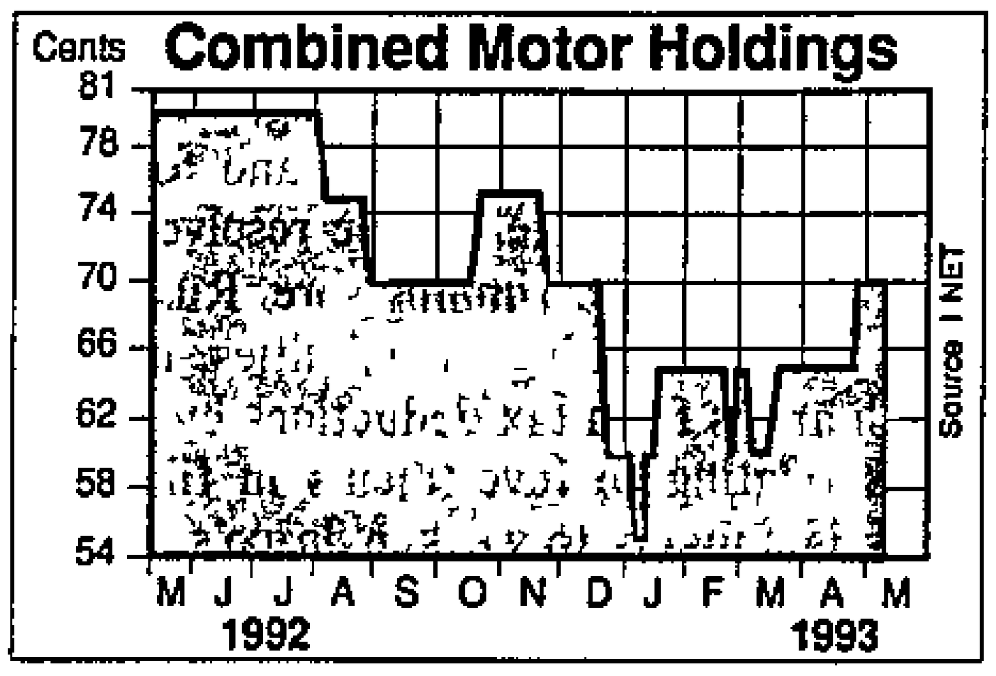
Dare we whisper the thought that these results may just herald the beginning of an upturn in the industry?

For CMH, 1993 ended a four-year earnings slump, with the 19% increase in EPS pulling the trend back above 1991 levels In a conservative, but doubtless wise decision, directors have decided to maintain the dividend on increased cover

It's interesting to see how second-half performance improved over the first At the interim, EPS was still declining, down 28% on the previous corresponding period

But despite a drop in passenger unit sales for the year, from 198 000 cars in 1992 to 182 900 in 1993, there was a slight increase in the second half Then came the pre-Vat increase spending spree and CMH recorded its best March sales for four years

Chairman and MD Maldwyn Zimmer-



man says the first half was difficult for the group, compounded by the construction and move to new premises at two of CMH's largest branches in Pretoria

Attention was also focused on a new truck stop at Westmead, Natal, and there was disruption while a new computer system was introduced throughout the group But earlier decisions began to pay off in the second half when management, supported by the new information system, turned its focus on sales and profitablity

Accordingly, attributable earnings increased from R881 000 at the interim to R4,4m by year-end

While gearing remains at a reasonably comfortable 37%, it's up on last year after a string of acquisitions These may prove to have been well-timed — while they have put pressure on working capital, turnover shows a hefty 33% increase

Margins are tight, but if there is to be an upturn this year, CMH will get the full benefit of its expanded activities at relatively little cost to the balance sheet Asset management remains sound, with stock reflecting a meagre 1,2% increase to R53,2m over the year

Turnover by franchise shows Nissan/Uno to be the star performer While Ford still accounts for the biggest slice of turnover at 38%, that's down from 42% last year while Nissan/Uno has increased its contribution from 27% to 35%

At 65c the share has drifted down over the year, understandable after the poor interim results but now surely worthy of a rerating In comparison to its undemanding historical yield and the discount it offers to NAV, the share must be considered underpriced

Shaun Harris

Mr Farrands since a group of his men attacked black marchers in the nearly all-white Forsyth County, Georgia, outside Atlanta, six years ago

...watch, said we taking everything. We not only the Klan's they're giving up the e equipment, their com printing press." The

Mercedes-Benz parts missing

Own Correspondent

EAST LONDON: — Luxury car accessories worth nearly R500 000 have disappeared from the Mercedes-Benz South Africa (MBSA) plant here since the beginning of the year.

A police spokesman said the disappearance of 162 boot spoilers, valued at about R3 000 each, was being investigated. (192) CT 21/5/93

A plant spokeswoman would not say whether any of its employees were suspected.

Serial killer ... 'enjoys' life i...

LONDON — Serial killer nurse ... enjoying life behind bars and sh... over the four children she murde... letters published in British ne... day.

In letters to an unidentified fri... several national dailies, 24-year-o... of two lesbian affairs in the top s... where she is held and an easy... allows her to sleep late at weeke...

Allitt, dubbed the "Angel of De... guilty this week of murdering fou... care and maiming nine others, m... ain's worst female serial killer th...

The letters were written betwee... February this year. — Sapa-Reute...

Motor firm's earnings unaffected by slump

BDay 27/5/93

EDWARD WEST

MARTIN Jonker Holdings reported a more than seven-fold increase in earnings a share to 6,2c in the year to end-February 1993 from 0,7c the previous year, today's published results showed

The motor maintenance and retailing company's turnover climbed by a fifth to R181,66m (1992 R151,69m) in spite of the decline in motor industry activity and car sales Operating profit margins improved substantially and trading income was 95% higher at R7,1m (R3,63m)

Finance charges dropped by a tenth to R2,83m (R3,14m), which together with the higher operating profit margins, boosted pre-tax income more than seven-fold to R4,26m (R490 000)

The tax rate, inclusive of the secondary tax on dividends, increased 51,5% and tax payments climbed to R2,2m (R284 000) Attributable income was nonetheless nine-fold higher at R2,07m (R206 000) A 2c dividend was declared

(192)

The results brought earnings back to the 6,2c a share achieved in 1990 after a slump in 1991 and 1992

MJH sells Nissan vehicles and at the interim stage the improved results were forecast on demand for recently launched models

Directors said the company was well geared for any potential upturn in the economy in the second half of 1993 New facilities were under construction in Cape Town and in Pretoria

Trencor's backing will help revamp at W&A

Star 27/5/93

(192)

By Stephen Cranston

The de-gearing and focusing of W&A will proceed from a financially secure base and at a steady pace, says executive chairman Jeff Liebesman

Writing in the annual report for the year to December, Liebesman says that through Trencor's support of the R650 million rights issue, W&A has acquired a partner "whose sure hand will be of invaluable assistance to us in guiding this group to that destiny we envisaged when we founded it"

He says that while there has been speculation about the compatibility of the two corporate cultures, there is high level of affinity and respect between W&A and Trencor, as well as complete agreement on the broad principles of W&A's future.

Liebesman is unrepentant about his policy of building the group with high borrowings He says that the group was founded on the principle of building wealth and value for investors by acquiring underperforming assets and turning them into good businesses

"Because we started with no equity, however, we had to borrow to acquire and we needed reasonably quick returns on our investments.

"In normal times these would not have been pressing problems, but the harsh regime of high interest rates and severe recession which ensued placed great strain on the group"

Liebesman says that the heavy debt burden proved an obstacle to growth and a distraction for management.

It clouded the market's perceptions of the group and prevented a proper appreciation of the group's assets and achievements

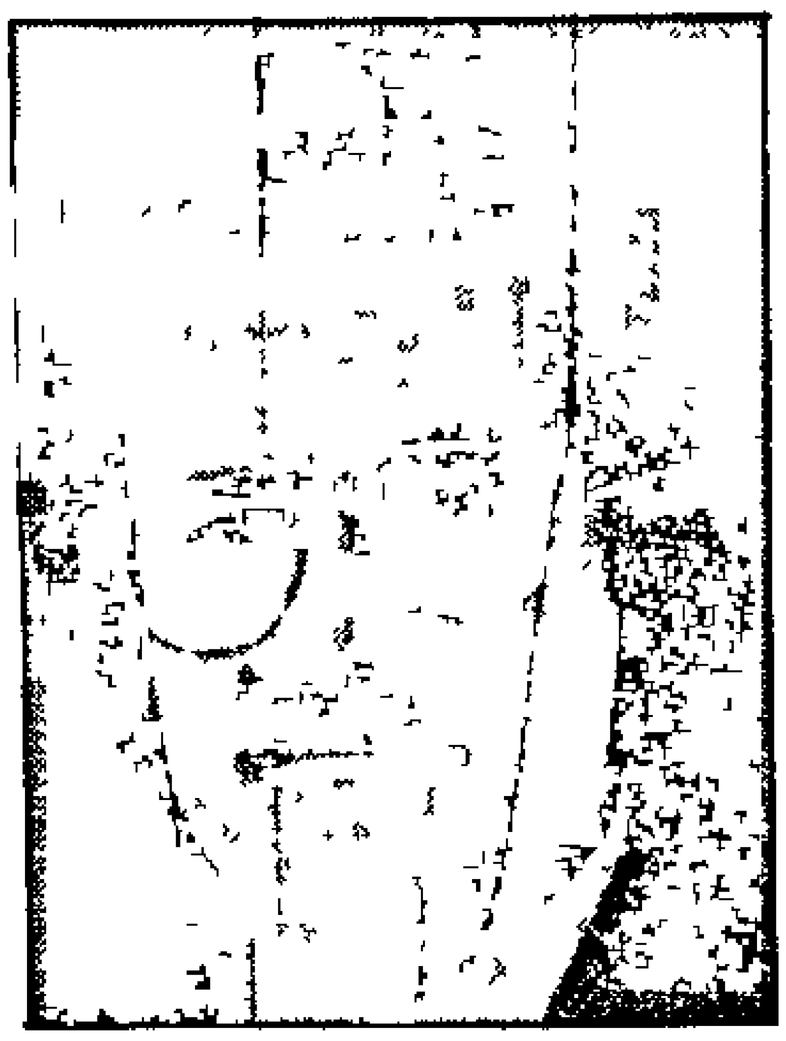
During the year W&A sought to define its core interests which it says covers businesses with substantial growth potential in real terms, are of an appropriate size, supply basic products and services to essential industries or mass consumer markets, and are capable of providing the required level of returns.

These core businesses include Gentyre, spares and motor car distributor Vektra, the scaffolding interests in Form-Scaff and AAF Industries, JD Group and National Bolts

Management is reluctant to pick out its non-core businesses too specifically, but they are believed to include W&A Textiles, Metrotoy and coal distributor MacPhail, the 31 percent holding in Milstan and perhaps Housewares Exclusive and John Craig.

Increased contributions to W&A were shown by the JD Group (up from R16,2 million to R19,7 million), Form-Scaff (up R1 million to R43,9 million), AAF Industries (more than doubling from R3,2 million to R8,2 million) and Curnow M&G (more than coubling to R394 000)

All other group companies had reduced contributions with industrial and automotive fasteners showing a R1,8 million loss



Jeff Liebesman .. heavy debt burden proved obstacle to growth.

BUSINESS

In the chair .. Board of trustees chief AC Nkabinde

Bottom line on social spending

w/mail 28/5 - 3/6/93

192

The Toyota Foundation's report on its social projects differs from the usual social investment report in providing facts and figures

REG RUMNEY *reports*

IF FINE words buttered parsnips, social investment reporting would be a cholesterol hazard It is seriously deficient in hard facts and figures

Now Toyota SA has stepped forward as one public company prepared, unprompted, to reveal those facts and figures

The Toyota Foundation alone spent R2,3-million rand on social investment last year and will spend another R2,6-million this year The foundation, governed by a board of trustees headed by Prof AC Nkabinde, will have spent R8,85-million over the period 1989 to 1993

In addition to the foundation spending, Toyota itself spent other money on donations, bursaries, and a housing scheme for employees, to give a total of R8,5-million for 1992 alone, with like amounts having been spent in previous years

That kind information differentiates the foundation's report from the bulk of the glossy, expensively produced reports on social investment that stream out of the corporate sector

The report contains not only descriptions of the foundation's work and detailed information on its spending, but figures on Toyota SA's additional spending.

This includes spending on help for Toyota employees to secure proper housing, and a bursary scheme Whether these are strictly speaking social investment is a matter of definition

Even if they are excluded, Toyota spent another R860 000 on donations, allocated by its donation committee

Donations and the foundation's spending came to R3 175 705 in 1992, or just under 0,01 percent of Toyota SA's turnover of R3,2-billion

The international norm is to express social spending as a percentage of pre-tax income Common figures for social spending in the US and the UK are one to two percent.

Toyota's social spending, narrowly defined, amounted to a little over two percent of operating income in 1992, though that was a disastrous year because of a 49-day strike by the National Union of Metalworkers of South Africa.

Throw in housing and bursaries and Toyota's spending comes out as six percent of operating income.

Toyota, again unusually, gives a detailed analysis of what goes where A glance at the comprehensive table shows most money goes towards technical education, with the biggest amount of R1 066 000 going to the kwa-Makhuta Technical Orientation Centre in 1992, and the second biggest amount, of R505 000, going to Toyota Teach Primary School Project. The project will, according to the report, receive R505 000 this year

Funding for foundation projects comes from annual contributions by Toyota SA and Toyota Motor Corporation Japan

The report states 'The foundation has no other prime source of income aside from these grants and does not have the luxury of a large investment base from which it can derive income "

Budgeted spending for this and future years are also given

The foundation, says the report, is already committed to funding existing projects through to February 1994 and by then will have devoted more than R13-million to social upliftment during the first five years of its existence

Toyota has gone a lot further than many other firms in reporting on its social investment, though some, like Shell and Sanlam, to take random examples, have reported their social spending figures to *The Weekly Mail* Social Investment Award panel in past years Among motor companies, BMW and Volkswagen have taken part in our survey

A further step would have been to have an outside audit of the effectiveness of the company's social spending However, since most of the money goes on education this might be difficult, since education is by nature a long-term investment in the future

Toyota deserves commendation for this report, showing the way to the rest of the corporate sector

BUSINESS

Full service for motor industry

An official commission has been established to look into the motor industry. Economist **ANTHONY BLACK** *reviews the options available to this hard-pressed sector*

WMail. 28/5 - 3/6/93 (192)

BIG changes lie ahead for the South African motor industry It is to be hoped the result will not only be a stronger, more dynamic industry but also cheaper cars

An official commission the Motor Industry Task Group (MITG) is examining future policy for the sector For the first time, unions are represented along with industry and government agencies on the task group which has to present its proposals to Trade and Industry Minister Derek Keys by the end of the year

The MITG faces a difficult task Locally assembled cars are priced well above world levels and the industry is viable only because imported cars are subject to prohibitive duties.

Since the early 1960s, the development of the industry has been governed by a series of poorly designed schemes which provided high protection against imported cars and aimed to encourage the use of locally produced components. While encouraging domestic production is laudable, after decades of protection the industry is still uncompetitive

What went wrong? One problem is that high duties on imported cars have attracted a large number of firms to set up assembly plants in South Africa. In relation to modest annual sales, an enormous variety of makes and models are assembled locally

One measure of this is annual average production per basic model By basic model is meant, for example, the Toyota Corolla or the Camry In 1991, South Africa produced an average of only 6 000 vehicles per basic model, way below that of low volume producers such as Brazil and Australia, let alone the major producers such as Japan, the US and Europe

This high level of proliferation raises costs because it lacks "economies of scale" In other words, the cost per car of producing 20 000 cars a year in a single plant will generally be higher than in a plant producing 100 000 cars a year

A more serious problem arises in the production of the around 10 000 components which make up the average vehicle Components can account for up to 80 percent of the production costs of a car and so even if the Toyotas and VWs of South Africa had extremely efficient assembly plants (which they do not), they would need cheap components to compete with world prices

Local component producers have to produce an *enormous variety of parts in low volume for the* huge number of different models being assembled locally The industry has, therefore, only been able to grow on the basis of regulations which require a certain percentage of parts to be locally produced. Again this adds to costs.

The result is predictable — new cars are expensive and most South Africans cannot afford them Add to this the anaemic state of the economy and the result is an industry in serious decline

Can a way be found out of this dilemma? There are three possibilities The first is simply to liberalise imports rapidly This would certainly bring down car prices but it would also bring down the bulk of the industry as well as leading to balance of payments problems resulting from a surge in car imports. Clearly this is no solution at all

A second option would be to encourage the production of a standardised vehicle — the so-called "people's car" option A basic vehicle would be produced in large volumes and therefore at lower cost While it may sound attractive, this form of rationalisation would require strong (and possibly expensive) government intervention and would certainly entail huge adjustment problems (such as the closure of most existing assembly plants)

Nevertheless, more modest initiatives along these lines have merit

There is certainly scope for measures which prevent the entry of new firms into South Africa's already overcrowded market and encourage existing assemblers to reduce the number of models they now produce.

A third possibility is to encourage local assemblers and component producers to specialise by becoming more integrated into the global market. An assembler could specialise in the production of one model, produce these in large volume for the domestic market and for export and then import other models This is an option which BMW is considering Likewise component firms could achieve economies of scale by specialising their product range and becoming much more export-oriented

To some extent this is what government was trying to achieve in the highly controversial Phase VI local content programme

Phase VI sought to increase specialisation in the industry by allowing exports to be counted as part of local content This has led to a number of intended and unintended effects

One major success is that exports have risen sharply But rising exports have enabled assemblers to increase foreign sourcing of components and still meet local component requirements. This is very apparent as new models come on to the market with cars such as the Nissan Maxima and Toyota Camry having little local content.

Many traditional component suppliers have therefore found themselves facing a sudden increase in competition from imports. A case in point is Murray & Roberts Foundries, the country's largest producer of automotive castings, primarily engine parts.

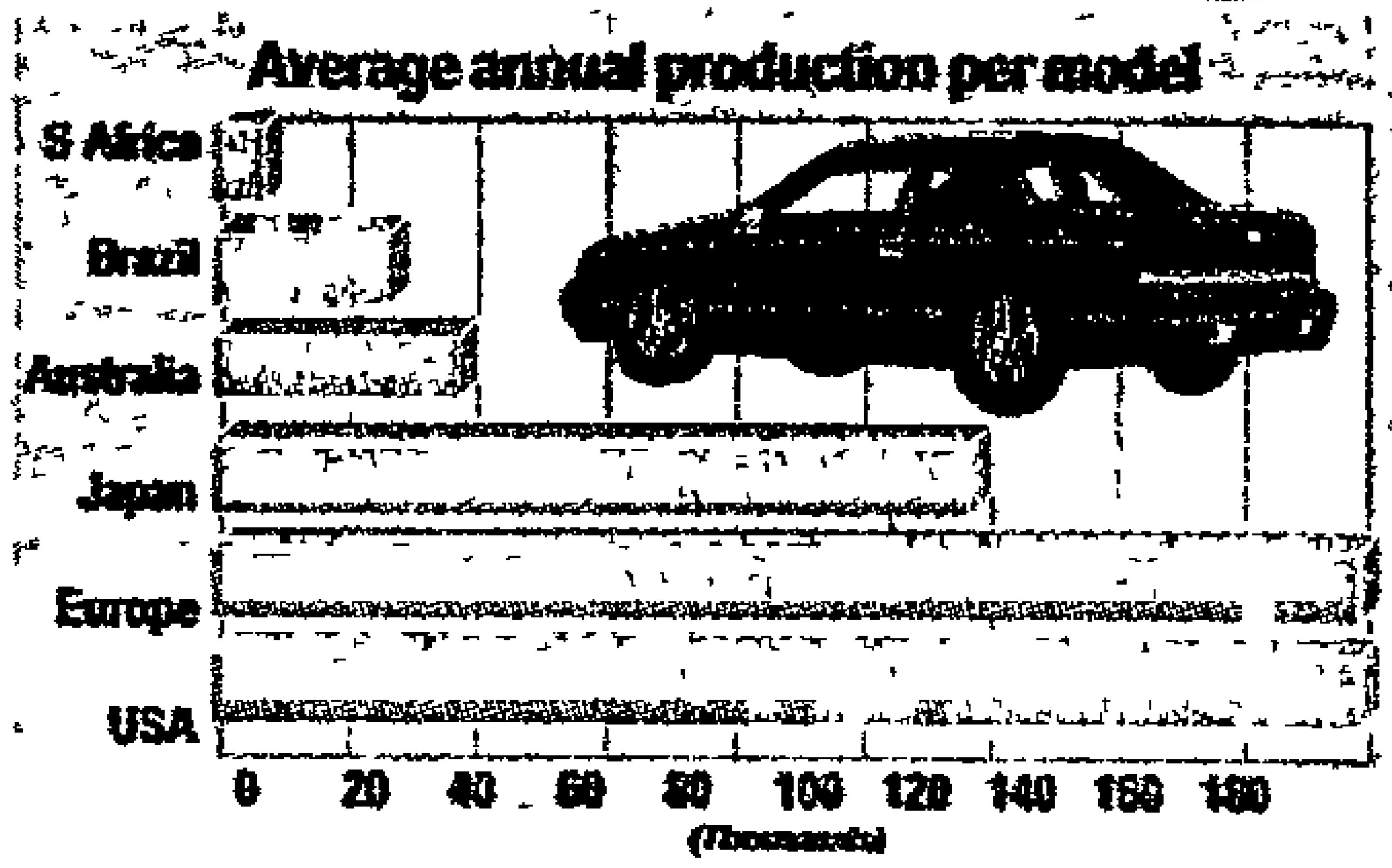
Increasingly engines are being imported in a fully assembled form Unable to compensate with improved exports, the firm has seen employment fall by nearly 40 percent since Phase VI was introduced.

Not surprisingly, it was mainly pressure from component suppliers that prompted the government to establish the MITG Out of this process will hopefully emerge a more rational policy for the industry, one which gives firms the opportunity to adjust before markets are opened to foreign competition Liberalisation must be gradual and most importantly must be accompanied by two sets of policy initiatives

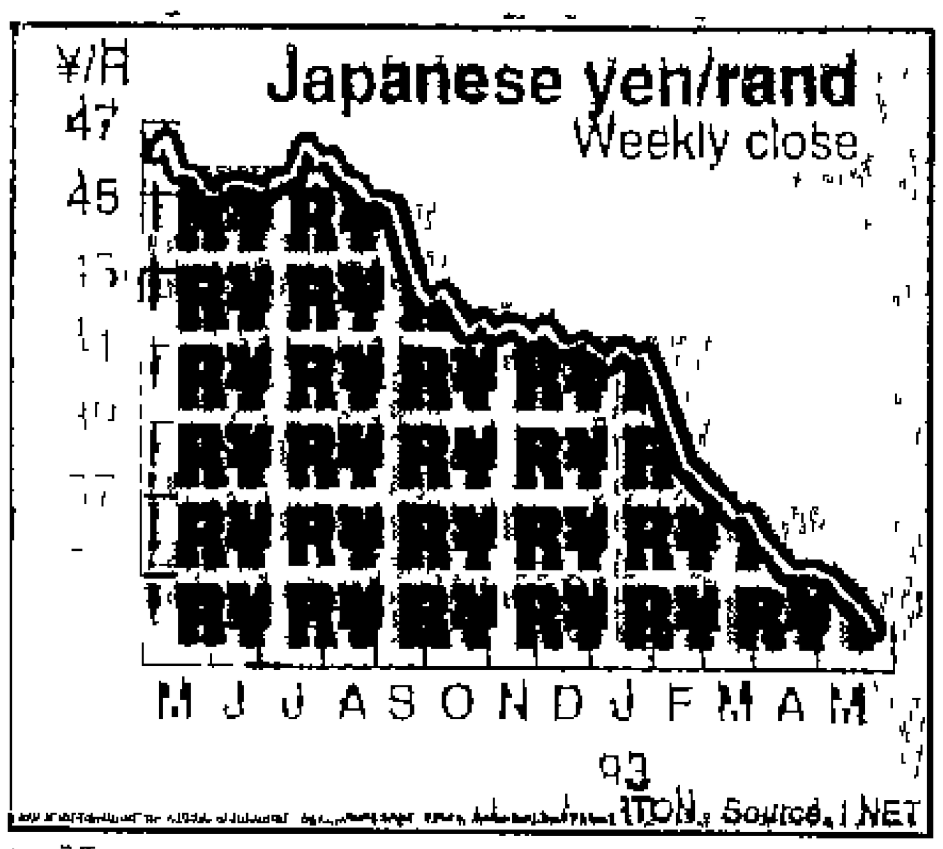
The first would be measures to re-establish the industry on a more rational basis by reducing the number of models (and perhaps also makes) produced locally

The second would be aimed at upgrading firm level capabilities by, for example, providing improved training at all levels and support for indigenous research and development.

● **Anthony Black teaches at the university of Cape Town has been a researcher for the Cosatu-linked Industrial Strategy Project.**



Too many models ... The graph displaying the production per model of passenger vehicles shows the lack of economies of scale



Rand at postwar low to the yen

(192)

BDM 28/5/93

EDWARD WEST and TIM MARSLAND

THE rand crashed yesterday to a postwar low of 33,88 yen from a previous 34,05, signalling a further blow to motor manufacturers' import bills.

Currency dealers said US moves to seek a narrowing of its trade deficit with Japan were behind the weak exchange rate. A key part of the US's strategy was to let the dollar depreciate against the yen

One local dealer said the US Federal Reserve had purchased dollars for yen yesterday in line with this policy However, the Bank of Japan had stepped into the market later in the day to slow the yen's gains against the dollar.

The continuing devaluation of the rand against the yen had already effectively increased the motor industry import bill in rand values by 17,5% against last year's R6,7bn, industry sources said

Toyota marketing MD Brand Pretorius said if the trend continued, the devaluation for the year could be double the 17,5% experienced since the beginning of the year, increasing foreign exchange usage substantially in 1993 However, further price increases could dampen vehicle demand before end-1993 and lower imports

The decline in Japan's producer price index could also offset rising imports, said Econometrix economist Tony Twine

Pretorius said manufacturers were cushioning motorists against higher import bills, although further price increases could not be ruled out. Although Toyota's budget had been thrown into disarray by the currency devaluation, its balance sheet was strong at the end of its last financial year and it would not have to resort to increased borrowings yet

Vehicles and components worth R6,7bn

□ To Page 2

Yen

BDM 28/5/93 .

(192)

□ From Page 1

were imported last year, 12,9% of SA's total import bill Exports amounted to R1,5bn in 1992, bringing the industry forex usage to R5,2bn, National Association of Automotive Component and Allied Manufacturers (Naacam) statistics showed

Although exports were expected to grow only moderately this year because of declining vehicle sales worldwide, there was sufficient capacity in SA to increase exports substantially and reduce forex usage

SA's Japanese-sourced motor manufacturers could begin sourcing more components locally if the devaluation of the rand against the yen became a long-term trend, said Naacam director Denzyl Vermooten

The value of locally manufactured vehicles and components in 1992 was virtually the same as the rand value of the industry import bill. Vermooten said the value of locally sourced components used by the industry had remained fairly constant over the past three years.

VW appoints top man for SA board

(192) CT 28/5/92

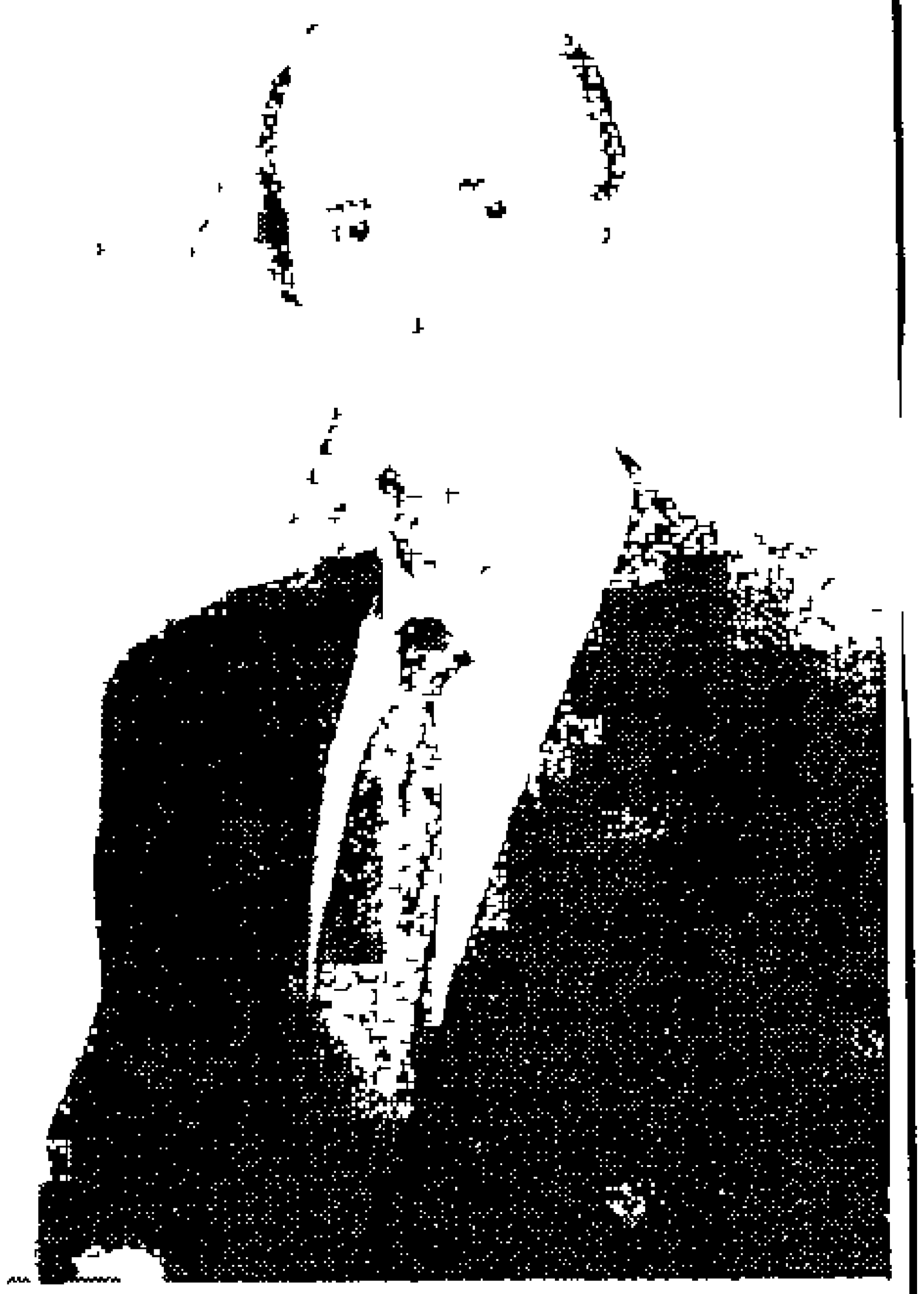
Business Staff

IGNACIO Lopez, who joined the management board of Volkswagen in Germany in March as head of a newly created division, Production Optimisation and Procurement, has been made responsible for the SA and South American regions.

His cost-cutting demands to suppliers have caused controversy in the motor industry. Critics have suggested that they could endanger the quality of parts or discourage suppliers from carrying out research and development.

But VW points out: "His results are incontrovertible. General Motors (Europe) was making losses until he arrived in 1988. It was one of the most profitable vehicle manufacturers in the world when he left in 1992 to do the same for General Motors in North America."

Lopez and his supporters point out that he helps suppliers keep costs down by offering unusually long-term contracts to parts manufacturers who meet his quality, service and price specifications.



TROUBLE-SHOOTER ... Ignacio Lopez — the man whose controversial methods brought General Motors (Europe) back to profit — has been appointed to the board of Volkswagen of SA

Peter Searle, chairman and MD of VW (SA), said the appointment was "an indication of the importance attached to the SA operation by our parent company in Germany, which also does its summer testing here."

Andreas Schleef, formerly Audi management board member in charge of personnel at Ingolstadt, has also been appointed to the board of VW (SA).

VW seals another export deal with the Far East

(192)

ARG 29/5/93

MARC HASENFUSS
Business Staff

VOLKSWAGEN of South Africa (VWSA) has sealed another major export deal — worth R500 million — with the Far East.

The Uitenhage-based motor manufacturer will export 17 000 left-hand drive Jettas to China. The deal follows last week's visit by the Board of directors of Volkswagen China to the Uitenhage plant.

About a year ago VWSA shipped the first consignment of vehicles to China. To date, 10 000 Jettas have been shipped.

VWSA managing director Peter Searle said the increased order protected about 700 jobs at the assembly plant and "many more in the component industry".

He said a crucial factor in fulfilling the order was the uninterrupted supply of vehicles to the required quality standards.

Further business opportunities are expected with Volkswagen China as the group's new Changchun factory is still in a start-up phase.

China buys more SA cars

(192)

PORT ELIZABETH — An order by China for 17 000 more semi-knocked down (SKD) left-hand drive Jettas to be exported from South Africa will mean that 700 jobs at Volkswagen South Africa will be retained This follows an earlier order of 12 500 SKD Jettas that VW is exporting to China. The cars will be shipped to China over the next 15 months at a rate of 500 every second week. — PEN

Sowetan 29/5/93.

New Chinese VW order saves 700 from lay-off

SI Times (BUSS)

30/5/93

By DON ROBERTSON

VOLKSWAGEN SA will supply a further 17 000 left-hand drive Jettas to China, preventing retrenchment of about 700 workers

The order, worth more than R500-million, follows one signed last year for 12 500 second-generation Jettas for FAW-Volkswagen (FAW-VW), a venture between Volkswagen of Germany and the Chinese Government.

The first shipment of this R400-million consignment was made in May last year and 10 000 cars have been delivered It is expected that deliveries for the new semi-knocked down order will begin next year at a rate of about 1 200 a month.

Trade between China and SA has been in favour of the Chinese. Last year, SA imported goods worth R709-million from China and exported R489-million, most of which was Jettas.

Chairman and managing director Peter Searle says: "We believe exports to be of crucial importance to the present economic situation in the country The increased order also protects about 700 jobs at VWSA and many more in the component industry."

Because of the stagnant motor industry, VWSA recently held negotiations with unions about possible forced retrenchment of between 500 and 1 000 workers. A voluntary retrenchment and early retirement programme is still in operation.

Lin Ganwei, president of FAW-Volkswagen, and his board visited the Uitenhage plant and announced the contract.

He says: "We are pleased to be able to continue our relationship with VWSA and see further opportunities for business as the Chinese economy is developing fast and we require this volume to support us through the start-up phase of our factory in Chang Chung."

The deal will go a long way to restoring VWSA's profitability. In its report for the year to December, Volkswagen AG said VWSA suffered a small loss.

Engen going for a London listing

SI Times (BUSS)

30/5/93

By ZILLA EFRAT

ENGEN plans a London Stock Exchange listing, possibly before the yearend, to boost its international expansion.

Engen investor relations manager Abbas Gani says the main aims of the listing are to raise the company's international profile and to have structures in place when it needs to raise capital.

"Opportunities knock on our door frequently and we want to have everything in place so that we can take advantage of them quickly"

But the proposed listing is not linked to any specific project or acquisition at this stage, he says

Engen is believed to be evaluating acquisition options involving oil in West Africa. Its evaluation includes funding its growing exploration in the area

Engen boss Rob Angel was in London two weeks ago introducing the group to the press, investment analysts and institutions. The group expanded its London office by moving part of its logistics division there a fortnight ago

Mr Gani says the listing is in line with Engen's wish to be involved in the exploration and production of half of its crude throughput.

"To do this will involve major capital."

One advantage of a London listing is that it could help to overcome the increasing foreign-exchange difficulties that SA companies face when making acquisitions abroad.

Mr Gani says Engen will be listed in London only when the political climate in South Africa is conducive.

He says Gencor's proposed unbundling is regarded favourably by British investors because it will improve the tradeability of Engen shares.

Once Gencor and Genbel release their 70% stake, the number of Engen shares in public hands will jump from 28,2% to 64,6%.

Sanlam is likely to be the largest shareholder with 22%, followed by Rembrandt Group and Old Mutual.

Gencor's unbundling may also result in its selling its 5,8% stake in the Alba and Britannia oilfields in the North Sea because they do not fit in with its core mining business Engen holds a 2,2% stake in the venture.

Mr Gani says Engen might be interested in buying these interests "if the price is right" It will depend on prospects for crude-oil prices.

Alfa takes on the biggies

SI Times (BUSS)

30/5/93

By JEREMY WOODS

AS covers were whipped off imported Alfa Romeos in showrooms round the country this week, Brian Taylor, managing director of Alfa Romeo Concessionaires, said: "We are out to nail sales of BMW and Mercedes."

Alfa Romeo has returned with a range of cars not seen in South Africa before.

Mr Taylor says. "If our prices are comparable — and in some cases more competitive — we believe the discerning buyer will prefer a fully imported European-built car to one built here."

Franchises to sell Alfa Romeos are "being snapped up at a frantic rate" both for SA and other African countries.

BUSINESS BRIEFS

Russian gold forecast

RUSSIA lifted its veil of secrecy over gold production and exports, forecasting a steady 1993 production and promising a "balanced and moderate approach" to selling gold on world markets.

Yevgeny Bychkov, chairman of the precious metals committee, told a rare news conference that Russia had produced 146 tons of gold in 1992 and expected to produce the same in 1993.

Exports totalled 98 tons in 1992 and the country, a major producer, had sold 21 tons of gold abroad so far this year.

"I do not think sales of gold will change substantially," Bychkov said. "The government has a balanced and moderate approach to the matter."

Figures for gold production, exports and reserves were for long a closely guarded secret in the Soviet Union.

Eskom to help Cahora Bassa

SI Times (BUSS)

30/5/93

THE Government has accepted a proposal by Eskom to help finance rehabilitation of the Cahora Bassa hydro-electric scheme in Mozambique, says Mineral and Energy Affairs Minister George Bartlett.

The scheme on the Zambezi River was financed by South Africa, Mozambique and Portugal in 1969, but has worked for only a few weeks.

Zambia buying SA petroleum

SI Times (BUSS)

30/5/93

ZAMBIA has started importing all its petroleum products from SA after the temporary closure of its only refinery.

Indeni Oil Refinery in Ndola is being reconditioned. Zambia Deputy Energy Minister Colonel Patrick Kafumukache says supplies from SA have already started arriving in Zambia, which intends changing some of its petroleum product suppliers to SA.

Nigeria at SA exhibition

30/5/93

SI Times (BUSS)

A MAJOR promotional drive is under way in Africa and the Middle East to attract high-level businessmen to South Africa's largest technology show ever, The Africa Initiative.

Nigeria, which still has sanctions against South Africa, is expected to send the largest delegation to this five-day business olympiad to be held at Johannesburg's National Exhibition Centre at the end of August.

SAA heads back to Angola

SAA, in association with Angolan carrier TAAG, will resume weekly flights to Luanda from next Monday. Flights started between Johannesburg and Luanda in April 1992 but were suspended in October due to the unrest in Angola. SAA said the new flights would leave Johannesburg at 9:15am on Mondays arriving in Luanda at 11:50 am.

Racy under investigation

A TRADE AND INDUSTRY inspector has been appointed to investigate the affairs of Racy, which sold its assets to three directors at a discount to net asset value earlier this year. The inspection follows the legal recourse offered disgruntled minority shareholders.

Volkswagen gets second Chinese order

Star 11/6/93

192

Finance Staff

DURBAN — Volkswagen has secured an order for a further 17 000 Jettas to be exported to China — saving 700 jobs which were in jeopardy and boosting the Eastern Cape economy.

The order comes on top of another for 12 500 Jettas shipped to China some time ago It is expected to realise R500 million in turnover.

Chairman Peter Searle said at the weekend the order for 17 000 vehicles would not only benefit 700 VW workers, but also a further 1 400 within the total supply industry.

Components sourced from local industry, which stands to make R156 million from the deal, include engine blocks, tyres, glass, interior trim material, brakes, suspension, exhausts, wheels and body pressings and electrical components.

"Our quality standards have to be in line with Volkswagen's worldwide quality standards and the Chinese have reserved the right to review the order in the event that supply is interrupted for whatever reason

"They do not want their production lines brought to a halt by any problem in South Africa. This has important implications for labour relations and our unions "

The vehicle market in China is the fastest growing in the world and VW has a dominant share of the market.

It is expected that 400 000 cars will be produced and sold in China this year alone

Car manufacturers' adspend soars 21%

Buss. day 11/6/93

TRACY SCHNEIDER

MOTOR manufacturers' advertising expenditure soared 21% to R125,7m in 1992 as the recession deepened and vehicle sales slumped The 1991 figure was R103,7m

Ibis and MRA Media Services said all manufacturers, except Volkswagen, had recorded large adspend percentage increases, with Nissan showing the greatest jump of 42%, to R19m

Manfacturers attributed the rise in adspend to numerous new model launches during the year

"The past 18 months have been unusual, with new model launches having to be supported by advertising campaigns," said Toyota marketing and communications director Francois Loubser

(192)

At R30,9m, Toyota was the largest industry spender for the year, making it the sixth largest advertiser in SA

Manufacturers said plummeting vehicle sales — from 334 779 units in 1990 to 284 028 in 1992 — was another reason for the surge in adspend from R101,1m in 1990

"It is a basic marketing fundamental to increase advertising during tough times Competition steepens and manufacturers must work harder to capture a smaller market," said BMW public affairs chief Chris Moerdyk

Manufacturers said total motor adspend was not excessive, comprising 4,6% of total adspend for the year and working out to just over R400 a vehicle

"If one puts the average cost of a vehicle at R40 000, this means advertising accounts for only 1% a unit," said Moerdyk

Samcor sales and marketing director Sean Bownes said motor industry advertising was essential to ensure maximum product differentiation between relatively similar goods

Loubser said the growth in adspend was unlikely to be repeated, but he expected the high levels to be maintained as companies supported new model campaigns

Poor trading hits Saficon earnings

EDWARD WEST

SAFICON Investments' earnings of 14c a share in the year to end March 1993 were well down on pro forma 1992 earnings of 50c as the group weathered slow trading activity.

Saficon's results were not comparable with actual 1992 figures due to the majority stake acquired in associate Boumat during the year Pro forma 1992 figures were based on the assumption that Boumat became a subsidiary on April 1 1991

The dividend was lowered to 4c from 13c in 1992 CE Kurt Hipper said the group's motor retail and building material operations were affected by a severe downturn in trading conditions and pressure on margins.

(192)

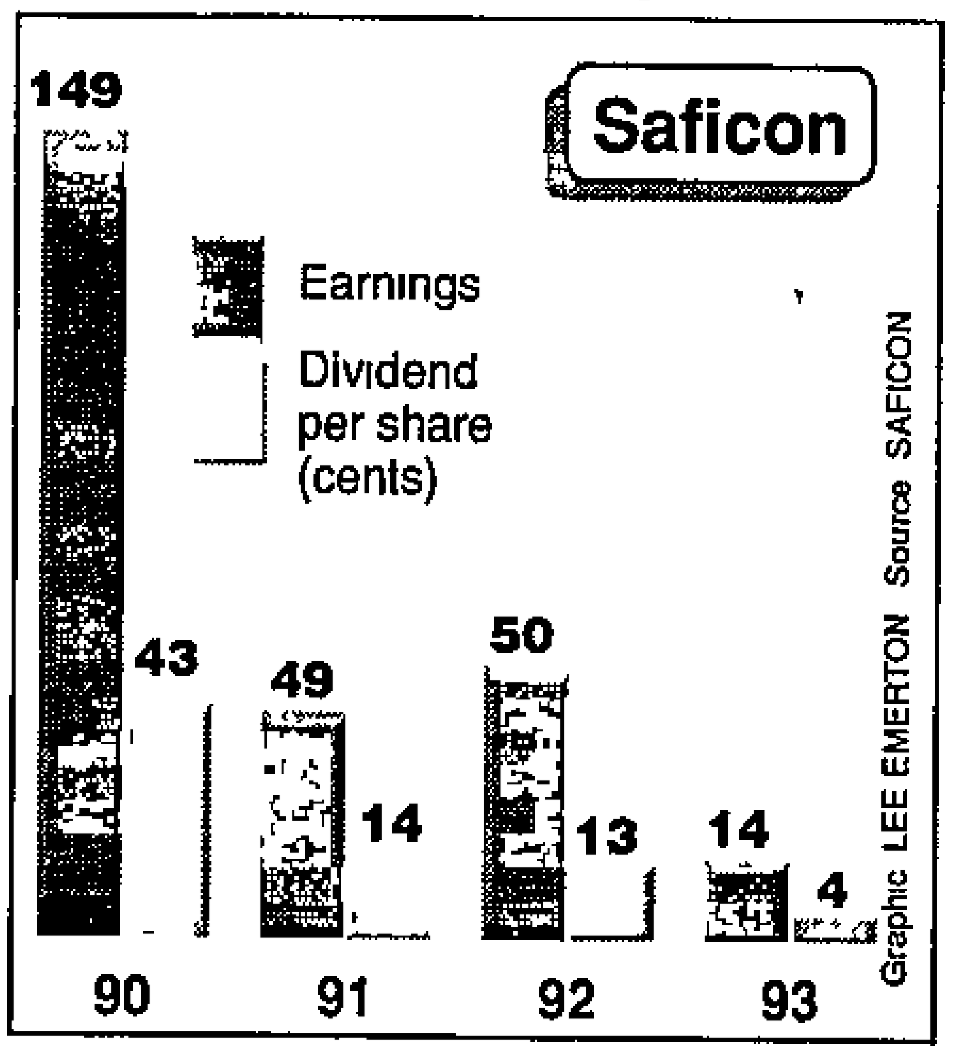
Turnover remained static at R2,7bn due to depressed market conditions and an inadequate supply of Volkswagen passenger cars in the second half Non-recurring costs totalled R13m which included R11m in consultants' fees The remainder comprised factory relocation and retrenchment costs

Cost controls failed to offset the impact of dwindling margins, and operating profit fell 43% to R48,3m (pro forma 1992 R88,8m) A lower gearing ratio to 14% (32%) led to a 26% drop in interest paid to R29,1m (R39m). After accounting for tax of R10m (R21,3m) and outside shareholders' interests, attributable earnings totalled R5,1m (R17,8m)

Saficon's three motor businesses, Cargo Motors, Lindsay Saker and LSM Distributors were consolidated into one company which would improve operating efficiency and reduce costs, said Hipper

The declining national passenger and commercial vehicle market for the fourth successive year was compounded by a change in product mix, as consumers traded down into smaller models, he said

As a result, Saficon's motor businesses sales fell 3,8% to R1,5bn and after accounting for consultants' fees a loss was incurred in this division.



Hipper expected Saficon to increase vehicle sales volumes and regain lost market share in spite of the national dealer market remaining static this year.

Saficon increased its holding in building materials group Boumat to 63% during the year at a discount to its net worth which was reflected as an R8,1m extraordinary item

Although Boumats earnings fell to 25c a share from 43c in 1992, it nonetheless contributed R4,2m to Saficon's R5,1m attributable earnings

Hipper said Boumat underwent major operational, strategic and leadership changes during the year and reported an encouraging improvement in performance in the second half.

Progress had been made in rationalising the motor business, the full benefits of which were expected to flow through in 1994 Hipper expected this and the group's increased stake in Boumat to contribute to a material improvement in earnings in the 1994 financial year

The results of Sakers Finance and Investment Corporation reflected those of Saficon, which is its sole asset Saker's reported earnings of 24c a share (81c) and declared a dividend of 5c (20c)

Saficon earnings plunge

Star 2/6/93

By Stephen Cranston

The continuing slump in the motor and building industries led to a decline in Saficon's earnings from a pro forma 50c to 14c in the year to March.

Saficon consolidated the building supplies group Boumat as a subsidiary from the beginning of the year

Its dividend has been reduced from 13c to 4c.

192

Boumat, which remains listed, reported a 42 percent decline in earnings to 25c a share and a 40 percent reduction in its dividend to 6c.

Saficon chief executive Kurt Hipper says the group's results were affected by a relentless pressure on margins in all areas as the group fought to maintain its share of a shrinking market

Turnover was statie at R2,7 billion, and was affected by an inadequate supply of Volkswagen cars in the second half

Hipper says operating costs were well contained and in some areas declined in the wake of major cost-cutting steps.

Operating profit was down 43 percent to R48,2 million and a reduction in borrowings led to a 29 percent reduction in interest paid to R29 million

Attributable earnings fell from R17,8 million to R5,1 million.

The size of the national vehicle market declined for the fourth successive year.

This was compounded by a change in the product mix in these markets as consumers traded down to smaller models

The turnover of the motor businesses fell by R3,8 percent to R1,5 billion and a loss was incurred in this division, after accounting for a non-recurring consultant's fee.

Boumat underwent major operational, strategic and leadership changes during the year and improved its performance in the second half.

Boumat CE Adam Klein says that there should be a significant improvement in results for 1994

Leading motor spares, glass companies under Board spotlight

CT 3/6/93 (192)

Own Correspondent

JOHANNESBURG. — The Competition Board will investigate leading companies in the motor spares and glass sectors.

A board spokesman said yesterday the investigation into the motor spares' sector involved the FSI group and an acquisition by Varex in the motor engine parts market. Varex had been created by FSI subsidiary W & A last year through a series of mergers and acquisitions.

The board said it had to determine if a proposed transaction between Varex, Alert Engine Parts (Eastern Province) and Alert Engine Parts (Namibia) constituted an acquisition as defined in Section 1 of the Competition Act (relating to takeover acquisitions and effects on competition).

The spokesman said the investigation followed a warning to FSI last year of a formal board investigation into any further acquisitions in the wholesale engine parts market.

In November the board expressed concern about the concentration of control in the market, after FSI subsidiary Vektra's purchase of Eddies Stores and certain Spareco outlets.

Varex chairman Alan Schlesinger said the group held a relatively small share of the overall parts market. The proposed acquisition would not change that situation significantly, he said.

The investigation into the glass sector involved Plate Glass & Shatterprufe Industries (PGSI). The investigation — which was prompted by complaints to the board — would set out to determine whether one or more of the companies had a monopoly or was engaged in restrictive practices.

The board would also investigate acquisitions planned or made by PGSI in the past five years.

The Competition Board investigation follows January's announcement of a second investigation by the Board on Tariffs and Trade in just over a year into what PGSI claimed was the dumping of cheap clear flat glass imports in SA.

Rod Fehrsen, MD of Glass SA (a division of PGSI), said it was inevitable that competitors would retaliate against Glass SA's recent application for protection against dumping of building glass in SA by Far East manufacturers.

on first wave of a new era

BLOEM 3/6/93

A NEW era in vehicle leasing has arrived with the introduction of a compatible range of fully integrated and cost-effective fleet management skills and products to complement full maintenance leasing (FML).

The range helps contain increasing running costs.

The prolonged recession has not been conducive to exceptional growth in FML, but this service is holding its volumes and remains the core business of car leasing specialists

Prime Car Leasing, a member of the Imperial Group, is a front runner with a new portfolio of 11 pro-services and products. MD Nigel Webb says "They form part of a totally integrated system which relieves the fleet owner of fleet management problems."

To be effective, Prime realised the new range needed to draw from its comprehensive data bases and in-house expertise The range comprises

☐ FML, which enables a customer to fix its vehicle costs with a rental system inclusive of finance, depreciation and maintenance costs including tyres,

☐ Operating leases, allowing a fleet client to acquire vehicles of its choice without capital outlay and with the further benefit of off-balance sheet financing — a product exclusive of maintenance costs,

Vetting

☐ Managed maintenance systems where all maintenance and repair costs go through the Prime pre-authorisation, vetting and inspection process with the specific aim of reducing costs to a fair and reasonable level,

☐ Maintenance plans whereby all maintenance costs for a vehicle are covered for a fixed monthly rental, with no maintenance risk for customers,

☐ Used vehicle leasing where, being part of Imperial Car Rental, customers have access to quality used cars at lower rentals than the equivalent new vehicle,

☐ Purchasing of new vehicles where Prime's buying specialists are able to locate new vehicles nationwide,

☐ Disposal of used cars where Prime uses its established network to secure best resale prices,

☐ Comprehensive insurance for fleet management users with a package that includes free replacement cars in case of accidents,

☐ Emergency assistance with 24-hour breakdown service and medical emergency through Prime's corporate AA membership,

☐ Replacement cars where association with Imperial enables it to provide replacement vehicles at low premiums in the event of mechanical breakdown,

☐ A fleet management consultancy service to assist in formulation of vehicle policies and give guidance on fringe benefits tax issues

"With this range, including a special fuel card introduced in recent months, we can satisfy all fleet needs," says Webb

He says Prime's comprehensive data and control mechanisms are unmatched by even larger corporates which tend not to maintain comprehensive asset management and costing records in the longer term

For example, take the managed maintenance system introduced last August, he says Supported by extensive and fully automated data on all costing and service/repair records, it not only relieves the fleet owner of such problems, but its application has reduced fleet costs by more than a third in some cases

"Although we are on good terms with all those franchised dealers that look after our vehicles, we always access the history of every vehicle before making any payments"

NIGEL WEBB

Inspect

This not only ensures the repair or maintenance was due, but that all charges are in line with those quoted for Prime vehicles

"And while we do not downplay the skills of the dealer workshop, our technical maintenance controllers also inspect any major repair item to see what needs doing, that the job is good and the cost right."

Limited finances mean fewer sales of company cars

Buss. day 3/6/93

VEHICLE financing problems will continue to have a negative impact on new car and truck sales, most of which are purchased by companies whose fleet management funds have shrunk

Faced by tighter controls on spending, many have resorted to rebuilding commercial vehicles to eke out a few more years' service from them before they are replaced. (192)

Cash-strapped companies are also becoming more choosy and professional in the way they acquire and run fleets

New purchases have been discouraged by higher vehicle prices and VAT, petrol price hikes, perks tax and interest rates.

Naamsa president and Toyota SA chairman Bert Wessels says that due mainly to the weakening rand and inflation, brought about by the local content programme, vehicle prices escalated by 35% in real terms over the past 11 years — in nominal terms 700% compared with 500% for consumer goods

Wesbank chief manager (corporate finance) Dave Segor says the big issue today is funding and this revolves around business confidence, which is low

Reluctance to invest more in vehicles has seen fleets becoming older, while individuals are similarly not replacing cars as often as in the past.

Avis Lease & Fleet Management national sales and marketing manager Sakkie van der Merwe says other trends emerging in company fleets are a buying down to smaller vehicles and in some instances investing in good and low-kilometre used vehicles

Shrunk

Wessels says in the past 10 years the market has shrunk from an annual 450 000 of all vehicles to less than 300 000.

Tighter cash restraints, says Segor, have aroused increasing interest in car allowance schemes, which help employers to clean up their balance sheets

Segor says even the municipalities are taking a harder look at their fleets, car allowances and using other fleet management options

Business Day SURVEY

Claims that leasing is becoming an expensive option have given rise to talk that some customers may return to running their own fleet operations Transporters suspect they are subsidising price hikes Leasing and rental sources say they can contain costs better than private operators.

LYNN CARLISLE *reports*

Newcomer Isuzu Truck Rental is bidding for a slice of the FML action

Delta launches new services in bid for more market share

Buss. day 3/6/93

IN A drive for a greater share of the fleet operators' market and to attract car scheme motorists, Delta Motor Corporation has launched a number of support systems and services for its trucks and cars

The company is in the final stages of developing a formal customer care programme, has restarted a truck training programme for fleet operators and dealer staff, introduced a full-cover insurance scheme and has established a truck rental joint venture

Delta sales and marketing director John Cuming says the truck training programme is based largely on the contents of a new technical manual the Isuzu truck consultants' book

Developed as a service to fleet operators, the manual contains useful information on truck technology, the RTQS and other legislation

It explains truck performance parameters and how they are calculated and reviews various finance and purchase options, says Cuming

He says a computer-based programme that takes the mystery out of truck performance predictions is a feature of the training module

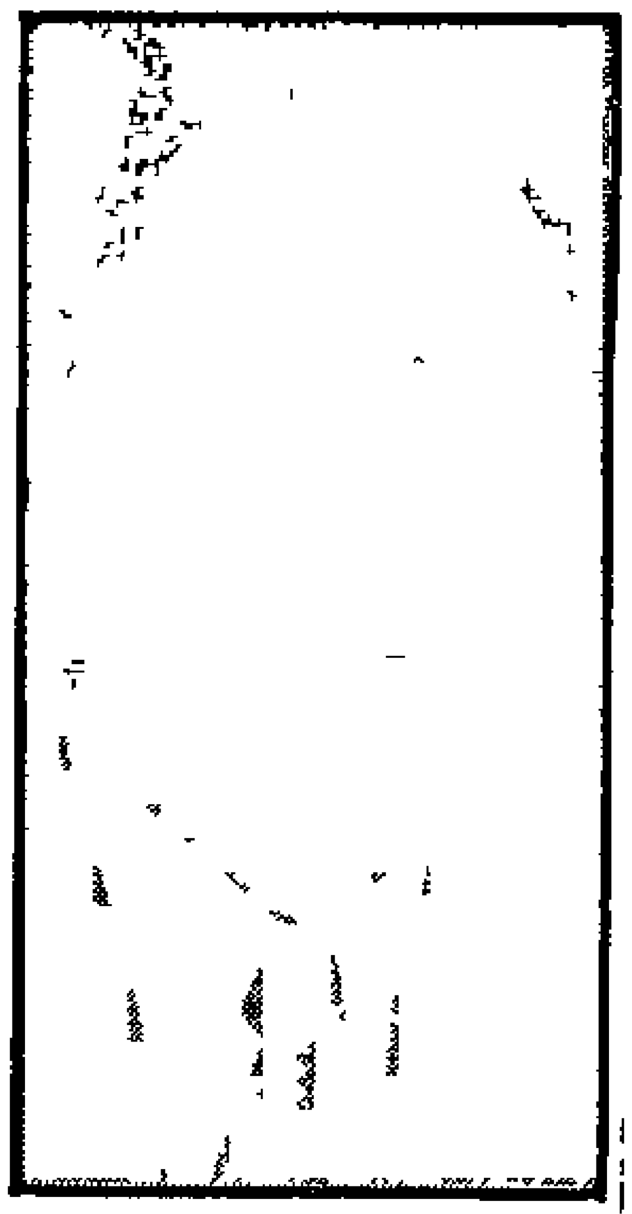
The programme also holds details of kilometres of real trucking routes with detailed profiles of hills, bends, compulsory stops and traffic patterns to aid fleet management

(192) (285)

Insurance

Also available is the fully comprehensive insurance policy Motor-Plus which Delta claims incorporates many features not normally found in motor policies

Launched through Delta's dealer network, the policy is for new cars and bakkies and certain used cars It offers a range of discounts for owners meeting certain conditions and is underwritten by Aegis Insurance



JOHN CUMING

Being the first local vehicle manufacturer to have joined forces with an independent company — Nedfin Fleetrent Holdings — resulted in Delta's 1992 launch of Isuzu Truck Rental, which provides long-term rental contracts and full maintenance leasing

Rationale for this, says Cuming, is that long-term rental has been growing steadily since 1990 and currently accounts for only about a third of its potential, which should peak in about five years

Greater effort made to improve packages

(192)

B/Day 31/6/93.

FINANCIAL link-ups by motor manufacturers and banks are flourishing in an effort to tailor a greater variety of vehicle purchasing financial packages to attract greater market share

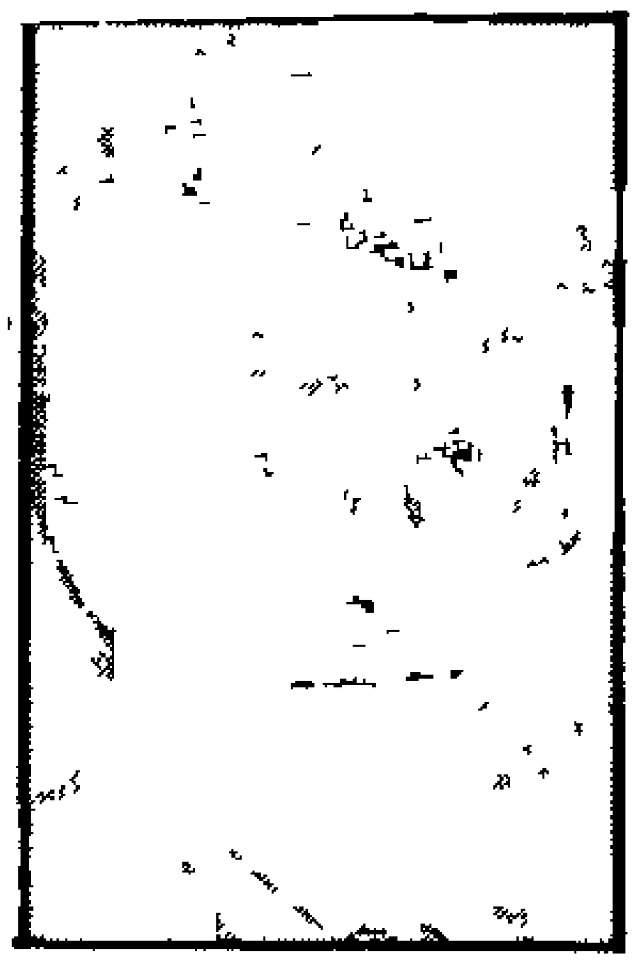
While many such partnerships started with sales and full maintenance leasing schemes for commercial vehicles, they have extended rapidly into passenger cars

Some manufacturers, including their dealer networks, are tying up with different banks for different models of the same make of vehicle

The McCarthy Toyota group has links with Wesbank, Stannic and Bankfin Most manufacturers have similar arrangements

Nissan SA GM (fleet and government sales) Pieter Ackermann says "We are considering creating more joint finance companies with banks, in order to become more flexible and offer a wider variety of financing options"

However, each scheme varies He says demand is for lowest interest rates or least monthly repayments



PIETER ACKERMANN

Conjunction

Packages developed and marketed by Nissan in conjunction with a number of banks include the Uno programme, which offers the Wesbank Wheelsave, including maintenance for 36 months

Others include its Bankfin scheme, which is for the Nissan Maxima and the Champ 1800 bakkie.

"We have also received several requests to look at finance options for trucks," says Ackermann.

"This flexible approach has produced excellent results and our banking partners are satisfied with the business generated through the Nissan network"

Probe into parts, glass firms

EDWARD WEST

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□ To Page 2

Probe

Buss. day 3/6/93

□ From Page 1

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"In addition to indignation about our dumping application, recent changes in our distribution policy have apparently contributed to complaints against us by our competitors," Fehrsen said

FM 4/6/93

SAFICON

(192)

- **Holding in Boumat increased to 63% from 32%**
- **Net worth per share increased from R5,72 to R6,02 despite low earnings**
- **Rationalisation reduces cost structure**

Audited consolidated income statement
for the year ended 31 March 1993

	1993 Actual (R'000)	1992 Pro forma (R'000)	1992 Actual (R'000)
Turnover	2 696 030	2 694 231	1 530 996
Operating profit	48 274	83 776	44 508
Net interest paid	29 088	39 031	21 634
Profit before tax	19 186	44 745	22 874
Tax	9 962	21 254	10 709
Profit after tax	9 224	23 491	12 165
Attributable earnings of associated companies	99	73	4 330
Profit after attributable earnings	9 323	23 564	16 495
Outside shareholders' interests	4 216	5 773	313
Earnings for ordinary shareholders	5 107	17 791	16 182
Dividends for ordinary shareholders	1 714	-	4 050
Secondary tax on companies	239	-	-
	3 154	-	12 132
Extraordinary items	8 080	-	5 881
Deferred tax adjustment	(1 575)	-	-
Earnings retained	9 659	-	18 013

Audited consolidated balance sheet
at 31 March 1993

Fixed assets	132 262	141 524	104 714
Investments in associated companies	3 723	3 498	51 043
Long term debtors	11 382	10 196	762
Deferred tax	7 133	6 569	8 378
Current assets	632 380	633 214	262 309
Stocks	344 622	362 134	181 094
Accounts receivable	284 331	271 080	80 507
Tax prepaid	3 427	-	708
Total assets	786 880	795 001	427 206
Less Non-interest-bearing debt	476 995	430 917	163 899
Net assets	309 885	364 084	263 307
Financed by			
Total equity	272 652	275 015	185 299
Ordinary shareholders' equity	215 755	204 871	182 722
Outside shareholders' interests	56 897	70 144	2 577
Interest bearing debt	37 233	89 069	78 008
Net assets	309 885	364 084	263 307

Other information

Weighted number of shares in issue	35 830 105	35 830 105	30 718 187
Number of shares in issue	35 830 105	35 830 105	31 155 047
Earnings per share (cents)	14	50	53
Dividends per share (cents)	4	-	13
Net worth per share (cents)	602	572	586
Debt Equity ratio	0,14:1	0,32:1	0,42:1
Total debt Equity ratio	1,89:1	1,89:1	1,31:1

Saficon Investments Limited
(Reg No 63/00929/06)

Audited preliminary announcement for the year ended 31 March 1993

Boumat Limited

Boumat Limited became a subsidiary company with effect from 1 April 1992 when the Group's holdings in Boumat increased from 32% to 51% During the year this holding was increased to 63% The pro forma figures shown for comparative purposes assumes Boumat became a subsidiary on 1 April 1991

Saficon Motor Holdings Limited

With effect from 1 October 1992 all the motor operations of the Group were consolidated into Saficon Motor Holdings, which should lead to reduced costs and improved operating efficiency

Results

The results of our various operations have been mixed Some business units have done well under the most difficult trading conditions while others have made losses A common factor throughout the Group has been the erosion of gross profit margins as the year progressed and as we fought to maintain or improve market share Given the level of inflation and absence of growth in turnover, operating costs were reasonable in relation to turnover

The inability of Volkswagen SA to supply an adequate volume of cars during the second half of fiscal 1993 had a material effect on results

Boumat contributed R4 217 000 to our earnings of R5 107 000 while the rest of the Group contributed a lower than expected R890 000

Earnings per ordinary share amounted to 14 cents (1992 pro forma 50 cents) A final dividend of 4 cents per share was declared for the year on 1 June 1993 and will be paid on or about 6 August 1993

Financial position

The consolidated balance sheet at 31 March 1993 reflects a sound financial position

Future outlook

Our budgets for fiscal 1994 show a material improvement on our results for fiscal 1993

Annual report

The annual report is in the course of preparation and will be mailed to shareholders on or about 30 June 1993

Declaration of ordinary dividend in respect of the financial year ended 31 March 1993

Saficon Investments Limited

Notice is hereby given that ordinary dividend No 57 of 4 cents per share was declared by the board of directors on 1 June 1993, in respect of the financial year ended 31 March 1993 This dividend is payable to shareholders registered at the close of business on 18 June 1993 The share transfer register and register of members will be closed from 19 June 1993 to 25 June 1993, both days inclusive Dividend warrants will be despatched on or about 6 August 1993 In terms of the Republic of South Africa Income Tax Act of 1962, as amended, non-resident shareholders' tax of 15 per cent will be deducted from dividends payable to shareholders whose addresses are outside the Republic of South Africa

By order of the board
Saficon Group Services (Proprietary) Limited
Secretaries
per **P D Taylor**
1 June 1993
Registered address
1st Floor Saficon Place 10 Sherborne Road Parktown 2193 Johannesburg
PO Box 61223 Marshalltown 2107
Transfer secretaries
Central Registrars Limited
154 Market Street
Johannesburg, 2001
PO Box 4844 Johannesburg, 2000

Penrose Financial 18972

TRACTOR SALES (192)

The time is ripe

FM 4/6/93

The scowls on the faces of agricultural-implement dealers are slowly turning into grins Farmers in the summer rainfall areas are set to reap one of their best crops in years And for the first time in decades, some tractor prices are coming down and farmers can at last think about replacing their old models.

Tractors powered by engines bigger than *5l* can be imported duty-free because the State-owned diesel-engine manufacturer, ADE, no longer enjoys protection on that range

Thanks to overproduction overseas, imported tractors are not priced out of the market anymore. In addition, local manufacturers are marketing "affordable tractors" — simple units consisting of engines, gearboxes, final drives and wheels, without the add-ons that thrust prices into the realm of imported luxury cars They are selling for between 9,5% and 27,7% less than the models they replaced or complemented and several are fitted with imported engines

ADE MD Fritz Korte says duty used to be charged on all tractors fitted with imported engines and assembled in SA.

ADE engines are between *2l* and *7l* The maximum duty for a tractor fitted with an imported engine in that range was 40% of its excise value, which was set at 70% of its retail value For tractors fitted with bigger engines than ADE made, the duty was 20% of their excise value, which was also set at 70% of their retail value.

"But the duty payable was calculated on the set value of the tractor," Korte says "So as inflation raised tractor prices, the percentage of the duty payable declined By mid-1992 the duty payable on a tractor with a six-cylinder *2l* to *7l* engine had effectively disappeared

"Because the duty on tractors with engines bigger than *7l* had disappeared, ADE asked the Board on Tariffs & Trade to withdraw the protection it enjoyed on six-cylinder engines of *5l* to *7l* At about the same time, the rand value used as the basis for calculating the duty was also reduced, further cutting the duty payable for tractors with *2l* to *5l* engines It's about 10% now "

Among the factors that have kept prices down are ADE's conservative increases on its tractor engines — 0,3% in 1991, 1,5% in 1992 and no increase this year Still, the company made an after-tax profit of R20m in financial 1992 and forecasts a R17m-R18m after-tax profit in fiscal 1993, which

FM 4/6/93 (192)

ends on June 30 Its exports are worth R50m a year and growing, Korte says

SA Agricultural Machinery Association secretary Jim Rankin, who is also an independent consultant, cautiously forecasts a 10% increase in sales of tractors and allied equipment this year But chairman Jan Prinsloo says there could be a 15% increase to around 2 540.

That's a far cry from the 24 862 sold in 1981, the year before it became mandatory to fit ADE engines to tractors or pay horrendous import duties

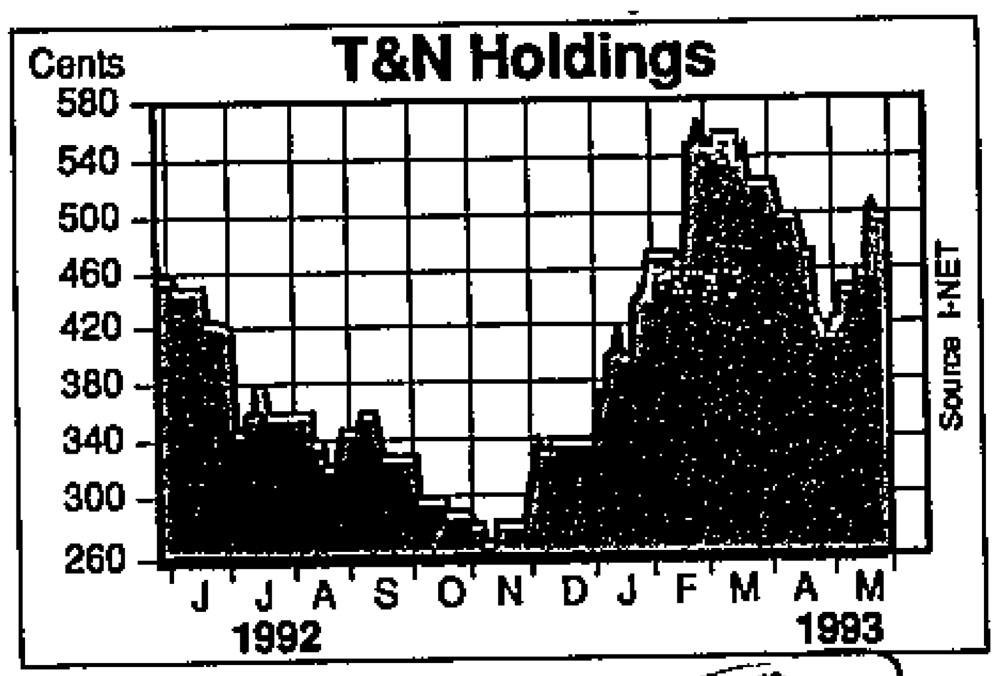
A 15% increase doesn't sound like much. Coming off such a low base, it's only 330 tractors. But the industry hit rock bottom last year and would be grateful for even a 10% increase of 220 tractors At an average R100 000 each, that will boost turnover by R22m

It won't end there, Prinsloo says "Though farmers are still heavily burdened with debt, their purchases will probably extend to miscellaneous implements such as ploughs, planters and cultivators "

He obviously knows his customers, for whom gambling on the elements is part of the business A year ago, summer rainfall grain farmers were battling to stand their ground after several bad years and a disastrous drought. But this year there's a good crop. An 8 Mt harvest is expected, four times bigger than last year's and worth R4bn, and that's enough to get any true-blue farmer to reach for the cheque book

But many still have to buy on credit That will lock them into financial agreements for three to five years, which means they will be wagering that those will be good agricultural years ■

FM 4/6/93



T&N HOLDINGS FM 4/6/93

Into the fast lane (192)

Activities: *Makes and supplies automotive components and engineering and industrial materials*
Control: *T&N Plc (51%)*
Chairman: *C F N Hope, CE W W Cooper*
Capital structure: *23,1m ords Market capitalisation R121m*
Share market: *Price 525c Yields 6,5% on dividend, 16,3% on earnings, p e ratio, 6,1, cover, 2,5 12-month high, 570c, low, 270c Trading volume last quarter, 181 000 shares*

Year to Dec 31	'89	'90	'91	'92
ST debt (Rm)	60,6	73,3	48,6	59,9
LT debt (Rm)	40,0	31,5	46,4	46,0
Debt equity ratio	0,82	0,60	0,34	0,38
Shareholders' interest	0,39	0,39	0,40	0,42
Int & leasing cover	2,5	1,3	1,7	2,5
Return on cap (%)	15,0	9,6	10,8	13,6
Turnover (Rm)	391	413	426	424
Pre-int profit (Rm)	39,5	28,2	34,8	48,6
Pre-int margin (%)	10,1	6,8	8,2	11,5
Earnings (c)	69,3	35,0	70,0	86,0
Dividends (c)	31	13,8	24	34
Net worth (c)	389	408	532	626

With 82% of sales directed at the depressed automotive industry, T&N's strong profit advance may seem a little incongruous The reason, however, lies not so much in the latest results (though these are undeniably good) but in its weak showing following the takeover of Asseng

Earnings peaked in 1988 — the last year before the takeover By 1990, the first full year Asseng was consolidated, EPS had dropped from 87,7c to 35c At that stage, gross return on total assets had fallen to a miserable 9,6%, while net return on equity was even worse at 8,6%

That was the low base from which recovery has taken place, earnings improving first to 70c in 1991 and now 86c, just 1,7c off best Given that these gains have been achieved in a severe recession, it is probably fair to conclude T&N is now benefiting significantly from the acquisition and resulting expansion of activities Cost-savings will have offset the deterioration in the economy and increased competition

It's also noteworthy that the earnings improvement has been achieved with no increase in volumes· 1992 turnover, at R424m, was a mere 15% higher than in 1990 (excluding discontinued operations) The only growth as such has been in exports, which have doubled from R29,1m in 1990 (7% of total turnover) to R58m (13,7%) (192)

T&N was unusually active in acquisitions and disposals last year The first major deal came in late January 1992 when minorities in Asseng were taken out This was followed in August by the purchase of a 70% interest in Fabilex, which makes industrial gaskets and related products

In September the resin business and assets of British Industrial Plastics were sold — which boosted EPS by about 8,2c (10,5%), as losses up to the date of disposal have been netted off against the disposal profit below the line

Finally, this January, the remaining 64,2% shareholding in associate Dancor was acquired — a relatively small buy (R3)

Still difficult

Chairman Colin Hope concedes that business conditions, at home and abroad, are likely to remain difficult He nevertheless seems optimistic of at least some further improvement from intensified cost reduction programmes, improved productivity and additional exports

Though the share has had a good run — it was 270c last November — at 525c the dividend yield is still 6,5% and the p e ratio an undemanding 6,1 It would seem investors haven't forgotten earlier disappointments but there could be further upside as these results support the premise that T&N has got its act together *Brian Thompson*

MOTOR INDUSTRY

FM 4/6/93

Going African

(192)

German car manufacturer ~~Opel~~ plans to use SA-based Delta Motor Corp as its guinea pig in testing the African car market

All of the major local vehicle manufacturers are looking for sales in sub-Saharan Africa In most cases, though, they are taking over and expanding markets established by their foreign principals

Not in the case of Opel "Africa is virgin territory for us," admits MD David Herman Delta, which builds Opel products (among others) at its Port Elizabeth plant, is best placed to serve this market "We are looking for African opportunities but we can't actively pursue every black African market and we are coming to the view that Delta can"

Delta has a better understanding than Germany of the African market and Opel is loath to risk its own investment until it's clear how the market will shape up Other international companies that set up their own plants in Africa "have had their arses kicked," as Herman puts it

Only if demand grows to unexpected levels will Opel move in itself For the time being, Delta has more than enough capacity

This shift into a previously unexplored market dovetails with Herman's desire to increase Opel's exports Last year, when he was appointed head of General Motors-controlled Opel, exports accounted for only 2% of production He wants to increase that figure to 5,6% In addition to Africa, the company is also targeting the Far East

It's not hard to see why Opel sales are highly concentrated in Europe, where the market is in decline By some estimates, it will fall at least 10% this year and, while

cont p

FM 4/6/93 (192)

Herman says Opel's own ~~market~~ share is increasing and profits remain healthy, it does no harm to find new markets

Just as the SA vehicle market looks sick, so Herman predicts the European market will remain depressed in the short term

"We see three negative aspects in the next 18 months First, the European recession, particularly in Germany, won't be over by early next year, so we'll miss out on the traditionally strong (northern) spring selling season

"Second, two-thirds of the European market decline will come from Germany, which is important for all manufacturers And third, the German problems are structural, not cyclical, so we can't tell when the situation will improve"

The picture is clouded further by quota disagreements with Japanese manufacturers Under current agreements, the Japanese are limited to a percentage of the EC market

Says Herman: "The EC thinks there is an understanding on what the limits are but events make you wonder For instance, how many units will be sold this year? The Japanese said the market will be up, so they plan to sell more cars But we say the market will go down more than 10%"

Equally worrying to Herman and others is the fact that the new Japanese plants being built in Europe are modern and thus more cost-effective than those of long-established companies So the Europeans are under constant pressure to pare already tight costs and margins

Herman doesn't dispute that many of the problems are of the Europeans' own making, through slowness in adapting to changed demands Still, in a comment that echoes the mood in the SA motor industry, he says "This is a critical period for European manufacturers" ■

VEKTRA/VAREX FM 4/6/93 .

Shuffling the pieces (192)

Investors will have to wait till next year to evaluate the acquisition of control of Varex by W&A subsidiary Vektra The deal is a reasonably simple reverse takeover Eddies, since renamed Varex, bought Femo, Parts

Centre and V&R from Vektra for shares At the same time it bought the Northspare group and changed its name to Varex

The deal was completed days before the end of Vektra's financial year the balance sheet reflects the acquisition but its P&L does not to any significant extent To conform with Vektra, Varex's year-end was brought forward, resulting in a 10-month period This, with the acquisitions, makes comparison with previous years meaningless

The acquisition had a surprisingly big impact on Vektra's balance sheet, given that Vektra already owned most of the businesses in Varex However, V&R and Parts Centre were previously only equity-accounted joint ventures despite being 100%-owned they ran in consultation with partners

Activities: *Distributes non-discretionary automotive replacement parts and has motor dealership interests*

Control: *W & A Investment Corp 74,9%*

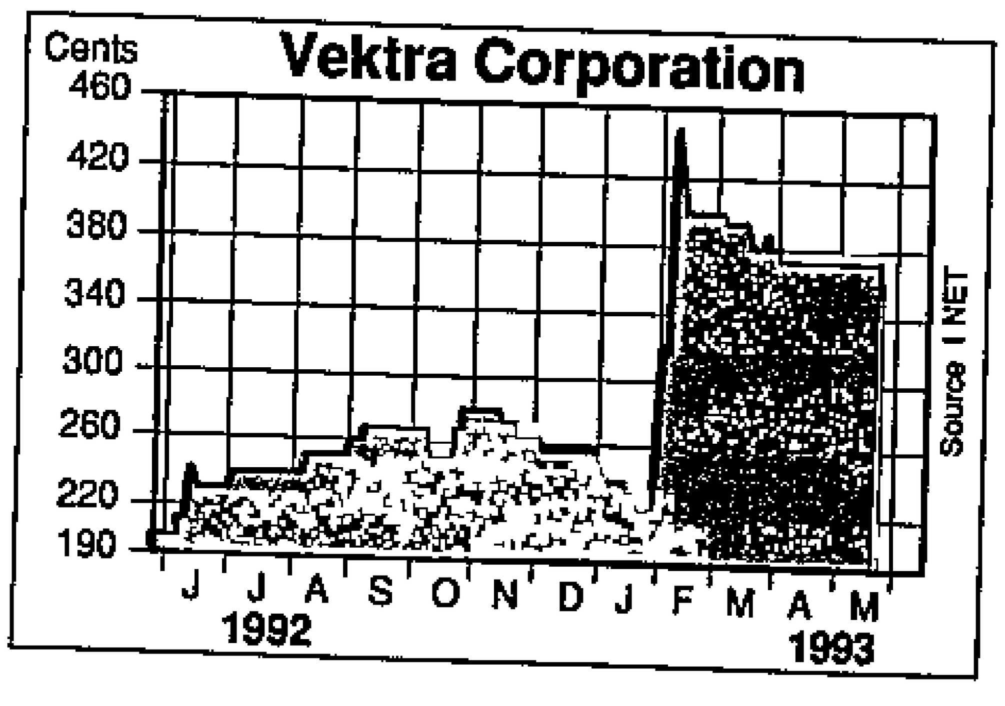
Chairman: *A Schlesinger, MD I Bell & R Crockett*

Capital structure: *11,9m ords Market capitalisation R44,6m*

Share market: *Price 375c Yields 4,0% on dividend, 11,7% on earnings, p e ratio, 8,5, cover, 2,9 12-month high, 450c, low, 200c Trading volume last quarter, 225 800 shares*

Year to Dec 31	'89	'90*	'91	'92
ST debt (Rm)	2,0	4,5	6,3	25,2
LT debt (Rm)	15,8	16,1	27,7	36,3
Debt equity ratio	0,2	0,3	0,5	0,7
Shareholders interest	0,5	0,4	0,5	0,4
Int & leasing cover	3,1	1,5	1,3	1,4
Return on cap (%)	26,1	17,9	18,5	11,5
Turnover (Rm)	466,9	475,5	493,5	484,7
Pre-int profit (Rm)	34,2	28,1	25,5	23,9
Pre-int margin (%)	7,3	5,9	5,2	4,9
Earnings (c)‡	108	46	38	44
Dividends (c)	35	16	13	15
Tangible net worth (c)	185,2	165,6	179,1	59,3

* Re-stated for the change in accounting policy
‡ Undiluted



To conform with the UK standard FRS2, issued in October, which defines control more tightly, these joint ventures were fully consolidated In the process of creating Varex, V&R and Parts Centre were exchanged for shares in Varex and subsequently became "controlled partnerships"

The jump in stocks and debtors of 75% and 132%, respectively, is explained by the consolidation of the erstwhile partnerships, as is the doubling in working capital Net interest-bearing debt has also reacted, rising from R33,5m to R58,6m

Vektra group has R57,6m in compulsorily

Schlesinger *hard day's night*

convertible debentures These are not classified as debt by the *FM* for calculating gearing ratios they are not repayable as they convert into equity But for debt servicing, the convertibles are considered debt, since interest is payable till conversion

Consolidating the controlled partnerships pushed up interest-bearing debt by about 80% Undiluted net gearing rose from 54% to 70% Vektra considers its gearing to be much lower at 33,4%, as it includes the debentures as equity Interest cover remains low at 1,4

The large R14,5m minority in the balance sheet belongs to minorities in Varex In 1991 there were no minorities Inclusion of Varex will affect the P&L, but says chairman Alan Schlesinger "Consolidation per se will not significantly affect the earnings figure"

Varex, which has an SA listing, is allowed to capitalise trademarks and goodwill, explaining the R51,4m entry in the 1992 balance sheet Vektra, with a London Stock Exchange listing, has to write off goodwill

In 1992, Vektra wrote R9,9m off reserves This cut shareholders' funds and thus NAV which, adjusted for trademarks, fell from 179c to 59c Including trademarks it was 276c at December, the share price is a premium of 35% Diluted NAV, after conversion of the debentures, is 413c

Results will look very different this year as they will fully consolidate V&R, Parts Centre and (to a lesser extent) Eddies and Northspare In January the share price bounced from 225c to 375c Given the premium on NAV, it is unlikely to rise much further till the result of the acquisition of Varex is clearer

Louise Randell

Name of owner Naam van eienaar	Scheduled area Ingelyste oppervlakte (ha)	Number of votes Getal stemme
Louw, G N	32,1	7
Lubbe, W D J	0,5	1
Luciana Landgoed CC	19,3	4
Luciana Landgoed (½)	3	1
Moore, R W F (½)	3	
Marais, J J T	32,3	7
Mining Stress Systems (Pty) Ltd	9,1	2
Mulder, A H	0,6	1
Numikos Apostolos Evanghelas	Nul	0
Pera, A	Nul	0
Pienaar, P J	11,9	3
Republiek van SA	Nul	0
Scheerpoort Kampterrein	Nul	0
Scrooby, G S	16,2	4
Scrooby, L V	Nul	0
Scheerpoort Trading Co Ltd	4,6	1
Small Familie Trust	Nul	0
Smit, J J H S	12,5	3
Spreeth, P M A	4,8	1
Strauss, J	Nul	0
Stroomaf Eiendom (Pty) Ltd	Nul	0
Trans Africa Inns (Pty) Ltd (846/1 000)	Nul	0
Van Breda F C (154/1 000)	Nul	
Van Riet, W F	Nul	0
Veenstra, J H	10,6	3

(4 June 1993)/(4 Junie 1993)

NOTICE 484 OF 1993

DEPARTMENT OF MANPOWER

192

MANPOWER TRAINING ACT, 1981

ACCREDITATION OF THE AUTOMOBILE MANUFACTURING INDUSTRY EDUCATION AND TRAINING BOARD

It is hereby notified for general information that the Registrar of Manpower Training, in terms of section 12B of the Act, accredited the Automobile Manufacturing Industry Education and Training Board, P O Box 40611, Arcadia, 0007, on 17 May 1993, in respect of the Automobile Manufacturing Industry, as defined in Government Notice No R 768 of 7 May 1993 in the Republic of South Africa and that all the provisions of the Manpower Training Amendment Act, 1990, are deemed to have come into operation in that industry and area on the said date.

The attention of apprentices and employers of apprentices in the Automobile Manufacturing Industry is drawn to the provisions of section 53 (4) of the said Amendment Act, in terms of which, in respect of each apprentice who was employed in that industry and area in terms of a contract of apprenticeship, on the said date, the parties to such contract shall within 90 days after the said date, notify the said training board of their choice regarding the conditions of apprenticeship which shall apply to the further training of the apprentice in question

(4 June 1993)

KENNISGEWING 484 VAN 1993

DEPARTEMENT VAN MANNEKRAG

WET OP MANNEKRAGOPLEIDING, 1981

AKKREDITERING VAN DIE AUTOMOBILE MANUFACTURING INDUSTRY EDUCATION AND TRAINING BOARD

Hierby word vir algemene kennisname bekendgemaak dat die Registrateur van Mannekragopleiding die Automobile Manufacturing Industry Education and Training Board, Posbus 40611, Arcadia, 0007, kragtens artikel 12 van die Wet, op 17 Mei 1993 geakkrediteer het ten opsigte van die Outomobielvervaardigingsnywerheid, soos omskryf in Goewermentskennisgewing No R 768 van 7 Mei 1993 in die Republiek van Suid-Afrika, en dat al die bepalings van die Wysigingswet op Mannekragopleiding, 1990, geag word op genoemde datum in daardie nywerheid en gebied in werking te getree het

Vakleerlinge en werkgewers van vakleerlinge in die Outomobielvervaardigingsnywerheid se aandag word gevestig op die bepalings van artikel 53 (4) van genoemde Wysigingswet, ingevolge waarvan, ten opsigte van elke vakleerling wat in daardie nywerheid en gebied op genoemde datum ingevolge 'n kontrak van vakleerlingskap in diens was, die partye tot sodanige kontrakte binne 90 dae na daardie datum, hul keuse aangaande die leervoorwaardes wat op die betrokke vakleerling se verdere opleiding van toepassing sal wees aan die genoemde opleidingsraad bekend moet maak

(4 Junie 1993)

Tractor sales expected to rev up

Buss Day 7/6/93.

EDWARD WEST

TRACTOR sales were expected to improve between 10% and 15% this year on the back of improved summer crop prospects and price cutting measures by manufacturers, Agfacts director Dave Rankin said

Rankin said tractor sales had declined over more than a decade to a low of 2 207 last year — mainly due to drought — from 24 862 in 1991 Agfacts compiles agricultural statistics.

Sales so far this year were encouraging February tractor sales of 211 were 4% higher than in February 1992 and 60% higher than in January this year Compared with the corresponding month in 1992, March's 217 sales were 27% higher, while April's 103 sales were 18% higher, SA Agricultural Machinery Association statistics showed

Rankin said overseas tractor manufacturers were suffering from low demand which had enabled local assemblers to "put the squeeze" on parent companies for better prices

Deere and Co has announced a plan to retrench 2 000 people in Europe because of declining demand and high operating costs, Sapa reports.

The move would not affect local employment levels, said John Deere MD Bert Pepler.

Rankin said year-on-year 10% price increases had encouraged tractor manufacturers to offer more affordable vehicles and eight new "economy" models were recently launched with few "add-ons", some with imported engines

(192)

Row breaks out over petrol-saving device

CT 9/6/93 (192)

Staff Reporter

A ROW has broken out between a marketing company and the Automobile Association (AA) after tests which found devices advertised to effectively reduce fuel consumption as being "totally ineffective"

Verimark Holdings, marketers of the Saveco Petrol Booster, and the AA yesterday confirmed that an initial test on the device by the association had produced a petrol saving of 16%

However, after a "more scientific" test, the AA said claims made by manufacturers of fuel saving devices were "patently ridiculous"

Mr Mike van Straten, executive chairman of Verimark, yesterday said before marketing of the US product began, "the efficiency of the product was never under dispute" after the AA tested it

However, the AA became "annoyed" when they found their name being used to market the product without being paid R30 000 for this right

The AA confirmed it was never paid the R30 000 for this right

New car sales 4,4% up, but acid test in the offing

By AUDREY D'ANGELO

SALES of new cars were 4,4% higher in May than in April — and 12,9% higher than in May last year

Announcing total sales of 15 500 new cars last month the National Association of Automobile Manufacturers of SA (Naamsa) said this was more than expected "and could possibly represent an early sign of the bottoming out process in the SA economy"

But, the statement added "Any marked improvement in economic activity levels and new vehicle sales in the months ahead seems unlikely"

Brand Pretorius, MD of Toyota (SA) Marketing, pointed out that there had been a rush to buy ahead of price increases and warned "The acid test will come in June.

(192) CT 9/6/93

"If the market holds up well this month then we may have a stronger indication of a sustainable upward swing in sales

"At this point there is a very big question mark hanging over just how many sales have been brought forward from the second half of the year"

Stephanus Loubser, MD of Nissan (SA) Marketing, said the sales indicated "we have reached the trough of a four-year recession

"We expect sales to continue at current levels for a little while longer and then follow a gradual upturn"

He pointed out that the weakness of the rand against the yen would affect prices, which could "impact on the recovery of the market and the sales total for the year"

The unexpectedly high May sales figures mean that a total of 78 693 new cars were sold in the first five months of this year compared with 75 370 in the same period last year

Total sales of light commercial vehicles were also higher They rose to 7 568 in May compared with 7 132 in April and 6 859 in May last year They totalled 39 553 in the first five months of this year compared with 38 216 in the first five months of last year

Toyota remained the market leader, with sales of 4 152 cars and 3 003 light commercial vehicles

VW (SA) sold 3 050 cars, Nissan 2 184, Samcor 2 126, Mercedes-Benz 1 462 — of which 899 were Honda Ballades, BMW 1 318 and Delta 1 208

Brand Pretorius said the market had shown remarkable resilience following the rise in VAT to 14%

There had been a lot of pre-emptive buying ahead of price increases Some of the rise was also due to improved availability of stock

"Delta came off a very low base in April as its new models became available," Pretorius pointed out

"Volkswagen was able to deliver against back orders and so were we at Toyota"

Pretorius said some sales were "driven by replacement demand as the national vehicle fleet edges towards an average age of 10 years The bulk of current vehicle purchases are totally rational ones made out of necessity rather than the desire to own a new vehicle

"The light commercial vehicle sector has certainly benefited from a good agricultural season"

But, he pointed out, business was still reluctant to make the "significant capital investment" needed to buy medium and heavy trucks

Total sales of medium trucks were 179 in May compared with 201 in April and 241 last May

Sales of heavy trucks totalled 373 in May, unchanged from April, compared with 382 last May

Car prices forecast to rise this year by 20%

Star 9/6/93 (192)

By Derek Tommey and Sven Lunsche

Prices of all makes of cars could rise by over 20 percent this year

The cause the drop in the exchange rate of the rand against the yen in the past year, which has raised the cost of Japanese imports by 33 percent.

Japan being a major supplier of parts, the local cost of most cars has risen sharply

It is estimated that for every three percent depreciation of the rand against the yen, costs for local manufacturers go up by one percent.

Toyota, SA's biggest car maker, has already said its prices could rise by 20 percent by year-end.

Nissan has confirmed that if the rand continues its depreciation for the remainder of the year, price hikes could exceed 20 percent, including the recent rise in VAT

So far this year, prices have risen by 13 to 15 percent, says Nissan's GM, market planning, Malcolm Pannell

He expects only minimal further hikes as the rand's fall should be limited over the next few months

Nissan MD Sarel Liebenberg says the company is doing all it can to keep down costs But there will be some increases, even in the price of the Uno, which is sourced mainly from Italy

With the market leaders opting for major price rises, the way is open for competitors to follow suit.

However, it does appear that a number of assemblers intend reducing their margins and absorbing part of the increase to improve their competitive position.

Grant McDuling, a spokesman for Samcor, which produces Fords and Mazdas, says the higher price of Japanese parts has increased the company's cost base by 20 percent.

However, Samcor does not intend recovering this increase from the customer all at once or even recovering the whole increase It will, instead, try to absorb some of the increase itself

Samcor has raised car prices by four percent from the start of this month and will increase them again by up to five percent in September and by a similar amount in December

The price of Volkswagens, although sourced from Germany, also seems likely to rise

Spokesman George Platt says German-sourced vehicles are not under the same cost pressure as Japanese ones Therefore the annualised price increase for German-sourced vehicles will be more in line with SA's inflation rate.

But an additional factor is German inflation, which will mean an increase in parts supplied to SA.

He says Volkswagen has, over the past three years, constrained price increases on recently introduced models to between 9,3 and 13,1 percent to meet the needs of a cash-strapped market.

Pannell says Nissan's average price increases over the past few years have been about four percent below inflation.

He provides some fascinating statistics highlighting the impact of recent price hikes.

According to Pannell, the average life of SA cars is now well in excess of 10 years, by far the highest of any major Western country

Furthermore, 85 percent of new car purchases are corporate-assisted, with the reverse trend evident for used cars

Sales exceed expectations

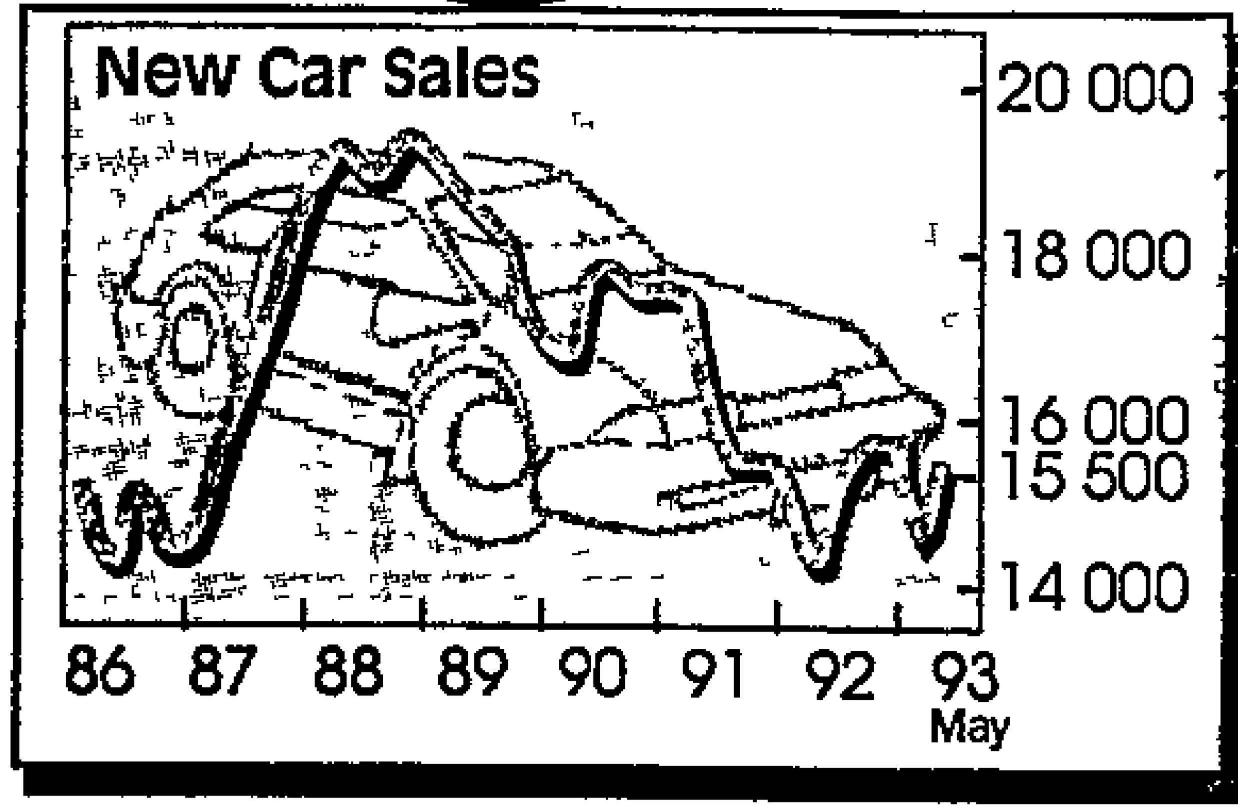
Star 9/6/93 (192)

By Sven Lunsche

New car sales in May exceeded expectations, prompting industry sources to suggest that sales have reached the trough of a four-year recession.

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that sales in May at 15 500 units were up by 3,9 percent on April and by 12,9 percent on May last year

For the year to date, new car sales are up 3,7 percent to 78 693 and light commercial vehicle sales by 3,5 percent to 39 553



Inventory

However, medium and heavy commercial vehicle sales have fallen by an annual 12,7 and 8,6 percent respectively over the first five months of 1993

Naamsa attributes the rise in sales to good demand for new models, together with an improved inventory position.

Furthermore, pre-emptive buying in anticipation of price hikes for Japanese-sourced vehicles has added to the better-than-expected figures.

Stephanus Loubser, MD of Nissan, feels the figures indicate that the industry has reached the trough of a four-year recession.

"We expect sales to continue at current levels for a little while longer and then to take a gradual upturn. Total sales for the year should rise to 190 000 units."

Toyota's Brand Pretorius says the market has shown remarkable resilience in the post-VAT period.

"The acid test, however, will only come this month If the market holds up well, then we may have a stronger indication of a sustainable upward swing in sales

"At this point there is a question mark hanging over just how many sales have been brought forward from the second half of the year," he says

Sean Bownes, executive director of sales at Samcor, says sales exceeded the group's forecast and he is optimistic that sales of 185 000 could be reached

May new car sales above expectations

Buss. Day 9/6/93

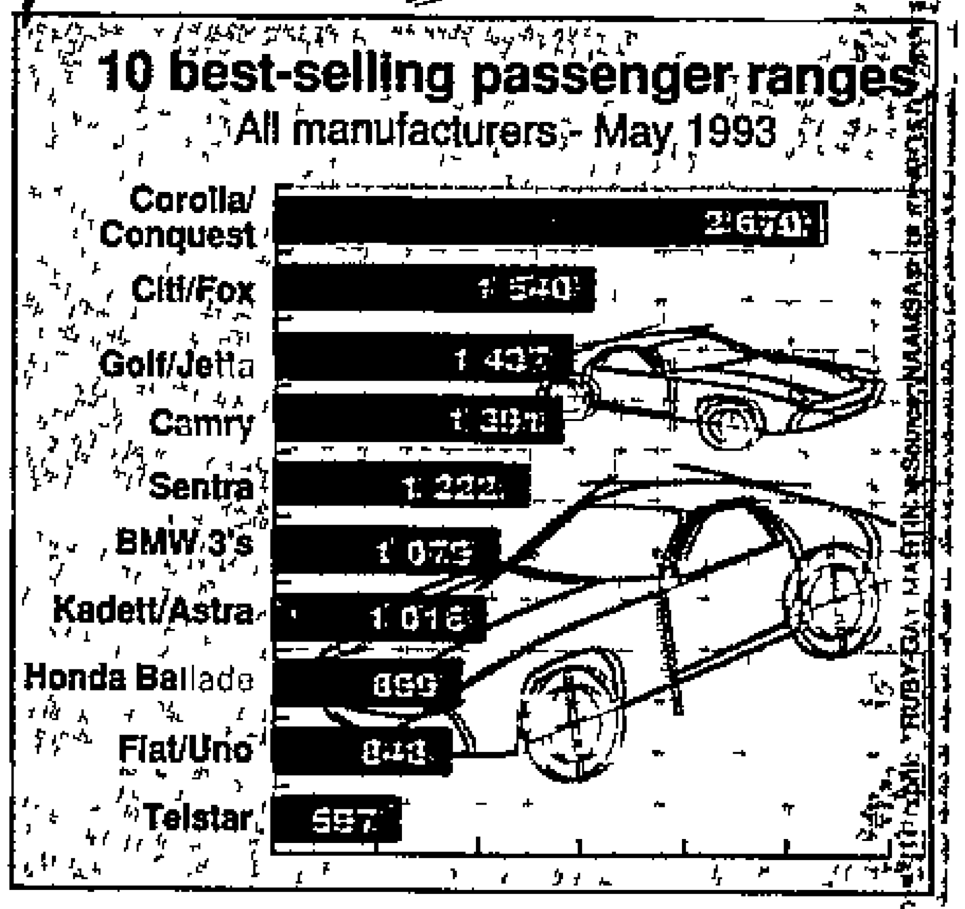
EDWARD WEST

NEW car sales in May exceeded expectations and climbed 12,9% to 15 500 units compared with the corresponding month last year, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

The sales represented a 3,8% improvement on the 14 924 units sold in April 1993 "Following pre-VAT buying in March and April, the expected downturn in sales did not materialise," said Samcor sales and marketing director Sean Bownes

Light commercial vehicle, bakkie and minibus (LCV) sales followed the trend in May and climbed 10,3% to 7 568 from 6 859 in May 1992 LCV sales climbed 6,1% from 7 132 in April (192)

Higher than expected new car and LCV sales provided reason for modest optimism and could represent early signs of a bottoming out in the economy However, marked economic improvement was unlikely, Naamsa said



The higher new car sales were attributed to improved inventory of certain model derivatives and new model introductions There was also pre-emptive buying in anticipation of above average price increases by manufacturers of Japanese-sourced vehicles because of the depreci-

☐ To Page 2

☐ From Page 1

Car sales

Buss. Day 9/6/93

ation of the rand against the yen

Toyota SA marketing MD Brand Pretorius said replacement pressure of the ageing vehicle park — the average age of cars was currently just over 10 years — had been underestimated. (192)

June would be the acid test of a sustainable upswing in sales Sales in the first few days of this month were low

Medium-sized commercial (MCV) and heavy commercial vehicle (HCV) sales remained under pressure in May, indicating business confidence and capital expenditure levels were still low, said Pretorius

MCV sales in May fell 25,7% to 179 from 241 in May 1992 and 10,9% against the 201 sold in April HCV sales were static at 373 compared with April, but fell 2,3% from 382 in May 1992.

Year-to-date total vehicle sales were 3,7% higher at 121 417 against 117 118 sold by the end of May 1992. Nissan SA and Mercedes-Benz SA showed the highest market share growth of 2,2% and 3,2% respectively.

Nissan SA marketing MD Stephanus Loubser said sales were expected to continue at current levels for a little longer, followed by a gradual upturn

Motor industry calls for protection

BDay 10/6/93

EDWARD WEST

LOCAL vehicle assemblers were seeking greater protection measures to slow the import of a growing number of fully built foreign cars, industry sources said yesterday

National Association of Automobile Manufacturers of SA (Naamsa) president Bert Wessels said yesterday local manufacturers should get favourable treatment to import fully built cars to extend rationalised local ranges

Initial deliberations by the Motor Industry Task Group indicated future industry policy should discourage a proliferation of models. The task group was formed last year to establish policy guidelines for phase seven of the local content programme

(192)

Also under consideration were more stringent regulations to counter vehicles entering the market in a semi-assembled state, he said

Wessels said any large number of fully built imports by newcomers in an already overtraded market would be counterproductive "We have to be careful that SA does not become a temporary dumping ground for excess vehicle stock from other world markets"

The assumption that overprotection of the local motor industry had driven car prices up and that consumers would be better off importing more fully built cars, was imperfect, he said

There was a cost premium attached to the local manufacture of vehicles — about 5% relative to European models of the same specification — but this had to be offset against the industry's status as an important element of the economy

The total investment on local manufacture, excluding the components industry, exceeded R8,5bn Any move away from local manufacture would put up to 150 000 jobs at risk, Wessels said

Luxury car sales slowing down

192 CT 14/6/93

Own Correspondent

JOHANNESBURG — The brakes have been put on demand for new luxury motor vehicles as South Africa's wealthy motorists opt for cheaper models

National Association of Automobile Manufacturers statistics show that sales of expensive cars fell last month as the "buy-down" trend continued

Volkswagen Audi sales dropped to 73 in May from 248 in April, Nissan Maxima to 104 from this year's average of 200 a month, Mercedes-Benz W126 to 14 from 27 and W124 to 316 from 402

BMW Five series and Seven series sales were slightly down at 239 from 266, but Saficon managing director Mr Kurt Hipper said Porsche and Jaguar sales had fallen off substantially

Toyota's marketing managing director Mr Brand Pretorius said as volumes continued to concentrate at the lower end of the market the income base of the industry was being eroded

He said top executives were developing an emotional resistance to luxury cars

It had become prudent for executives not to arrive at work in an expensive car

Econometrix economist Mr Tony Twine said there was little chance of car allowances being increased to accommodate higher car prices, and buyers would naturally opt for cheaper models

Posh car makers feel the chill of recession

BiDay 14/6/93

EDWARD WEST

THE brakes have been put on demand for new luxury motor vehicles, with SA's wealthy motorists opting for cheaper models

National Association of Automobile Manufacturers of SA statistics show that sales of expensive cars took a beating last month as the "buy-down" trend continued

Volkswagen Audi sales dropped to 73 in May from 248 in April Nissan's Maxima sales dropped to 104 from this year's average of 200 a month while Mercedes-Benz W126 sales dropped to 14 from 27 and W124 sales to 316 from 402

BMW 5 series and 7 series sales were only slightly down at 239 from 266, but Saficon MD Kurt Hipper said Porsche and Jaguar sales had fallen off substantially over the past year

(192)

Toyota SA marketing MD Brand Pretorius said the trend was cause for concern As volumes continued to concentrate at the lower end of the market, the income base of the industry was being eroded

He said top executives were developing an emotional resistance to luxury cars

It had become prudent for executives not to arrive at work in an expensive car, particularly if the company was involved in staff reduction, said Pretorius

Econometrix economist Tony Twine said there was little chance of car allowances being increased to accommodate higher car prices, and buyers would naturally opt for cheaper models

Twine pointed out that several recent model introductions such as the Camry, Maxima, Telstar and Mazda 626 were born out of the middle-market segment but boasted the refinements of most luxury vehicles

Numsa calls for ban on overtime

BTDay 14/6/93

ERICA JANKOWITZ

NUMSA has called for an immediate overtime ban in an attempt to force a higher wage offer from employers when negotiations resume this week

Motor sector negotiations are scheduled for today and the next round of steel/-engineering talks for tomorrow

In the motor sector, employers have offered 5% to 9% increases on schedule and not actual rates of pay

Sapa reports a Volkswagen spokesman expressed concern at the company's ability to fill its R500m export order from China for 17 000 Jettas should the ban be implemented (192)

Numsa national negotiator Les Ketteldas said the steel/engineering sector's differentiated pay offer, described by Seifsa as final, was unacceptably low

Seifsa's final offer was a 4,8% increase for coastal regions, a wage freeze in the Free State and northern Cape and 6% for the rest of the country (365)

Seifsa executive director Brian Angus said at the weekend the overtime ban had come as a complete surprise Employers had not been notified by Numsa of this move, he said, and clarification was needed on whether the ban would affect all sectors of the metal industry

Last year, Numsa called a four week strike against Seifsa employers before accepting Seifsa's final offer of 9,1% on actuals and suffering a humiliating and costly defeat in the process This year the union has apparently decided to "soften up" the federation by calling on members to heed its overtime ban call (189)

Imports warning as local demand falls

Motoring Editor (192) PAGT 16/6/93

DON'T expect any new cars to be built here unless they can sell 600 or 700 a month — and possibly expect in future that the successors to cars such as the highly successful medium-sized Mercedes-Benz W124 will be imported as a result

This was said by MBSA passenger car division boss Peter Cleary at the launch of new multivalve engines for the mid-range models

"I believe the South African assembly/manufacturing industry can only survive if cars built in this country can sell in higher volumes," he said. "So I really can't see any new cars being industrialised unless they offer a volume base of over 600 to 700 cars a month"

The large luxury car segment had consistently taken about 6½ percent of the market here, he said

New entrants to this segment, such as the Nissan Maxima and Toyota Camry, were testing the traditional marques such as M-B, BMW and Audi.

Market research had shown that prospective luxury car buyers first chose German, then between M-B and BMW, then considered price If they couldn't manage either of the top dogs they opted for an Audi Only if that was out of their reach did they begin to think Japanese

"I am quite sure this has changed today and I would be extremely foolish to believe that it has not," said Mr Cleary

Another threat was "buying down". He said "In a recent compensation survey of some 200 major companies, 18 have officially decided to scale down company cars and the majority of these downscaling occurrences are for middle managers"

Affordability was the major problem for these buyers, with perks tax an aggravating factor

Mr Cleary said new engines had led to marginal price increases

The midrange Benzes get new, more powerful, yet more frugal hi-tech multi-valve engines with variable twin overhead camshafts The cars will thus be tagged 220, 280 and 320 At this stage the 200 engine is not yet available and thus the older generation model will be used until August.

FM 18/6/93 (192)

MOTOR INDUSTRY TALKS

Softening demands (192)

FM 18/6/93

Some motor industry employers may be softening in their resistance to union demands in the latest round of annual bargaining

Union representatives aren't the only ones frustrated by the slow pace of negotiations, as evidenced by last week's announcement of an overtime ban at vehicle assembly plants Industry sources say CEs are also unhappy at the lack of progress and have instructed their negotiators to show more urgency

Early this week, union and motor assembly employer representatives were meeting in Port Elizabeth to discuss last week's employer offer of a 6% pay rise It was for one year only and fell well short of demands by the National Union of Metalworkers of SA (Numsa) for a three-year package equal to inflation plus 5% a year

But the 6% is a base offer A number of employers are willing to negotiate further productivity- and performance-linked increases at individual plants

Despite public statements to the contrary, there also appears to be some flexibility on the issue of an industry-wide bargaining forum Numsa wants a single forum involving assemblers, tyre companies and components manufacturers The last two now have their own negotiating bodies and have expressed opposition to any change For one thing, assembly wage rates are far higher and the tyre and components companies don't relish being forced to match them

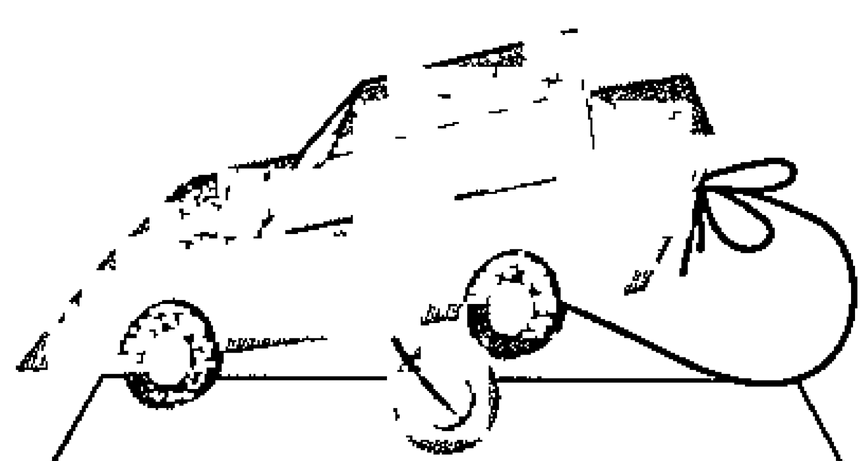
Motor assemblers also expressed strong opposition, though their resistance was due more to the fear of the increased power that would accrue to the union from a central negotiating body

However, an industry official says "the assemblers' position has changed from one of "over my dead body" to one of "maybe if "

That "if" apparently refers to reciprocal flexibility by the unions on other industry issues But with no evidence of a change of heart among tyre and components companies, few believe that this particular battle will be formally decided in the current talks

Even so, doubts remain over whether the remaining issues will be settled before the new agreement is due to come into effect on July 1

Though the gulf separating the two sides appears to be narrowing, one industrial relations director at the talks comments "We have a record of not finalising by the end of June and I think we will stay true to that record this time round " ■



May vehicle sales

Cars		Total	%*
[illegible]	Corolla 2 670, Camry 1 391, Cressida 10, other 81	[illegible]	26,8
[illegible]	Golf /Jetta 1 437, Citi/Fox 1 540, Audi 73	[illegible]	19,7
[illegible]	Maxima 104, Skyline 1, Sentra 1 222, 200SX/300ZX 9, Fiat Uno 848	[illegible]	14,1
[illegible]	Ford Laser/ Meteor 387, Sierra 32, Sapphire 33, Telstar 597, Mazda 323 499, Mazda 626 (new) 514, (old) 12, other 52	[illegible]	13,7
M-Benz	Honda Ballade 899, M-Benz W124 316, W126 14, W201 208, other 25	1 462	9,4
BMW	3-Series 1 079, 5-Series 180, 7-Series 59	1 318	8,5
Delta	Kadett/Monza 84, Kadett/ Astra 1 016, Rekord 96, Calibra 7	1 208	7,8

*% of the total car market

	1993	1992	% Change
May	15 500	13 729	+12,9
Jan – May	78 693	75 370	+4,4
April (14 924) – May			+3,9

Light commercials

Toyota 3 003 (39 7% of the market) Nissan 1 896 (25,1) Samcor 1 [illegible]

May	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Medium commercials

[illegible]

[illegible]	17[illegible]	[illegible]41	[illegible]5,7
[illegible]	[illegible]	[illegible]	[illegible]
April (20[illegible])			[illegible]0,9

Heavy commercials

M Benz 121 ([illegible]) Nissan 112 ([illegible]) Toyota [illegible] (19 8) MAN 29 (7 8) Delta 15 (4 0) Erf 12 (3 2) Tyco 10 (2,7)

May	[illegible]	[illegible]	[illegible]
Jan – May	[illegible]	[illegible]	[illegible]

Total vehicle sales

[illegible] M Benz 1 565 (6,[illegible]) BMW [illegible]

May	[illegible]	[illegible]	[illegible]
Jan – May	[illegible]	[illegible]	3,[illegible]

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

NEWS IN BRIEF

B|DAY 14/6/93 (192)

Numsa overtime ban

NUMSA has called an overtime ban in the motor industry, but not in the steel and engineering sectors as reported this week. An editorial yesterday was based on the incorrect report. Business Day regrets the error.

Taxi violence

A SPECIAL police unit had been set up in Soweto to curb spiralling taxi violence in the area, Soweto SAP spokesman Maj Joseph Ngobeni said yesterday.

Police in Pretoria said the unit was the first set up specifically to combat taxi violence.

Two people died in AK-47 attacks in Soweto last month.

Aristide recognised

THE Haitian parliament yesterday recognised Jean-Bertrand Aristide as the constitutional president of Haiti and agreed to restore him to power under certain conditions.

A Bill also agreed to approve a prime minister of Aristide's choice, who would rule until Aristide could be restored to power.

Gag on 'rigged' results

MILLIONAIRE Arthur Nzeribe, backing a group seeking extended military rule in Nigeria, said yesterday it won a high court order barring the electoral commission from announcing the result of Saturday's presidential poll. His party, the Association for a Better Nigeria, alleged massive vote-rigging and called for fresh elections. Official results from 14 of Nigeria's 30 states and the Abuja federal capital territory had put the Social Democratic Party's Moshood Abiola in the lead.

REPORTS Business Day Reporters, Sapa-Reuter-AFP

Numsa's national negotiations co-ordinator Les Ketteldas (right) and national organiser Chris Lloyd at yesterday's news conference in Johannesburg. Picture GARTH LUMLEY

Numsa irked by Seifsa offer

B/Day 18/6/93

ERICA JANKOWITZ

SEIFSA had failed to see the importance of Numsa's proposed three-year plan and had reacted inappropriately by offering below-inflation increases, Numsa national bargaining co-ordinator Les Ketteldas said yesterday (189)(192A)

He said the union had put time and effort into persuading its almost 180 000 members in the sector that the plan was to their long-term benefit, but management had failed to recognise the scheme's benefits.

One positive concession was Seifsa's agreement to reduce job grades from the current 13 to five by July 1996, he said. (192)

Another breakthrough was Seifsa's agreeing to look at a work security fund.

Ketteldas described motor industry negotiations as "disastrous", saying the parties had yet to complete the 1992 wage round, let alone discuss the three-year plan

BMW won't rev up prices

Star 19/6/93

FINANCE STAFF

THE prices of BMW cars will not rise by anything near 20 percent this year Price increases are more likely to be in single figures, says Chris Moerdyk, spokesman for BMW South Africa

He was commenting on reports that some new car prices could rise by this percentage

In fact, if the VAT increase were excluded and one compared apples with apples, most BMW products were actually reflecting a price decrease, he said.

(192)

The value added to this year's models by higher engine technology, standard airbags and other items was higher than the price increases — resulting in a net decrease in real terms

For the past 2½ years BMW price increases in South Africa have been significantly below the inflation rate, Moerdyk said

BMW South Africa was helped in its efforts to keep down prices by its strong export performance, which had resulted in increased rebates on imports

This proved that if manufacturers were unshackled from current legislation and became globally competitive, the local consumer could benefit directly, he said

ADE scoops India on R110m export contract

CT 19/6/93

(192)

Business Staff

ATLANTIS Diesel Engines — in the face of stiff competition from India — has won a R110m contract to supply unmachined engine block castings to a major South Korean manufacturer

The blocks are for Mercedes-Benz diesel and petrol engines, and will be supplied to SsangYong, the fourth largest vehicle manufacturer in South Korea, over five years

Fritz Korte, MD of ADE, said he believed this was the largest order ever secured by a South African company from South Korea

It resulted from ADE's continual, worldwide search for potential business

"SsangYong is investing R7,7m in tooling for ADE, which is clearly an indication of long-term involvement

"ADE is already exporting some 30 different types of components, worth R50m a year, to countries as diverse as Argentina, Germany, France, England and Brazil"

PATIENCE. Motorforce's Bill Otto says the waiting time for Mazdas is up to two months Picture. ABDUL SHARIFF

New car market caught short

ST Times (BUSS) 20/6/93

(192)

By DON ROBERTSON

BUYERS of new cars face delays of several months because manufacturers underestimated demand for new models

Almost every model launched of late has been in short supply Mazda and Ford dealers say waiting lists are between two and four months

Ford and Mazda ranges were launched in April — but queues of buyers soon formed Only 1 381 Ford Telstar and MX6 and 1 249 Mazda 626 and MX5 cars were sold in April and May

Samcor, assembler of the vehicles, admits it underestimated the market.

Bill Otto, sales manager of Mazda dealer Motorforce, says the shortages are particularly severe in the bottom-range two-litre cars

Instead of receiving a financial windfall, dealers face the possibility of losing sales as buyers turn to other marques

Sales of new cars this year could be boosted to at least 20 000 higher than forecast. But manufacturers will be hard pressed to make enough of them.

The reason for the shortage of cars in a market that has been depressed for years is manufacturers' inherent fear of having too many vehicles in stock Their fear dates to the market collapse of 1986 when all were caught with large numbers of cars "on rubber" at their plants — an extremely expensive exercise

Sources in the industry are confident that car sales will top the 183 000 predicted by the National Association of Automobile Manufacturers of SA (Naamsa)

Samcor believed Ford and Mazda would capture 45% of the medium-car market this year This sector represents about 46 250 units A 45% share would give Samcor sales of 18 500 To achieve this in the nine months between the launch and the yearend, Samcor must sell 2 300 Fords and Mazdas a month

A Samcor spokesman says production at the Rosslyn plant has been curtailed because of the high standards the cars must meet.

He says production of the new models began only halfway through March, giving little time to build up stocks

Dealers also suffered in the run-up to the launches as buyers shied away from the old models

A quality problem struck Volkswagen which had to halve production runs to meet German standards A Golf and Jetta range was introduced last December, but in the first five months only 3 000 cars were built

A dealer with a backlog of 1 650 vehicles in May says deliveries have improved But there is still a shortage

Volkswagen marketing director Dave Malherbe says the backlog may not be eliminated until October

Sales of the Opel Astra, launched in May, were a little more than 1 000 The company says more cars would have been sold had they been available The Opel Kadett came to the market this month, but sales for June are expected to be only 1 500 because of shortages

Nissan says it could increase Uno sales by 30% if it had the cars It says there is a shortage "across the board" of the recently introduced Sentra

Sales of Nissan's one-ton bakkie could also be increased if they were available

The Toyota Camry was introduced last November — and there were more buyers than cars The reason for the shortage was a 10-week strike earlier last year There is still a backlog for some model derivatives

The Honda Ballade, launched last year, was successful because manufacturers, Mercedes-Benz, had built up stocks

The Mercedes 190E, of which only 1 800 will be built this year, was sold out before it reached the showrooms

There is also a slight shortage of some models in the BMW 3 Series The 3 Series coupe, of which only 285 will be built this year, has been snapped up at a price of R145 500 for the manual version

ANIES

Market research key to future — Toyota

BDay 28/6/93 (192)

LINDA ENSOR

CAPE TOWN — Toyota was investing a disproportionate amount in market research because of the extreme volatility of the current situation in the country, MD Brand Pretorius said at a Institute of Marketing Management function at the weekend

Pretorius, the newly elected president of the institute, emphasised that to succeed companies had to get a clear picture of the future economic, political and social scenario It was also imperative to get a clear idea of the profile of tomorrow's customer both in demographic and psycho-demographic terms

"Investment in market research could turn out to be the only sustainable advantage one has against one's competitors," Pretorius said, pointing out that the majority of Toyota's customers in future would be young, black and poor

Price sensitivity would dominate consumption for many decades to come, and this would require strategies to drive value up and costs down

He estimated that 40% of the future target market would be illiterate while 60-70% would use English only as a second language Marketing would have to be simple, striking and emotional, and advertising agencies would have to move away from linguistic "acrobatics"

He said it was likely that SA companies would face increased competition both from international rivals and from the informal sector Organisations would have to restructure to be able to take maximum advantage of the upswing

Emphasis would have to be given to corporate image, including an involvement in social responsibility programmes Internal marketing would be essential to win the commitment of staff The lack of this commitment and a sense of belonging at Toyota was apparent in its last strike

Stoppages at VW, Delta

CT 28/6/93 (192)

PORT ELIZABETH — Thousands of workers at the Volkswagen and Delta car plants here and in Uitenhage disrupted production on Friday over a dispute with their managements

Representatives of both sides were meeting to resolve the issue, a Delta spokesman said last night.

Mr Les Kettledas, spokesman for the National Union of Metalworkers, said he had just returned from Johannesburg and was "not yet acquainted with what happened on Friday"

Industry is gearing up for change

BI Day 29/6/93

THE phasing in of different components of the Road Transport Quality System (RTQS) is causing truck manufacturers to gear production and servicing programmes to meet new requirements.

Leading commercial vehicle manufacturer in the over-7,5 ton category, Mercedes-Benz SA, says service and technical support have become more crucial.

MBSA management board member (commercial vehicles) Adolf Moosbauer says the more stringent regulations in the new RTQS demand higher servicing standards generally.

(1927)

"The relationship between product and service is being completely redefined, to the point where back-up service is becoming a major criteria in commercial vehicle purchase decision making"

The company has accordingly developed its service structure network to meet RTQS standards and the expected rise in vehicle units to be serviced, he says.

MBSA commercial vehicle operations manager Stan Bromley says the company anticipated legislative changes in the transport industry The result is that its latest range of commercial vehicles has been manufactured to meet the higher specifications laid down

"Transport operators are also being assisted, through our transport consultancy customer advisory system, to effectively incorporate changes in legislation into their fleet management systems"

Delta helps in effort to educate drivers about new standards

B/Day 29/6/93 (192)

TO ENSURE truck owners are not caught unawares, Delta Motor Corporation consultants have been enlightening customers on the impending requirements of the Road Transport Quality System (RTQS)

Delta has held seminars and workshops to train and guide fleet operators and other Isuzu truck customers on the RTQS, says sales & marketing director John Cumming

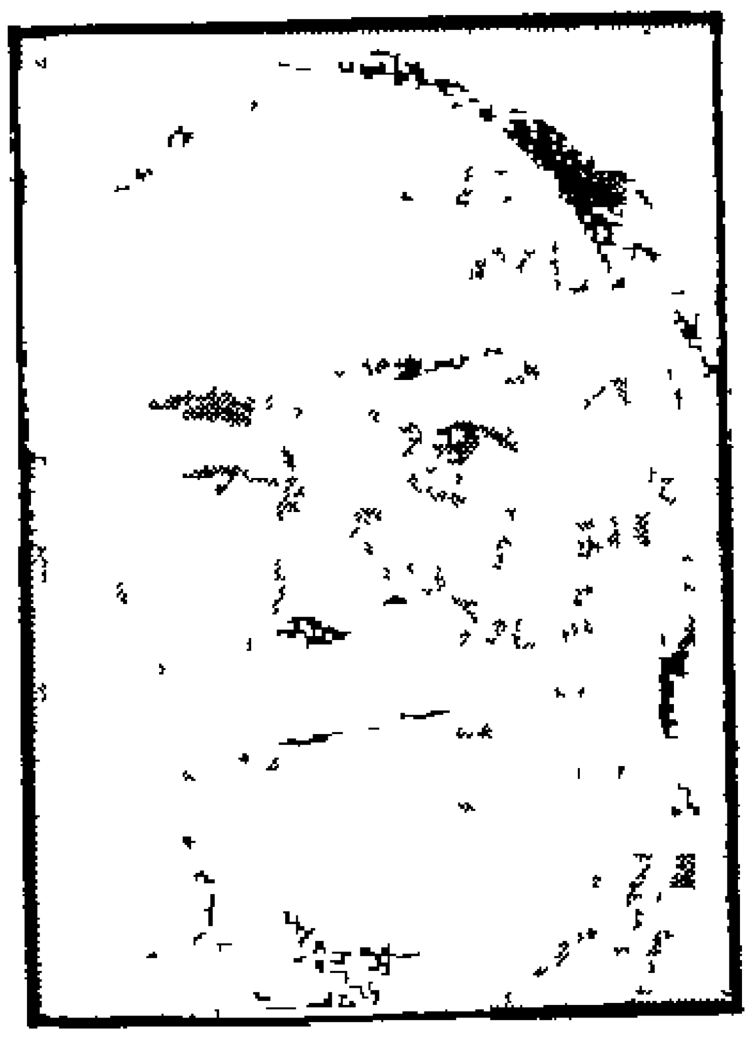
Ignorance or disregard of the RTQS is reportedly widespread With July 31 the D-day for commercial vehicle owners to register, many vehicles could be impounded if the traffic authorities enforce the new requirements

Display

Under the new RTQS, owners must also display certificates of fitness (COF) for their vehicles that are not older than nine months

Cumming says the extent of non-compliance is perhaps best illustrated by a Natal provincial traffic police assessment

Police believe only about 15% of operators have registered under the system since July last year, with many



JOHN CUMMING

claiming to still know little about the existence of the RTQS

Industry sources also attribute this low figure to SA's ageing commercial vehicle park, which is estimated to exceed 14 years, with many vehicles unlikely to pass a COF test

Cumming says there are many items on which a truck could fail the test "Repairing old vehicles can be prohibitive, as many operators are cash-strapped and new vehicle prices are out of their reach

"As a result, the rental or leasing route is becoming the most attractive option."

Frees

Kempston Vehicle Leasing director Shirl Preston says outsourcing the responsibility of fleet management to a vehicle leasing company frees vehicle users from red tape and allows them to concentrate on core business issues.

Full maintenance leasing has become the most popular and cost-effective option and proper enforcement of the RTQS should enhance demand for FML, she says

'SA needs luxury buses for tourists'

B/Day 29/6/93

(192)

HOPES that local manufacturers will build the latest luxury buses used in Europe have been temporarily stifled by a subdued inflow of tourists

This emerged at a local seminar for bus builders organised by Parts Incorporated, where its German-based supplier, Happich GmbH, a leading European bus and automotive fitment supply company, assessed the situation

Happich assistant export manager Uwe Woitha told delegates they had the ability and needed to manufacture Europe's superior models, despite unfavourable conditions

European buses are desirable in SA because of their advanced safety, comfort, road noise level and fuel economy.

Moreover, the interior "service stations" for passengers were more sophisticated than those in aircraft, while the entertainment and catering facilities were the most advanced.

Expertise

While standards set abroad are particularly high, SA bus manufacturers possessed the technology and expertise to build luxury buses comparable with those produced by their overseas counterparts, he says

"Local bus builders are keen to produce luxury buses despite being faced with such obstacles as local content legislation"

Notwithstanding hindrances such as the depressed economy and a slow upturn in overseas visitors, Woitha says it is vital that local bus builders and operators have as their main goal the comfort of passengers

"It would seem that local tourists pay twice as much to fly rather than travel by bus largely because of perceptions that bus journeys are uncomfortable and tiring

"One has to ask whether such perceptions would remain if passengers knew they would be accommodated in spacious armchair-like seats in a noise-free bus with excellent entertainment and catering facilities," he says

Cutting costs in trailers can often sacrifice quality

BDay 29/6/93

192

AN INCREASE in cost-cutting by purchasers of "look-alike" and design-copied trailers is sacrificing long-term benefits for short-term gain

This "cheap route" market tendency by companies in a survival mode concerns leading trailer manufacturer Henred Freuhof, despite acknowledging the need to curtail costs in the economic downturn

Minimising

Henred Freuhof deputy MD John Hoare says one should never lose sight of the need for capital equipment to be well designed and reliably built.

This is basic to minimising trailer maintenance costs and downtime from operational breakdowns

It is also sound strategy to safeguard against premature replacement arising from excessive wear and tear, particularly during recession, when companies suffer cash-flow constraints

"More fleet operators are buying cheaper trailers that appear to be copies of those designed by the quality-conscious manufacturers across the board, irrespective of size

"These copies lack quality in many crucial areas of manufacture, as we have often discovered among the wide range of inferior trailers built by cost-cutting manufacturers that end up in our workshops for repair or upgrading," says Hoare

While companies and individuals give much thought to the purchase of suitable trucks for tough jobs, this is not matched when choosing a particular type of trailer — a major component in transportation profitability

"There is a price for quality, yet South Africans battle to come to terms with it when purchasing and maintaining capital equipment."

Lacking

He says crucial areas where trailer quality is found lacking are the design and construction of the chassis, type of axles used, brake systems and weld joints

The quality and application of paint is also extremely important.

Welding expertise in trailer manufacture is more demanding and sophisticated than for other normal weld applications

JOHN HOARE

"There should be no compromise in terms of technology and applied skills," says Hoare

Similarly, while paint is often judged for its aesthetic appeal, with trailers it is applied primarily to protect the steel against corrosion over the long term.

Timeous and adequate maintenance is vital for the proper functioning of equipment, road safety, optimum fuel consumption and minimum downtime.

Any short-cutting of maintenance is false economy. He says there is a tendency in this regard, with some operators cannibalising those trailers not in use, possibly because of cash flow constraints.

Upgradings in assembly and service are essential

B/Day 29/6/93

DES GUSH

ANY efficient transport operation relies on a minimum of downtime when breakdowns occur and service parts are needed, issues which prompt upgradings in the assembly and back-up service of most truck manufacturers

Toyota marketing director (trucks) Des Gush says improvements have been made to the Hino, Toyota Dyna and DA models by their Japanese manufacturers and Toyota SA

As these trucks arrive in knock-down kit form for assembly by Toyota SA, the opportunity arises for the local upgradings that enhance their durability under local conditions

Most recent of these has been the application of a more durable and uniform primer and paint treatment to the chassis of all makes of trucks

Various enhancements have also been made to improve braking on the Hino Super Dolphin range, says GM (truck marketing) Frans Cloete (192)

The fitting of an air drier in the compressed air system improves braking during moist conditions

"Toyota was the first to introduce the new ADE engine brake value with an exhaust brake on turbocharged Super Dolphins This enables a truck to safely proceed down a long slope 20%-30% faster than normal"

The Hino has also had the wheel width increased to nine inches and a valve extension has been fitted to the inner wheels on double wheel configurations, to ensure ease of keeping the correct tyre pressures

Upgrading

He says the tachograph drive on some models has been upgraded from a mechanical to electronic input, to enable owners to change to more complex tachographs that provide a wider range of checks and data

Some Super Dolphins are also fitted with a new double sleeper cab designed to provide added comfort for a long distance crew of two during rest stops

After-sales customer satisfaction is proving as big a sales tool as is the quality and looks of any vehicle, trucks in particular

Gush says maintaining high levels of satisfaction requires financial commitment, substantial management inputs and routine monitoring of satisfaction levels among customers

"We now have an accurate and continuing measure of how we perform in our customers' eyes."

FRANS CLOETE

Exhaustive export order

Business Staff

CT 30/6/93 (192)

STEN Products — the third largest exhaust manufacturer in SA — has broken into the US market It has sent a first shipment of stainless steel exhausts worth about R250m to a US manufacturer

Sten sales director Pieter Rossouw said his company was approached to send batches of stainless steel exhausts and components "as it is not cost-effective for the US company to manufacture these less popular exhaust ranges on its fully automated lines"

Sten currently exports to countries in Europe, and to Canada and Australia Rossouw said the US order could result in "a significant increase in export volumes over time"

MANUFACTURING -

MOTOR INDUSTRY

1993

JULY - DEC

Call for curbs on entrants to SA market

(192) CT 2/7/93

Own Correspondent

JOHANNESBURG — Local diesel engine maker Atlantis Diesel Engines (ADE) and drive train manufacturer ASTAS have proposed that new entrants to SA's truck market be compelled to submit a manufacturing programme

ADE financial director Peet Greyling said the proposal was made to the motor industry task group, appointed by government to determine the future of the industry through the development of a Phase VII local content programme

Greyling said the proposal — which would also alleviate GATT related pressures by allowing import protection duties to be scrapped — was necessary to protect local manufacturers from cheaper imports

The local market was overtraded by seven manufacturers, but Greyling said he already knew of 11 new or potentially new entrants to SA which had been lured by opportunities here

SA truck manufacturers operated in a small market compared with light commercial or passenger vehicle markets, with specialised equipment at high capital costs, and should thus have its own local content programme

An example of a local content programme possibly applicable in SA was the Philippines, where fully built imports were not allowed, eliminating the need for import duties

SABS tyre plan opposed

BDay 2/7/93

EDWARD WEST

TYRE manufacturers and the SA Bureau of Standards (SABS) were at odds over a plan to impose cumpulsory quality standards which could push prices up by between 80c-R1 a tyre, industry soruces said yesterday

Tyre Manufacturers' Conference executive director Gert Fischer said SA's tyre manufacturers rejected an SABS plan to import its own equipment to monitor quality standards once they became compulsory as this would result in an increase in retail prices.

However, the manufacturers nonetheless wanted quality standards based on European standards to become mandatory to prevent the flooding of the SA market by cheaper, poorer quality imported tyres once import duties were relaxed

The manufacturers suggested that the SABS should instead use equipment available at the various tyre plants to monitor quality. This would eliminate the need to increase prices, said Fischer.

SABS engineering vice-president Martin Kellerman said quality standards could be made compulsory only for health, safety or environmental reasons.

It was impossible for the SABS to use manufacturers' equipment as it would be unethical to expect foreign competitors to have their tyres inspected for quality at the facilities of local competitors.

Furthermore, as the equipment had already been dedicated for the tyre manufacturers' own purposes, the SABS would have to "stand in line" to use the facilities. Measuring equipment at different plants also invariably produced dissimilar results, he said

Trade delegation calls off SA visit

Own Correspondent

DURBAN — A 30-member trade mission from Dubai has cancelled its tour to Durban, Cape Town and Johannesburg because of last week's right-wing invasion of the World Trade Centre in Kempton Park

The delegation of representatives from the electronics, textiles and consumer items sectors was to have met local chambers of business and members of government with a view to opening up trade between the two countries, according to Durban Regional Chamber of Business spokesman Sheila de Villiers

The delegates were to have spent three days in each of the cities They had also planned to visit Sun City and other tourist attractions

De Villiers said she received a fax last week saying that the delegates had seen footage of the World Trade Centre events on TV, along with coverage of 12 murders that occurred in and around Johannesburg at the weekend, and that they had decided to cancel the tour

Kathy Atkin of Jet International Travel, which was responsible for coordinating travel arrangements, said "the tourism industry and the commerce and industry sectors of this country cannot afford politically inspired events of this nature which directly affect their livelihoods"

De Villiers said it was still hoped the trade mission, which was the first from Dubai to have expressed interest in visiting the country, would "come at another stage later in the year"

Meanwhile, Sapa reports that a delegation of Egyptian businessmen arrived in Johannesburg yesterday on a fact-finding mission with the hope of establishing trade links

The businessmen, whose interests cover a wide range of industries from financial services to agriculture and construction, have expressed great interest in SA and will meet a number of their business counterparts during their visit

The visitors, a group of more than 25, will be meeting the Johannesburg Chamber of Commerce and Industry on Monday, according to a chamber spokesman

The National Bank of Egypt will be officially opening its Johannesburg branch on Monday

The bank's chairman Mahmoud Abdel Aziz arrives on Sunday to officiate at the function — Sapa

Plumbridge elected to top gold post

GOLDFIELDS CEO and chairman Robin Plumbridge has become the first South African to be elected chairman of the World Gold Council

His appointment follows the body's recent annual meeting in Istanbul

He has served as a member of the council's board of directors and executive committee since its inception six years ago He has also been council vice-chairman and a member of the audit committee from June 1991 to June 1993

The World Gold Council, based in Geneva, has offices throughout the Far East, Europe, the Middle East and the Americas The council's main objective is to stimulate demand and develop new markets for gold throughout the world

Plumbridge succeeds Fraser Fell, chairman of Placer Dome, Canada — Sapa

Suggestions to protect local truck makers

BDay 2/7/93

EDWARD WEST

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(192)

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Pay rise spurned: Pickets may follow

Weekend Argus Correspondent

JOHANNESBURG — Delegates to the National Union of Metalworkers congress have unanimously rejected employers' wage offers in the motor, engineering and tyre industries and endorsed a "campaign of mobilisation" to press their demands

In the motor sector, which includes garages and panel-beating shops, where employers and the union have been at loggerheads for over a year, delegates decided to picket certain garages and harass key industry leaders by telephoning them day and night Regions have been provided with names and addresses

Certain members of the SA Motor Industry Employers' Association are accused by the union of trying to break the Industrial Council, which provides a forum for wage negotiations, in order to destroy collective bargaining

Numsa will also ask Cosatu to put pressure on government and business representatives at Monday's National Economic Forum plenary, to see that this Industrial Council is given the same protection that they are expected to agree be afforded to other existing collective bargaining structures

These decisions were taken yesterday at the first full day of Numsa's fourth biennial congress, held at the World Trade Centre

The congress also endorsed an amended resolution expanding the campaign of mobilisation to include overtime bans and stoppages, confronting employers with the possibility of more direct industrial action from mid-August, by which time the union will have completed a series of mandating exercises at all levels

Delegates also expressed unhappiness at Numsa leaders' decision to rescind a ban on overtime in the auto sector The ban had been lifted following legal pressure from the employers which left the union leadership uncertain on the legality of the ban

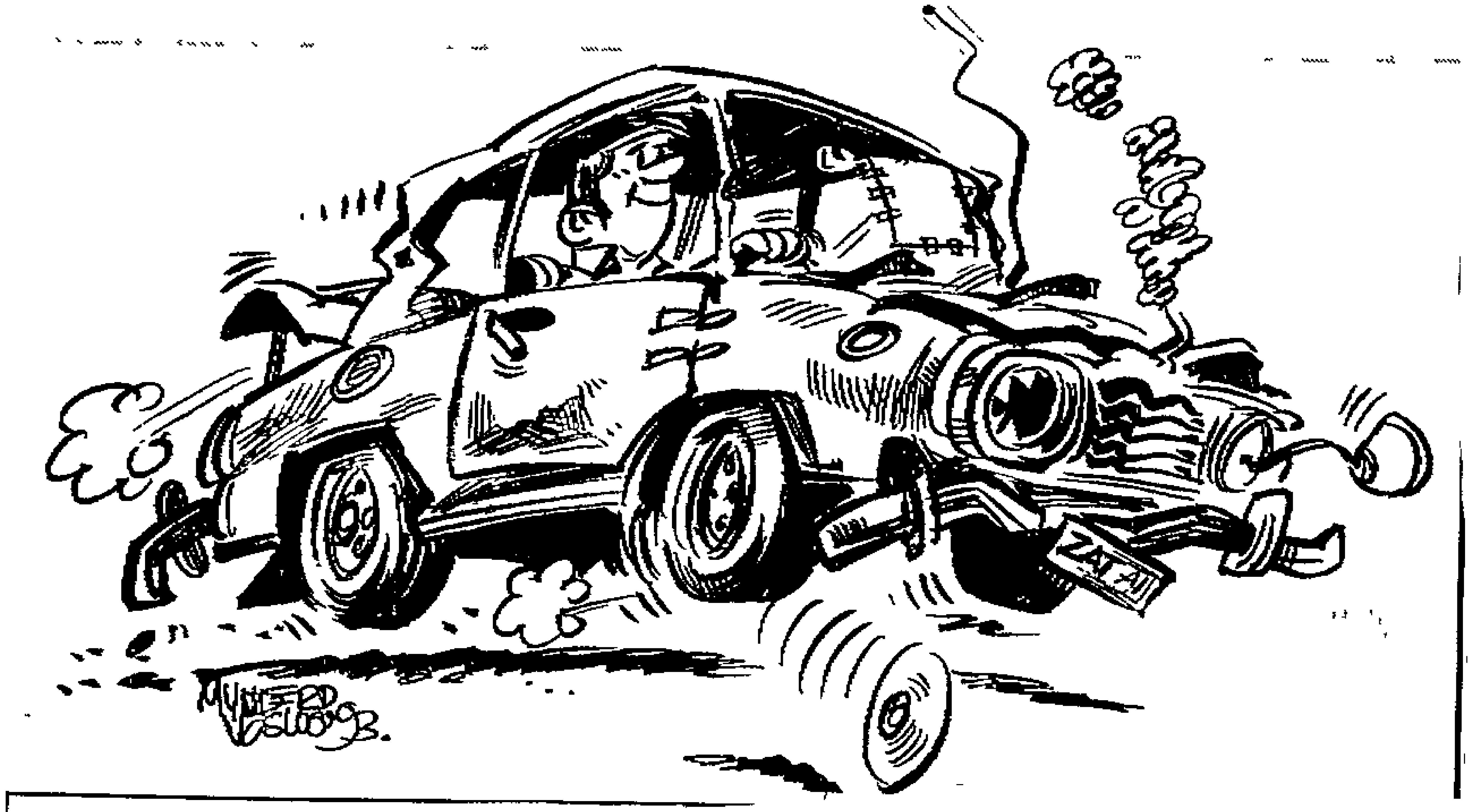
It now seems the ban was legal and the mood at Thursday's conference suggested that auto workers might opt for its reinstatement

Concern was also expressed at the fate of up to 50 000 petrol station workers, should the petrol price be deregulated The union fears that, as has happened abroad, up to 70 percent of jobs could be lost following deregulation, through the closure of petrol stations as a result of competitive pricing

MONEY

Soaring cost of new cars boosts value of the family jalopy

S Times (Buss J) 4/7/93



By DON ROBERTSON

TRADITIONALLY it has been the classic or exotic car that has offered the motorist the best resale value, but with continually soaring new car prices, even the small runabout could be a worthwhile investment

As new car prices increase — by as much as 60% in the past two years — second-hand car values also rise

In most instances, the original purchase price of a vehicle bought two years ago can at least be recovered in the used-car market today and this after two years of "free" use

Resale prices, however, depend on the condition of the vehicle and are subject to negotiation and whether the car is traded in on a similar marque But according to the Auto Dealers Digest, the bible of the second-hand motor trader, even the trade or lower price suggested by the digest is generally higher than the original price

The Central Statsics Service bears evidence of this

In the first quarter of this year, 63 446 cars were traded in the used-car market worth R1,74-billion This compares with 59 063 in the first three months of last year at a total cost of R1,47-million Average prices for each year were R24 900 in 1991 and R27 560 this year

For example, a 1,3l Toyota Conquest, bought for R24 800 at the beginning of 1991, would be sold by a used-car dealer for about R28 000 and the motorist who bought it then could at least expect to recover the original price paid on a trade in The price for the same car today is R40 214

(192)

Free

Similarly, a motorist wishing to buy a two-year-old Conquest RSi Twin Cam would have to pay about R44 300 compared with the original price of R45 000 Today's price is R67 300

The used-car price of a Ford Laser 1,4l is higher than the price paid two years ago, while a Monza 2l GSi costing R47 490 in 1991, would probably sell for about R54 900 today

High performance cars generally do not maintain their prices to the same extent as conventional models, but, depending on condition, can provide the buyer with basically "free" travel for a number of years For instance, a Honda 160i Twin Cam, bought for R56 580 in the middle of 1991, would probably be sold by the used-car dealer for about R48 700

Errol Richardson, president of the Motor Industries' Federation, says there is a shortage in the used-car market of cars which are between a year and three years old This, he says, reflects the decline in new car sales in the past few years and the decision by motorists to hold onto vehicles for longer periods because of the soaring price of new cars

New car sales have been hit by continued price rises and manufacturers have tried to keep price increases as low as possible The continuing decline of the rand against the Japanese yen and the German mark, has, however pushed up the cost of imported components

Assemblers of Japanese sourced cars are hardest hit and price rises this year are likely to be above the SA inflation rate

Export Venture

S/Times (Buss) 4/7/93

THE popularity of the SA-developed Toyota Venture has encouraged the company to seek export markets.

Certain proposals are being settled, including the export of diesel-engined and left-hand-drive Ventures, says Toyota Marketing managing director Brand Pretorius.

The success of the station-wagon type Venture in SA has created a high level of interest in other markets, particularly those in other African countries.

"It is quite clear there is an export market for the Venture and Toyota SA is moving towards satisfying this area of demand," says Mr Pretorius.

Toyota spent R56-million to tool up and promote the Venture. In March it became the biggest seller in the so-called minibus sector. (192)

Star 7/7/93

Tractor sales on rise

June sales of tractors and combine harvesters continued to show the upward trend of the past four months, the Agricultural Machinery Association yesterday (192)

"With the latest forecast for the 1992/93 maize crop being eight million tons and prospects for most other summer crops being significantly up, the optimism of the past few months continues," it said. — Sapa.

New vehicle sales rev up — month's growth 3 %

192

MARC HASENFUSS
Business Staff

NEW vehicle sales — a key economic indicator — again hinted at recovery with a slightly stronger showing in June

The 24 289 units sold in June was nearly 1,5 percent up on the corresponding month last year and about 3 percent higher than May's sales total

The statistics released by the National Association of Automobile Manufacturers of South Africa (Naamsa) show the year-to-date sales at 145 705 units — 3,3 percent ahead of the first six months of last year when 141 061 units were sold

Naamsa figures showed an across-the-board increase in all sectors of the vehicle market

Passenger sales moved ahead sluggishly, showing a slender 0,8 percent increase to 15 622 from May

Light (LCV), medium (MCV) and heavy commercial vehicles (HCV) — normally barometers of industrial activity — showed a marked increase in June sales compared with May

LCV sales for the month rose 6 percent to 8 019 units, compared with May MCV and HCV sales were well up at 18,4 percent and 16 percent respectively at 212 and 436 units

However, only LCV sales showed an improvement against June last year, increasing nearly 5 percent MCV and HCV sales fell 25 percent and 18 percent against the corresponding month last year

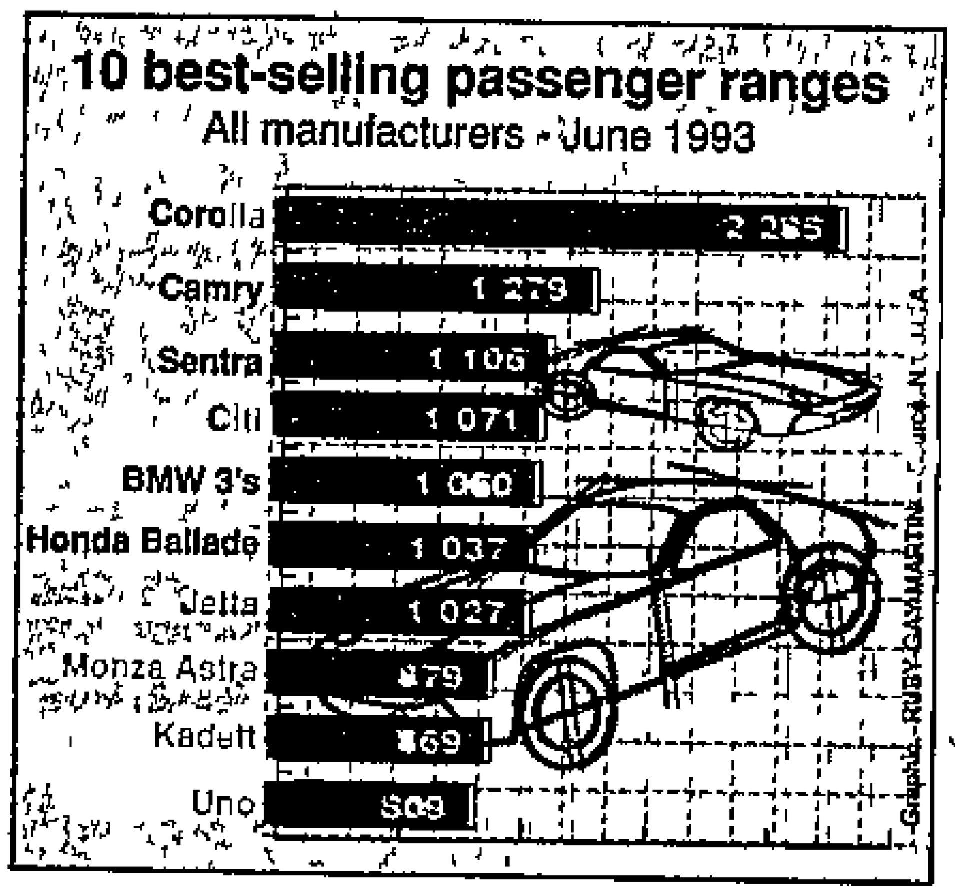
Toyota maintained its dominant position in new vehicle sales with a 27,8 percent market share in June Nissan held on to the second spot with 17,2 percent, followed by Samcor (Ford and Mazda) with 15,8 percent, Volkswagen with 12,9 percent and Delta with 12,2 percent

The Toyota Corrola was unchallenged as best seller for the month, with sales of 2 285 units

The upmarket Toyota Camry came in a surprise second with 1 279 units sold — outstripping the traditional strong sellers such as the Nissan Sentra (1 106), Citi Golf (1 071), Opel Kadett (869) and Fiat Uno (809)

ARG 8/7/93

■ Combined second-quarter profits of the Big Three American carmakers could reach $2 billion, according to analysts, who called the industry's recovery one of the few positive signs in a stalled economy



Going gets better as car sales rise

BIDay

EDWARD WEST

THE slight increase in new car sales in June was indicative of a possible bottoming out of the recession, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday 9/7/93

New car sales for the month improved marginally by 0,9% to 15 622 as against 15 477 sold during the same month a year ago However, compared with May's sales of 15 500, the increase was only 0,8%.

Naamsa said in spite of the small increase, car and light commercial sales were better than expected (192)

New car and light commercial vehicle sales in the first six months climbed 3,8% and 3,7% respectively compared with the same period in 1992, while medium (MCV) and heavy commercial vehicle (HCV) sales dropped 14,9% and 10,6% respectively

June LCV sales climbed 4,8% to 8 019 compared with June 1992 when 7 652 units were sold Compared with May's 7 565 sales, sales improved 6%

However, the severity of the economic downturn continued to be reflected by poor sales of the low volume MCV and HCV truck market MCV sales rose 18,4% to 212 in June compared with May's 179, but were 25,4% lower than the 284 sold in June 1992. June's 436 HCV sales were 16% higher than May's 376, but 17,7% lower than the 530 sold in June 1992.

The month-on-month increase in MCV and HCV sales could improve in later months with improved agricultural conditions, Delta sales and marketing director John Cuming said

Toyota marketing MD Brand Pretorius

☐ To Page 2

Car sales

BIDay 9/7/93

☐ From Page 1

said the slight increase in new cars indicated there was no sustainable increase in demand for new vehicles as sales for the first six months were subject to a number of distortions including stock shortages

Nissan marketing MD Stephanus Loubser said uncertainties regarding price increases resulted in the increased sales. He added that pricing would play an important role in the next six months, which could slow sales (192)

Pretorius said there was little doubt May sales were initially stimulated by expectations of substantial vehicle price increases from Japanese manufacturers, but it seemed the worst price escalations were over and Toyota expected to keep increases below 20% for the year. Prices would increase above the inflation rate in 1993 because of the weak rand.

If the business confidence index turnaround was supported by a sustained rise in the gold price, vehicle sales could improve in the longer term, he said

June notches fillip for new vehicle sales

(192) CT 9/7/93

By AUDREY D'ANGELO
Business Editor

SALES of new cars continued to rise in June They totalled 15 622 compared with 15 500 in May and 15 477 in June last year

Sales of light commercial vehicles totalled 8 019 compared with 7 565 in May and 7 652 in June last year

Reporting these figures yesterday the National Association of Automobile Manufacturers of SA (Naamsa) said the higher than expected sales in the past few months were "a possible early sign of a bottoming out process in the SA economy"

But, its statement continued, the severity of the downturn continued to be shown in poor sales figures for medium and heavy trucks Although they were higher than the May figures they were well below those for a year ago

Sales of medium commercial vehicles totalled 212 compared with 179 in May and 284 in June last year

Sales of heavy commercial vehicles rose to 436 in June compared with 376 in May and 530 in June last year

Brand Pretorius, MD of Toyota (SA) Marketing, said the market was "doing little more than marking time"

Pointing out that new car sales figures were just over 100 more than in May and not greatly changed from June last year, Pretorius went on "This would indicate that there is not a sustainable increase in demand for new vehicles"

Referring to the release of new models, improved supplies and the rush to beat the higher VAT and rising prices, Pretorius said "The market for the half year is 3,8% up but there have been significant distortions during this time"

Forecasting total sales of between 185 000 and 187 000 cars this year, Pretorius said the need to replace ageing vehicles was "the major factor underpinning sales at present"

Pretorius said there was no foundation for rumours that prices of Japanese cars would rise by at least 20% in 1993

"It seems that the worst escalations are over and that we will be able to contain price increases to a lesser level until year end It is unfortunate that price increases for the year will be higher than inflation and a lot higher than we would like but this purely a function of the weak rand"

Stephanus Loubser, MD of Nissan (SA) Marketing, said the upward trend was encouraging and the company's relatively optimistic forecasts of a total of 190 000 passenger cars being sold in 1993 and a total vehicle market of 294 300 units were well on the way to being met

Loubser pointed out that the average age of passenger vehicles in this country was now 11 years "Many owners have reached the point at which they realise it is simply no longer economic to continue to repair and rebuild their vehicles

"Uncertainties in terms of price increases are resulting in increased offtake, but pricing will play an important role in the market in the second half of this year and may lead to a slowdown"

The Naamsa figures show that Toyota is still the market leader with sales of 3 635 cars and 2 905 light commercial vehicles Volkswagen sold 2 695 cars, Samcor 2 127 and Nissan 2 089

EXPORTS FM 9/7/93

Doors opening East

192

The fast-growing markets of mainland China and south-east Asia clearly have a strong appetite for more than just SA's raw and semi-processed products SA has benefited from China's overseas buying binge, which has sent that huge country's imports soaring by more than 23% in the first half of the year.

In the past few months alone.

- ☐ Volkswagen SA announced a R500m export deal with China for 17 000 Jettas to be delivered over 15 months (this comes on top of an order for 12 500);
- ☐ Laser Optronic Technologies signed a R300m deal to export locally developed laser diamond-cutting systems to China over the next five years, and
- ☐ Atlantis Diesel Engines (ADE) confirmed a R110m export deal over the next five years with SsangYong, South Korea's fourth largest vehicle manufacturer, for unmachined engine block castings

Stellenbosch Bureau for Economic Research economist Pieter Laubscher says Asia's share of SA's total exports grew from 14,5% in 1985 to about 18% in 1992 and it seems that this percentage will grow further

VW SA chairman Peter Searle says, "It is part of our strategy to strengthen further our close relationship with the Chinese with a view towards a possible supply of components on a large scale in the latter half of the Nineties, once they commence full assembly and no longer need semi-knockdown units We are now working on a further major tooling order for that market"

Searle says the Chinese motor-vehicle market is the fastest growing in the world, with about 400 000 cars to be produced and sold in China this year This is expected to grow to 600 000 by 1996 VW and Audi, which together have about a third of the market and hope to expand their share to 50% by 1996, have opened the door for VW SA to share in the profits The company already has full-time representatives in China and plans to increase its presence

Where the VW parent opened the door to China for its SA subsidiary, Mercedes-Benz has done the same for its local licensee, ADE, in South Korea But ADE's manufacturing licence restricts diesel engine exports to countries approved by Mercedes and the other licence-holder, the UK-based Perkins group

"Our challenge is to develop new production lines falling outside the restrictions of the licensing agreement," says ADE export & components manager Steyn de Vos "This would allow us to utilise more fully our 75% surplus production capacity The significance of the Korean deal is that this will be a

* cont'd

FM 9/7/93.

licensed part built into a nonlicensed vehicle, which can act as a further stepping stone to start moving outside the existing licence"

With this Korean calling card, De Vos adds, ADE will now be in a position to look for more export deals for components falling outside of licensing restrictions "We intend discussing such options with Japanese vehicle manufacturers and see exciting opportunities to broaden the scope of our component exports to original equipment manufacturers of, for example, cylinder blocks, heads, crankshafts, camshafts and conrods."

He says ADE already exports transmission-housing components to France's Eaton group outside of its main licensing agreement. "This could open the door for similar exports to the US, European and Asian markets."

For its part, Laser Optronic has grown its own market in China and sees great opportunities for global expansion. Its locally manufactured system sells for about US$140 000 Says engineer Chris Moorhouse. "Our laser system provides for enormous cost, time and labour savings because it can handle 15 diamonds at a time and, for example, cut a 10-carat diamond in 36 minutes, compared with more than a day using the traditional system. Low-skilled labour can operate the machines and we see great export prospects in the Far East, especially in India"

India now adds about R2bn a year in value to diamonds imported from SA and Moorhouse believes that much of this could be done locally and create thousands of jobs. ■

BUSINESS BRIEFS

Supplier-retailer price war

11/7/93 S Times (Buss)

SUPPLIERS of personal computers (PCs) appear to be heading for a price war after the link-up between ISM and retailer OfficeMart

IBM products will be mass marketed for the first time through a retail outlet at reduced prices To match this challenge, Olivetti and Acer have linked up. Other pairings are expected

About R450 000 of IBM computers and related products have been sold in the first two weeks of the ISM-OfficeMart partnership.

Olivetti and OfficeMart have objected to Acer's use of advertised prices which exclude VAT. The matter has been reported to the Advertising Standards Authority.

Chinese officials in SA

TWO high ranking Chinese officials join top international businessman Shoul Eisenburg in Johannesburg this week to officially launch the South African- Chinese Exhibition planned for Beijing in March 1994.

Shen Yonglie, president of Consultec, a commercial division of the Ministry of Foreign Trade and Economic Co-operation and Wei Jainguo, deputy director-general of the Foreign Trade Ministry will launch the exhibition which hopes to show goods and services from about 250 South African exhibitors.

VW beats Chinese car ban

CHINESE efforts to halt rising inflation, including a ban on car imports, will have no effect on Volkswagen SA. 11/7/93

In May, Volkswagen won a R500-million order from China for 17 000 left-hand drive Jettas It followed a similar contract for 12 500 cars last year. S Times (Buss)

The import ban refers to fully built-up (FBU) vehicles VW marketing director Dave Malherbe says the SA exports will be delivered in semi-knocked down (SKD) form to the FAW-Volkswagen plant, a venture between Volkswagen AG and the Chinese Government. (192)

Car sales dawdling along

S/Times [Buss] 11/7/93

By DON ROBERTSON

MOTOR manufacturers will be hard pressed to match last year's new-car sales if business continues at the present rate.

Sales in the first six months show a modest 3,8% increase to 94 315 from 90 847 in the first half of last year They will have to average 14 780 each month until the yearend to equal last year's figure

This assumption takes into account sales in December which are traditionally about 3 000 below normal monthly volumes

A total of 182 900 cars were sold last year, monthly sales amounting to 15 340 in the second half Although required volumes for the rest of 1993 are below this, several factors could put the target out of reach.

Cars are much more expensive than last year and their prices will continue to increase. The economy has worsened and disposable income has fallen. (192)

The political scenario is uncertain and manufacturers have either underestimated the market for new models or suffered cuts in production because of quality difficulties

Production shortfalls are still evident at Volkswagen, which sold only 1 020 Golfs and Jettas in June

Samcor's sales of the new Ford Telstar and Mazda 626 in June were even lower than the modest sales of the previous month. The Samcor picture is not expected to improve until October.

But the ever-optimistic motor industry believes that sales will at least match last year's number. Some companies expect better figures.

They say June sales of 15 622 (15 500 in May) were better than expected. June was the second month since the increase in VAT. May figures were above expectations.

The National Association of Automobile Manufacturers of SA (Naamsa) says the market appears to have consolidated and there are some signs of resilience

Light commercial vehicle sales for the year could be above last year's 92 430 The June figure was 8 019.

This sector could be helped by an improved farming season.

Medium and heavy-truck sales are 14,9% and 10,6% respectively down on last year at the halfway stage. June sales were 212 and 436 respectively.

280 000 fail to register trucks

SlTimes (BussJ) 11/7/93

By DON ROBERTSON

TRAFFIC officers throughout the country are to prosecute about 280 000 truck owners and operators who have failed to register their vehicles under safety regulations.

At the July 1 deadline, only 30% of 400 000 truck operators had registered in terms of the road traffic quality system (RTQS)

A spokesman for the Department of Transport (DoT) says the poor response is "disastrous" (192)

The RTQS, which applies to trucks of more than 3,5 tons, requires owners to register each one with the DoT to establish who is responsible for the operation

Registered owners will be monitored to see whether they comply with traffic regulations Should they be convicted of many offences, their operating permits could be withdrawn

Large

All drivers will be registered and could have their licences withdrawn should they contravene the law often

From November, each truck will have to obtain an annual roadworthy certificate before a licence can be renewed

The 120 000 trucks that have been registered belong mostly to the large operators

The DoT spokesman says that all truck licences issued since July last year contained RTQS registration forms which had to be completed In addition, an advertisement campaign was launched

The maximum fine for contravening the RTQS code is R24 000

Letter to the Editor

Reuter gold report OK

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It was simply wrong to say the report was not circulated outside this country. — RODNEY PINDER, chief correspondent, Southern Africa, Reuters.

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un

280 000 fail to register trucks

S/Times
(BUSS)
11/7/93

By DON ROBERTSON

TRAFFIC officers throughout the country are to prosecute about 280 000 truck owners and operators who have failed to register their vehicles under safety regulations

At the July 1 deadline, only 30% of 400 000 truck operators had registered in terms of the road traffic quality system (RTQS)

A spokesman for the Department of Transport (DoT) says the poor response is "disastrous".

(192)

The RTQS, which applies to trucks of more than 3,5 tons, requires owners to register each one with the DoT to establish who is responsible for the operation

Registered owners will be monitored to see whether they comply with traffic regulations Should they be convicted of many offences, their operating permits could be withdrawn

Large

All drivers will be registered and could have their licences withdrawn should they contravene the law often

From November, each truck will have to obtain an annual roadworthy certificate before a licence can be renewed

The 120 000 trucks that have been registered belong mostly to the large operators

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Motorvia sale negotiations

B Day 14/7/93

LINDA ENSOR

CAPE TOWN — The joint liquidators of Tollgate Holdings subsidiary Motorvia are in the final stages of negotiating a management buyout of the company, which ferries new and used motor vehicles to dealers throughout southern Africa

Motorvia's main clients include Volkswagen, for which it ferried 100% of its products last year, Toyota (85%), Samcor (95%), and Mercedes Benz Trucks (40%) (192)

Cape Trustees liquidator David Glaum said yesterday that Volkswagen, Toyota and Samcor had approved the sale to management and indicated that they were prepared to enter into negotiations to renew the ferrying contracts The sale would be made conditional on these contracts being signed.

The manufacturers had indicated that they were happy with the way the business was being run Other offers, Glaum said, had either not been satisfactory to the main creditor, Absa, in terms of the amount, or had conditions attached which could not be fulfilled

Motorvia was a consistent profit generator in the Tollgate Holdings group before its liquidation and its sale value under liquidation was estimated at about R25m However, Glaum refused to disclose details of the price, saying it was confidential

Glaum anticipated that it would take several months for the management buyout to be finalised

Factory in strike feud

(192)

The Argus Correspondent

JOHANNESBURG. — Motor parts manufacturer Robert Bosch has told striking workers at its Brits plant it will begin its proposed programme of retrenchments tomorrow unless they agree to discuss whose jobs should go ARG 14/7/93

The company has brought in up to 70 workers, most of them unemployed whites from the Sonop community, to keep the factory going

Bosch is anxious to maintain its reputation for timeous delivery. "It's a capital sin for a supplier to stop the production line," said a management source.

But the union involved, the National Union of Metalworkers of SA, is relying on management's difficulty in maintaining product quality under pressure.

The workers went on strike last Thursday after refusing to take part in talks on a company proposal to shed up to 30 jobs.

Star 14/7/93

Car price rises to exceed inflation

(192)

By Thabo Leshilo

Vehicle prices are expected to increase at a rate higher than inflation next year, with recession-hit South Africans trading down from the more expensive marques

That is the view of Saficon chief executive Kurt Hipper.

He says in the group's annual report the combined national sales of Cargo Motors (Mercedes Benz and Honda) and Lindsay Saker (Volkswagen and Audi) matched those of last year.

"However, the product mix of these sales changed as customers traded down, and the average value per unit sold during the period declined considerably."

In keeping with a worldwide trend, there was a decline in local demand for expensive cars, resulting in lower sales volumes at the group's LSM Distributors. He did not expect any improvement in this market in the near future.

The group's turnover remained static at R2 696 million and the balance sheet reflected a sound financial position at March 31.

Interest bearing debt dropped to R37 million, compared with the pro forma amount of R89 million in 1992.

This resulted in a significant improvement in the debt to equity ratio, from 0,32:1 to 0,14:1 There was no change in the ratio of total debt to equity of 1,89:1.

A return on average net trading assets of 11,4 percent was achieved, far below the targeted 35 percent.

INVICTA HOLDINGS (192)

Restoring profitability

FM 16/7/93

Activities: *Supplies bearings and transmission products, makes and imports sports balls and runs marine repair business in Cape Town*
Control: *Directors 52%.*
Chairman: *D L McCay; MD M Rose-Innes*
Capital structure: *47m ords. Market capitalisation R28m*
Share market: *Price: 60c Yields 3,3% on earnings; p e ratio, 30 12-month high, 70c, low, 50c Trading volume last quarter, 3,3m shares.*

Year to December 31	*'91	'91	'92
ST debt (Rm)	14,7	9,6	11,6
LT debt (Rm)	15,9	6,1	1,3
Debt equity ratio	4,1	0,88	0,69
Shareholders interest	0,12	0,32	0,37
Int & leasing cover	1,0	1,4	1,5
Return on cap (%)	5,0	8,9	11,8
Turnover (Rm)	n/a	n/a	n/a
Pre-int profit (Rm)	3,1	4,9	6,0
Earnings (c)	(19,3)	2,4†	2,0
Dividends (c)	nil	nil	nil
Tangible NAV (c)	(4,5)	4,9	7,3

* Year to March 1991
† Attributable profit divided by weighted average number of shares and annualised.

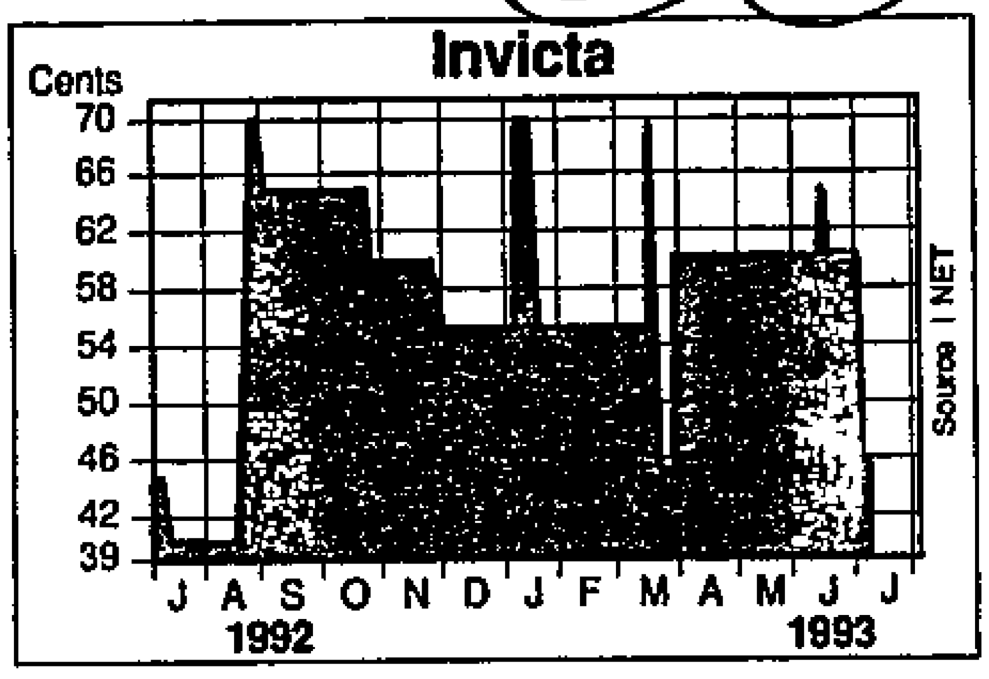
 FM 16/7/93

After the losses incurred in 1990 and 1991 because of a foray into light engineering, new MD Mike Rose-Innes and his team are steadily restoring profitability

The business is being refocused on its original strengths and is shedding extraneous diversifications Table Bay Holdings, the subsidiary in which the losses occurred, is selling its Sports Balls subsidiary, which makes Mitre rugby and soccer balls, and its Atlas Marine engineering division About R3m should be realised.

As one of SA's main suppliers of bearings and transmission products and the sole local distributor for Japan's NTN Corp, a world leader in bearing technology, Invicta's performance has been affected by the shrinking demand for bearings

It was caught with excessive stock and reduction of this is being hampered by the slowdown in mining (192)



The Japanese-sourced stock holding has a hidden benefit though As the rand has depreciated against the yen, the value of local stock has increased Group financial director Arnold Goldstone wants to cut stock by about R5m over the next two years. Increased liquidity is sorely needed if the interest burden is to be lightened Stock reduction, with proceeds from businesses sold, will help to achieve this

Goldstone believes the group will be in better shape than ever after the sales The 23% increase in pre-interest profit and the 59% jump (off a small base) in after-tax profit, despite a slight rise in interest paid, is signalling renovations are succeeding Continuation of this performance — as should happen when the economy improves because an increase in fixed investment must stimulate demand for bearings — will help to restore confidence in this DCM-listed company

Perhaps the market is already inferring the share is worth a punt That could be why more than 3m shares changed hands in March and April But the p.e of 30 is high if no more than a pedestrian performance is likely

Gerald Hirshon

Fm 16/7/93 (192)

MOTOR INDUSTRY Fm 16/7/93

Sending a mixed message

(192)

Last month's motor vehicle figures sent two different messages about the state of the economy Those looking for a sign that the economy has bottomed found it in the car and light commercial vehicle sales figures, which were up on May and on June 1992 And those who believe that the economy has not reached its nadir found confirmation in the figures for medium and heavy commercial vehicles, which are still on a slippery downhill slope

The optimists include Nico Vermeulen, executive director of the National Association of Automobile Manufacturers of SA (Naamsa), which compiles the figures He says Naamsa's view is that the higher-than-expected sales of new cars and light commercial vehicles in recent months could be an early sign that the economy is starting to turn

Yes, he says, there was pre-emptive buying before Vat went from 10% to 14% in April "But May was strong, so was June Sales could have been better, but conservative production planning created a shortage of certain models That indicates there's pent-up demand that will be satisfied only when new supplies are fed into the pipeline "

On the other side of the debate is Adolf Moosbauer, who's in charge of commercial vehicle marketing at Mercedes-Benz SA He believes that the car market has been artificially stimulated by a rash of new models as well as pre-emptive buying by customers who want to avoid the higher prices coming down the pike because of the weakening rand

Vermeulen agrees that new car models pushed demand, but he says the replacement market also spurred sales "The car park is getting old and there is a limit to the life of a car "

Moosbauer also holds a jaundiced view of the medium and heavy commercial vehicle market, which reflects business confidence and a willingness to invest "Last year's heavy commercial vehicle sales of 5 413 vehicles was the worst on record Forecasts of 5 400 for this year was the worst forecast yet, but it's getting worse I don't think the industry will sell more than 4 800 units this year and I believe sales will stay at that level next year "

In June, Mercedes-Benz SA stayed on top of the heavy commercial vehicle segment — trucks with a gross weight of more than 7 500 kg — but didn't sell any medium commercial vehicles, which have gross weights of between 5 000 kg and 7 500 kg Toyota kept its customary position as market leader in the medium section and was second only to Mercedes in the heavy section

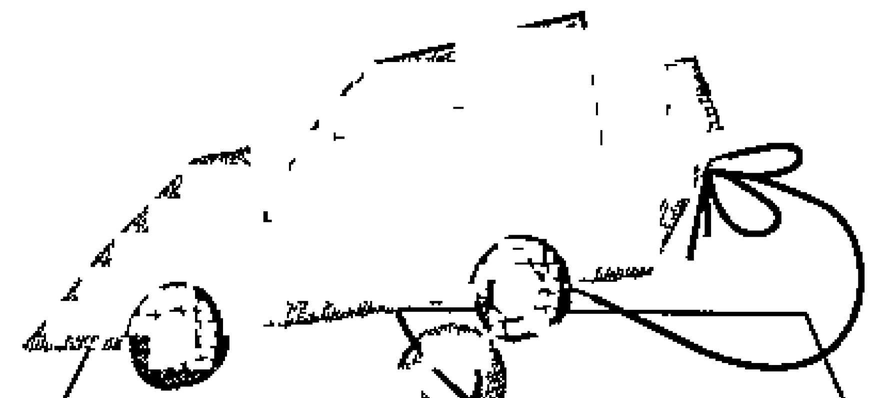
In January, Naamsa projected that 3 420 mediums would be sold this year But Des Gush, director of Toyota's truck division — who shares Moosbauer's belief that only 4 800 heavies will be sold — says indications now are that only 2 800 mediums will be sold

ADE also goes along with the 4 800 prediction for heavies and 2 800 for mediums, says the engine manufacturer's marketing manager, Johan Kellerman

Naamsa's Vermeulen says the medium and heavy markets are weak because fixed investment is weak "And the reasons for that are negative perceptions of the economy and the politics But what is significant is that despite those negative perceptions, car and light commercial vehicle sales remain positive "

None of the manufacturers sees any hope of the road transport quality system, which mandates roadworthy vehicles driven by competent drivers and is expected to be introduced later this year, boosting sales despite the horrendous fines that can be imposed even on the company MDs (*Business & Technology* April 23)

Gush says that to comply, most companies will rebuild their vehicles, using parts from those they mothballed Most people are trying to survive, Kellerman adds, they're not thinking long term ■



June vehicle sales

Cars		Total	%*
[illegible]	Corolla 2 285, Camry 1 279, Cressida 6 other 65	[illegible]	23,3
[illegible]	Citi/Fox 1 283, Golf/Jetta 1 269, Audi 143	[illegible]	17,3
[illegible]	Mazda 323 620, Ford Laser/Meteor 532, Telstar 491, Mazda 626 (new) 414, Sapphire 44, Sierra 22, Mazda 626 (old) 3, other 1	[illegible]	13,6
[illegible]	Sentra 1 108, Fiat Uno 809, Maxima 160, 200SX/300ZX 12	[illegible]	13,4
[illegible]	Kadett/Astra 1 668, Rekord 144, Kadett/Monza 80, Calibra 15	[illegible]	12,2
M-Benz	Honda Ballade 1 037, M-Benz W124 340, W201 314, W140 2, W126 1, other 25	1 719	11,0
BMW	3-Series 1 060, 5-Series 235, 7-Series 57, other 98	1 450	9,3

*% of the total car market

	1993	1992	% Change
June	15 622	15 477	+0,9
Jan – June	94 315	90 847	+3,8
May (15 500) – June			+0,8

Light commercial trucks

Toyota 2 905 (36,2% of the market), Nissan 1 978 (24,7) Samcor 1 683 (21 [illegible]) Delta 984 (12,3) [illegible] VW 440 (5,5) AAD 29 (0,4) [illegible]

June	8 019	7 [illegible]	+4,8
[illegible]	[illegible]	[illegible]	3,[illegible]
May [illegible]			[illegible]

Medium commercials

[illegible]

June	212	[illegible]	25 4
[illegible]	1 41[illegible]	[illegible]	14 [illegible]
May (179)			8 4

Heavy commercials

M'Benz 150 (34 4) Toyota 10[illegible] (2[illegible] [illegible] Tyco 10 (2,3) AAD 2 (0,5)

June [illegible]	[illegible]	530	17,[illegible]
Jan – June	2 408	2 686	10 3
May (378) – June			+16,[illegible]

Total vehicle sales

Toyota 6 758 (27,8%) Nissan 4 180 (17,2) Samcor 3 842 (15,8) VW 3 135 (12,[illegible]) Delta 2 970 (12,2) [illegible] M-Benz 1 869 (7,7) BMW 1 450 (6) other 85 (0,3) [illegible]

June	24 269	23 943	+1,4
Jan – June	145 705	141 061	+3,3
May (23 620) – June			+2 8

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

SAFICON/BOUMAT

Companies in waiting

(192)

Since Saficon increased its stake in Boumat to 64%, the building material and supply company has become a subsidiary And as Boumat has contributed handsomely to

FM 16/7/93

Saficon's Borsook *better than expected*

(192)

Saficon

Activities: *Trades motor vehicles and makes motor vehicle components*

Control: *Sakers 48,4%*

Chairman: *S Borsook, MD K Hipper*

Capital structure: *35,8m ords Market capitalisation R93m*

Share market: *Price 260c Yields 1,5% on dividend, 5,3% on earnings, p e ratio, 18,6, cover, 3,5 12-month high, 400c, low, 160c Trading volume last quarter, 1,1m shares*

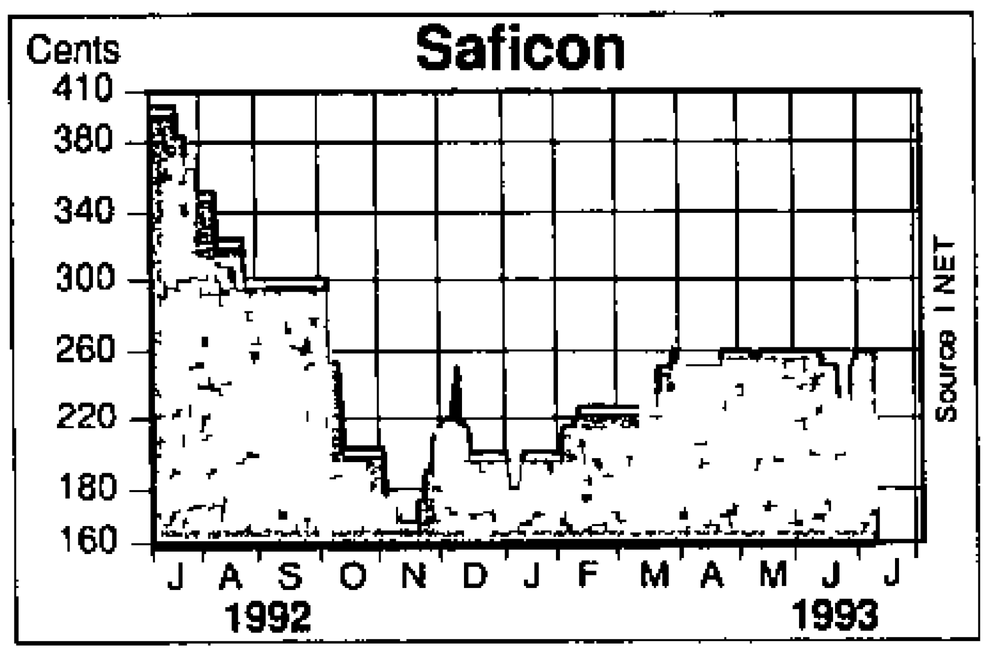
Year to March 31	'90	'91	'92	'93
ST debt (Rm)	57 8*	66,8*	64,9*	96,9*
LT debt (Rm)	22,1	17,0	17,8	34 1
Debt equity ratio	0,49	0,51	0,39	0,14
Shareholders interest	0,41	0 29	0,30	0,36
Int & leasing cover	4,3	2,1	2,0	1,5
Turnover (Rbn)	1,46	1,46	1,53	2,70
Pre-int profit (Rm)	84,2	55,3	44,8	48,3
Pre-int margin (%)	5 8	3,8	2,9	1,8
Earnings (c)	149	49	53	14
Dividends (c)	43	14	13	4
Tangible NAV (c)	550	542	586	602

* Includes capitalised finance leases

earnings — "better than expected," says chairman Sidney Borsook — it seems appropriate to consider the companies' results jointly

Clearly, 1993 wasn't a good year for one of the country's most important players in the motor business Saficon's turnover leapt dramatically, but that was due to the consolidation of Boumat, more important, operating profit showed only a small increase to R48m, the net interest outflow rose to R29m, the tax rate was 52% (1992 47%), outside shareholders' interests ballooned and attributable earnings fell to R5,1m Translated, that is 14c a share (1992 53c)

Borsook has taken the view that the con-



FM 16/7/93.

Boumat (192)

Activities: *Manufactures and supplies building materials*

Control: *Saficon 51%*

Chairman: *S Borsook, CEO A Klein*

Capital structure: *31,1m ords. Market capitalisation R93,3m*

Share market: *Price 300c Yields 2% on dividend, 8,3% on earnings, p e ratio, 12, cover, 4,2 12-month high, 400c, low, 160c Trading volume last quarter, 1,7m shares*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	14,0	27,8	—	53,2
LT debt (Rm)	31,9	31,8	19,1	8,9
Debt equity ratio	0,30	0,41	0,08	n/a
Shareholders interest	0,34	0,30	0,32	0,29
Int & leasing cover	3,0	1,2	1,9	2,32
Return on cap (%)	14,2	7,2	10,6	5,0
Turnover (Rm)	1 002	1 091	1 163	1 222
Pre-int profit (Rm)	57,9	31,1	45,3	24,7
Pre-int margin (%)	5,8	2,8	3,9	2,0
Earnings (c)	82	7,4	43	25
Dividends (c)	45	48	10	6
Tangible NAV (c)	480	417	438	459

solidation of Boumat so skews the comparisons betrween this year and last, that a pro forma for 1992 has been provided as though Boumat had become a subsidiary on April 1 1991 That shows EPS for 1992 would have been 50c compared with 1993's actual 14c

The dividend was 4c (1992 13c) And that was achieved only at the cost of cover which fell from 4,1 times to 3,5

Nevertheless, the balance sheet continues to reflect innate strength, indication of careful husbanding of resources Gearing has been kept low, the group was cash flush at balance sheet date (R94m) indicating good collections and NAV shows a modest rise to 602c Shareholders can feel comfortable with this mix

Saficon's original business is conducted through Saficon Motor Holdings which deals, in turn, through trading divisions Cargo (Mercedes-Benz), Lindsay Saker (Volkswagen and Audi) and LSM Distributors (Porsche and Jaguar) CE Kurt Hipper confirms the prevailing trend in SA towards buying down The change affected the sales mix between Honda and Mercedes and that, in turn, worked its way through to the average value of vehicles sold

The motor divisions saw a decline of 3,4% in turnover to R1,4bn The company's share of Mercedes, Honda, VW and Audi passenger car sales fell 2% to 21,5% and its share of national Mercedes and VW commercial vehicle sales fell to 16,4% (1992 20%)

Efforts are being made to recover lost market share Mercedes is tooling up for a 190 model range to be launched by mid-1994 and the new Honda Ballade has achieved an unusual degree of success

Borsook delivers a swat across VW's collective knuckles Lindsay Saker's operations were, he says, "severely hampered by the inability of VW to supply an adequate volume of passenger cars during the second half of fiscal 1993 " Of course, VW's manufacturing problems, associated with unacceptable build standards, are common knowledge, with some buyers complaining about unavailability Hipper confirms the impasse

P.T.O.

MIDAS FM 16/7/93

Back to the roots (192)

Midas lost its touch last year Diversification into supplying merchandise to chain stores — as well as franchisees — together with entry into the motorcycle market, left management unfocused and the income statement with a bottom-line loss of R2,5m

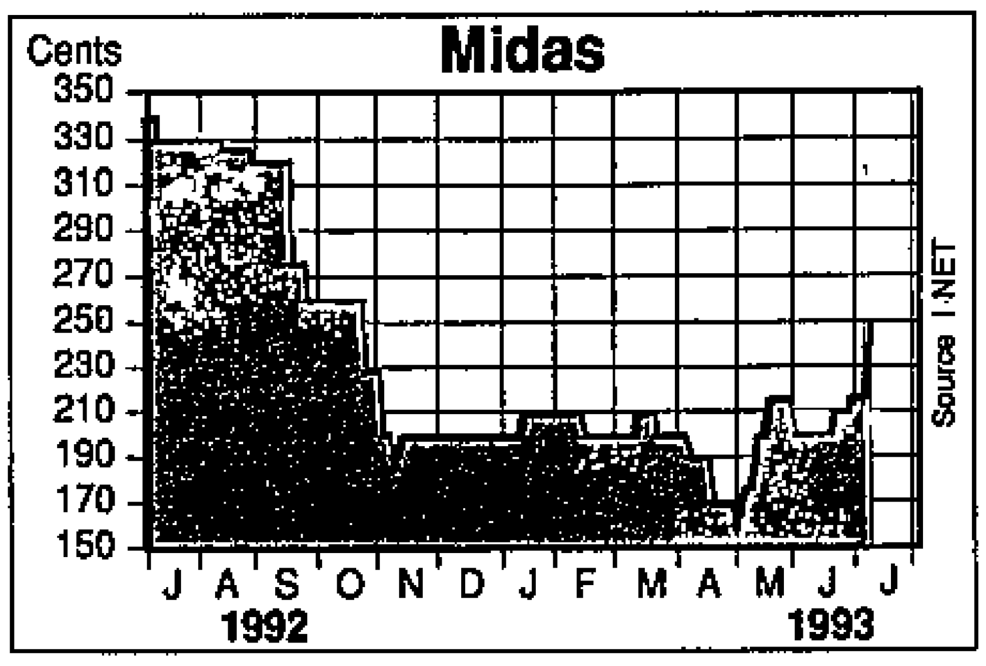
Six months into the 1993 financial year, and after an interim loss of 14,3c a share, management realised the expansion was a huge mistake A new MD, Sarel de Vos, was appointed and strict rationalisation followed

Activities: *Markets automotive parts and accessories*
Control: *McCarthy Retail 36,3%* (192)
Chairman: *T Rosenberg, MD S de Vos*
Capital structure: *14,9m ords Market capitalisation R37m*
Share market: *Price 250c 12-month high, 350c, low, 160c Trading volume last quarter, 680 000 shares*

Year to Feb 28	**'90**	**'91**	**'92**	**'93**
ST debt (Rm)	30,6	24,6	31,3	18,0
LT debt (Rm)	nil	nil	2,0	1,6
Debt equity ratio	0,59	0,45	0,48	0,46
Shareholders interest	0,64	0,58	0,54	0,47
Int & leasing cover	1,9	1,6	1,8	1,0
Return on cap (%)	20,4	11,3	13,6	5,8
Turnover (Rm)	221	242	284	293
Pre-int profit (Rm)	16,5	10,6	15,8	5,1
Pre-int margin (%)	7,5	4,4	4,6	0,6
Earnings (c)	60,3	31,5	60,7	(16,9)
Dividends (c)	20	8,5	16	nil
Tangible NAV (c)	354	366	393	285

The Champion Chain store services and Hyperquip packaging divisions were sold Kawasaki Motors SA, sole distributor of Kawasaki motorcycles, products and parts in SA, is being sold De Vos says the plan is to concentrate on the original profitable business, that of a specialised warehouse and marketing operation distributing mainly through franchised outlets

Damage to the income statement has been severe Trading losses of the non-core divisions amounted to R2,6m Subsequent trading losses, with losses on disposals, resulted in an extraordinary loss of R10,3m At year-end, shareholders had to settle for a loss of 16,9c a share and no dividend



SA's motor fleet must be ageing, considering passenger vehicle sales fell from 197 736 in 1991 to 182 908 in 1992 This has resulted in an increased percentage of total motor industry revenue being spent on parts But De Vos says the recession and fierce competition have depressed margins here The auto-electrical & diesel division suffered most It saw significant retrenchment and unprofitable product lines were discontinued Over two years, this division's work force has almost halved

De Vos says the budget for the 1994 financial year shows a satisfactory return to profitability, based partly on the strengthened balance sheet Interest-bearing debt dropped 42% from R33m to R20m in 1993, with gearing improving from 54% to 47% Stock fell from R76m to R46m

Midas's strong cash flow supports his outlook Also, there are estimated tax losses of

R49m The share trades at a discount to NAV and has lagged the retail and motor sectors for most of the year But investors should continue to tread carefully *Kate Rushton*

M 16/7/93

Picture WILLIE DE KLERK The Argus

POSITIVE VIBE: Getting the feel of an electric-powered scooter are Miriam Snell and Ronnie Kingwill of Eskom In the background is a demonstration model electric car

Eskom aims to switch drivers on to electric car

ARG 19/7/93 (192)

Environment Reporter

ESKOM's "road show" — an electrically powered saloon car and scooter — glided into town today with the barest hiss of rubber on tar and no noxious exhaust gases to offend the lungs or nose

The show was to introduce more South Africans to the concept of electric vehicles and to remind them this relatively clean, non-polluting technology was available here, Eskom spokesmen said

The car is a standard American model fitted with an electric motor that powers it at speeds of up to 90km/h for about 150km on a full battery

Eskom transport sector manager Mr Carel Snyman said the car cost about 3c a kilometre to run — the cost of recharging the battery at domestic electricity rates — and the virtually maintenance-free engine was expected to last at least 1,6 million kilometres

He emphasised that Eskom was not selling the cars

"We are just introducing the fact that Eskom is marketing electricity in the transport sector," he said

"These vehicles are carrying the message and we're trying to make people aware of the technology"

Mr Snyman said environmental damage in the form of pollution from burning fossil fuels like oil was creating a new awareness of the need for a cleaner way to propel vehicles and other machines

Electrically driven forklift trucks and light delivery vehicles such as milk floats had been operating cheaply and efficiently for years and the mining industry also used electricity for various forms of transport

"South Africa has a motor industry used to small production runs and which is exceptionally well suited to producing electric vehicles," Mr Snyman said

The cost of the electric car depended on whether the cost of the batteries was included in the purchase price or calculated as operating costs

Buying an advanced nickel-cadmium battery would make the car up to twice as expensive as a petrol-driven model, but a battery could be leased and the cost put down to operating expenses, he pointed out

This would make the cost of the car competitive

BMW SA is Jeep favourite

JOHN DLUDLU

BMW SA has emerged as the frontrunner in plans being hatched by US car manufacturer Chrysler for a joint venture to manufacture its four-wheel drive Jeep Cherokee in SA Volkswagen SA, however, is also a possible Chrysler target

BMW SA spokesman Chris Moerdyk confirmed yesterday that his company had been involved in discussions with Chrysler He said the discussions had centred on issues such as the possibility of a joint venture and general information on the local industry B/Day 19/7/93

However, no formal agreement had been entered into as yet, Moerdyk said

The Sunday Times yesterday reported Chrysler's plans, saying the company hoped the vehicle would find markets throughout Africa The project would also create a significant number of jobs

Industry sources said Chrysler had also approached other local car makers, including Mercedes and Volkswagen They speculated that the deal would most likely be with a manufacturer which does not already produce a four-wheel drive vehicle

Toyota already has a hold on the 4x4 market with its HiLux series and Land Cruisers Samcor's access to the market comes through Mazda's 4x4 Magnum series One Magnum model uses the Mitsubishi Pajero 2,6*l* engine (192)

Nissan makes its own 4x4 vehicles, as does Isuzu Mercedes also offers a luxury

☐ To Page 2

Jeep

B/Day 19/7/93

☐ From Page 1

4x4 vehicle. Volkswagen does not have a 4x4, although the Audi Quattro passenger car comes as a 4x4.

A Nissan spokesman said his company had not been approached Spokesmen for Volkswagen, Mercedes and Samcor could not be reached (192)

Observers noted the disclosure came a week after ANC leader Nelson Mandela's fundraising visit to the US.

Local industry sources said this could mark the return of other major US corporations such as Ford and General Motors

Sources said Chrysler had come under increasing pressure globally from lower sales and was looking for opportunities to boost volumes

SA Hosiery 'in position'

BiDay 19/7/93

MZIWAKHE HLANGANI

THE SA Hosiery Company (SAHCO) is positioned to maintain growing export market and its dominant performance in the local hosiery industry, says group MD Allan Falconer

He added that SAHCO had targeted 35% in total export sales next year

He said while "sensitive to the responsibility" of its dominant position, competition was welcomed

Falconer said export initiatives had been restarted in central Europe, along with substantial new capital investment These included the upgrading of the company's facilities

In spite of sanctions, the company's Burhose subsidiary had continued to export to Germany, Russia, Holland, Hungary, Poland, the UK, Ireland, the US, Austria and Spain

Burhose represented 60% of the local hosiery industry and was the biggest supplier of hosiery in Tesco stores in the UK and US

The company expected to export 10-million pairs of hosiery to another major European retailer in the ear ahead

Other three SAHCO-owned hosiery companies, included Berkshire, Golden Girls, and Arwa

Through its international associations, the group was determined to maintain its competitive standard as one of the world's lowest cost manufacturers

Falconer denied media allegations that new hosiery importers had been blocked from obtaining listings within the major chains stores He also denied SAHCO had attempted to keep the industry a closed market.

He said a variety of imported products from independent distributors were on retail shelves, while three small manufacturers were enjoying success

Good year for motor group

BiDay 19/7/93

MZIWAKHE HLANGANI

MARTIN Jonker Holdings is well geared to capitalise on any improvement in the economy after ending an "extraordinary" year in a recessionary motor industry, chairman Martin Jonker says in the group's annual review

(192)

The group had shown it could "weather the storms" of a difficult economy and a depressed motor market

A rights issue of 12-million shares in December 1992 had resulted in a net R4m cash injection The cash was used to finance increased working capital and reduce debt

Jonker said the group was aiming for growth in income attributable to ordinary shareholders in excess of inflation

Turnover for the year to February climbed to R181,66m (R151,69m) Earnings were increased to 6,2c (0,7c) a share

ELECTRO MANIA . Eskom staffers Mr Marc Ruwiel and Miss Dot Huisamen show off an electrically powered car and scooter which were introduced to car manufacturers in Edgemead yesterday Picture BENNY GOOL

Escom switches on its car, scooter

Staff Reporter (192) CT 20/7/93

ESKOM introduced their 'electric road show' yesterday — an electrically powered car and a scooter

Hosted by Eskom's Industrelek Transport project, the launch aimed to entice vehicle manufacturers to consider using the technology

Project manager Mr Carel Snyman said everything used on the car was available in the country

"There is nothing in this car we cannot produce here,' he said

The environment-friendly and cheap American vehicle has an electric motor that powers it at speeds of up to 90km/h for about 150km on a full battery

The virtually maintenance-free vehicle costs about 3c/km to run and its engine is expected to last for at least 1,6 million kilometres

However, because it cannot carry a battery as big as a petrol tank, the car has to be recharged regularly

Raptor's profits climb

MZIWAKHE HLANGANI

RAPTOR Motor Holdings, based in Bophuthatswana, would strive to maintain market share and profitability without making acquisitions in SA's recessionary climate, chairman Dawood Khonat said in the company's 1992 annual review. BiDay

On an annualised basis, Raptor's turnover increased by 35% compared with 1991 and operating profits by 16%. 21/7/93

The increase in sales was partly due to an inflationary increase arising from price increases, but still represented a real increase in units sold. (192)

Raptor is in its second year of operation Expansion has included a secondhand car sales branch in Brits A 75% interest was bought in the business of Tlhabane Toyota, through the purchase of 75% of Murroe Investment Ltd, which is now a subsidiary

Khonat said Tlhabane Toyota and its filling station dealership contributed R5,3m to group turnover.

Star 23/7/93

Saab launches 'rescue' model

TROLLHATTAN, Sweden — SAAB, launching its all-important 900 model, said yesterday it saw the possibility of a return to profit next year for the first time since General Motors of the US bought a half-share in the company in 1989. (192)

Keith Butler-Wheelhouse, the South African brought in by GM last year, declined to make a firm forecast but said the breakeven point for the company had come down to about 80 000 units a year and "we intend to sell significantly more than that next year So if nothing else changes we should be in the black then".

Butler-Wheelhouse, who formerly ran GM in Port Elizabeth, acknowledged that the success of the new 900, which will compete against the Mercedes C class, the BMW 3-series and the Audi 80, was vital for the company.

Keith Butler-Wheelhouse . . . success is vital.

SA motor exports bring in the lolly

STimes (Buss)
25/7/93

By DON ROBERTSON

SOUTH Africa's motor industry is expanding its exports and sales in Southern and Central Africa are adding clout to the burgeoning business

Vehicle and component exports last year, mainly to Europe, earned R1,3-billion European earnings were only R184-million in 1986 This year, exports are a projected R1,9-billion, reducing the trade imbalance in the industry as domestic sales sag in recession

(#6)

Value

A noteworthy aspect of exports is that a growing portion is made up of completely built-up units (CBUs) or partly assembled vehicles

Figures from the National Association of Automobile Manufacturers of SA (Naamsa) show that in 1992 about 19 500 CBUs or partly built cars were exported, plus 4 800 trucks and buses

Their value was R220-million, but the figure was reduced because margins were pared to gain market share

Exports of these vehicles are expected to earn R510-million this year

Most of the sales, however, flow from a deal between Volkswagen SA and China for the supply of Jettas A second order for 17 000 was negotiated recently

Motor and component makers have taken advantage of the Phase Six export incentive programme and the easing of sanctions All motor-makers now have dedicated export divisions

The potential of markets to the north has taken on new importance.

(192)

SA manufacturers were prevented from exporting to Africa by their foreign parent or source companies They kept the business for themselves and were helped by sanctions

This has now changed and Mercedes-Benz announced this week that in the first half of the year, it negotiated the sale of 176 vehicles worth R320-million to Zimbabwe, Zambia and United Nations forces in Africa

Toyota is looking northwards and has signed a distributorship agreement in Malawi It hopes to announce distributorship deals with other countries soon.

Nissan is selling small sedans, light commercial pick-ups and diesel minibuses to Zimbabwe, Zambia, Mozambique and Malawi. It hopes to do business in Kenya, Tanzania and Uganda

BMW sold between 250 and 300 cars worth about R30-million to sub-Saharan nations last year BMW topped the list of exporters with sales of R400-million last year, made up mainly of leather seats for the international market

Samcor, manufacturer of Ford and Mazda, has also entered northern markets.

Figures

Atlantis Diesel Engines (ADE) has almost doubled exports from R37-million in 1991 to an estimated R45-million this year

Naamsa figures show that in the first five months of this year, Samcor sold 160 cars to African markets, followed by Toyota with 105, Nissan 108, BMW 25, Delta eight and Mercedes-Benz with one If commercials are included, Toyota was the biggest exporter with 463 units followed by Samcor with 313, Delta 211 and Nissan 249

Work stoppage over voter education demand

South 3/7-4/8/93

By Mansoor Jaffer

WORKERS at the Paarden Eiland industrial firm Forlezer this week downed tools after management refused to allow two shopstewards paid time off to attend a Cosatu voter education programme

Management partially backed down, but still insists the shopstewards be paid from their sick leave allocation, according to Forlezer shopsteward Mr Roger Piedt.

JONATHAN ARENDSE

Piedt, a member of the National Union of Metal Workers of South Africa, said the workers reject this proposition and will take it up in negotiations soon

He said 50 workers conducted a three-hour work stoppage on Tuesday. (192) ~~(152)~~

Mr Piedt was one of more than 500 shopstewards at the launch of Cosatu's voter education programme at the University of the Western Cape on Wednesday.

The workers were addressed by a line-up of speakers which included the ANC's Dr Allan Boesak, SACP general secretary Mr Charles Nqakula, and Cosatu's assistant general secretary Mr Sam Shilowa.

There were presentations on the rights, rules and processes of voting, workplace canvassing and the campaign for identity documents A mock ballot concluded the programme. ~~(152)~~

Western Cape regional secretary of Cosatu, Mr Jonathan Arendse, said the launch was the start of a voter education programme leading up to next year's national election.

Motor workers threaten nationwide protests

South 31/7-4/8/93

By Waghied Misbach

NATIONWIDE protests and pickets are planned by the 178 000-strong National Union of Metal Workers (Numsa) on August 2 as talks with employer bodies in the motor industry remain deadlocked.

Numsa regional organiser Mr Fred Petersen blamed the employer body, the South African Motor Industry Employers Association (Samiea) for trying to topple the National Industrial Council for the Motor Industry which provided for centralised bargaining

Petersen said that if the Industrial Council collapsed, Numsa would have to negotiate with many small employers instead of dealing with them as a group.

It also meant workers would lose social security benefits, including pension and medical aid, he said. (192)

The Western Cape region will decide this week what form their protests take.

Talks around wages have remained in deadlock since 1992 when Samiea could not agree with Numsa, and two other largely-white unions, on the increase.

Samiea were not available for comment.

● The Paper, Printing, Wood and Allied Workers Union (Ppwawu) will hold a protest march on Saturday, July 31. They will march from District Six to the Old Mutual Head Office, the Cape Provincial Administration offices, Parliament and the Department of Manpower.

Ppwawu spokesperson Mr Shaheed Mohamed said the protest was in support of disabled workers, including workers of the National Council for the Blind over wages and other demands.

Numsa in national protest

JOHANNESBURG — The National Union of Metalworkers of South Africa (Numsa) said yesterday it would stage nationwide stoppages on Monday to protest the disbanding of the National Industrial Council for the Motor Industry on August 31

Medical aid, sick pay, maternity pay, pension and provident funds would cease to operate, the union said Also the disbanding would lead to the deregulation of the petrol price, which could lead to the loss of 50 000 jobs

Numsa said marches would take place to offices here and in Cape Town of the South African Motor Industry Employers Association (SAMIEA) ~~150A~~ 192

But SAMIEA executive director Mr Vic Fourie said the council had decided to disband and SAMIEA had no say in the matter — Sapa

CT 31/7/93

Penza power

S Times [Buss] 1/8/93

THOSE battling to buy an affordable car will be interested to learn that one of Britain's cheapest cars . . is made in South Africa.

The Sao Penza, reports the Financial Times, is an SA-built version of the Mazda 323 "It has a 1,3-litre engine, five gears and is equipped simply"

The Sao Penza comes as a three- or five-door priced from £6 479 (R32 395). South Africans have a choice of four- or five-door 323s Price: from R36 588.

192

Deals p

FACE TO FA

By DAWN BARKHUIZEN and RAY HARTLEY

LAST-minute deals between private- and public-sector employees and unions have defused looming labour action around the country.

The National Union of Metalworkers of SA which had planned to start countrywide mass action tomorrow, will instead sign a deal with vehicle manufacturers.

The National Union of Mineworkers called off a scheduled strike ballot on Friday after eleventh-hour talks with the Chamber of Mines

And in Johannesburg, a threatened strike by municipal workers who belong to the SA Municipal Workers Union has been called off after city and union officials agreed to try to settle the wage dispute before an arbitrator.

Municipal workers will now join a planned march in Oxford Road instead of embarking on the planned strike — though workers in other cities will go ahead with the illegal strike

The Numsa deal, which comes after 30 sessions of tough bargaining between trade unionists and South Africa's nine vehicle manufacturers, sets new standards in industrial relations and marks a swing away from confrontational wage negotiations, unionists say

The agreement paves the way for "multi-skilling" the 26 000-strong workforce — a policy that has already boosted the flagging Australian car industry and improved production in Japan

The agreement was "light years ahead of anything else", said Numsa negotiator Gavin Hartford, and aimed at raising production to world-class levels

Manufacturers hope the agreement will inject new life into the beleaguered car industry — now experiencing one of its bleakest patches after losing millions of rands through work stoppages after Chris Hani's death, earning warnings from overseas parent companies that factories would be relocated to countries such as Korea unless quotas improved (192)

The agreement lays down principles for plotting career paths for all employees, cross-training and upgrading blue-collar skills, introducing industry-wide provident and medical-aid schemes, and creating the country's first-ever work-security fund for retrenched workers.

As part of the deal, hourly paid workers at BMW, Delta, Mercedes-Benz, Nissan, Samcor, Toyota, Volkswagen, Associated Automotive Distributors and Man Truck and Bus Company can expect a 10-percent wage increase

The Chamber of Mines agreed to take the NUM wage dispute to mediation in exchange for an undertaking from the NUM to suspend its strike ballot. Mediation is expected to begin this week

Deals put off strikes

ST Times 1/8/93

By DAWN BARKHUIZEN and RAY HARTLEY

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FACE TO FACE William Mnisi and Johan Lemmer in a heated confrontation over whether the NP MP tried to bribe the DP official

HIGHLY PRICED BUT LITTLE FOR MERCEDES: Hein Lorentz sales manager at Cargo City Rissik Street with 3,2E

Merc may be classy, but only crumbs in profit for makers

S I Times Buss J 1/8/93

192

A TAXED profit of R19,76 on a Merc?

Mercedes-Benz may epitomise wealth, but recession and shrinking sales have hammered the luxury-car producer's profits

Mercedes-Benz sold vehicles, including medium and heavy trucks and buses (some costing R350 000), valued at R2,3-billion in 1992

Attributable earnings were R400 000, an average taxed profit of only R19,76 a vehicle

By DON ROBERTSON

Toyota, SA's largest producer, made a taxed profit of only R803 a vehicle last year

Manufacturers will continue to suffer if current trends continue

Income for the assembly industry, after interest, but before tax, amounted to R800-million in 1989 on sales of R13-billion

Last year income slumped to R270-million on sales of R15-billion

Analysts believe the motor industry is in for another tough year in spite of a 3,2% rise in sales in the first six months

The small increase will mean little to the R15-billion-a-year turnover industry, in spite of its insistence that "things are looking better"

Since 1991, Mercedes-Benz has introduced several cost-cutting exercises and managing director Christoph Kopke says sales should rise to R2,7-billion this year

"This will result in a slight improvement in profitability as compared to 1992"

BMW, with 8,5% of the car market in the six months and perhaps the most profitable of car-makers after Toyota, continues to benefit from increased exports, particularly leather seats Foreign sales last year amounted to R400-million and represented 5% of SA's manufactured exports

Estimates for 1993 suggest vehicle sales of R15,1-billion, used-cars R7,7-billion, spares and accessories R9,5-billion and workshop income R5,5-billion, a total of R37,8-billion This excludes petrol sales of R7,3-billion

Last year motorists contributed R9,7-billion to the fiscus

The National Association of Automobile Manufacturers of SA (Naamsa) says better-than-expected sales of cars and light commercial vehicles in the past few months suggest "an early sign of a bottoming out"

Sales in the first half totalled 145 700 compared with 141 000 in the six months to June last year Total sales for 1992 were 284 000 compared with 308 000 in 1991 Latest projections are for sales of 290 500 — 185 800 cars, 96 500 light commercials, 3 000 medium and 5 200 heavy commercials

Garages braced for wave of mass action

Weekend Argus Reporters

GARAGES and other motor industry service centres such as retreaders are braced for a wave of stayaways, pickets and marches from Monday — but staff planning to take part face a harsh response. (192)

Unionists have taken a dim view of employers' new hardline attitude which includes threats ranging from loss of pay to sackings. ARG 1/8/93

The mass action has been prompted by concern about the imminent disbanding of the Industrial Council for the Motor Industry The continued operation of medical aid, sick pay, maternity pay, and pension and provident funds is in the balance.

The metalworkers' union, Numsa, has accused employers of trying to smash the council. Numsa starts its campaign to save the council on Monday with a stayaway and a march through central Cape Town.

A circular from the Motor Industries' Federation advises employers to try to dissuade staff from joining the mass action However, they should be told "in no uncertain terms" that they risked dismissal by joining Businesses along the route of proposed marches were told to be on the alert for any "emergency situation".

The union's national organiser for collective bargaining, Mr Percy Thomas, said threats of dismissal would be viewed "very seriously".

Previously the policy of no work, no pay, no disciplinary action had been applied to mass action, he said.

"Any attempt to change this ... will be regarded as an unfair labour practice," he said "We would challenge any of these cases"

Sapa reports that, according to employers' association executive director Mr Vic Fourie, it had already been recommended that the council continue operating for six more months. This would allow discussions on the employees' social security system when the council disbanded

This proposal had been accepted by all the trade unions except Numsa.

The decision to disband the council was the council's own action, he said

A further aim of the union is to stop the deregulation of petrol, which it is feared will cost about 50 000 job losses and force small garages to close.

Hitch in motor trade settlement

(192)

PORT ELIZABETH. — A motor assembly industry settlement has been stalled by MAN Trucks and Buses' insistence on exemption from two clauses in the pioneering agreement, National Union of Metalworkers of South Africa spokesman Mr Gavin Hartford said yesterday.

An agreement could be concluded only if supported by all parties in the industry's national bargaining forum, he said. CT 3/8/93

The chairman of the NBF employer grouping, Mr Dave Kirby, confirmed the hitch.

Mr Hartford said the disputed clauses dealt with bargaining fees and training and skills development, not wages — Sapa

MAN stalls Numsa wage deal

B/Day 3/8/93

ERICA JANKOWITZ

THE National Union of Metalworkers of SA (Numsa) did not sign a motor manufacturing sector wage agreement as expected yesterday because one employer, MAN Truck and Bus, wanted exemption from certain clauses of the agreement

Numsa negotiator Gavin Hartford said MAN employed 76 workers, 60 of who were Numsa members

The offending clauses were the agency shop and the skills-based grading system, neither of which contained any cost implications for the company, Hartford said

He said all nine employers which were party to the national bargaining forum had agreed on the wage increase — reportedly between 7% and 10%

Over the next three days, employers would meet in an attempt to reach consensus and Hartford hoped settlement would be reached by Friday

"Over the past four years employers have refused to sign the agreement as an employers' association. Numsa's national executive committee authorised the signing of the agreement on the proviso that all employer parties signed. Right now we have one company holding an industry employing 26 000 to ransom," Hartford said

He said Numsa's committee decided at the weekend to declare a dispute with tyre manufacturers as deadlock had been reached in this sector (192)

However, by late yesterday Numsa and Seifsa had reached agreement on substantive issues in their negotiations, but were still discussing certain issues pertaining to training and development

Seifsa executive director, Brian Angus said he expected agreement to be reached shortly "subject to discussions on the wording of certain clauses".

A wage increase of 7% has been agreed with individual companies having to apply for exemption if their circumstances justify this

The Border region initially applied for a blanket exemption, tabling a 4,8% wage offer, but this was rejected by the unions

On Friday, agreement was reached that employers in this area would comply with the individual exemption mechanisms, Angus said

In the motor sector, Numsa again called for the end of employers' attempts to "destroy the industrial council"

Numsa general secretary Moses Mayekiso said the federation's decision to prolong the council's life by six months was not good enough

The council was due to be disbanded at the end of August

"We want employers to agree that the council must survive, not just give us unilateral decisions to delay its collapse," Mayekiso said

He said about 10 000 Numsa members had participated in industrial action yesterday.

Any garages which took disciplinary action against workers for participating in action would be boycotted, Mayekiso warned.

Numsa poised to sign deal

Star 3/8/93

By Paul Bell
Labour Correspondent

The National Union of Metalworkers of SA expects to complete its negotiations with automobile, tyre, steel and engineering employees this week

According to negotiators, Numsa was due to sign a general wage and conditions agreement for 1993/94 with automobile manufacturers yesterday.

However, one truck manufacturer registered last-minute dissatisfaction with aspects of the agreement but has chosen to object rather than simply apply for an exemption from the agreement This difficulty should be overcome soon.

The union expects to sign an agreement with tyre manufacturers and the Steel and Engineering Industries Federation of SA later this week

In the troubled motor sector, where Numsa has been unable to agree on a wage settlement for more than a year, the union appears to have won a six-month reprieve for the industrial council — the forum in which industry-wide settlements have traditionally been agreed

Numsa has accused the employers of trying to "break" the industrial council in a bid to "smash" collective bargaining.

Employers, including garage owners and panelbeaters, counter that many of them simply cannot afford the wages and conditions Numsa wants to impose through the council.

A series of actions which the union had initiated against some key employers are now likely to be suspended

However, substantive negotiations on wages, and on the future of the industrial council, still lie ahead (192)

Details of the various agreements will be made known at a press conference tomorrow

● Sapa reports that Numsa's call on its members in the motor industry to strike went virtually unheeded in the western Cape yesterday

Most of the large motor companies reported 100 percent attendances.

Numsa pay march

Staff Reporter (192)

MORE than 400 members of the National Union of Metalworkers of SA (Numsa) marched to the offices of the SA Motor Industry Employers Association (Samiea) on the Foreshore yesterday to demand a wage increase CT 3/8/93

Numsa also demanded the extension of the agreement of the National Industrial Council for the Motor Industry which is due to expire at the end of August. The marchers said any changes to the main agreement should be negotiable

Vehicle assemblers, union to sign deal

Star 6/8/93

CAPE TOWN — All nine vehicle assemblers party to national pay talks will sign a watershed industry agreement with the National Union of Metalworkers of SA today. (189)

MAN Trucks and Buses had been persuaded to ratify the agreement, David Kirby, chairman of the employer grouping in the industry's national bargaining forum, said yesterday. (192)

Numsa, representing about 19 000 workers in the 26 000-strong workforce, first refused to sign when MAN said it would not ratify two non-wage clauses.

According to Numsa organiser Gavin Hartford, the company opposed clauses dealing with a new nationally accredited education and training dispensation and bargaining fees. (566)

The new dispensation was meant to upgrade skills levels as a forerunner to changes in work organisation.

"All employees will have access to education and training and be encouraged to build a career with accredited and portable skills." — Sapa.

Car prices in line to rise 20% by year-end

By DON ROBERTSON

PRICES of several makes of car could rise by as much as 20% this year if the rand's fall against the yen continues

S Times

For the second time in two months Toyota, Samcor and Nissan have had to lift prices to maintain margins. All take their components from Japan

(BUSS) 8/8/93

In the past 12 months, the rand has lost almost a third against the yen Use of a cross-rate between the rand, the dollar and the yen to buy components has been hit by the 22% decline in the rand against the dollar

The rand's rate against the mark has fallen by only 3,7%, benefiting manufacturers of German vehicles

(192)

Makers of German cars have been able to postpone an August price rise

Market leader Toyota was forced to raise its prices by 4% on August 1 after a similar increase in June Since the beginning of the year, prices have risen by between 17% and 18%, including the increase in VAT to 14% in April.

Toyota Marketing managing director Brand Pretorius says that if the rand continues to fall against the yen — 24% this year — a price increase of as much as 4% may be needed in November

He says that as the price of imported components increase, manufacturers have difficulty in maintaining vehicles' local content of 75% by value on the wholesale price in terms of Phase Six Failure to achieve this results in reduced rebates and hence higher prices of vehicles

Everything possible will be done to keep price rises low

Samcor, which makes Mazda, Mitsubishi and Ford, was also forced to raise prices by 4% this week

Since May last year, the rand's cross-rate against the yen has risen by 36% This has increased the cost base by 20%, says a Samcor spokesman

Another price rise of 4% can be expected "within two months", taking the annual total to about 19%

Nissan kept its August price rise to 3,8% for a 14% increase so far this year The Uno increase was below 2% for a 9,2% rise to date

Malcolm Pannell, general manager of market planning, believes the rand has reached a low against the yen, but says efforts to hold prices have resulted in profit margins "collapsing"

He expects the next price rise to be in line with "more normal quarterly increases at below 3%".

In the first eight months of this year, Volkswagen lifted prices by 10,9% There was a 3,6% increase in July A further 3,6% is expected in October for an annual increase of 14,8%

BMW is expected to adjust prices again in October after a 2,7% increase in July The 1993 price rise is expected to be nearly 12%

Mercedes-Benz has raised prices of Hondas by an average of 11,7% this year It expects prices to be between 15% and 18% higher by December

The highly priced Mercedes range has risen in price by 5,7% this year. It is hoped to keep rises below the inflation rate by the end of the year

Delta increased prices of its Opel range by 3,5% in July, taking the rise to 8,9% so far Isuzu commercials cost 10,9% more than at the beginning of the year Price rises for the year are expected to be 14% for Opel and 17% for Isuzu

Forecast raised for car sales

By DON ROBERTSON

S Times

MOTOR manufacturers, encouraged by slightly better figures in May and June, have increased their forecasts for the year's car sales

The National Association of Automobile Manufacturers of SA (Naamsa) expects total car sales of 185 800, up from 183 300 forecast after the first quarter (Buss)

At this time last year, Naamsa made "one of the sharpest downward revisions ever in the industry's sales projections" when it forecast 1993 sales of 194 500 The previous expectation had been 213 000 In 1992, sales were 182 908 8/8/93

Although sales of light commercials also picked up in the last two months of the second quarter, manufacturers believe the total for the year will ease to 96 500 from 97 000 Forecasts in the second quarter of last year were for sales of 101 000 units (192)

Last year's sales were 92 429

The continued decline in the economy has hit medium- and heavy-truck sales They are expected to reach only 3 000 and 5 200 respectively for the year This compares with 3 278 and 5 413 in 1992

In the second quarter, plant capacity utilisation was 59,5%, up from 57,3% in the previous three months

Some manufacturers operated at full stretch in the car and light-commercial vehicle sectors

Star 10/8/93

CAR SALES UP: New passenger and commercial vehicle sales continued to move upwards in July. New car sales rose 11,6 percent to 17 428 from 15 622 in June

192

New car sales show distinct turn for better

Star 10/8/93

(192)

BY CLAIRE GEBHARDT

New passenger and commercial vehicle sales continued to move upwards in July despite an uncertain climate of continuing violence

New car sales rose 11,6 percent, or 1 806 units, to 17 428 from 15 622 in June, according to figures released by the National Association of Automobile Manufacturers of South Africa (Naamsa) yesterday.

This is 2 100, or 13,7 percent, up on sales in July last year.

Total sales in all categories in July were 26 562 units — 9,4 percent up on June's 24 289 units and 14,4 percent up on July last year

Nissan MD Stephanus Loubser said the figures indicated that the downward trend in economic growth had been arrested and that the uptrend had already started

He said studies showed a close correlation between real GDP growth and passenger sales over the past 20 years.

With growth coming from the bottom end upwards, all manufacturers were feeling the tighter market over R100 000, he said.

"However lower-priced vehicles like the Citi Golf and Uno are fast moving up into the best-selling passenger range and demand is far outstripping supply," he said

Naamsa figures show that the sale of light commercial vehicles increased 5,5 percent over June figures — and a 18,3 percent improvement over July last year

The sale of medium and heavy commercial vehicles remained depressed, with volumes declining by 11 percent and 7,9 percent respectively in July, compared with the same month a year ago

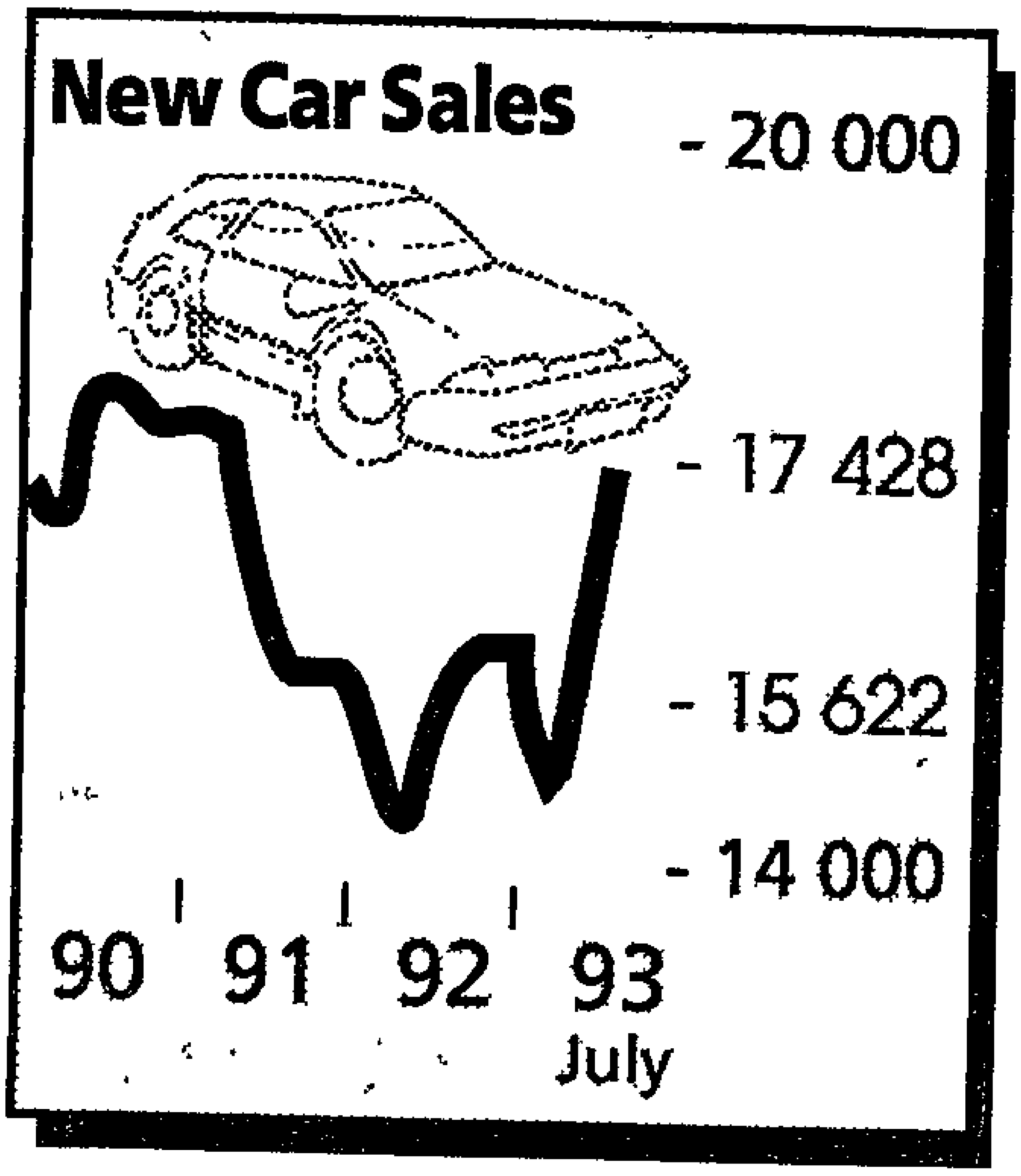
"We're looking at replacement of goods of a capital nature and this historically lags other sectors of the market

'There is also a bit of spare capacity in this sector "

Toyota marketing managing director Brand Pretorius said the expected price increases in some car models due to the weakening of the rand against the Japanese yen had also boosted car sales.

He forecast that new car sales could reach 190 000 units this year — the first time passenger car sales would show growth in the face of a negative gross domestic product.

Toyota held onto its 28 percent share of the total new vehicle market in July, while Samcor captured 19 percent and Nissan 17 percent



Sharp rise in sales of new vehicles

B/Day 10/8/93

EDWARD WEST

NEW car sales climbed sharply last month, rising more than 10% against last July, reinforcing the view that the economy was slowly improving, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday

Good demand for new models, improved inventories and continued pre-emptive buying by consumers in anticipation of further price increases boosted sales in July, Naamsa said.

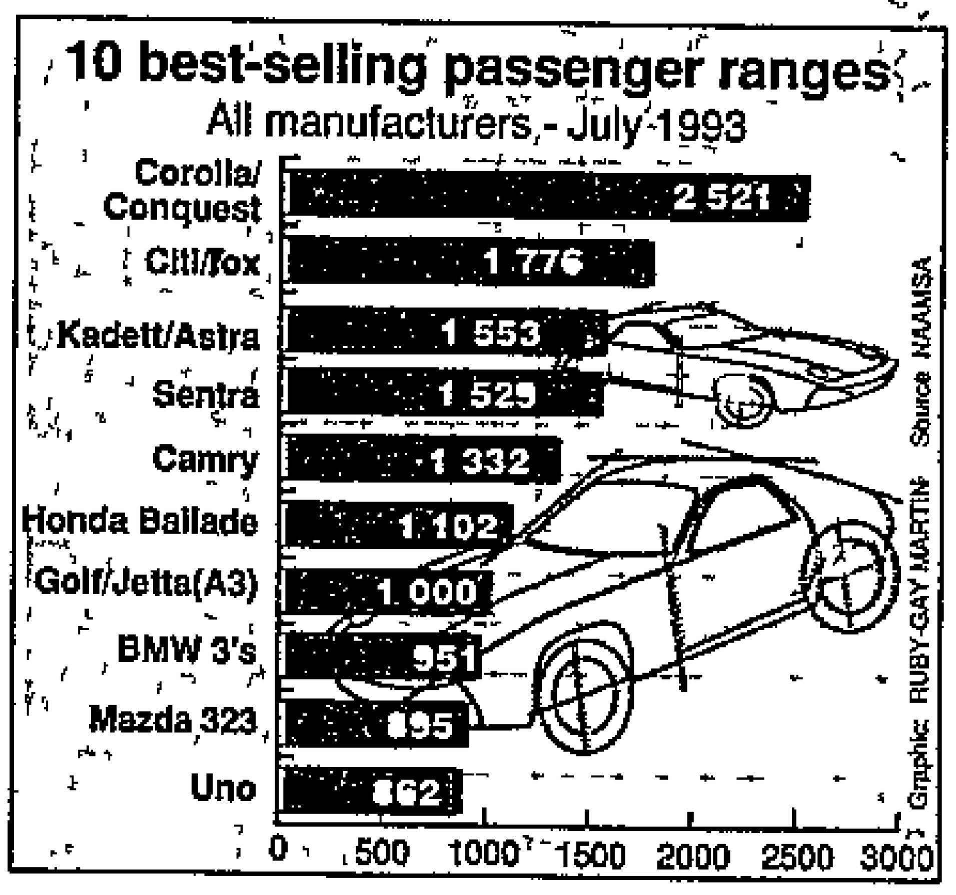
(192)

New car and light commercial vehicle sales were expected to consolidate at current levels in the near term

July's new car sales climbed 13,7% to 17 428 from 15 328 in July 1992, and 11,5% when compared with the 15 622 sold in June 1993. Light commercial vehicle, bakkie and minibus sales climbed 18,3% to 8 462 from 7 154 last year, and 5,5% from June's 8 019

The improved business confidence index had removed a fundamental restraint to sales and new car sales could top 190 000 this year from 182 908 in 1992, said Toyota marketing MD Brand Pretorius This could represent the first annual increase in new car sales in the face of a negative GDP.

Delta sales and marketing director John Cuming said July car sales reflected the second highest car volume month this year, with industry volumes to date 5% higher than last year



However, the sale volumes should be seen against a background where some manufacturers traditionally increased prices on August 1, and purchasers could have bought forward in July

Nissan marketing MD Stephanus Loubser said the violence had had an effect, with buyers holding back

Vehicle sales in the low-volume medium (MCV) and heavy truck (HCV) segment remained depressed due to continuing poor levels of gross fixed investment

July MCV sales fell 11% to 257 from 289 in July 1992, but climbed by just more than a fifth compared with June sales of 212 HCV sales declined 7,9% to 415 compared with 451 in July 1992, and 3,3% from 436 in June 1993

New car sales bounce up 11,5%

(192) CT 16/8/93

By AUDREY D'ANGELO
Business Editor

NEW CAR sales bounced up by a further 11,5% in July to 17 428 compared with 15 622 in June and 15 328 in July last year

The continuing improvement follows a rise in the SA Chamber of Business (Sacob) confidence index last week Economists and business leaders said it could be a further sign that the economy is bottoming out

The National Association of Automobile Manufacturers of SA (Naamsa) said in a statement accompanying the improved figures "The above-average sales of new cars and light commercial vehicles in July reinforced Naamsa's view that conditions in the SA economy were slowly beginning to improve"

Market leader Toyota announced that it had revised expected sales figures upwards

Pointing out that total industry sales figures to date show an improvement of 5,2% over last year Brand Pretorius, MD of Toyota Marketing (SA) said "It now seems possible that new car sales could top 190 000 for the year"

Sentiment 'positive'

Stephanus Loubser, MD of Nissan SA Marketing, said "Although the continuing decline of the heavy commercial sector gives cause for serious concern the overall performance of the market in July again illustrates that the underlying sentiment of the buying public remains generally positive"

Southern Life chief economist Mike Daly said the improvement in new car sales this year was an important leading indicator It was "remarkable" because it seemed to be diverging from sales figures for durable goods

But Daly warned that the big rise in sales this month could be due to the availability of new models and to a rush to buy before inevitable price increases, as a result of the weaker rand against the Japanese yen

He pointed out that static sales of medium and heavy trucks were another sign that "gross fixed investment is still on its knees"

New models lead the way

Roger Ramsbottom, financial director of car retailer Brian Porter Holdings, said the improved July sales figures were encouraging But the breakdown of sales showed that the increase was due to new models Manufacturers were now able to meet orders given earlier

Another reason for the rise was that many companies had a June 30 financial year end "These sales are nearly all of company cars, or to people who have car allowances"

Mercedes Benz reported it had its best-selling month for six years with a record number of 913 units sold

Peter Cleary, Mercedes Benz SA board member for the passenger car division, said buying had been ahead of price increases expected this month "Affordability has remained a key issue in the recovery of the market"

Market share

He said the company's market share had risen to 11,2% compared with 8,8% at the end of July last year

A breakdown of figures shows that sales of light commercial vehicles rose in July to 8 462 compared with 8 019 in June and 7 154 in July last year

But sales of medium commercial vehicles totalled 257 compared with 289 in July last year Sales of heavy commercial vehicles totalled 415 compared with 451 in July last year

Sales of new Toyota cars totalled 3 905 including 1,332 of the new Camry luxury car Sales of new VW cars totalled 3 117

Vektra lifts earnings

Star

BY STEPHEN CRANSTON

Vektra, which has interests in motor and motor parts dealers, has improved earnings per share by 12 percent to 18,2c for the six months to June, despite the depressed state of the industry

Chairman Alan Schlesinger says there was a strong recovery in the motor dealership Williams Hunt and rapid progress in the rationalisation of the motor parts interests housed in Varex

Venture Motor Holdings saw its margins reduced, but sales increased substantially

Expense control and working capital management were improved 11.8.93

Venture has expanded from its original base, which sells Opel, Isuzu and Suzuki by purchasing two Nissan dealerships. (192)

Schlesinger says that Varex is living up to expectations and, with its skills and systems, has weathered the fiercely competitive conditions in the replacement parts market

FM 13/8/93

MOTOR INDUSTRY

FM 13/8/93

Looking better

Emboldened by the latest sales figures, vehicle manufacturers are hoping an imminent series of model launches will prolong what some fear may be only a temporary recovery

(192)

Understandably, the industry is not quite sure how to react to figures showing an overall improvement in the market during July While sales of cars and light commercial vehicles — mainly bakkies — were markedly higher, medium and heavy trucks continued to suffer

The National Association of Automobile Manufacturers of SA suggests that the market for cars and light commercials reinforces the view that economic conditions are improving and it expects sales to settle around current levels in the short term

Nissan Marketing MD Stephanus Loubser says the market "illustrates that the underlying sentiment of the buying public remains generally positive "

Undoubtedly, pre-emptive buying to beat further widely publicised price rises, particularly by Japanese manufacturers, contributed to the improvement in light commercials Improved stock availability of recently launched new car ranges also helped conservative market predictions had led several companies to underestimate initial demand

Fresh buyer interest should follow more new products on their way to SA Delta launches a new Isuzu bakkie range this week, BMW is about to introduce its new eight-cylinder 5-Series models, Mercedes-Benz will follow with the new luxury S-Class

(192)

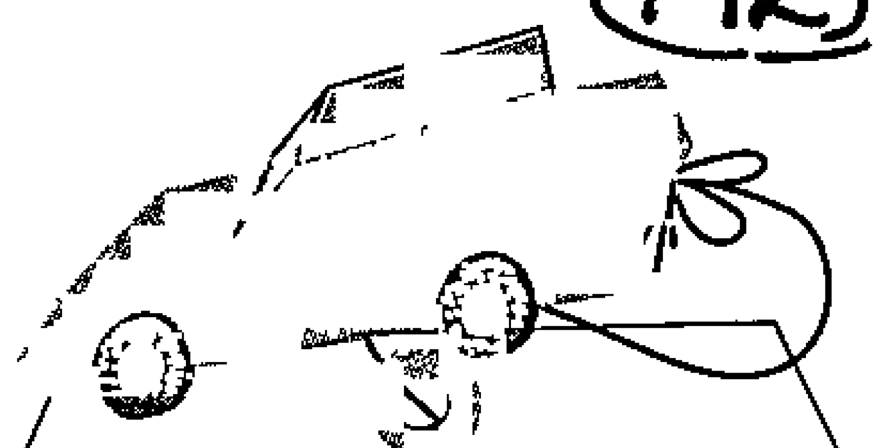
FM 13/8/93

range and Toyota is preparing to announce plans for a new Corolla

Nissan is hoping this month's launch of a new heavy-duty truck range, the A450, will bring a bit of colour to the jaded truck market The range, which fortunately will not bear the name Big Thumb, by which it is known in Japan, is entering a thoroughly depressed market (192)

Few, if any, expect much improvement before there are signs of political and economic stability to encourage fixed investment Though relatively upbeat about the market as a whole, Loubser admits the heavy sector "gives cause for serious concern "

Delta sales and marketing director John Cuming sees "little or no" growth in the vehicle market before next April's election Even then, it may be several more months before genuine movement is seen ■



July vehicle sales

Cars		Total	%*
	Corolla 2 521, Camry 1 332, Cressida 2 other 50	[illegible]	22,4
	Citi/Fox 1 776, Golf /Jetta 1 204, Audi 137		17,9
	Mazda 323 895, Ford Laser/ Meteor 819, Telstar 549, Mazda 626 (new) 537, Sierra 38, Sapphire 37, Mazda 626 (old) 2, other 30		16,7
	Sentra 1 529, Fiat Uno 862, Maxima 140, 200SX/300ZX 15		14,6
	Honda Ballade 1 102, M-Benz W201 522, W124 383, W126 8, other 10		11,6
Delta	Kadett/Astra 1 553, Rekord 154, Kadett/Monza 90, Calibra 9	1 806	10,4
BMW	3-Series 951, 5-Series 120, 7-Series 51	1 122	6,4

*% of the total car market

	1993	1992	% Change
July	17 428	15 328	+13,7
Jan – July	111 743	106 175	+5,2
June (15 622) – July			+11,6

Light commercial trucks

Toyota 3 223 (38 1 of the market), Nissan 1 961 (23 0) Samcor 1 949 (23,0), Delta 875 (10,3), 5,2); AAD 15 (0,2)

	1993	1992	% Change
[illegible]	8 462	7 154	+18,3
Jan – July	56 031	[illegible]	+5,7
[illegible]			5 5

Medium commercials

Toyota 112 (43,6 %), Nissan 48 (18,7), Samcor 47 (18,3), Delta 36 (14 0), M-Benz 14 (5,4)

	1993	1992	% Change
July	257	289	-11,1
Jan – July	1 670	1 949	-14,3
June (212) – July			+21,2

Heavy commercials

M Benz 155 ([illegible]) Toyota 111 (26 7), Nissan 70 (16 9) Delta 35 (8,4), MAN 16 ([illegible]), Erf 14 (3,4) Tyco 10 (2 4), AAD 2 (0 5)

	1993	1992	% Change
July	415	451	5,0
Jan – July	2 823	3 137	-10,0
June (436) – July			4 8

Total vehicle sales

Toyota 7 351 (27,7 %) Samcor 4 905 (13,5) Nissan 4 625 (17,4) VW 3 556 (13,4) Delta 2 752 (10,4), M Benz 2 194 (8 3), BMW 1 122 (4 2) other 59 (0,2)

	1993	1992	% Change
July	26 562	23 222	+14,4
Jan – July	172 267	164 283	+4,9
June (24 289) – July			+9,4

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Cont

LABOUR FM 13/8/93

Motoring maturity

Last-minute disputes behind them, vehicle manufacturers and unions hope their latest annual agreement will set the tone for long-term peace in the often strike-torn motor industry (192) (189)

Formal signing of the agreement was delayed last week when MAN Truck and Bus refused to ratify two sections — one relating

cont →

FM 13/8/93

to worker training and the other to an attempt to extract union dues from non-union members (*Current Affairs* August 6)

In the first instance, MAN argued that proposed training programmes, designed for mass manufacturers of cars, were not suitable for a limited-production truck-maker In the second, it dismissed as "unethical" the union view that non-members should be forced to fork out

MAN says deadlock was broken after the industry's biggest union, the National Union of Metalworkers (Numsa), agreed the company should be exempted to negotiate both issues at plant level (192) (189)

MAN says it stopped participation in the motor industry's National Bargaining Forum (NBF) last September because the forum was "not representative" of the heavy truck sector Having taken no part in negotiating the agreement, it did not consider itself bound by it

Now, though, deputy MD Mike Kirby says the company is prepared to participate because Numsa "has recognised the differentiation between the interests of MAN and those of the rest of the industry " However, this is believed to be dependent on the NBF coming up with a means of catering for the specific needs of small companies

The industry agreement — signed by employers, Numsa and the Yster en Staal union — falls well short of Numsa's original demand for a three-year pay package guaranteeing annual increases equal to inflation plus 5% Equally, employers' "final" 6% offer has been far exceeded by a settlement that offers most workers an effective 10% in two phases between now and January

Biggest beneficiaries are the lower-paid workers and Numsa claims the settlement will halve the gap between highest and lowest paid wage-earners

More significant in the longer term, however, is the creation of a broad education and training programme for the vehicle assembly industry The Automobile Manufacturing Industry Education & Training Board, to be funded by employers, is intended to remedy "past discrimination" by raising skills and education at all levels in the industry

Starting with basic literacy training, programmes will be designed to provide clearly defined career paths, "from sweeper to engineer " Existing employees have the option of taking part in programmes but new employees must do so "as a condition of service " Eventual new grading and skills classification systems are part of the package

The long-term aim is to bring skills up to international standards and make the local industry more competitive worldwide The agreement recognises the importance of other issues, such as productivity, in achieving this end

One can only hope actions match ambitions There are already signs that government is preparing to reduce the massive protection the SA motor industry has enjoyed in the past and expose it to competition A divided industry won't last long ■

BMW puts R100-m into export drive

Star 13/8/93

BY ROY COKAYNE

BMW SA is to spend R100 million — almost all of it at its Rosslyn manufacturing plant — to gear up to world competitive standards as part of a major export drive

The investment will also boost employment at BMW's Rosslyn plant and among BMW's component suppliers

This was confirmed by BMW South Africa chief executive Rainer Hagemann, who said approval for the capital expenditure was granted by BMW AG's board in Munich a few weeks ago

(192)

He said BMW AG's board believed BMW SA had to make better use of its manufacturing facilities, which at today's prices would cost about R1 billion to replace

Hagemann stressed the investment would not be in automated equipment and robots and denied the importation of completely built-up units (CBUs) would result in job losses

Hagemann said a vital facet to BMW's plans was getting the South African Government to amend Phase VI to allow motor manufacturers to import completely built units (CBUs) duty free, provided they compensated for these imports with additional exports

Motor manufacturers currently have to pay more than 100 percent in import duties on any CBUs brought in

Hagemann backed by all but two manufacturers.

Hagemann said the target date for the first export of BMW CBUs was around the end of next year

"We will start small and build up to bigger volumes"

Hagemann said the government could clearly see the benefits to the country of BMW's ideas, which conformed to the principles for exporting laid down in Minister of Finance Derek Keys' normative economic model

He admitted there are differences of opinion between the motor manufacturers to this idea but they had now received the backing of all but two manufacturers

"The government and by far all the major political parties support the concept because it is a win-win for almost everyone We are hoping to have it in place within the next few months although it will probably only be introduced during next year," he said

Hagemann said BMW SA had been able to contain price increases more than other manufacturers because of the success of its export programme "which takes the pressure off us when we are not making money out of selling motor cars"

He said BMW South Africa's exports to its Munich parent company were now worth R400 million annually

"Eighty percent of the leather trim in our cars worldwide is from South Africa We also export components by granting orders to selective suppliers that meet our quality and reliability standards and have competitive prices, thereby giving them higher volumes," he said

BMW SA finance controller Clive Else estimated that in direct terms, BMW has increased the size of its workforce in the past eight years by about 30 percent because of its export programme

"This means about 2 000 jobs in past eight years and, with a ratio of one person supporting eight people, it means putting food in mouths of 16 000 people," he said

BMW stakes R100-m on export drive

(192) ARGT 14/8/93

PRETORIA — BMW (South Africa) (Pty) Ltd is to spend R100 million to gear up to world competitive standards as part of a major export drive

The investment will boost employment at BMW's Rosslyn plant and among BMW's component suppliers

BMW South Africa chief executive Mr Rainer Hagemann said BMW AG's board believed BMW SA had to make better use of its manufacturing facilities, which at today's prices would cost about R1 billion to replace

The R100 million investment would be used to gear up their Rosslyn plant to concentrate in future, if necessary, on fewer model lines

He stressed the investment would not be in automated equipment and robots and denied that importation of completely built-up units (CBUs) would result in job losses

"There is absolutely no possibility it will result in fewer jobs at our plant or among our suppliers Like most companies we like to operate leaner rather than fatter, but it will increase job opportunities," Mr Hagemann said

A vital facet to BMW's plans was getting the South African Government to amend Phase VI to allow motor manufacturers to import CBUs duty free, provided they compensated for these imports with additional exports

Motor manufacturers currently have to pay more than 100 percent in import duties on any CBUs brought in South Africa

"Unless a car plant anywhere in the world can produce 60 000 to 100 000 units a year, it can't be competitive in the long term But to become competitive, we will have to follow a strategy of concentrating on one or two models — such as the 3- and 5-Series — and try to export some of this increased production while also rationalising and stabilising our production by importing niche models such as the 8-Series and cabriolet as CBUs," he said

Mr Hagemann said the target date for the first export of BMW CBUs from South Africa was the end of next year or beginning of 1995, but there was no possibility of them starting the programme by exporting, for instance, 10 000 units

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Iveco trucks drop Nissan as partner

BY DON ROBERTSON

ITALIAN truck manufacturer Iveco has cut its ties with Nissan SA and linked up with Reunert subsidiary Reumech in a deal worth about R4-million. 15/8/93

Iveco, Fiat's commercial vehicle arm, previously made its trucks at Truckmakers, a subsidiary of Automakers which controls Nissan SA. These included Samil and Samag military and commercial trucks as well as the Iveco TurboStar.

It is estimated that there are more than 15 000 Iveco trucks in SA. (192)

Truckmakers and Iveco discussed the possible expansion of the Iveco range in SA, but the idea was rejected because of competition between the TurboStar and the Nissan Diesel range.

Truckmakers will assemble the TurboStar until the Reumech plant is in operation in about six months.

Iveco is Europe's second-largest truck-maker.

The agreement is said to underline Iveco's commitment to Southern Africa and its confidence in economic prospects of the area.

Reumech, the mechanical engineering arm of Reunert group, includes Sandock Austral which is directly involved in the venture.

Sandock will assemble the vehicles under contract with Iveco SA. It will provide technical and logistical support for Iveco customers.

Iveco SA managing director Torqueto Porelli says a full range of trucks will be produced. He expects annual output to reach about 500.

Iveco will buy all the stocks and spares from Truckmakers as well as several buses which have not been sold.

Reumech, Iveco strike deal on trucks

B/Day 16/8/93

EDWARD WEST

REUNERT subsidiary Reumech has established a joint venture with Europe's second-biggest truck maker, Iveco, to manufacture and distribute trucks in SA

Iveco SA MD Torquato Porrelli said the deal followed termination of a franchise agreement with Nissan SA's Truckmakers, which had made and distributed certain Iveco commercial vehicles The agreement was ended because of "conflicting interests" Truckmakers makes and sells Nissan commercial vehicles

(192)

Porrelli said the agreement would allow Iveco to sell its full range of trucks in SA

The venture was the result of Iveco's intention to expand its operations through direct investment in SA and Reumech's plan to diversify into a market which could utilise its engineering capabilities

Reumech's companies include Sandock Austral, which will assemble vehicles under contract from Iveco SA

Star 19/8/93

Car prices set to soar as rand slips

BY CLAIRE GEBHARDT

New car prices are set to soar in coming months because of the rand's sharp fall against the yen

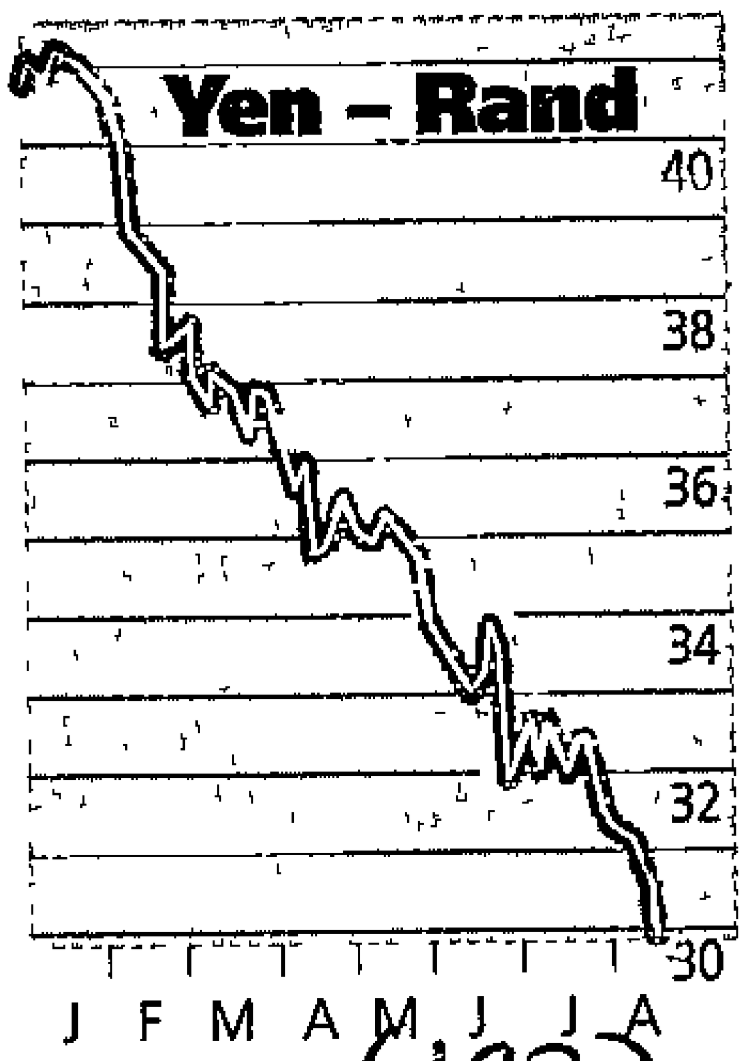
On Tuesday, the rand plummeted below 30 yen for the first time ever on the back of Japan's huge trade surplus

Nissan MD Stephanus Loubscher says prices will inevitably have to be hiked.

Nissan is looking at another 3 percent across the board increase in about 3 months' time, he says

Price rises for some models could be 2,8 percent to 3,4 percent

Toyota executive chairman Bert Wessels says that despite severe upward pressure, he does not see prices rising by more than 7 percent to 8 percent for the remainder of 1993



(192)

"This will mean a total increase of 17 percent to 18 percent for the year

"Obviously, if there is a total collapse of the rand against the yen, we will be compelled to go above this "

Wessels says that on a year-to-date basis the rand has fallen by 34,3 percent against the yen

Wessels says the company is doing everything possible to reduce the impact of higher input costs and is aware of the affordability crisis facing motorists

"We are on a cost-savings drive at our manufacturing facilities and have a committee in place to address cost savings."

Toyota is negotiating with Toyota Japan for a more favourable pricing structure.

"We have also put pressure on local suppliers to contain costs," he says.

Car prices likely to soar as rampant yen hammers rand

ARG 19/8/93

(192)

Business Staff

NEW car prices are set to soar in coming months because of the rand's sharp fall against the yen

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Toyota is negotiating with Toyota Japan for a more favourable pricing structure relative to current market conditions

"We have also put pressure on local suppliers to contain costs," he says

■ The monthly trade surplus shrank by 13 percent in July to R2,1 billion from R2,4 billion in June, Department of Customs and Excise figures show

Imports soared by nine percent to R5,2 billion, while exports rose marginally by two percent to ~~R7,3~~ billion

For the first seven months of the year, exports were 14,2 percent up at R44,2 billion, compared with R38,7 billion last year

Imports rose 12,7 percent to R32,8 billion, against R29,1 billion a year ago

Southern Life economist Mike Daly said yesterday import levels were surprising, given the depth of the recession

He attributed the higher import figures to perceptions that the rand would depreciate further, making imports more expensive

"On the export side, the disappointing month-on-month figures indicate the ongoing lack of demand and poor pricing of international commodities

"We are currently looking at less than six weeks of import cover, compared with about ten weeks at the same time last year"

Toyota back on track

Star 20/8/93

A hefty increase in sales propelled motor manufacturer and distributor Toyota's attributable profit 164 percent higher to R31,3 million (R11,9 million) in the six months to end-June.

Earnings a share jumped to 76,87c from 29,13c

However, the improvement must be seen against last year's poor results when the group was hit by industrial action.

(192)

Although trading conditions were keenly competitive, turnover was up 45 percent and operating income by more than R30-million to R92,2-million. — Sapa.

Toyota fights back to double profit

EDWARD WEST

TOYOTA SA more than doubled its profit in the six months to end-June, clawing back markets lost because of disruptions caused by last year's nine-week strike

Executive chairman Bert Wessels said industry trading conditions would remain difficult and only marginal growth in sales was expected for the full year B/Day

Attributable income amounted to R31,3m (R11,8m) or earnings a share of 76,87c — well up from 29,13c at the last interim stage, but lower than the 113,68c at 1991's interim stage 2018/93

Toyota's sales climbed 45% to R2,2bn (R1,5bn) in the six months It sold 44 577 vehicles for a top market share of 30,6% Retail sales rose 9,9% from last year's interim stage, compared with a 3,3% average industry increase

Operating profit rose to R92,2m (R59,4m) Finance director Peter Robinson said efficiency improvements had led to margins improving from the low base caused by the strike (192)

However, margins were under pressure from a 30% increase in imported component costs as a result of the strong yen Only part of this was offset by vehicle price increases, Wessels said

Interest paid was R29,1m (R26,8m), while tax climbed to R28,9m (R15m) The interim dividend was passed to conserve resources Second-half earnings were expected to be similar to the first half

Wessels expected industry sales to be about 289 000 this year, compared with 284 028 in 1992 While the market might have bottomed, the recession had not abated yet, he said

High-flyer Toyota 'banks' dividend (192)

ARGT 21/8/93

MARC HASENFUSS
Business Staff

TOYOTA shareholders might feel a little hard done by in not receiving an interim payout in spite of the group's accelerated recovery in the six months to end June

Toyota drove earnings up a remarkable 164 percent to R31 million but put a brake on the interim dividend

Directors decided it would not be prudent to pay a half-year dividend as the group needed to conserve its resources

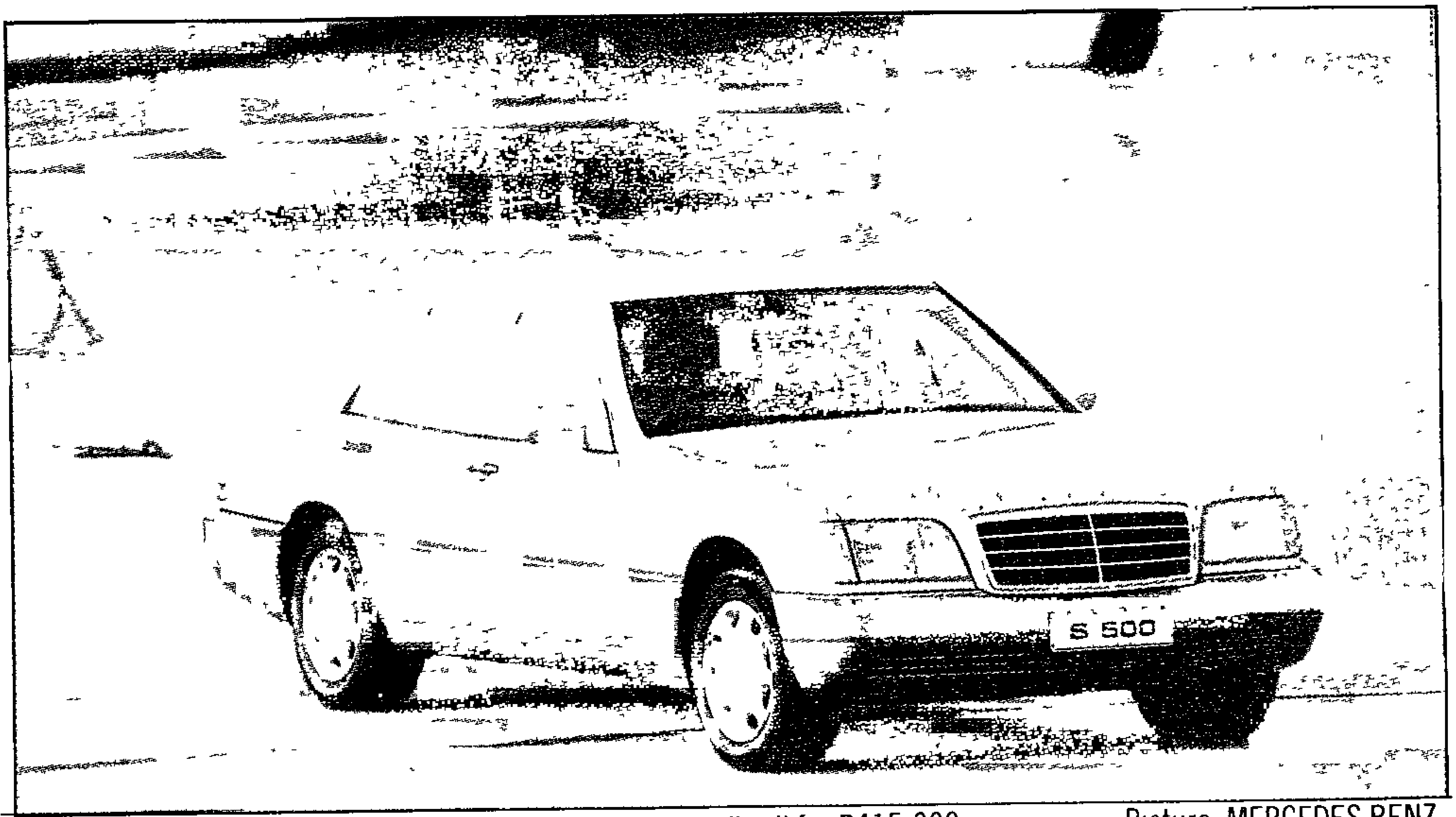
The interim dividend was also passed in 1992

Even though Toyota's performance comes off a low base — with last year's profit figures stalled by prolonged industrial action — the recovery is still well above market expectations

In the six months under review, Toyota sold 44 577 vehicles, representing market share of just over 30 percent

These sales were 9,9 percent higher than the corresponding period last year — easily beating the industry average of 3,3 percent

Bottom line was also bolstered by a significant 40 percent cut in interest paid to R2,9 million and an improvement in profit margins from 3,9 to 4,4 percent



TOP OF THE RANGE . . . the Mercedes-Benz S 500, which will sell for R415 000 Picture MERCEDES-BENZ

A war for those untroubled by cost

S Times (Buss)

By DON ROBERTSON

IT'S car wars again, with both BMW and Mercedes-Benz launching new vehicles this week, but this time it's in the top of the range in the "unaffordable" class 22/8/93

In the past three months, new car sales have have shown definite signs that the market has bottomed out and is on the road to better levels

Both manufacturers are, however, acutely aware that prices of vehicles are soaring beyond the reach of ordinary people But they also believe there are sufficient wealthy people out there who can afford these vehicles (192)

The BMW range starts at R210 900 for the manual 530i and R218 200 for the automatic, rising to R256 500 for the 540i automatic, while the Mercedes-Benz S 320 sells at R322 000 and increases to R415 000 for the S 500 Both have automatic transmission

The BMW 530i comes with all the luxuries and appointments of the previous Five Series vehicles The difference is the fitting of a three-litre, multivalve V8 engine which produces 160kW, a top speed of 231km/h and zero to 100km/h in 8,9 seconds

The 540i has a substantially more powerful 4-litre V8 unit producing an awesome 210kW This is sufficient to power it to 100km/h from standstill in only 7,1 seconds

About 600 vehicles will be assembled this year of which orders for 200 have been received Next year's production will be about 1 200

Mercedes-Benz has decided to continue the manufacture of the S-class range in SA The S 320 and S 500 will also be built in limited numbers of 360 a year and orders for one year's production have already been received

The ultra-luxury S 320 has a 3,2l in-line, multi-valve six cylinder engine which produces 170kW This enbales it to reach 100km/h in 8,9 seconds and a top speed of 225km/h Fuel consumption is 12,3 litres a 100km at 120km/h

BUSIN

Exports boost T & N profits

189 (192) ARG 24/8/93

MARC HASENFUSS, Business Staff

AUTOMOTIVE component manufacturer T & N Holdings boosted attributable profits by 15 percent to R7,5 million in the half year to end June — thanks to continued growth in exports

Chairman Bill Cooper said margins were under pressure after substantial losses at BIP Moulding and the inclusion of former associate Dancor

In spite of a 7 percent rise in turnover to R232 million, operating margins slumped to 8,3 percent in the period under review from 9,6 percent previously

Bottom line was bolstered, however, by a R2 million cut in the interest bill and lower taxation

Mr Cooper said last year's acquisition of 70 percent of Fabflex was now bearing fruit and that further rationalisation to reduce the cost base in the Industrial Products Division would continue to enhance profitability

He said the closure of BIP Moulding Powder plant was disappointing.

The group did make a R1,6 million extraordinary profit by selling off the assets, land and buildings in Pinetown

Mr Cooper said the automotive sector remained difficult — although the lastest wage setlements would provide stability to enable the industry to take advantage of any upswing.

"We remain cautious on prospects for the balance of the year and will continue with our course of containing costs and promoting exports"

The dividend payout was held at 11c a share

MOTOR INDUSTRY

Price is still the problem

FM 27/8/93

Don't be misled by month-on-month sales shifts The car market requires several years of below-inflation price increases before it can hope to recover from its current "ludicrous" level, says BMW SA marketing director Tony Kirton (192)

Some manufacturers have seized on recent improved sales to suggest that the market has started to recover Others take the view that the figures are no more than a blip

FM 27/8/93 (192)

While sales may indeed be at the start of a slow upswing, they argue that it is far too early to talk of recovery when figures are so far below past performance

Even allowing for suggestions that the 1993 car market could reach 190 000, compared with last year's 183 000, that's still nowhere near the all-time market peak of more than 300 000

Still, given the state of the market, manufacturers may be forgiven for seeking out any form of good news on sales Toyota, for instance, points to an improved Business Confidence Index as a potential indicator that the recent market improvement is sustainable

According to Toyota Marketing MD Brand Pretorius "There is a distinct correlation between the level of business confidence and vehicle sales " Arthur Mutlow, sales and marketing director at SA Motor Corp (Samcor), says August sales should be "up to expectation "

Samcor, like other manufacturers that have launched major new car ranges this year, is still waiting to enjoy the full benefit of its investment. Most companies underestimated the size of the market, so didn't build enough vehicles Market share has suffered

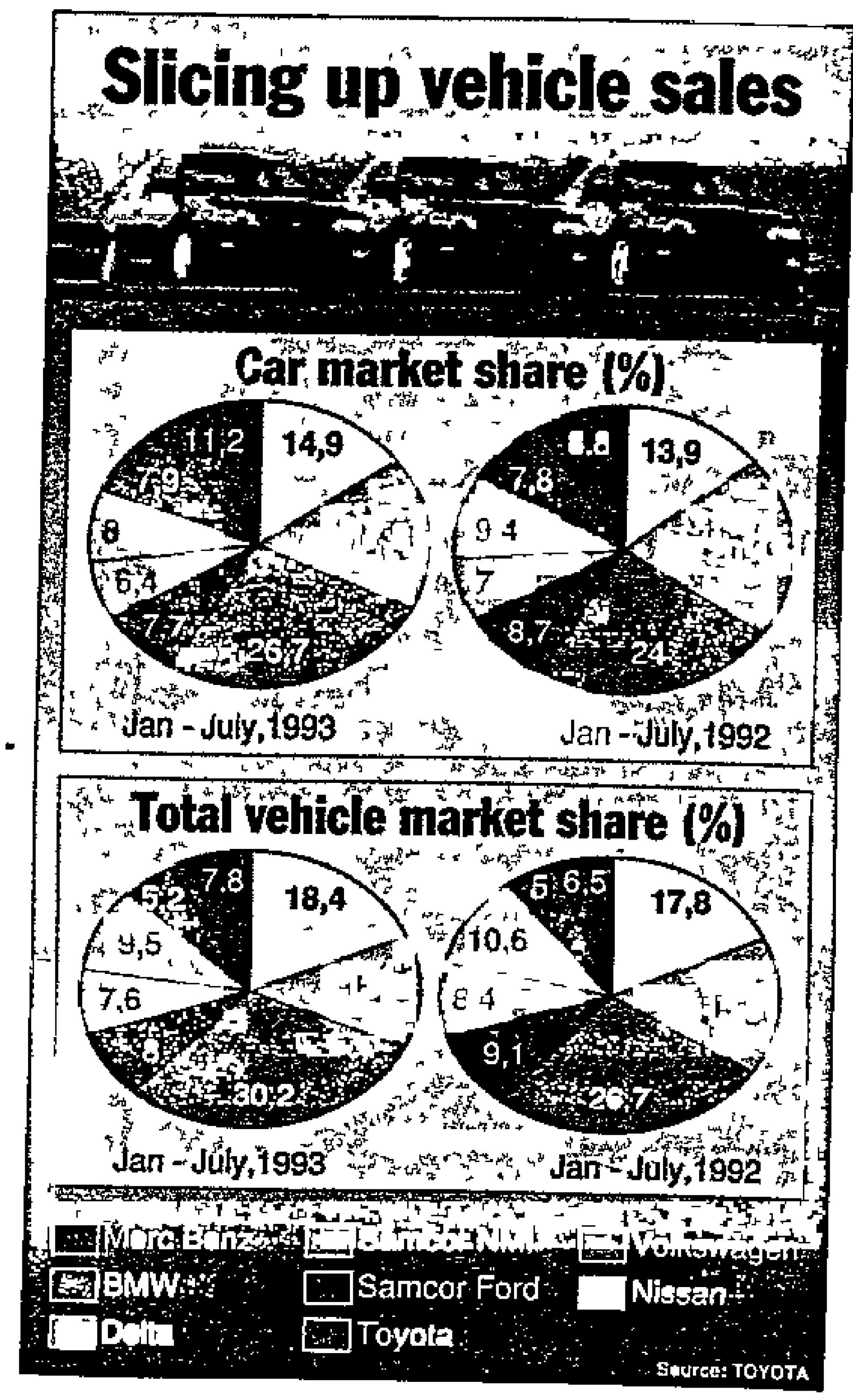
The companies are gradually catching up with demand but, as Mutlow explains, sellers of new vehicles are "still plagued by inadequate supply "

They aren't much helped by pricing, either Kirton's view on long-term price increases will draw wry smiles from producers of Japanese cars, who have seen all their plans tossed out of the window by the rand's collapse against the yen Already, their prices have risen nearly 15% this year Mutlow predicts at least one more increase, probably of more than 4%, before 1993 is out

Most of this price pressure is being felt in the small- and medium-car sectors But in the luxury-car sector, too, German producers say they are conscious of the need to restrain prices BMW and Mercedes-Benz, which have launched new luxury models in the past few days, say pricing is crucial. Indeed, industry analysts say pricing at the top end of the market has been very aggressive this year

That's not to suggest for one moment that either BMW's new V8 5-Series models, at R210 000-R256 500, or the new Mercedes S-Class, R322 000-R415 000, is anything but expensive But both companies describe their pricing as competitive

Of the S-Class, with its double-glazing and self-closing doors, marketing director Peter Cleary says "We have set a price we believe customers can afford " ■



TOYOTA Fm 27/8/93

Memory of misery fading

Given the misery Toyota endured round the middle of last year, it's hardly surprising its latest interim results show such a marked improvement on those of 1992 (192)

Turnover up 45% to R2,2bn, pre-tax income 117% higher at R60m, and attributable income a massive 164% higher at R31m memories of the long and bitter strike at Toyota's Prospecton assembly plant — and of the disastrous 1992 interims that resulted — are gradually fading

No-one — except, perhaps, advertising jingle writers — would suggest everything's going right for the market leader yet Though the company's share of the new-vehicle market is back to around pre-strike levels, at over 30%, it's in a dormant market

BETTER SPEED

Six months to	Jun 30 '92	Dec 31 '92	Jun 30 '93
Turnover (Rm)	1 516	1 937	2 197
Operating income (Rm)	59,4	144,3	92,2
Net income (Rm) ..	12,8	50,1	31,9
Earnings (c) .	29,13	122,47	76,87
Dividends (c)	nil	28,5	nil

Industry sales generally remain in a slump and Toyota concedes they won't get much better this year The company forecasts total vehicle sales this year will reach just under 290 000, compared to 1992's 284 000

Like other makers of Japanese-sourced products, Toyota finds itself in a further vice A huge decline in the rand's value against the yen increased the bill for Toyota's imported components by 30% in the first six months of this year Unable to pass on that kind of cost increase to motorists, Toyota has had to draw in its belt tighter than ever and squeeze already-thin margins

The fact that German-sourced competitors aren't faced with the same exchange-rate problem only adds to the discomfort As CE Bert Wessels puts it "Due to the competitive nature of the motor industry it was only possible to offset some of the effect of the exchange rate deterioration with price increases"

Toyota's Wessels *needs to conserve resources*

Fm 27/8/93

Given all these constraints, it's hardly surprising that, like last year, Toyota has decided to forgo an interim dividend The company needs to "conserve its resources," says Wessels (192)

Still, considering the pressures under which the industry operates, Toyota can be quietly satisfied with its market performance thus far in 1993 The Camry, which replaced the ageing Cressida range, is selling well, the ever-popular Corolla seems certain to increase its market share with the imminent SA launch of the latest version, and the company's dominant position in the commercial vehicle sector remains largely unchallenged

Overall, says a broker, the company is performing about as well as it can in difficult circumstances Even allowing for uncertainty surrounding government plans for a new motor industry strategy, there's little reason to worry about Toyota's long-term future

David Furlonger

Metair accelerates after last year's bumpy road

BDay 27/8/93

EDWARD WEST

MOTOR component manufacturer and distributor Metair Investments earnings soared in the six months to end-June 1993 from a low base in the first half of last year when operations were disrupted by a strike at Toyota

Nevertheless, earnings in the first half of 1993 would have topped those in the interim period last year even if the strikes had not occurred because income from certain investments in the first half of last year had not yet materialised, said chairman Elisabeth Bradley

Consolidated income before tax in the first half of 1993 was R18,69m (R4,5m) Tax rose sharply to R8,05m (R2,38m) leaving taxed income five times higher at R10,64m (R2,12m). Earnings a share amounted to 171c (12c) Interest bearing debt fell to R26,86m (R60,85m).

Directors attributed improved earnings to slightly higher vehicle sales, new business obtained with the launch of new models after substantial investment in new facilities, greater efficiency and cash management and a more stable industrial relations enviroment

Second half earnings were expected to at least be in line with those of the first half although trading conditions would remain difficult The falling exchange value of the rand would restrict margins due to customer and consumer price resistance (192)

Further improvements could only be achieved if the social and industrial relations climate allowed companies to continue to improve efficiencies and to contain costs, directors said

On June 1 1993 Metair increased its shareholding in Hella SA to 100% from 40% by a purchase of shares from German-based Hella KG The payment was R7,7m cash after a R2m dividend.

Bradley said the sale by Hella KG did not represent a political disinvestment, but an implicit and amicable agreement between the two companies that Metair would eventually take up the full stake. Hella KG technology would remain available to Metair as would its products

Motor industry looks at Australian model

LINDA ENSOR

CAPE TOWN — It was likely the motor industry task force would produce a modified version of the Australian development model for the SA industry, National Association of Automotive, Component & Allied Manufacturers deputy president Johan Meyer said this week. B/Day

The task force was scheduled to submit a report to government by February and was involved in formulating various scenarios, Meyer said. 27/8/93

While there were similarities between SA and Australia, the assumptions of the Australian model would have to be tested before being adopted.

A feature of the Australian development programme, Meyer noted, was its emphasis on increasing the number of units of each model of vehicle produced. This complemented the support given to manufacture for both the local and export markets.

Meyer said that the task force had agreed that the number of vehicle manufacturers would have to be reduced. This would be achieved through the elimination of those which were unable to become international players. (192)

"Those that don't make it internationally will fade away," Meyer said, adding that numbers in Australia had dropped in this way.

The task force had formulated a vision of sustainable growth for the motor industry.

Crucial features were the integration of the local industry into the world market, major restructuring and rationalisation, and a reduction in the level of protection.

Dividend lifted to 24,5c

Creditable performance from McCarthy Group

Star 30/8/93

RESULTS for the year to June are gratifying, says CE Terry Rosenberg

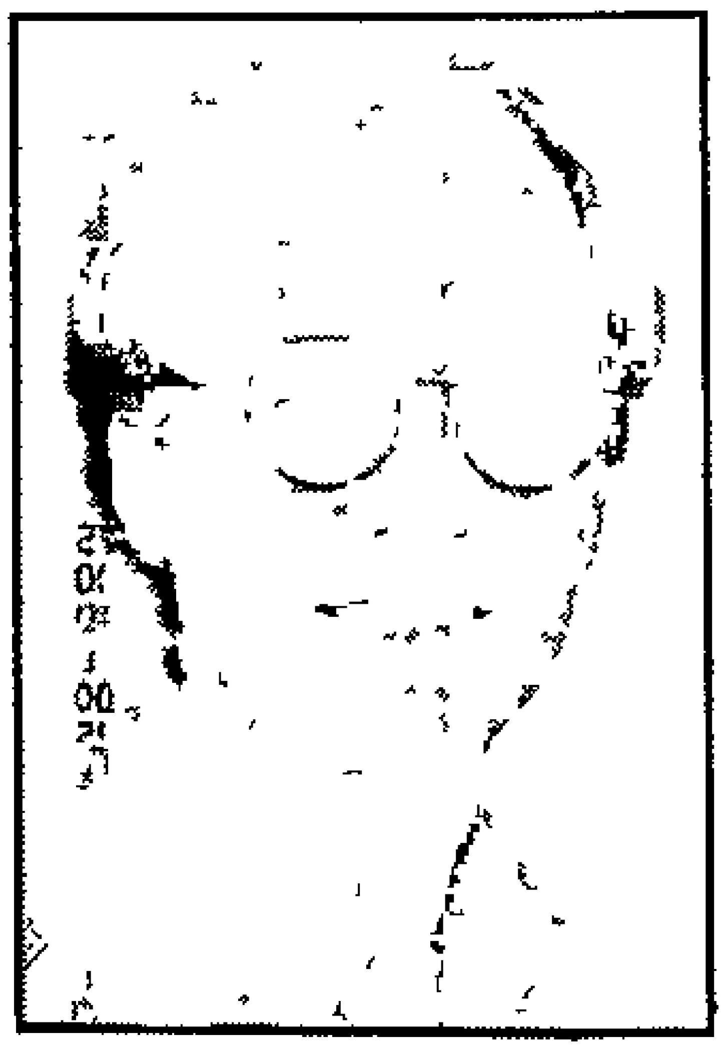
BY STEPHEN CRANSTON

In the first year since the merger of motor dealer McCarthy and furniture retailer Prefcor, earnings per share of McCarthy Retail on a pro forma basis rose by 5,8 percent to 57,6c and those of its pyramid McCarthy Group by a similar percentage to 76,3c.

CE Terry Rosenberg says results for the year to June are gratifying, given the difficult circumstances prevailing in the durable and semi-durable markets

The McCarthy Group dividend has risen from 21c to 24,5c, though the dividend of McCarthy Retail, previously Prefcor, fell from 30c to 19c

Rosenberg says, however, that McCarthy Retail shareholders have received the added benefit of enhanced stability in convertible debenture interest payments as a result of the increased profit base. (222)



Rosenberg . . . group should benefit from the trend towards buying down

McCarthy Motor Holdings' sales of new units fell by one percent But the division held earnings to the previous year's level. 192

Its share of the new-vehicle market fell from 13,7 percent to 13,1 percent, largely as a result of the Toyota strike at the beginning of the year, poor supplies from Volkswagen for three months and the disposal of two operations

Rosenberg says the group should benefit from the trend towards buying down. Several ranges have been introduced to cater for the trend, including the Nissan Sentra, Toyota Camry, Mazda 626, the new Volkswagen Golf and the new Honda Ballade. McCarthy has a strong share of all these manufacturers

In Prefcor, two operations performed below budget Game Discount World, in which five outlets opened during the year, saw its trading fall off after the assassination of Chris Hani. (188)

But Rosenberg is confident the Game formula will work well, once normal trading patterns resume.

Savells Transvaal had a bad year for management-related reasons, but there were a number of closures and subsequent write-offs

Prefcor's operating income fell by 9,4 percent, with satisfactory performances from the six other divisions, including Beares and clothing chain Bee Gee

The three-year store opening programme in the furniture division ended in April

Earnings were improved by a R12,2 million release of the deferred tax provision following the reduction in the rate of corporate tax from 48 percent to 40 percent.

The tax bill fell from a pro forma R90,3 million to R44,0 million and net income rose from R84,3 million to R89,2 million.

Asset management improved and net current assets fell from R153 million to R129 million.

Gearing fell from 24,8 percent to 19,3 percent

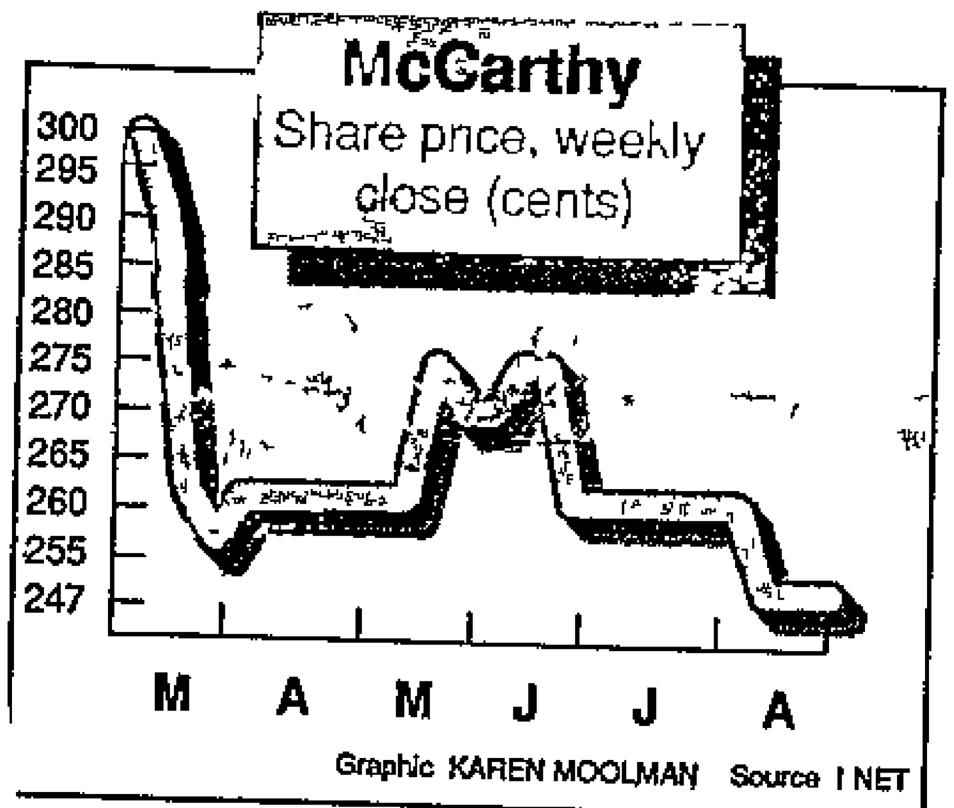
Rosenberg says the merger was in the interest of both sets of shareholders.

McCarthy Group shareholders have seen significant increases in earnings and dividends, while Prefcor's now have a far stronger balance sheet and a springboard for assured long-term growth

The McCarthy Retail senior convertible debentures have firmed from 480c before the merger to 670c now

Lower corporate tax helps McCarthy

BDay 30/8/93



MARCIA KLEIN

McCARTHY Retail, formed out of the July 1992 merger of the McCarthy motor and Prefcor retail groups, has increased earnings by 12% to 48,2c (42,9c) a share in the year to end-June as a lower corporate tax rate offset weak trading conditions.

The group, whose main interests are McCarthy and retailers Beares, Game Discount World and Bee Gees, has compared its maiden results with pro forma figures for the previous year, assuming that the merger had been in effect for the whole of

☐ To Page 2

McCarthy

BDay 30/8/93

☐ From Page 1

that year, CE Terry Rosenberg said

Turnover was up 20% at R5,27bn from R4,38bn previously But operating income before interest was 9% lower at R213m (R235m) This was, to a large extent, due to the underperformance of Game and Savells furniture stores in the Transvaal.

After higher interest payments, pre-tax income was down to R160,6m (R190,2m)

The reduction in the corporate tax rate, which also resulted in the release of R12,2m of deferred tax provided in previous years, resulted in a 17% rise in income after tax to R116,5m (R99,9m). Rosenberg said the tax benefits would continue, apart from the once-off deferred tax release — mainly in joint finance company Firstpref Retail Sales.

Net attributable income rose by 6% to R89,2m from R84,3m. Rosenberg said former McCarthy Group shareholders would have seen their earnings rise to 76,3c from the actual previous 50,9c a share Former Prefcor shareholders would have seen earnings rise from to 48,2c a share from an actual 47,7c a share previously

A final dividend of 11c a share was declared, bringing the full year dividend to 19c (30c) a share Rosenberg said gearing had been reduced to 19% (25%)

He said results were achieved in the face of tough market conditions The group remained split into two businesses, McCarthy Motor Holdings and Prefcor Holdings

McCarthy reported a 1% decline in the sale of new units, but earnings were maintained at last year's level. Its share of the new vehicle market dropped to 13,1% from 13,7%, largely due to a strike at Toyota at the beginning of the year, poor supplies from Volkswagen over a three-month period, and the disposal of two operations

In Prefcor, six out of its eight divisions performed in line with budget

Game and Savells Transvaal had performed below budget. Both had been positioned to perform better in the coming year In furniture, all stores except the 29 Savells stores had performed well

Rosenberg said he was happy with the merger There was an increase in earnings and dividends at a group level, and Prefcor's balance sheet was stronger

McCarthy Group, which has as its only interest its stake in McCarthy Retail, has reported diluted earnings of 76,3c (50,9c) a share, and a final dividend of 14c a share. Its full-year dividend is 24,5c (21c) a share

McCarthy Group earnings up 50%

(192) CT 30/8/93

JOHANNESBURG — The McCarthy Group has achieved a 50% growth in earnings per share from 50,9c to 76,3c in the year to June 30, 1993, out of which a final dividend of 14c is to be paid making a total of 24,5c for the year, against 21c previously

A company statement said at the same time, McCarthy Retail showed an increase in diluted earnings per share of 12,4% from a proforma 42,9c to 48,2c.

McCarthy Retail's final dividend comes in at 11c, making a total for the year of 19c (30c previously).

CE Terry Rosenberg points out that McCarthy Retail (formerly Prefhold) shareholders have been given the added benefit of enhanced stability in convertible debenture interest payments as a result of the considerably expanded profit base — R89,2m attributable in the year just ended against Prefhold's R40,1m in the previous year before the merger.

Turnover of McCarthy Retail for the year is shown at over R5bn against Prefhold's R1,32bn and a proforma R4,3bn in the previous year.

The company's statement added that McCarthy Retail's maiden results were achieved despite difficult and testing market conditions not least of which were the social unrest and sharp plunge in consumer confidence following the assassination of Chris Hani in April this year and the strike at Toyota and the mass action stayaway

"In a highly competitive market, sales of new vehicles were virtually unchanged and Motor Holdings did well to maintain its earnings at previous year levels.

"New vehicle market share was down from 13,7 to 13,1%," he said.

Rosenberg says the group should benefit from the trend towards buying down. Several ranges have been introduced to cater for the trend, including the Nissan Sentra, Toyota Camry, Mazda 626, the new Volkswagen Golf and the new Honda Ballade McCarthy has a strong share of all these manufacturers.

In Prefcor, two operations performed below budget. Game Discount World, in which five outlets opened during the year, saw its trading fall off after the Hani assassination

But Rosenberg is confident the Game formula will work well, once normal trading patterns resume. — Sapa

Things going right at Wesco

BDay 3/9/93

EDWARD WEST

TOYOTA SA and Metair holding company Wesco's earnings rocketed in the six months to end-June 1993 from a low base in the first half of 1992, when operations were severely affected by strikes.

Attributable income more than doubled to R12m (R5m) and earnings a share increased to 143c (26,8c) The interim dividend was passed Total debt to assets was slightly up at 49,4% (45,9%) (1992)

Earnings also improved from a 3,3% increase in vehicle sales compared with the same six-month period in 1992, better efficiencies, income from new investments and a relatively stable industrial relations environment.

Turnover climbed sharply to R2,2bn (R1,5bn) and operating income increased by half to R87,8m (R58,7m). Interest and finance charges were stable at R32,9m (R31,7m), but tax climbed sharply to R28,9m (R15m)

Furniture company Gommagomma had not yet contributed to profit, but the rate of loss had fallen and further improvement was expected. Camargue Transport Systems started commercial production, but would not trade profitably in 1994, the directors reported

McRETAIL / McCARTHY

FM 3/9/93

Bedding down well (192) (2~~~~)

Merger of the McCarthy Group's motor interests and the former Prefcor's durable and semi-durable trading activities seemed an unlikely mix a year ago, but sound maiden results from the new group show the marriage is bedding down and, with some qualifications, seems to have good prospects

Harder to read are the shares of McCarthy Group and McCarthy Retail Since the merger the former has become an investment holding company with an 88% stake in McCarthy Retail's ordinary share capital, and about a third of its senior debentures plus about three-quarters of its junior debentures

On ratings alone, the shares appear cheap, especially when compared to the average yields and p e ratios in the retail sector where both McCarthy groups are now listed The problem, however, is that they are not directly comparable to any other shares in the sector Ratings in the motor and furniture sectors are also not particularly helpful

The general feeling among analysts, however, is that McCarthy's share ratings are low, and if the slump in consumer spending is at or near the bottom of the cycle, they could appreciate sharply next year Any clear signs of an uptick in private consumption expenditure could be a good signal to buy

Certainly, the group has positioned itself well for an increase in consumer spending Despite depressed markets, which McCarthy CE Terry Rosenberg says plunged after

FM 3/9/93

the assassination of Chris Hani in April, the retail operation continued with its expansion, opening five new Game Discount World stores with another two planned for this year

The expansion proved costly, both in opening expenses and because the Game division was R9m off budget Rosenberg says with start-up costs absorbed and a full year's contribution from the new stores coming through this year, Game is budgeting for a R9m profit (192) (2~~~~)

All other retail operations performed well, he says, with the exception of Savells, which lost R4,5m because of store closures, write-offs on the collection book and some problems with management Rosenberg expects Savells at least to break even this year

The motor side performed well considering the strike at the Toyota plant and supply problems from Volkswagen New unit sales dropped 1% and McCarthy's share of the new vehicle market slipped from 13,7% to 13,1%, but earnings were maintained

Rosenberg says Budget Rent-A-Car (McCarthy bought the assets shortly before the collapse of Tollgate Holdings) has moved from a substantial loss to modest profit In addition, the group is benefiting from car owners buying down, and received a boost from its used-car business, which turned over more than R1bn and accounts for about 30% of the motor division's turnover (new vehicles account for about 50% and spares, workshops and driveways the rest)

After the success of Firstpref, a joint venture with First National Bank to back retail credit sales, it would not be surprising to see a similar venture on the motor side Rosenberg won't comment on this, but with the increased capital base with the merger, and the substantial finance requirements for vehicle sales, new products and financial packages will probably appear before year-end

There is concern about servicing interest payments on the convertible debentures With interest on debt escalating about 2,5% a year, it could prove expensive money if the inflation rate stays down

But the merger has provided a sound balance sheet, and gearing has fallen from 25% to 19% Share price performance remains erratic, possibly influenced by lingering confusion about the merged activities It's certainly a share to watch, however, and could offer sound returns if carefully timed

Shaun Harris

UP AND DOWN

McCarthy Group

Year to June 30	1992†	1993
Taxed profit (Rm)	99,9	116,1
Attributable (Rm)	74,0	77,9
Earnings (c)	72,7	76,3
Dividends (c)	21,0	24,5

McCarthy Retail

Turnover (Rbn)	4,38	5,26
Operating income (Rm)	235	213
Attributable (Rm)	84,3	89,2
Earnings (c)	54,4	57,6
Dividends (c)	30	19

† Proforma figures, assuming the merger between the McCarthy Group and Prefcor Holdings had been concluded one year earlier Dividends reflect actual figures for 1992.

Cont →

Car-makers go on Zimbabwean drive

EDWARD WEST

SA MOTOR manufacturer's have begun exporting vehicles to Zimbabwe because of an easing of political tension in the region and the need to sell wherever possible because of the depressed local trading environment

A National Association of Automobile Manufacturer's of SA (Naamsa) spokesman said compared with SA, with sales of 180 000 to 190 000 new cars every year, the Zimbabwean market was small, with sales of 10 000-15 000 cars a year

Sanctions and foreign exchange shortages had hampered vehicle exports to Zimbabwe, but this had changed with the lifting of sanctions and a structural economic adjustment programme which made foreign exchange more freely available for vehicle imports

Zimbabwe's vehicle population in 1991 was estimated to be 254 000, low compared with SA's 5-million and the 12-million vehicles on the African continent B/Day

Two plants manufacture Ford and Nissan vehicles in Zimbabwe

Toyota SA extended exports to Zimbabwe last month after an agreement was signed with distributor Mobile Motors Early this year a similar agreement was signed with Mobile Motors in Malawi

These were the first export links outside the Customs Union by Toyota SA Delta Motor Corporation signed up a dealership in Zimbabwe recently and a further outlet was planned for later this year (192)

Delta export director Tony Barlow said that with normalisation of trade relations, the Zimbabwean motor market justified creation of a formal infrastructure by the company along with its other African operations in Malawi, Mozambique and Zambia 7/9/93

Samcor marketing director Arthur Mutlow said an agreement was signed in August with the Zimbabwean-based Amtech group and motor manufacturer Willovale Mazda Motor Industries to supplement vehicles already available in Zimbabwe with the wider range of SA-produced vehicles

A co-operative agreement was also reached with Zimbabwean motor group Duly's for import and distribution of Samcor's Ford range

Mutlow said considerable demand for the wider range of vehicles available to Zimbabweans was expected

COLLECTIVE BARGAINING *Numsa and bosses reach an agreement at last:*

Landmark accord

Sowetan 8/9/93

By Ike Motsapi

THE National Union of Metalworkers of South Africa (Numsa) and the Automobile Manufacturing Industry Bargaining Forum have ended negotiations which both parties described as a watershed for collective bargaining

The parties said that although the negotiation took more than 30 sessions, totalling about 300 hours from April to July this year the agreement would be a benchmark for future negotiations in the industry

Mr Gavin Hartford, national organiser of the collective bargaining unit of Numsa said the agreement paved the way for better industrial relations

The agreement is hailed for the following reasons The parties have agreed to

- A new nationally accredited education and training programme to massively upgrade skill levels in the industry as a forerunner to changes in work organisation
- Expedite the establishment of work security funds in the industry
- Establish funds for retirement, sickness and medical purposes and also form an industry-wide platform of worker rights, that is, for strikes, pickets, demonstrations, meetings and disclosure of information
- Start a process of negotiation to broaden the collective bargaining structures in the industry
- A new wage policy for the industry to correct historical differences in actual earnings across the industry The wage increase of 10 percent across-the-board or ex-gratia will result in over 50 percent of the wage gap between the highest and lowest in the industry being closed over the next 12 months

Key elements

Industry, Education and Training The agreement has two key elements, namely a new grading structure and a new education and training dispensation

(a) Grading A seven skill level structure with five levels as the artisan/multi skilled operator

Each skill level will be defined and articulate with the levels above and below on a single national grid

Each skill level will have a certified exit for employees

(b) Module Development and Standardisation of Education and Skills Both parties agreed that standardised modules to defined competency levels for each skill level will be developed

All employees will have an education and skills assessment and be accredited through recognition of prior learning procedures

All employees will have access to education and training, encouraged to build a career and move up the skills ladder

(c) Funding Employers will fund all skills training in company time at full pay

All facilities for education and training will be funded by the employer

(d) Work Organisation Parties will negotiate an industry framework for additional funding after the skills audit on employees has been finalised

No employees will be retrenched as a result of the implementation of the new education and training dispensation and changes to work organisation (192)

(e) Bargaining Fee The parties agreed that the employers will apply for exemption from Clause 19 1 (e) of the Basic Conditions of Employment Act (BECA) to facilitate the implementation of a R4,75 deduction from non-union employees as a bargaining fee to be paid pro rata to the party unions based on their membership in the industry

(f) Work Security The 1992/3 agreement on work security will be implemented on an expedited basis

(g) Industry Funds and Workers Rights The parties have agreed to establish industry funds for retirement, sick and medical benefits This will happen through the establishment of national committees to merge existing plant level funds into a single retirement fund by June 30 1994 and industry sick and medical funds by June 1996

FLASHBACK . Numsa members on strike in Witbank during 1987

(g) Motor Industry Forum The parties have agreed to meet all motor industry collective bargaining representatives to discuss the possible formation of a broader collective bargaining forum, level of bargaining and relation of bargaining to other industry forums

(h) Wages The parties agreed to new minimum rates and a 10 percent across-the-board increase over the 12-month contract period

Hartford said in respect of all the major demands submitted by Numsa for the 1993/4 contract, the parties had largely reached agreement

Training managers for a post-apartheid SA

August car sales soar

Star 8/9/93

BY CLAIRE GEBHARDT

Car sales in August soared 15,1 percent to 17 509 units, compared with the corresponding month last year

This makes August the second-highest car volume month for 1993 (192)

Figures released yesterday by the National Association of Automobile Manufacturers (Naamsa) show that the sales represent a 0,5 percent, or 81 unit, increase on the 17 428 units sold in July.

Sales of medium commercial vehicles also recorded sharp gains in August.

Brand Pretorius, managing director of Toyota SA Marketing, said replacement demand was driving up sales and lifting the industry out of the doldrums

Economists said the improved sales growth in recent months suggested that conditions in the economy were slowly beginning to improve

Sales of new light commercial vehicles, bakkies and minibuses at 8464 units, showed an improvement of 616 units, or 7,8 percent, compared with the same month a year ago when 7848 units were sold

Sales of vehicles in the medium and heavy truck segment of the market showed some improvement from historically low levels — sales of new medium commercial vehicles rose by 23,2 percent to 324 units, compared with the 263 units sold in August last year

And now for the good news . . .

(192) CT 8/9/93

• New car sales up 15% • Lift for business confidence

By AUDREY D'ANGELO
Business Editor

SALES of new cars were 15% higher in August than in the same month last year — exceeding industry expectations

And the SA Chamber of Business (Sacob) confidence index rose in August to 97,2%, its highest level since November, 1990

Sacob chief economist Ben van Rensburg says in the survey report that "after a protracted recession the business mood is responding to evidence that the economic downswing appears to be coming to an end

"At this stage there are not yet convincing signs that a general economic recovery is imminent but at least there is renewed proof of some economic resilience "

But Van Rensburg warns that it is "important to recognise the tenuous nature of the present signs of economic recovery and to acknowledge the threats that exist to any sustained upswing "

Steadily rising car sales this year were one of the factors improving business confidence Others included progress in the political negotiations at the World Trade Centre and hopes that the national peace campaign would reduce levels of violence

The National Association of Automobile Manufacturers of SA (Naamsa) reported last night that new car sales rose in August by a further 15% to 17 509 compared with 17 428 in July and 15 214 in August last year

This means that car sales in the first eight months of this year totalled 129 252 compared with 121 389 in the same period last year

A statement issued by Naamsa said the rising sales "suggested that conditions in the SA economy were slowly beginning to improve "

Naamsa anticipated that, while trading conditions in all segments of the market would remain challenging, new vehicle sales would continue to consolidate around current levels in the near term

Brand Pretorius, MD of Toyota (SA) Marketing, said replacement demand was driving sales and lifting the industry out of the doldrums

"If we extrapolate the growth shown for the year to date, albeit from a low base in 1992, then the market will be at least 190 000 units and we could now even be looking at 195 000 passenger vehicles "

Delta's director of sales and marketing, John Cuming, predicted passenger vehicle sales of 192 000 units

John Jessup, director of communications and market planning at Nissan (SA) Marketing, said it had not revised its sales forecast upward because "one has to be realistic about the overall operating environment as well as the fact that a certain amount of forward buying has taken place over the past two months due to imminent price increases "

Sales of light commercial vehicles rose in August to 8 464 compared with 7 848 in the same month last year and 8 462 in July Sales in the first eight months of this year totalled 64 495 compared with 60 870 in the same period last year

But sales of medium and heavy commercial vehicles still lag behind those last year

Sales of medium commercial vehicles rose to 324 in August compared with 263 in August last year They totalled 1 994 in the first eight months of this year compared with 2 212 in the same period last year

Sales of heavy commercial vehicles fell to 422 compared with 434 in August last year They totalled 3 245 in the first eight months compared with 3 571 in the same period last year

Naamsa's figures show Toyota is still the market leader with passenger car sales of 3 760 followed by Volkswagen (VW) with 3 760

In the light commercial vehicle market Toyota sales totalled 3 014 followed by Nissan with 1 943

Fm 10/9/93

Activities: *Makes and markets leisure and commercial trailers, components and spare parts*
Control: *Directors 68%*
Chairman: *G du Plessis, MD R A du Plessis*
Capital structure: *50m ords Market capitalisation R37,5m*
Share market: *Price 75c Yields 10,4% on dividend, 34,3% on earnings, p e ratio, 2,9, cover, 2,2 12-month high, 120c, low, 50c Trading volume last quarter, 584 000 shares*

15 months to December 31	'92
LT debt (Rm)	4,8
Debt equity ratio	n/a
Shareholders interest	0,6
Int & leasing cover	n/a
Return on cap (%)	32
Pre-int profit (Rm)	16,0
Earnings (c)	20,6†
Dividends (c)	9,2
Tangible NAV (c)	37

† Annualised

(192)

VENTER LEISURE

Fm 10/9/93

Battening down

The only way to derive value from the accounts published in Venter Leisure (Ventel)'s maiden annual report is to compare them with forecasts made in the prospectus ahead of the listing in March 1992 (92)

A change in year-end means the first report covers a 15-month period, which will not make comparisons particularly meaningful at the 1993 year-end In addition, comparisons with historical data from the unlisted trailer-making operation are not relevant as the group changed its structure significantly when it was listed

However, in most respects Ventel met and often exceeded the prospectus forecasts Pro forma EPS for the year to December 31 of 21,2c, against the 15-month figure of 25,7c, are fractionally ahead of the forecast 21,1c The annualised EPS of 20,6c are close enough to the forecast

A lower-than-expected tax charge of R3,5m helped taxed profit exceed the forecast Interest received, however, was about R100 000 lower than the forecast R459 000, and it's hard to see why

Ventel raised R25,5m from its flotation but almost all of this (R23m) went towards the acquisition, by the new owners, of the original trailer business from founder Jasper Venter After listing costs, only about R500 000 was left, so obviously interest earned was expected to decline

But with cash holdings of R4,6m, which just about cover debt and leave Ventel with minimal net borrowings of R137 000 and low interest payments, it's unclear why interest received was off the forecast figure

Deputy chairman Michael Katcs says when the prospectus was compiled in November 1991, the 32-day call rate was 16,5% For most of the financial year, it was less than 12,75%, which, with purchases of some fixed assets for cash, accounts for the difference

It also seems Ventel's capital base may be under strain A scrip dividend was offered to shareholders but was only 10,8% subscribed Katcs says that, as a major shareholder and CE, he has recommended to the board that the dividend be cut "to better use cash resources" during what he expects to be a difficult year

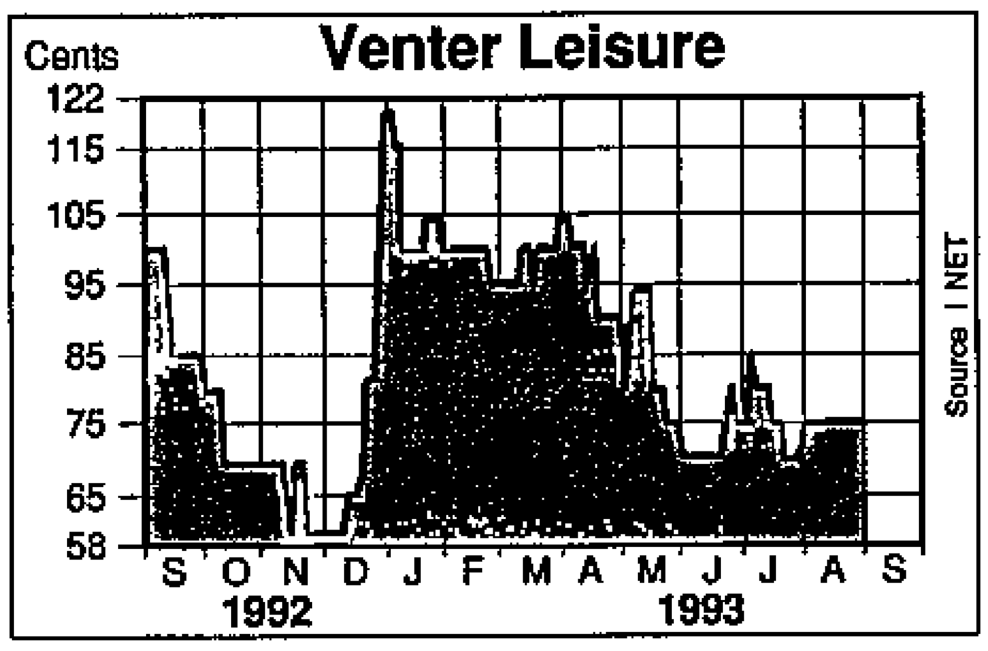
Ventel's Du Plessis *sales were below budget*

Otherwise, the balance sheet looks strong, though it's notable that a hefty R15,7m in patents and trademarks — well over half — are included in fixed assets of R27,2m

Chairman Pienkes du Plessis says sales in adverse trading conditions were lower than budgeted, so achieving forecast earnings must represent good control of cash and working capital Venter, he says, continues to dominate the leisure trailer market and has been developing commercial trailer and export markets

But the share has failed to perform since it was listed at 150c It now trades at half that price, on the highest yield and second-lowest p e in the transportation sector

Investors probably need to see concrete results from Ventel, especially the progress it is making in export markets Until then it's



Fm 10/9/93 (192)

unlikely to attract much interest, except perhaps if the share price continues to decline and is viewed as a recovery stock *Shaun Harris*

B/Day 10/9/93

Low demand slows down Autoquip

CHARLOTTE MATHEWS

MOTOR parts distributor and retailer Autoquip Group reported a 14,2% drop in attributable income to R783 000 in the year to June from R913 000 last year as demand for the group's products remained static, according to figures released today. (192)

Turnover lifted by 13,8% to R60,1m from R52,8m, mainly because of inflationary price increases An extraordinary charge of R751 000 (R375 000) was incurred on additional tax payments for Autoquip Group's films investment Earnings of 7,2c a share were up by 6,8c because of a contraction in the number of shares in issue following the conversion of ordinary shares into convertible redeemable preference shares last year The dividend was passed because cash generated is being used to increase working capital A dividend of 2,5c a share was declared in 1992

MERCEDES-BENZ of SA

FM 10/9/93

Rolling into Africa

The plan by Mercedes-Benz AG in Germany to boost exports of SA-made products is coming together nicely Subsidiary Mercedes-Benz of SA (MBSA) started exporting only in 1990 and last year shipped components and vehicles worth R200m Atlantis Diesel Engines has also increased exports of components for Mercedes-Benz engines, which it makes under licence, from none in financial 1990 to R14,7m in 1993.

(192) (63)

Easy target

MBSA, which is now in charge of all Mercedes-Benz activity in sub-Saharan Africa, is budgeting to increase total exports to R350m, including components and spare parts, by 1996 This should be an easy target because many other African countries also use right-hand-drive vehicles

Toyota SA, Nissan and Delta Motor Corp have also started exporting SA-made vehicles and components into Africa and BMW SA is to spend R100m on component suppliers, mainly on its Rosslyn plant, to gear up for an export drive worldwide But for MBSA, especially, the bones have been falling right For example, the company

BUSINESS

FM 10/9/93

~~(192)(63)~~

☐ No longer has to get approval from its parent for every export order, which was a constraint in the past,

☐ Was quick off the mark when political pressure on SA started easing,

☐ Did not have to establish a dealer and service network because the parent company had been establishing one in 40 African countries since 1950, and

☐ Can compete on price with European exports, for instance, thanks to export incentives built into the Phase Six local content programme

MBSA sold 300 commercial vehicles worth R60m north of the Limpopo last year and 176 worth R32m in the first five months of this year Most went into Zimbabwe, Zambia, Malawi, Mozambique, Kenya and Burundi

Adolf Moosbauer, member of the management board in charge of commercial vehicles, says this is 20% of its commercial vehicle output and there is a lot of capacity in reserve Its East London plant can produce 36 vehicles in an eight-hour day, but the depressed economy can absorb only 12 of them Opportunities in many other African countries, including Mauritius, Madagascar, and the Seychelles, are being investigated

Another bonus, says MBSA export manager Rainer Schaefer, is that the parent company is no longer supplying vehicles bought by humanitarian organisations, such as the UN, from Germany "We're getting the African business now because the freight rates are high It costs DM10 000 (about R20 000) to get a truck from Germany Zimbabwe We can drive one up R2 500"

Property sales boost Brian Porter income

(192) CT 11/7/93

By AUDREY D'ANGELO
Business Editor

BRIAN Porter Holdings lifted attributable income [illegible] the year to June [illegible] But this was due [illegible] to the [illegible] of properties [illegible] part of [illegible] programme.

Although [illegible] R42.9m [illegible] operating income [illegible] changed [illegible]

A [illegible] in the [illegible] because of the [illegible] holding [illegible] reduced [illegible] R3.3m [illegible]

A 21 [illegible] to R2.4m [illegible] or year, [illegible] and R2[illegible] [illegible] earnings [illegible]

R2[illegible] (R1.8m).

The directors explain that the main reason for the adjustments was a [illegible] settlement for a film scheme.

But an extraordinary profit of R1.3m on the sale of three properties which the directors [illegible] were "not strategic to the long term plan of the group" lifted attributable earnings to R2.3m (R1.7m).

Dividend

Earnings a share [illegible] before [illegible] ordinary profit and [illegible] after it. The final dividend [illegible] for the year.

The directors explain that in spite of the higher [illegible] income, they "consider it prudent to [illegible] a high dividend cover at this [illegible] the dividend [illegible]

Mr Adrian Porter said car sales were higher [illegible] almost every manufacturer introduced a new model this [illegible] But there had been shortages of supply, and consumer [illegible] [illegible]

[illegible]

Porter [illegible]

[illegible] the Transvaal [illegible] 10 outlet [illegible] growth.

SA vehicle companies beat best to contracts

Weekend Argus Bureau

PORT ELIZABETH — A Uitenhage company has beaten three Japanese and four European companies to a contract to supply Argentina's Autolatina with a vehicle assembly line developed by the company.

More good news for the Eastern Cape is that vehicle manufacturer Samcor has entered a R15 million joint venture with a German catalytic converter manufacturer.

The news was met with jubilation from Midland Chamber of Industries executive director Brian Wasmuth, who said exports and developments like these were just what the Eastern Cape needed to build up its economy.

(192) ARG 11/9/93

ACS Corporation managing director Colin Muller said the assembly line was shipped off in 25 13-m containers on Monday — 10 months after receiving the order.

Mr Muller said he was delighted they were able to secure the R22 million contract ahead of stiff competition.

Mr Muller said the contract showed that the ACS Articulate Intelligent Manufacturing system could be a world leader, as was evident from the fact that 13 other countries had contacted the company.

Sapa reports that Samcor, with Gillet, are to set up a manufacturing plant near Port Elizabeth to make catalytic converters for the export market, with the first production expected in the first quarter of next year.

Gillet would be responsible for quality, research, development and manufacturing, while Samcor would be contracted to provide administrative and infrastructural support, said Samcor group managing-director Robert Herbertson.

Robots from SA challenge the world

By DON ROBERTSON

ST Times

SOUTH Africa's motor industry has become a bigger force in the world market with the shipment this week of a car-assembly line to Argentina

ACS Corporation of Uitenhage beat three Japanese and four European companies for the contract. [BUSS]

The equipment, worth R22-million, was shipped in 25 containers and consists of an advanced robotic assembly line which could slash production costs 12/9/93

The system, which took two years to develop, was designed and made in SA. In the past, all assembly-line systems for SA were imported.

ACS has also secured a multimillion-rand contract with a SA motor-maker and received inquiries from 13 countries, including America, Germany, the UK, Italy, India and Turkey (192)

ACS has Audi, BMW, Ford, Honda, Isuzu, Mazda, Mercedes-Benz, Nissan and Toyota among its customers

McCarthy merger is 'starting to bear fruit'

B/Day 13/9/93

MARCIA KLEIN

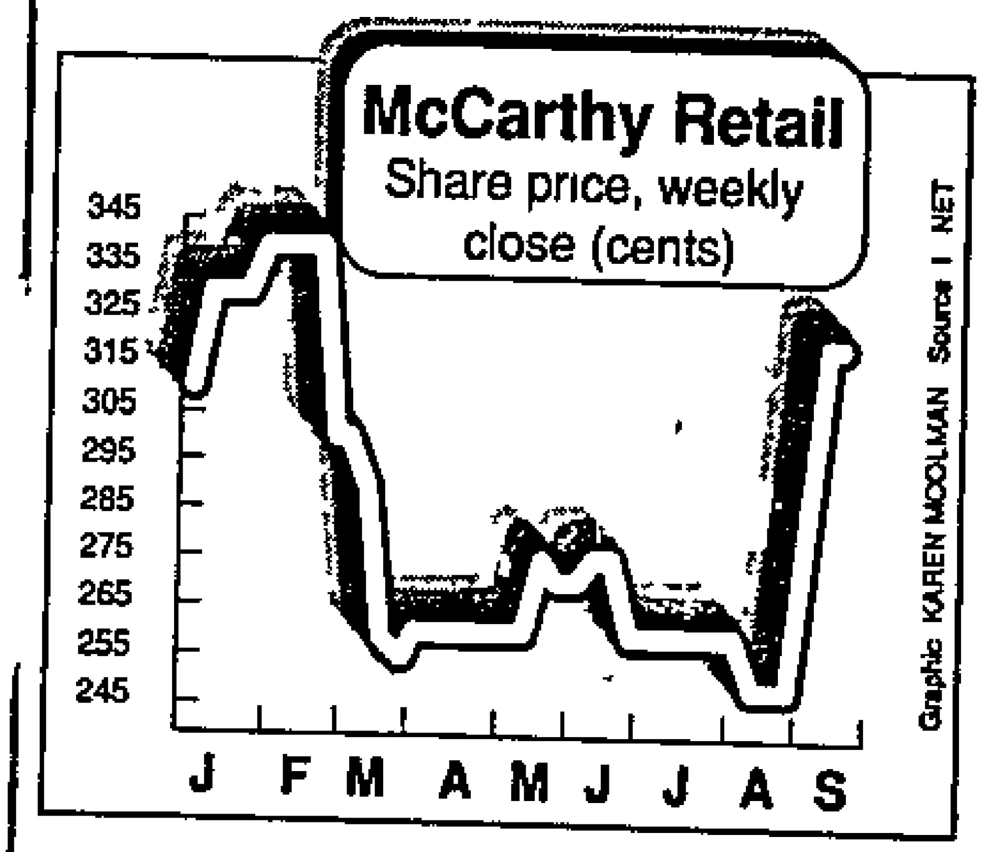
THE merger of the McCarthy motor group and furniture and retail group Prefcor to form McCarthy Retail was beginning to bear fruit, CE Terry Rosenberg said at the weekend

He said numerous synergies had already been established The group was merging the McCarthy and Prefcor computer departments, and this would generate a R7m saving this financial year

The group had also established a zero-based budgeting exercise "We have been aggressive in the cost area Inflation is coming off, so our expenses have to grow at a lower rate," he said (192)

The group's maiden results to end-June reflected a 12% earnings rise to 48,2c (42,9c) a share, as a lower tax rate offset the effect of weak trading conditions

Recently the McCarthy Group and McCarthy Retail shares had gained ground. McCarthy Retail's share gained 23% over the past month to close on Friday at 320c.



Although McCarthy Group lost 20c or 4,6% on Friday to close at 410c, the share was nearer its yearly high of 475c than its December low of 275c.

Rosenberg said there had been market acceptance of the results, but the group would need to report solid results over a period before it was significantly rerated

McCarthy Retail was working on its gearing, which would improve the quality of its earnings. At the June year-end, gearing had fallen to 19% from 25%.

Commenting on divisional performances, Rosenberg said last year McCarthy had acquired Cape Nissan and BMW dealers Auto Deutsche, and Tygerberg BMW, and Burchmore's had been expanded into Cape Town and Durban.

Rosenberg said last year was the first time in the group's history that used car turnover had exceeded R1bn.

Budget Rent-a-Car had settled down and turned around, and it had increased market share. Yamaha had a good year, and the group was looking at expanding its product range. McCarthy had also expanded in the UK, and now had four dealerships

Although the past two months had been encouraging for McCarthy's business, Rosenberg said it was too early to say that an upward trend had been established

In the Prefcor side of the business, the store expansion programme was virtually complete. The furniture division had opened 60 stores in 30 months, with nine closures. The group was growing the Bonus Building Supplies chain, and would add another six stores to the eight-store chain.

Price cuts revving up car rentals

TOM HOOD
Business Editor

(PR) ARGT 14/9/93

PRICE-CUTTING has revved up car rental volumes since the middle of this year.

Industry figures show rental days, the main measure of market activity, continued to decline in the 12 months to June and that business shrank by 1,53 percent in real terms.

In June, however, rentals bounced back with a 5,2 percent improvement over June 1992, followed by an 8 percent increase in July

Intense price-cutting raised the average revenue a rental day for the for the year to June only 1,25 percent compared with a year earlier, said Grenville Wilson, chairman of the South African Vehicle and Rental Association (Savrala).

Average revenue for a rental day in June was 7,2 percent down on the June 1922.

"In real terms our prices must now be at least 20 percent more competitive than they were last year, which should help to stimulate the market It also means the industry has had to become highly efficient to survive."

"But there is a limit to the savings we can make through improving efficiencies and shedding surplus capacity".

Truck imports trigger protest

BiDay

EDWARD WEST

14/9/93

THE duty-free importing of trucks and cars from Botswana has angered local vehicle manufacturers who claim they are being forced to compete unfairly.

Volvo sales manager Peter Scott said yesterday Sweden had given truck makers Volvo and Scania, and 13 other companies, special dispensation in April to trade in SA, although Sweden had not yet officially lifted sanctions.

Volvo began assembling trucks in Botswana in May. Its Gaborone plant would be used as a base for sales in countries such as Malawi, Zimbabwe and Zambia

(192)

Scott said assembled trucks would be imported into SA from Botswana duty free because Botswana was a member of the customs union. SA's import tariff for fully assembled trucks is 100%.

Hyundai Motor Distributors Botswana, assemblers of Korean Hyundai cars, announced yesterday that fully built models would be imported into SA from November at 10% less than the price of equivalent locally manufactured cars.

About 600 Hyundai cars were expected to be sold in SA this year, with an estimated 3 000 sales next year after the introductions of two more Hyundai models.

Mercedes Benz SA board member Adolph Moosbauer said the imports into SA's considerably shrunken market made no sense and went against the spirit of the Phase VI local content programme.

☐ To Page 2

Trucks

BiDay 14/9/93

☐ From Page 1

He said the assembly plants were established after Botswana eased excise and import duties This enabled the vehicles to be imported to Botswana in semi-knocked-down form, which required little more investment than the "screwing together of some components" before being sold in SA.

SA manufacturers had had to make substantial local content related investments. Many, who were not achieving the required local content levels, were paying penalties to government. But the new entrants would have little or no local content.

MAN SA MD Wolf Meurer said the SA truck manufacturing industry was unhappy at the use of a loophole in the local content programme. Truck sales were exceedingly low at the moment.

A senior industry spokesman said the motor industry task group — appointed by government to devise proposals for a new local content programme — was negotiating with government to tighten the definition of completely knocked-down vehicles in an effort to close the loophole. Negotiations were also under way between SA and Botswana, he said.

Car prices 'competitive'

B/BA4 16/9/93

EDWARD WEST

THE motor industry produced internationally competitive vehicles in spite of a 100% real increase in car prices in the past decade, Nissan SA marketing MD Stephanus Loubser said yesterday

Direct comparative prices of 12 randomly selected SA manufactured models with the prices of similar models in the UK and Germany, taking into account exchange rates, showed three SA models were more expensive than the German counterparts and four cost more than the models in Germany and the UK

Loubser said while locally manufactured cars' prices were internationally competitive, the gradual erosion of disposable incomes had led to the inability of most individuals to buy cars Of all new cars currently sold, 85% were sold to the corporate sector and 15% to individuals

The price of a 2l sedan had risen to 101% of annual income in 1992 from 65% in 1981 In Europe, for instance, cars were more affordable with the price of a 2l sedan amounting to about half of annual incomes, he said

Motor industry profitability — before tax — had fallen from 6,08% in 1988 to 1,80% in 1992 Labour productivity growth in SA from 1980 to 1991 was -2%, while 78% growth was registered in Taiwan, 64% in the UK, 39% in the US and 26% in Germany over the same period

(192)

In sharp contrast, labour cost growth from 1980 to 1991 climbed 375% in SA compared with 57% in Taiwan, 48% in the UK, 4% in Japan, 26% in the US and 39% in Germany

MOTOR INDUSTRY FM 17/9/93

Updating the Corolla

Anyone referring to the latest Toyota Corolla as a facelift does so at his or her peril Toyota Marketing MD Brand Pretorius made the gravest threat possible when presenting the new Corolla to journalists last week

"Anyone using the word 'facelift' will be banned from drinking Castle, Lion or Amstel at our expense," he warned No free beer? Had he tried, he couldn't have struck deeper at the heart of every motoring writer present (192)

Pretorius prefers the term, "major product reinforcement package." Whatever you call it, there's little to suggest the Corolla won't continue to lead the local car market

FM 17/9/93

The current Corolla shape was launched here in 1988, and is likely to be retained for at least another three years Changes in the latest version are under the bonnet and inside the vehicle

The update has cost Toyota R35m, rather than the R300m investment bill it would have faced for the very latest Corolla range (192)

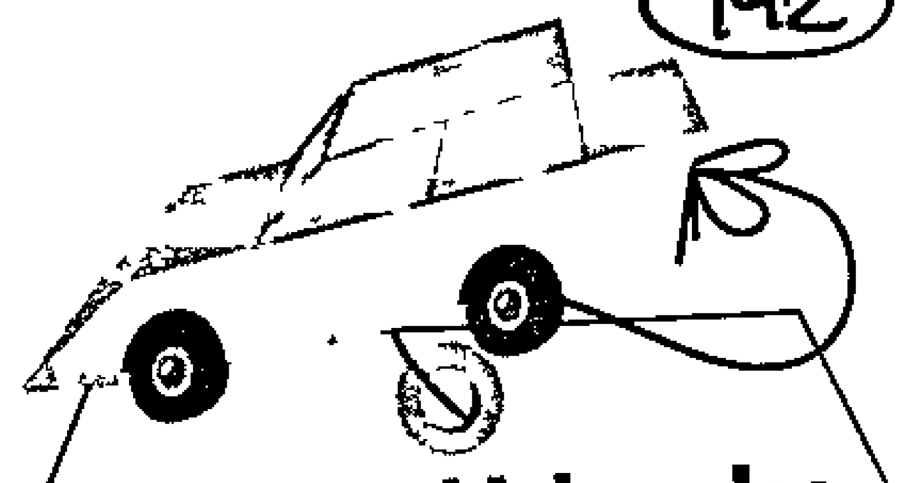
available overseas Even without the heavy losses incurred in last year's prolonged strike, Toyota says it was not prepared to pay the extra money. Amortisation costs would have caused substantial price increases

And price is increasingly a major buying consideration. Toyota is but the latest manufacturer to bring in new models at the same price as their predecessors It may be little more than a temporary gesture in certain cases — it's seldom long before prices rise again — but companies realise they must be seen to be tackling the vehicle affordability crisis

Those that do so in an innovative fashion generally reap the benefits Samcor confirms that the current sales success of some of its small cars, notably the Mazda 323, owes much to low-cost financing packages. Other companies report similar results

However, such incentive schemes are generally expensive and rarely long-term options. The real test comes when the schemes disappear and the product reverts to its original cost Only in rare cases are sales levels maintained Indeed, it can be counterproductive if companies maintain packages for too long. Having got used to the reduced cost, motorists may resist the real price once it returns.

Still, the current revival in car sales generally has marketers starting to talk confidently of a 1993 market of more than 190 000. That may be but a shadow of former glories, and margins are often wafer-thin, but it's a far cry from the almost universal despair being expressed only a few months ago ■



August vehicle sales

Cars		Total	%*
Toyota	Corolla 2 551, Camry 1 169, Cressida 1, other 39	[illegible]	21,5
VW	Citi/Fox 1 557, Golf /Jetta (new) 1 361, Golf /Jetta (old) 140, Audi 90	[illegible]	18,0
[illegible]	Mazda 323 1 252, Ford Laser/ Meteor 728, Mazda 626 (new) 540, Telstar 455, Sierra 20, Sapphire 13, Mazda 626 (old) 7, other 30	[illegible]	17,4
Nissan	Sentra 1 248, Fiat Uno 818, Maxima 228, 200SX/300ZX 11,	[illegible]	13,2
M-Benz	Honda Ballade 1 106, M-Benz W201 426, W124 402, W140 18, W126 3, other 13	[illegible]	11,2
Delta	Kadett/Astra 1 700, Rekord 116, Kadett/Monza 61, Calibra 14	[illegible]	10,8
BMW	3-Series 1 077, 5-Series 272, 7-Series 39, other 4	1 392	8,0

*% of the total car market

	1993	1992	% Change
Aug	17 509	15 214	+15,1
Jan – Aug	129 252	121 009	+6,5
July (17 428) – August			+0,5

Light commercials

Toyota 3 014 (35,6% of the market), Nissan 1 943 (23,0), Samcor 1 690 (20,0), Delta 1 235 (14,6), VW 537 (6,3), AAD 45 (0,5)

	1993	1992	% Change
Aug	8 464	[illegible]	+7,8
Jan – Aug	64 495	[illegible]	+6,0
July (8 462) – August			+0,02

Medium commercials

Samcor 94 (29,0%), Toyota 93 (28,7), Delta 78 (24,1), Nissan 39 (12,0), M–Benz 19 (5,9), AAD 1 (0,3)

	1993	1992	% Change
Aug	324	[illegible]	+23,2
Jan – Aug	1 994	[illegible]	-9,9
July (257) – August			+6,1

Heavy commercials

M-Benz 165 (39,1%), Toyota 75 (17,8), Nissan 67 (15,9), Delta 63 (14,9), Erf 20 (4,7), MAN 17 (4,0), Tyco 14 (3,3), AAD 1 (0,2)

	1993	1992	% Change
Aug	422	[illegible]	-2,8
Jan – Aug	3 245	[illegible]	-9,1
July (415) – August			+1,7

Total vehicle sales

Toyota 6 942 (26,0%), Samcor 4 829 (18,1), Nissan 4 354 (16,3), VW 3 685 (13,8), Delta 3 267 (12,2), M-Benz 2 152 (8,1), BMW 1 392 (5,2), others 98 (0,4)

	1993	1992	% Change
Aug	26 719	[illegible]	+12,5
Jan – Aug	198 986	[illegible]	+5,8
July (26 562) – August			+0,6

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

cont →

BUSINESS

Urquhart Motor Group to wind up

FS (92) Aug 18/9/93

■ The poor performance of the JSE's motor sector is a major reason for Urquharts to delist writes MARC HASENFUSS

NEW and used vehicle retailer Urquhart Motor Group (UMG) has opted to take the money rather than run the risky motor industry road

The group will be delisted and wound-up in the next few months — a move that should benefit shareholders more than if the group had continued to ride on the JSE

UMG directors cited the uncertain look for the JSE's Motor Sector, the poor rating of this sector and the inability of the group to raise further equity capital for growth by acquisition as reasons for cutting the engine

In addition, potential changes with regard to multi-franchise motor retail operations — currently under investigation by the government appointed Motor Industry Task Force — also prompted the rethink on the future of the group

Shareholders — not too many considering that almost 95 percent of the group's share capital is tied up by the controlling shareholders Urquhart & Co — will be offered 150c cash (made up of nominal value of 70c plus a hefty premium of 80c)

The share was holding at 50c prior to announcement of the proposed scheme but has since accelerated to 80c — one of the biggest price moves on the JSE this week

Market sources have pointed out that UMG chairman Gavin Urquhart did not have 'oil in his veins' and was a investor rather than a motor trader

However, they saw the proposed delisting and wind-up as a good deal for shareholders, adding that Mr Urquhart had already done well in hiving off some of the group dealerships

To date Tygerberg BMW (sold to the McCarthy Group), Ronnies Motors (dealerships in East London and Queenstown both sold to Laser Transport chief Tony Cotterell), Killarney Toyota (in Houghton and Stanger) and IC Nissan Benoni have been sold for R16 million

UMG directors said shareholder's best interests would be served by the individual sale of the group's motor dealerships — with the proceeds of these sales distributed accordingly

"The proposals afford shareholders an opportunity of realising their investment at a premium to market value in the near future, rather than having to wait for the necessary protracted disposal of the UMG net assets"

Directors pointed out that the disposal of all UMG motor dealerships was not expected to realise significantly more than the net asset value of UMG

They also noted that the multi-franchise nature of the group made it difficult to effect a merger on acceptable terms — with most potential merger partners not wanting the spread of franchises held by UMG

Rand Merchant Bank has deemed the group's proposals as 'fair and reasonable' to shareholders UMG will post a circular to shareholders on October 8 and a general meeting is scheduled for November 1

Car exports shift into higher gear

S|Times [Buss] 19/9/93

(192)

By DON ROBERTSON

SOUTH Africa's motor industry has taken its first step to becoming a global supplier of vehicles by concluding distribution deals with countries in southern Africa.

The lifting of sanctions has allowed most manufacturers, with the blessing of their foreign suppliers of components or their parents, to enter these markets Although initial sales will be low, they will help the industry to overcome low volumes in SA this year.

Toyota has signed a distribution agreement with Mobile Motors in Zimbabwe, linking it to a similar deal with the same company in Malawi It expects to sell about 600 vehicles next year

Last month, Delta was awarded the marketing rights for Isuzu vehicles in Zimbabwe, Mozambique, Malawi, Mauritius and Zambia In March it signed similar agreements with the same countries to supply Opel cars It expects to double export sales to about 1 000 in 1994

Samcor will supply Amtech Motor Group and Willowvale Mazda Motor Industries in Zimbabwe with Mazdas and Duly's group with Fords

In the first half of this year, Mercedes-Benz sold 176 vehicles worth R320-million to countries in southern Africa Volkswagen will supply 17 000 left-hand-drive vehicles to China This follows the completion of an order for 12 500 cars for China

BMW has exported a few vehicles

Nissan is working with its Japanese component supplier for the delivery of a full range of vehicles to southern African countries

Before these deals, sales of vehicles to neighbouring countries were expected to generate about R510-million. This year's figure should be much bigger

The vehicles sold in these countries are between 10% and 20% cheaper than in SA. The reason is that the completely knocked down (CKD) kits are imported and used in exports They are thus exempt from import or excise duties, other taxes, warranty or marketing costs.

Martin Grasett, export manager for Toyota SA, says that although initial export numbers will be small, "it is a progressive step for the future"

"We will have to compete will all other makes as well as our own from Japan which are exported to these countries Our quality and price competitiveness will have to be up to scratch"

Toyota SA will consider exports to other parts of the world and will investigate the production of left-hand-drive cars to complement Toyota Japan.

Nissan SA is supplying a full range to Zimbabwe, Zambia, Mozambique and Malawi and hopes to sign an agreement with Kenya next year It has had overtures from Uganda, Tanzania and Mauritius

Rod Phillips, director of vehicle sales at Nissan, says SA has an advantage because it is one of the few major manufacturers of cars which use leaded fuel. Most African countries use leaded fuel.

Parts, service and training facilities are offered by all manufacturers. Supply from SA reduces delivery lead times to between six and 12 weeks compared with 25 for Germany or Japan.

Although the SA industry is encouraged by its growing export potential, it faces a new threat from imports. The South Korean Hyundai group has begun assembling cars in Botswana. It plans to sell them in SA at prices about 10% below equivalent cars made in this country.

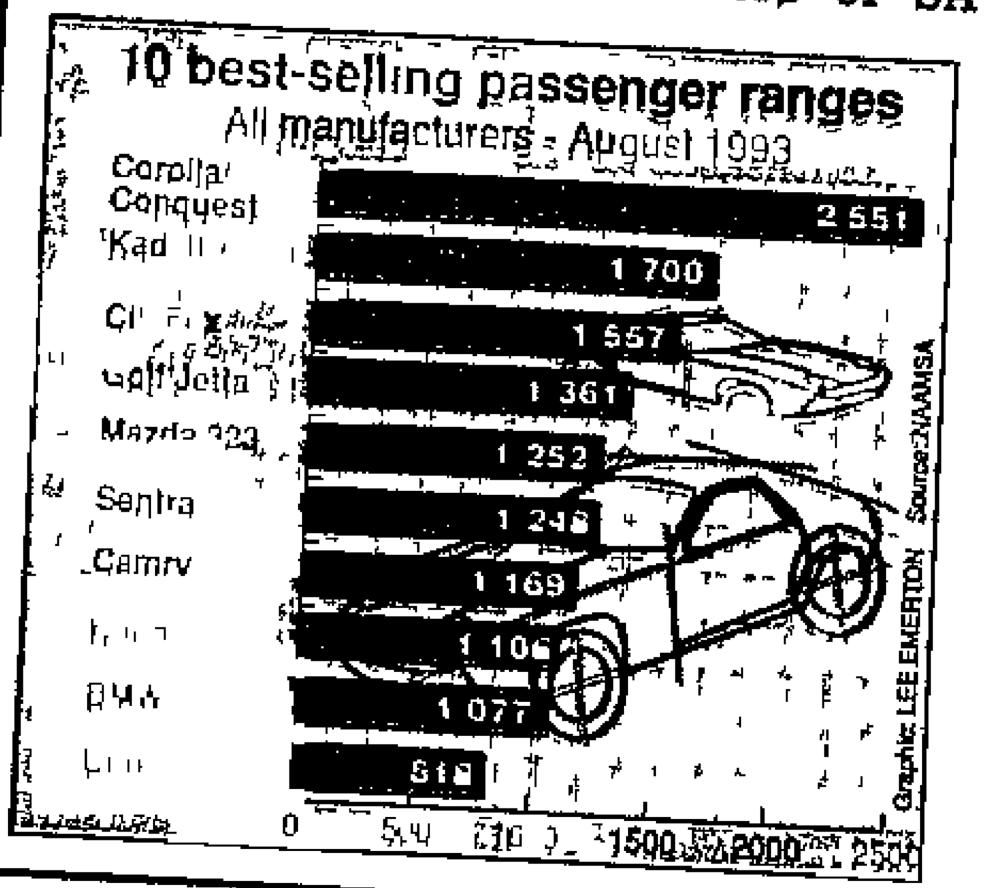
Botswana charges no import duties on the semi-knocked down (SKD) components used in the cars. Being a member of the Customs Union, Botswana cars will be exempt from duties on entering SA.

The company hopes to deliver 600 cars to SA this year, rising to 3 000 in 1994.

Car sales continue to climb

EDWARD WEST

CAR sales continued to exceed industry expectations, climbing 15% last month from last August, because of better stock levels of new models and improving business confidence, the National Association of Automobile Manufacturers of SA (Naamsa) said. B/Day



August new car sales rose 15% to 17 509, compared with the 15 214 sold in August 1992, and were 0,5% higher than the 17 428 sold in July. 9/9/93

Sales of new light commercial vehicles, bakkies and minibuses were unchanged from July, but climbed 7,8% to 8 464 from last August's 7 848 (192)

The low volume medium (MCV) and heavy truck (HCV) segment showed some improvement on historically low levels MCV sales increased 23,2% to 324 over the 263 sold last August, and 26% over the 257 sold in July. HCV sales were relatively steady at 422, compared with last August's 434 and July's 415.

Naamsa said the improvement in vehicle sales in recent months suggested

☐ To Page 2

Car sales

B/Day 8/9/93

☐ From Page 1

that economic conditions were beginning to improve slightly Naamsa forecast that new car sales would consolidate at current levels in the short term

This view was echoed by Toyota SA marketing MD Brand Pretorius who said the continued underlying market support indicated that the market was showing signs of turning. (192)

Nissan SA market planning director John Jessup said consumers had increased vehicle purchases in the past two months in anticipation of price increases. The increase in MCV sales could indicate a bottoming out in this segment, but low HCV sales remained cause for concern.

Delta marketing director John Cuming said that although MCV and HCV sales lagged 1992 sales, the 6% improvement in light commercial vehicle sales over last year indicated better agricultural conditions. The company was conservative about forecasts of economic recovery next year, as only lower interest rates and higher exports could stimulate the economy.

Samcor marketing MD Arthur Mutlow said the figures reflected a steady improvement in business confidence, with customers reacting positively to recently launched models.

Fintech's attributable earnings increase 22%

B/Day

ROBYN CHALMERS

FINTECH, the Altron group's information technology subsidiary, increased attributable earnings 22% to R12m (R9,9m) for the half-year to end-June as it continued to benefit from last year's restructuring

Turnover rose 7,4% to R306m over the comparable figure last year of R285,3m and operating income advanced to R14,4m (R14,2m) as operating margins benefited from reduced interest rates and a lower level of borrowings

Reduced payments to outside shareholders and preference dividends in a subsidiary also contributed to the improvement in the group's bottom-line performance

Earnings a share increased to 102,6c (85,3c)

Executive chairman David Redshaw said the group's sound order book which was in place at the beginning of the year had been given a further boost

A major rationalisation of Adprom, which the group reacquired last year, had been completed, and various elements of the operation were combined with synergistic businesses elsewhere in Fintech

Redshaw said negotiations were in progress with Alcatel to increase its shareholding in STC Business Communications from 20% to 50%

22/9/93

STC has the sole distribution rights for the Alcatel terminals, and Redshaw said new opportunities would open up for STC as a result of the expected introduction of the GSM cellular network

191

Fintech paid R2,6m (R2,3m) into its tax equalisation account which was created to minimise the potential future distortions in earnings as a result of the progressive utilisation of the group's tax losses

Redshaw said that if the current level of depression in the economy continued, earnings growth for the year was expected to remain level with the first half

"However, the anticipated lifting of American city and state sanctions will, during 1994/1995, progressively remove a significant obstacle to improved performances," he said

Further opportunities could be realised in the changes which the banking industry was undergoing in respect of customer services, branch automation and cash dispensing devices, noted Redshaw

FM 24/9/93

MOTOR INDUSTRY

Detour to Botswana

(12) (192)

Government officials favour amending motor industry legislation that has allowed a Swedish truck manufacturer and a Korean car company to take advantage of local content regulations Established companies are appealing to government to rewrite legislation that allows the newcomers to use Botswana as a base to sharply undercut local vehicle prices FM 24/9/93

The Board on Tariffs & Trade is also unhappy with the moves by Volvo of Sweden and Hyundai of South Korea The two companies have set up assembly operations in Botswana to challenge for a share of the SA market To do so, claim competitors, the two companies are taking advantage of loopholes in local content rules They deny this and point out that they are playing strictly by the rules As a result, Hyundai in particular is able to offer vehicles at prices considerably below those of rivals

Because Botswana is a member of the regional Customs Union, its companies are allowed to sell their products in SA as long as they conform to SA regulations In the case of motor vehicles, that means they must contain a minimum 55% local content If not, they are subject to import duties and levies totalling 115% (192)

It is the definition of local content that causes the problem Simplified, it is the difference between the foreign exchange bill for a vehicle and the eventual wholesale price The intention is to encourage manufacturers to add local value This, in turn, leads to the development of local components and vehicle assembly industries and, therefore, job creation

However, that same degree of local content can be achieved another way — by importing the vehicle at low cost and building in a big wholesale margin That, essentially, is what is happening in the case of the Botswana operations Overheads are low because the vehicles are imported almost fully made up and need only minor assembly — and no local materials

SA companies argue this is unfair They say they have invested billions of rands to meet government-imposed local content rules, creating tens of thousands of jobs in the process, and that new market entrants should have to do the same

Volvo operates locally under the name of Swedish Motor Corp CE Billy Rautenbach concedes that SA industry has invested heavily but asks "Why should consumers pay for that?" He adds that the company has invested Pula 7m in Botswana and Hyundai another P8m In addition, he points out that a local company, Mercedes-Benz of SA, has taken advantage of local content rules in exactly the same way by importing cars requiring only minimal assembly before being marketed in SA

A motor industry task group has recom-

FM 24/9/93

mended to government that local content definitions should be amended to require a certain amount of local materials A decision is expected soon, but the board's view is already clear "It was always intended that each manufacturer should have a high local material content" It adds that Swedish Motor Corp's actions "meet the letter (but) not the spirit" of local content rules

SA motor companies complain that if government doesn't shut the door, other companies may follow suit If that happens, says one industry executive, "we may as well all save money by importing almost complete cars and doing away with local assembly and component operations But that's not the purpose of industry policies" By one estimate, such a move would cost more than 80 000 jobs in the vehicle assembly and components industries (192)

Rautenbach says such sentiments are to be expected from "such a heavily protected market" Still, he admits he's surprised at the vehemence of some of the opposition He denies, for instance, that buyers of Hyundais and Volvos won't enjoy the distribution and service support of other vehicles He says Volvo already has facilities available and that Hyundais won't be sold until an SA-wide network is available That will be in mid-1994, he reckons

Observers believe that because a Swedish company is involved and that Sweden, a staunch ANC ally and a leader in the sanctions fight, is resuming trade with this country, could also influence a decision ■

Mercedes nets R10m export contract

192

CT 30/9/93

MERCEDES-BENZ of SA (MBSA) has secured a R10m contract to supply the total auto catalyst requirements of the Honda Motor Company subsidiary in Thailand.

The agreement represents the first export of automotive catalytic converters by an SA manufacturer to the east.

Mercedes manufactures Hondas at its East London plant.

The catalysts are manufactured by Autocat in Butterworth, Ciskei and will be airfreighted to Honda Cars Manufacturing Thailand to satisfy just-in-time manufacturing principles.

The contract is to supply 30 000 catalysts a year to the Thai company from April next year.

The Honda Motor Company in Japan has also indicated that it is not limiting its activities to the catalytic converter project, but will look at ways to expand export potential in such a way as to benefit the marketing of its cars locally.

"This deal means that our Japanese partner, Honda Motor Company, has recognised the need for export compensation in order to offset local content costs, especially in the light of the yen exchange rate appreciation," MBSA management board member responsible for finance, Peter Senger, said — Business Staff, Own Correspondent and Reuter

COMPANIES

Venter's earnings trail by 37%

EDWARD WEST

VENTER Leisure and Commercial Trailers' earnings have fallen 37% to 3,8c (6,1c) a share in the six months to end-June 1993 after a significant drop in consumer spending, the directors report BDay

Today's published results show operating income down by nearly half to R1,84m (R3,59m) Interest received fell to R91 000 (R317 000) and tax paid was much lower at R36 000 (R860 000) Taxed income was 37% lower at R1,9m (R3,04m) 1/10/93

The company's fixed cost component levels worsened the effect of lower sales volumes on its bottom line in the first half of the year and comparisons between year-on-year results could not be used to forecast full-year results Most profits were earned in the second half (192)

Nonetheless, the company would be hard pressed to meet the results of the previous financial year, given that no real recovery in consumer spending was expected, a company spokesman said

The SA consumer's lack of disposable income was directly reflected in the interim results even though the company had maintained market share, he said

At its listing Venter hedged itself against the vagaries of the SA economy by implementing an international market-development programme Exports began in the second half of 1992 off a zero base and progress was made in 1993 Venter now exported to 20 countries, the spokesman said

"Our balance sheet is strong and we are ready to capitalise on even a small increase in consumer activity We are profitable and confident about the success of our international programme," he said

VW survival in SA threatened

(192) CT 2/10/93

From WESSEL DE KOCK
in WOLFSBURG, GERMANY

TO survive, Volkswagen SA will have to shrink its workforce by at least 500 a year, cut its range of models and drastically increase productivity.

This was the blunt message conveyed to South African journalists this week at the giant headquarters of Volkswagen International here

Speaking for Mr Ignacio Lopez, the cost-cutting wizard who recently joined Volkswagen in a controversial move from General Motors, Mr P J Weber, effective head of the South American and African divisions of VW International, said South African productivity was among the lowest in the world Where European workers produced an average of 40 vehicles per employee per annum, the SA operation managed only 7

He dismissed as a once-off event Volkswagen South Africa's export of 15 000 semi-knocked-down old-model Golfs and Jettas to Volkswagen's Chinese plant,

'At least 500 jobs must go'

and made it clear that this would not save the South African operation's long-term problems

As Mr Weber spoke, news came of the "resignation" of the chairman of Volkswagen's Spanish CEAT operation, Mr Diaz Alvarez, after the board had rejected as inadequate his scheme to axe 5 000 jobs from his 14 000 workforce After a projected R2,5 billion loss the board wanted 9 000 to be axed

VW SA employs just over 8 000 people

When asked what would happen if the SA operation does not come up to scratch, a curt Mr Weber replied with a quote from VW chairman Mr Ferdinand Piëch, that "if the figures don't change, the faces will"

He scotched rumours that SA chief Mr Peter Searle was ill There were no plans to replace him

He said he did not foresee VW pulling out of South Africa

Later at a press briefing a representative of the VW Trade Union said they had made representations that the SA plant should not be closed down

Mr Weber made it clear that VW believed the SA vehicle industry could only survive if it concentrated on fewer models locally, on manufacturing and exporting components and if the local content rule was relaxed to allow European car imports

I was told there was a decided irritation with VW SA's persistence in introducing sophisticated models onto the market

While still massively viable, Europe's number one vehicle manufacturer is faced with the fact that where the Japanese take 15 to 16 hours to produce one vehicle, VW takes double this

● Efforts to contact VW in Port Elizabeth for comment last night were unsuccessful

Business mood lifts car sales

(192) ARGS 7/10/93

MARC HASENFUSS
Business Staff

NEW car sales continued to accelerate in September — showing a 12 percent increase to 17 756 units against the corresponding month last year, National Association of Automobile Manufacturers (Naamsa) figures issued today show

Naamsa attributed the gains in September to recent improvements in business confidence levels, continuing good demand for new models and a further improvement in the motor industry's inventory position

Sales for September also showed a marginal increase over the 17 509 new cars sold in August

Car sales for the first three quarters (to end September) at 147 008 units are 7,1 percent ahead of the 137 209 units sold during the same period last year

Naamsa expected new car sales to continue to consolidate around the current levels in the medium term

Toyota held its dominant position in the passenger car market, accounting for 4 398 unit sales in the month under review

Volkswagen held on to second place with 3 521 cars sold, followed by Samcor (Ford and Mazda) with 2 625, Nissan with 2 240 and Delta with 1 648

Luxury car sales also held up well BMW sold 1 707 cars in September and Mercedes Benz sold 1 648

Brisk acceleration from new car sales

192

CT 8/10/93

By MAGGIE ROWLEY
Deputy Business Editor

PROVIDING further evidence the economy has bottomed out, sales of new cars soared again last month rising 12,2% to 17 756 units against 15 820 for the same month last year

However sales of medium and large commercial vehicles remained under pressure, the National Association of Automobile Manufacturers of SA (Namsa) reported

The month on month gain in new car sales was more modest at 1,4% following the strong 15% year on year growth recorded in August

While sales of light commercial vehicles, bakkies and minibuses held up reasonably well showing a small improvement month on month of 56 units or 0,6% compared to the 8 464 units in August, they were 0,3% down on September 1992's figures of 8 544 units

With three quarter of calendar 1993 accounted for, new car and light commercial vehicle sales both managed an improvement on the levels achieved during the first nine months of last year recording gains of 7,1% and 5,2% respectively

However sales of vehicles in the low volume medium and heavy truck and bus segment of the market remained under pressure during September with both sectors recording declines compared to the sales levels achieved during August

Sales of medium commercials dropped 19 units or 5,8% in Septebmer compared to August while sales of heavy trucks and buses declined by 49 units or 11,6%

Sales of medium and heavy commercial vehicles for the first nine months of 1993 continue to lag behind levels achieved last year showing declines of 8,1% and 10,3%

Naamsa said they anticipated new vehicle sales generally would continue to consolidate around current levels in the medium term

Brand Pretorius, MD Toyota SA Marketing, said the positive trend indicated that the market had bottomed out and that we can look forward to some growth this year

"The biggest influence on the market has undoubtedly been the increase in business confidence with a three year high in this index recorded for September

"Taking a somewhat, conservative viewpoint it seems that the market will reach 195 000 units for the year and that is an encouraging number. The market is however very much a small car market with over 72% of sales recorded in this sector in September"

He said the more positive business outlook had also brought the hire car companies back into the market "as they fleet up" in anticipation of a higher level of activity "Our research shows that sales to private buyers are running at higher levels than most would believe with around 30% of sales made in this area"

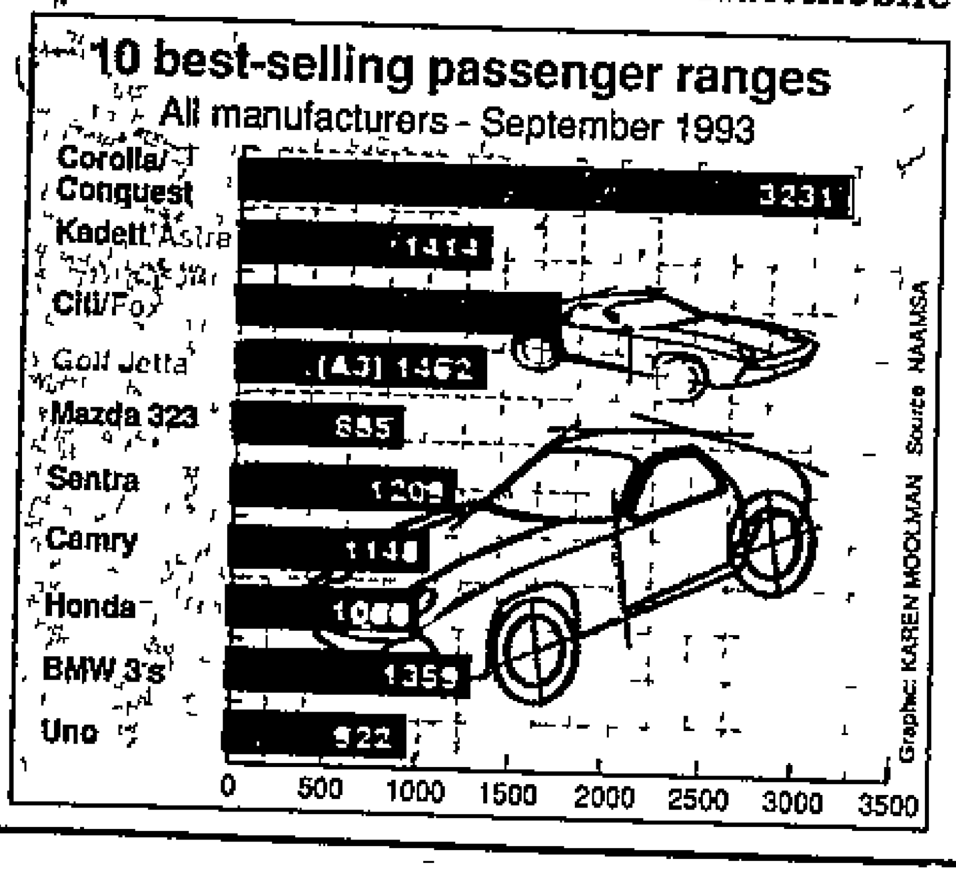
Stephanus Loubser, MD of Nissan SA Marketing also said the September figures again confirmed that the passenger and light commercial vehicle market have moved into a slow but steady growth phase "Unfortunately this is not yet the case with the medium and heavy commercial vehicle sectors The former is only now showing signs of growth while the heavy commercial vehicle sector is 20,1% down last September

"The market has fundamentally strengthened since the beginning of the year and is now ready for consistent growth

Sales of new cars rise 12%

CHARLOTTE MATHEWS

THE upward trend in business confidence, good demand for new models and an improvement in the motor industry's inventory position helped lift September new car sales 12,2% from last September BiDay National Association of Automobile Manufacturers of SA (Naamsa) figures released yesterday showed that new car sales rose 1 936 units to 17 756 from last September, and 1,4% from August



Sales of light commercial vehicles, bakkies and minibuses, at 8 520 units, were 0,3% below last September but 0,6% above August Naamsa said the strength and resilience of the new car and light commercial vehicle markets had been evident since May 8/10/93 (192)

The low-volume medium and heavy truck and bus segments of the market remained under pressure Medium commercial vehicle sales lifted to 305 units from last September's 290, but were slightly down on August's 324 Heavy commercial vehicle sales dropped to 373 units from

□ To Page 2

Car sales BiDay 8/10/93

□ From Page 1

last September's 467 and August's 422

Nissan SA MD Stephanus Loubser said the figures confirmed that the passenger and light commercial vehicle markets had moved into a "slow but steady growth phase" Toyota SA marketing MD Brand Pretorius said a key influence in the car market had been innovative financing packages developed by manufacturers to make cars more affordable The more positive business outlook had also increased sales to car hire companies (192)

He said the medium and heavy commercial vehicle sector remained an area of concern Loubser said the heavy commercial vehicle sector traditionally lagged the light vehicle market by six to nine months

Pretorius forecast that passenger vehicle sales could reach 195 000 units this year, "taking a somewhat conservative viewpoint", while Samcor marketing MD Arthur Mutlow predicted passenger vehicle sales of at least 194 000 units

Both Naamsa and Nissan agreed that the motor industry's outlook was one of slow growth for the next few months

Bosch may have to quit SA

S/Times [Buss] 10/10/93

By TERRY BETTY: Bonn

IMPORT tariffs and proposed motor industry regulations threaten the Bosch manufacturing plant in South Africa. (192)

Poor profits, political uncertainty, violence and labour problems add to boardroom doubts at one of Germany's top 10 companies

Bosch board management member Hansjorg Manger says that for the company to survive, it has to supply car manufacturers

However, the automotive industry is likely to change when Phase Seven is implemented in about a year's time

Volkswagen, by far Bosch's largest customer in SA, may reduce the number of models it makes in SA, drastically reducing Bosch's market (see Page 3)

Dr Manger says the other car manufacturers will buy parts elsewhere if Bosch does not remain competitive. Bosch's competitive edge over imported products is likely to be blunted under a new tariff structure.

To improve productivity, the company has cut staff numbers There is room for a 20% to 30% improvement in labour costs. But this is unlikely because previous retrenchments triggered a strike.

VW tells SA unit to shift its gears

S/Times [Buss]

10/10/93

By TERRY BETTY: Bonn

VOLKSWAGEN SA has been told by its parent company to come up with plans to revive productivity.

VW executive director operations for South America and Africa Paul Weber says several subsidiaries in the German group have been given a similar task.

The VW parent board views low productivity as a serious problem. VW Spanish subsidiary SEAT chairman Juan Antonio Diaz Alvarez resigned two days after the board publicly rejected his plans earlier this month.

VW chairman Ferdinand Piech believes that if the figures do not change, the faces will.

The situation is even more serious in SA where productivity is among the lowest for VW the world over.

Mr Weber says. "Our SA plant produces seven cars per person a year. This compares with more than 40 in Japan."

The SA operation showed a loss in the year to December 1992, but Mr Weber says it returned to profit in the past three months.

"The SA market has five platforms (models) and this complicates the production process. The market, for which VW produces 300 to 400 vehicles a day, is insufficient to justify such a wide range. We produce only about 80 cars of each model a day.

"Total vehicle sales in SA fell by 7,5% last year to 183 000 — 10% to 20% below long-term forecasts."

Measures being considered by Volkswagen SA include shrinking the labour force and the number of car models.

Mr Weber says VWSA has negotiated with the workers about reducing their numbers.

He will not say by how much the 8 200-strong labour complement will be reduced, but he believes about 500 will go through natural attrition.

Mr Weber expects import barriers to go. He says VWSA is considering cutting the number of models it makes and importing what it does not.

Second-generation Golfs and Jettas are being phased out and Mr Weber suggests it would be preferable to import Audis.

Imports would be paid for with hard currency from the sale of motor parts. VWSA exports catalytic convertors.

"We can produce 300 000 autocatalysts for export and 50 000 for the SA market."

Mr Weber says the export of vehicles is unprofitable because SA is not competitive on the international market. Transport costs are high.

He says the export of 15 000 semi-knocked down vehicles to China is a one-off opportunity. (192)

With the end of sanctions, VWSA hopes the rest of Africa will buy its cars and buses. But many countries are short of money and cannot affort to buy a large number of vehicles.

VWSA chief executive Peter Searle says in Uitenhage rationalisation is necessary, but the company has the lowest break-even point in the Volkswagen group.

"Production is getting close to 10 cars per person each year. The group average is only 12."

Production has been increased by reducing staff through attrition and voluntary retrenchment. In the past 15 months, staff numbers have been been cut by 10%, but production has increased by 20%. There has been a big improvement in quality which is now in line with international standards, he says.

Mr Searle says "extensive talks have taken place with shop stewards and the unions and general accord has been reached".

In spite of rationalisation, the product range will not alter, even if the Audi is imported.

He says a plan has been presented to the parent company, although it was not been asked for.

First shot fired in war

Future holds promise for FML

Star 12/10/93

(192)

■ BUSINESS STAFF

Full-maintenance leasing is poised to take off in the post-sanctions era as newcomers to the SA market seek to limit their financial exposure and risk

That is the prediction of Stuart Reeves, executive director of Imperial Flexi Fleet, which introduced full-maintenance leasing (FML) to the truck market in the 1980s

Many companies now use FML to secure the benefit of off-balance sheet financing for fleet vehicles

Reeves says: "The first wave of foreign entrepreneurs is unlikely to inject massive capital sums into our economy

"A more likely scenario is that they will seek to limit their exposure until violence is a thing of the past and there is greater certainty about economic policies

"These businessmen may very well wish to position themselves for a rapid jump-off into our market, but in the interim they are likely to err on the side of caution

"So they will seek local partners or offer franchises And when it comes to vehicles and some other types of equipment, they will look at leasing — especially if there are off-balance sheet advantages to be had"

Flexi Fleet introduced FML to the heavy truck sector It now also offers FML packages on certain types of materials-handling equipment

"In 1991 we showed that the leasing option was appropriate in the truck market I expect to see further innovation in the 1990s," Reeves says

"South Africans looking to attract foreign investment will have to show that they are sensitive to the issue of risk and develop mechanisms encouraging greater involvement by international investors"

Stuart Reeves . . rapid jump-off into our economy

Volkswagen director defends group

(192) C 12/10/93

Own Correspondent

PORT ELIZABETH — Volkswagen SA marketing director Mr Graham Hardy has defended the group after press reports speculated on trouble within the company — and its future in South Africa

But Mr Hardy conceded VWSA would have to become a more productive subsidiary

This follows reports quoting VW chairman Mr Ferdinand Piech saying that if figures did not change within certain subsidiary companies, faces would

Other reports have said that VWSA has been told to come up with plans to revive its productivity

Productivity at VW's Uitenhage plant is among the lowest for VW the world over

But Mr Hardy said that "in terms of productivity our gains over the last 12-month period are significant — we are achieving 15% to 20% higher output with 10% fewer people

"We also have the lowest break-even in the VW group

"During the past four months our retail unit sales have reflected these improvements our September sales were more than 30% higher than the June levels

"Our penetration in the passenger car market has correspondingly increased each month to the point where we are poised to break through and exceed the 20% mark"

Responding to allegations that VWSA would have to lose at least 500 people a year, Mr Hardy said this could be achieved through voluntary early retirement and natural attrition VWSA could also improve productivity by capturing a larger market share and boosting exports

MANAGEMENT

VW's new model shopfloor

B/Day 14/10/93

ERICA JANKOWITZ

VOLKSWAGEN SA claims to have turned its industrial relations around and entered a new phase of shopfloor co-operation After years of wildcat strikes and work stoppages at the German car producer's plant in Uitenhage, this warranted investigation

Labour relations have changed without doubt but it is hard to say how much this is linked to the generally better political climate in the area and the financial crisis in the company rather than new management practices In union circles, financial crisis often focuses minds and makes unionists more open to different plans of action

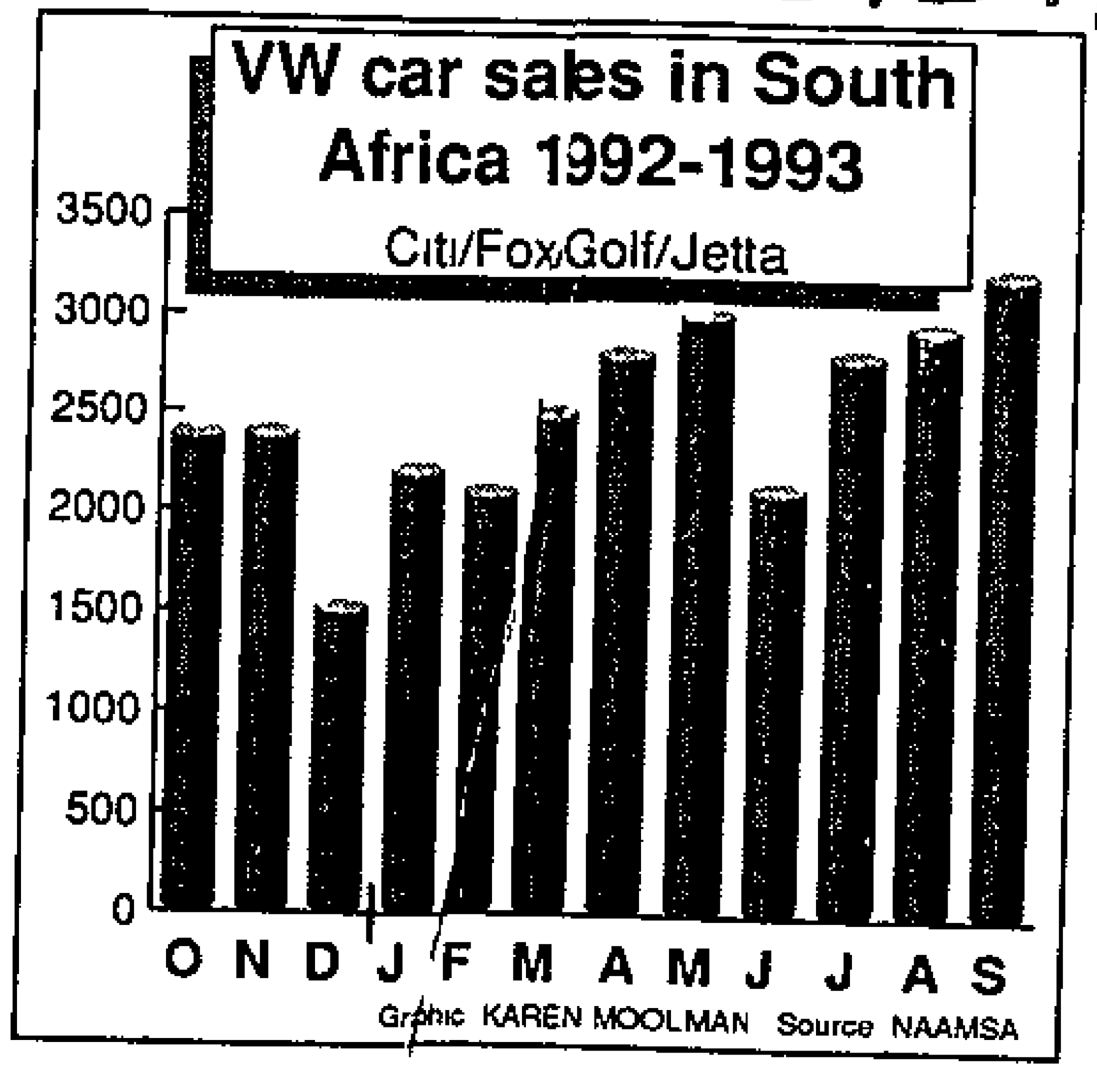
By the same token, management is often more innovative when trying to turn a company around after a period of indifferent results and shrinking markets

VW human resources director Brian Smith is a pragmatist He is quite open about the effect of politics on shopfloor relations in the heady '70s and '80s every incident had a political tinge Remember the All Blacks and Springbok kombis which marketing had thought such a novel promotional idea?

The National Union of Metalworkers of SA (Numsa) unfortunately had a very different opinion, the production line was quickly brought to a halt when the workers discovered the destination of these two vehicles Only the cancellation of the tour saved the company from the humiliation of informing the organisers that their contribution had been scuttled by union activity

"Until recently the eastern Cape was synonymous with the political struggle Now it's one of the most stable parts of the country as an ANC stronghold Our current struggle is to sell a reconstruction mentality, and we're still meeting pockets of resistance," Smith said

Things have also changed in industrial relations The company and union recently signed a new recognition agreement containing the minimum standards set by the IG Metall, Numsa's German counterpart. And both sides have a made a commitment to seeing that procedures are properly followed



But top-down communication is still a problem According to part-time shop steward Eric Sibidla, by the time top management decisions filter down to supervisor level, they have been changed to suit the purposes of middle management. In fact, it is with this layer of management that the union has most of its problems Sibidla says, however, that top management has improved and has made a great effort to open two-way channels of communication

"In the past, management made decisions and expected the union to rubberstamp them Now we plan together and attend joint workshops to sort out problems But there's a long way to go before we have co-determination," Sibidla says

To him the union has been chipping away at management prerogative for years in its bid to change management style How successful has this been?

Sibidla's assessment is that changes have been skin-deep and the process has a long course to run Additional training — especially in overseas management and production techniques — is required Numsa recently proposed that seven worker representatives be sent to Germany to investigate and receive training in the new time study system, human resources, unionism and administration

Sibidla's argument is that management spends time in Germany looking at new production techniques and workers should be afforded the same opportunities Last month Numsa members prevented a new constant-improvement process from being implemented because not enough time had been taken to explain it to workers

(192)

"We demanded two workshops and only one took place Until we have the second workshop the process cannot be used," Sibidla says

This would not seem to indicate co-operation on the shopfloor, but an obstructive union tactic to abort new management techniques However, Wits sociology of work project head Judy Mallor interprets it differently

"There has always been a strong feeling of worker control at VW and this can't be destroyed easily," Mallor says Production management has tried its best to disempower workers, causing shopfloor tension, she maintains

She believes the company is trying everything to increase production to get out of a serious financial squeeze brought about by the shrinking car market worldwide and increasing pressure from VW in Germany, which has had a torrid time this year in its disputes with rival German Motors and Spanish subsidiary Seat

In Mallor's mind — and, interestingly, that of Sibidla — VW's industrial relations are about the best in the country, despite the factors against them in the form of a "more ambivalent financial and technical management team"

And the union's main gripe about the company? That about 70% of workers who build cars don't drive them

Sibidla says the company should subsidise workers' efforts to buy its product — between 70% and 80% is suggested Otherwise a five-year service bonus in the form of a Citi Golf would be appreciated

Perhaps a Golf GTi Executive or an Audi Quattro after 25 years?

Midmacor stays deep in the red

ROBYN CHALMERS

POOR performances by three operational divisions and continued depressed trading conditions kept Midmacor Industries deep in the red for the year to end-June. B/Day

The motor and industrial group posted an attributable loss of R8,6m (R5,8m) on a turnover which rose from R73,8m to R76,3m 14/10/93

Net operating profit on continuing operations of R531 000 reflected a second-half deterioration following the net operating profit of R1,9m posted at the halfway mark

A net operating loss of R433 000 (R803 000) on discontinued operations, branch closures and other rationalisation costs left net operating income at R98 000 from a loss of R2m the previous comparable period (192)

In addition, interest costs increased during the second half from an interim R1,6m to R4m as a result of reduced second-half turnovers in conjunction with long lead times on orders placed with the group's overseas suppliers

The attributable loss of R8,6m translated into a loss of 49,9c a share from 74,1c and the dividend was waived Directors also passed on the 1992 dividend

However, the figures for the year to end-June 1992 have been restated to disclose separately the results of those operations discontinued during the period under review

Directors said the major factors affecting the year's results included poor performances by the Grabur Truck & Car, PDS Pietersburg and Plant Hire operations, all of which were discontinued during the year.

COMPANIES

Midas halts its downward slide

ROBYN CHALMERS

RATIONALISATION coupled with the appointment of a new CEO halted motor supply group Midas's downward slide to post an attributable profit of R2,2m (R3,8m loss) for the half year to August 31.

This was equivalent to earnings per share of 22,0c (14,3c loss) out of which an interim dividend of 5c will be paid No dividend was declared during the 1992 financial year B/Day 15/10/93

Barring unforeseen changes in the political environment, directors are confident trading will show an improvement in the second half of the year and exceed the results of the first six months. (192)

Sarel de Vos was appointed CEO to refocus the group which resulted in turnover on continuing operations rising slightly to R122,4m (R122,3m).

However, operating profit declined from R4,7m to R4,3m which De Vos said reflected the steadily shrinking margins that the parts and accessories distribution sector had to cope with in recessionary times.

A focus on the management of operating assets and the effect of discontinued operations halved the interest bill to R1,4m (R2,8m) which contributed to profit before tax soaring from R163 000 to R3m.

Tax rose from R120 000 to R380 000, but net income increased sharply to R3m (R275 000m) as attributable profit from associated companies advanced from R232 000 to R366 000

Net attributable income before extraordinary items moved into the black to R3,3m (R2,1m).

De Vos said one of the features of the period under review was that Parts Incorporated Africa, which falls under the umbrella of the Auto Electrical and Diesel division, had returned to profitability.

McCARTHY / McRETAIL
Fm 15/10/93

Waiting for black power

McCARTHY

Activities: *Holding company of McCarthy Retail*

Control: *Amic 37%*

Chairman: *B C McCarthy, MD T Rosenberg*

Capital structure: *102,3m ords Market capitalisation R409m*

Share market: *Price 400c Yields 6,1% on dividend, 19,1% on earnings, p e ratio, 5,2, cover, 3,1 12-month high, 450c, low, 275c Trading volume last quarter, 1,5m shares*

Year to June 30	†'92	'93
ST debt (Rm)	193	157
LT debt (Rm)	53	43
Debt equity ratio	0,40	0,29
Shareholders' interest	0,47	0,42
Int & leasing cover	5,16	4,06
Return on capital (%)	19,4	15,2
Turnover (Rbn)	4,38	5,27
Pre-int profit (Rm)	236	213
Pre-int margin (%)	5,38	4,05
Earnings (c)	50,9‡	76,3
Dividends (c)	21‡	24,5
Tangible NAV (c)	292‡	119

† Proforma, assuming the merger took place on July 1, 1991
‡ Actual figure

(192) ([illegible])

Two of the major markets in which the merged McCarthy Group operates — motor vehicles and furniture — have been through a difficult year and with consumer spending still largely constrained by the weak economy, look soft for the foreseeable future

Still, with a decent set of maiden results behind the McCarthy Group (since the merger a pyramid holding company) and McCarthy Retail (comprising the operating companies of the former Prefcor and the motor holdings), it's hard to understand why the shares' ratings are so low

Both are now listed in the retail sector, where p.e ratios of 5,2 for the Group and 5,6 for McCarthy Retail compare with a sector average of 20,6 Admittedly, the merger has formed a collection of interests which make comparisons difficult, but even looking at the motor sector (p e 6,9) and furniture (p e 9,1) suggests the shares are undervalued

One possible explanation is that despite the recent uptick in the prices of both shares since the end of August, the ordinary shares still trade below the listing price of R5 But it should be borne in mind that the shares were floated as a R15 package, comprising one ordinary share and two senior convertible debentures McCarthy Retail's ords are down to R3,20, but the debentures trade at R7,25, making the package worth R17,70, or 18% more than the issue price

A more likely explanation is that investors might not like the new pyramid structure, whereby McCarthy Group now holds 87,8% of the ordinary equity in McCarthy Retail, as well as about one third of the senior debentures and about two-thirds of the junior debentures

Fm 15/10/93

McRETAIL

Activities: *Sells motor vehicles, durable and semi-durable consumer goods and clothing*

Control: *McCarthy Group 87,8%*

Chairman: *B C McCarthy, MD T Rosenberg*

Capital structure: *155m ords Market capitalisation R495m*

Share market: *Price 320c Yields 5,9% on dividend, 18% on earnings, p e ratio, 5,6, cover, 3 12-month high, 340c, low, 250c Trading volume last quarter, 930 000 shares*

Year to June 30	‡'92	'93
ST debt (Rm)	193	157
LT debt (Rm)	53	43
Debt equity ratio	0,28	0,20
Shareholders' interest	0,55	0,51
Int & leasing cover	5,16	4,06
Return on capital (%)	16,2	12,9
Turnover (Rbn)	4,38	5,27
Pre-int profit (Rm)	236	213
Pre-int margin (%)	5,38	4,05
Earnings (c)	54,4	57,6
Dividends (c)	30‡	19
Tangible NAV (c)	(383)‡	90

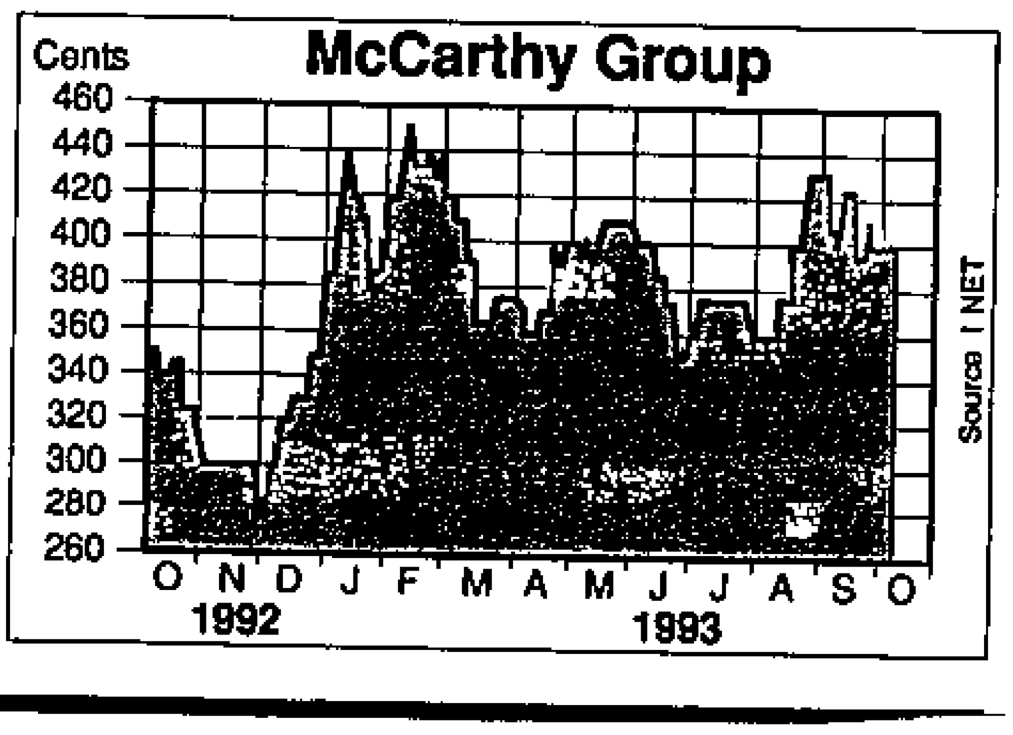
† Proforma, assuming the merger took place on July 1, 1991 ‡ Actual figure

To a certain extent, results were saved by the new corporate tax rate, which led to a tax charge of R44m against a *proforma* estimate of R90m Still, the operating performance was solid

CE Terry Rosenberg says the first three months since year-end have been slightly ahead of budget Motor holdings lost a little market share in the 1993 financial year (down to 13,1% from 13,7%), but prospects seem slightly more encouraging, with recent figures indicating national new vehicle sales for September 1992 up 12,2% compared with September 1992 They could be misleading, considering the low base new car sales are coming off, the pre-Vat spending spree and the launch of a number of new models, but there must be some light there

On the retail side, Rosenberg expects a better performance from Game Discount World, after it failed to meet budget by about R9m in financial 1993 "Game is now on budget and considering all the new stores opened last year have been expensed, it should make a good contribution this year"

Beares — after motor holdings the main contibutor to operating profit — is consolidating after opening 60 stores and closing 12, mainly in Natal, over the past three years The expansion has taken Beares away from any reliance on the Natal market — Rosenberg says about 57% of turnover now comes from the Transvaal and about 20% from the



Fm 15/10/93

Cape

He is cautious about prospects for this year, pointing out a lot depends on the political climate before and after next year's election, but believes earnings will increase

However, there are not likely to be fireworks in 1994 Many investors will probably want to see a few sets of sparkling results before committing themselves Still, the shares, particulary McCarthy Retail, seem cheap and could attract anyone who believes in the buying power of the emerging black market McCarthy has positioned itself in

Shaun Harris

(192) ([illegible])

MOTOR INDUSTRY

Counting on exports

Volkswagen's boast that, including exports, it is now SA's biggest car producer is a reminder of the growing importance the local motor industry attaches to foreign markets FM 15/10/93

Though not reflected in official industry figures, which report only domestic sales, monthly exports of about 1 200 vehicles to China now account for about a quarter of VW's monthly production By the time the current order is complete, the company will have shipped nearly 30 000 Jettas to China and earned more than R1bn (192)

Delta Motor Corp has been negotiating to export 1 000 disassembled vehicles to General Motors' Kenyan plant Other SA companies, too, continue to build up their vehicle export effort As shown by Mercedes-Benz of SA's announcement that it is to supply catalysts to Honda in Thailand, components exports are not being neglected, either

These are important options at a time when domestic car sales, though increasing gradually, are still slow Delta MD Willie van Wyk says the current improvement is "not growth, just a variation round the trough mode"

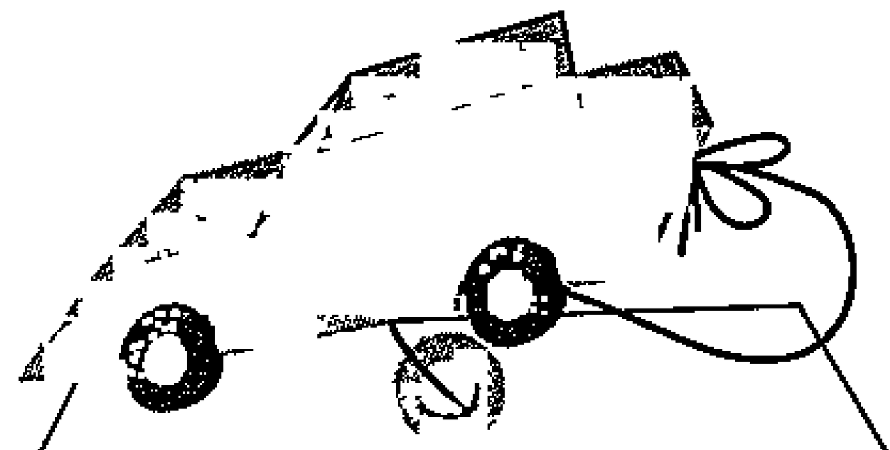
Others take a more upbeat view Nissan Marketing MD Stephanus Loubser says the market has moved into "a slow but steady growth phase"

The same cannot be said of the truck market, which remains as sick as ever The recent good rains have caused some to suggest that renewed agricultural activity and business confidence will lead to a short-term

FM 15/10/93

sales boost Those with the smart money, however, suggest that it will take more than a few drops of rain to persuade people to spend hundreds of thousands of rands as long as the current political and economic uncertainties continue ■

(192)



September vehicle sales

Cars		Total	%*
[illegible]	Corolla 3 231, Cressida 1, Camry 1 148, other 18	[illegible]	24,8
[illegible]	Golf /Jetta (old) 209, Golf / Jetta (new) 1 462, Citi/Fox 1 733, Audi 117	[illegible]	19,8
[illegible]	Ford Laser/ Meteor 671, Sierra 14, Sapphire 5, Telstar 497, Mazda 323 886, Mazda 626 (old) 2, Mazda 626 (new) 550	[illegible]	14,8
Nissan	Maxima 104, Sentra 1 209, 200SX/300ZX 5, Fiat Uno 922	2 240	12,6
BMW	3-Series 1 359, 5-Series 308, 7-Series 40	1 707	9,6
M-Benz	Honda Ballade 1 000, M-Benz W124 308, W201 294, W140 35, other 11	1 648	9,3
Delta	Rekord 118, Kadett/Monza 67, Kadett/Astra 1 414, Calibra 18	1 617	9,1

*% of the total car market

	1993	1992	% Change
September	17 756	15 820	+12,2
Jan – Sept	147 008	137 209	+7,1
August (17 509) – September			+1,4

Light commercials

Toyota 2 840 (33 3% of the market), Nissan 2 190 (25,7), Samcor 1 665 (19,5), Delta 1 196 (14,0), VW 559 (6,6) AAD 70 (0 8)

September	8 520	8 544	-0 3
Jan – Sept	73 015	69 414	+5,2
August (8 464) – September			+0,6

Medium commercials

Toyota 146 (47,9 %) Samcor 82 (26,9) Delta 41 (13 4), M Benz 19 (6 2), Nissan 17 (5,6),

September	[illegible]	[illegible]	5,2
Jan – Sept	[illegible]	[illegible]	-8,1
August (324) – September			

Heavy commercials

M Benz 137 (36,7%) Toyota 92 (24,7), Nissan 66 (17 7), MAN [illegible] Frd 18 (4,8), Delta 16 (4,3), Tyco 14 (3,8), Iveco 6 (1,6), AAD 2 (0,5)

September	[illegible]	[illegible]	-20,1
Jan – Sept	[illegible]	[illegible]	0 3
August (4[illegible]2) – September			

Total vehicle sales

Toyota 7 476 (27,7%), Nissan 4 513 (16 7), Samcor 4 372 (16 2) VW 4 080 (15 1), Delta 2 870 (10,6), M-Benz 1 804 (6 7) BMW 1 707 (6 3) others 132 (0,5)

September	26 954	[illegible] 121	+7,3
Jan – Sept	[illegible]25 946	213 163	+6 0
August (26 719) – September			

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Picture HANNES THIART, Weekend Argus

MANOEUVRABLE: Driver Pompies Gertse puts the Agricar through its paces over uneven terrain

Tale of country bakkie made to be town bakkie

(192) ARG 16/10/93

Weekend Argus Reporter

A FARMER'S bakkie takes on a whole new meaning when the locally built Agricar grinds into the picture.

A group of enterprising South Africans have begun to assemble a unique and useful mini farm vehicle in Somerset West which could help farmers save on sky-high costs.

The Agricar, in four-wheel and six-wheel versions, costs less than a third of the price of a new bakkie, but can do its share of the work and more

Already, more than 100 of the Chinese-designed vehicles are seeing full-time employment on farms around the country.

The four-wheeled model comes in two-wheel drive anmd the six-wheeler has a permanent four-wheel drive, making it an even handier addition to any farm

At a maximum speed of about 25km/h generated by either a petrol or diesel engine and a simple gearing system, it is fast enough to get to places on the farm — with up to a ton on the back.

It could have been even cheaper than its R16 000 to R20 000 price tag, but the government has decided not to recognise it as an agricultural vehicle, said company spokesman Chris Joubert.

"The Agricar has been classified as a road commercial vehicle, so we have to adhere to Phase 6 of the local content programme Imagine that. It is therefore considered to be equal to a bakkie on the road and it means that if you want to, you can begin a courier service or something with these vehicles"

COMPANIES

Sound performance by CMH

CHARLOTTE MATHEWS

COMBINED Motor Holdings (CMH), a motor dealership with Ford, Nissan/Uno, MMI, Delta, Mercedes-Benz/Honda and Toyota franchises, improved its attributable earnings by one-third to R1,18m in the six months to August from R881 000 in the same period in 1992. B/DAY

According to figures released at the weekend, turnover climbed 26% to R332,4m from R263,4m in 1992 but an improvement in operating margins was evident as operating income rose 33% to R4,02m from R3,03m 18/10/93

The interest bill rose 35% to R2,2m (R1,66m), reflecting higher borrowings as a result of the July acquisition of Midway Toyota, an Alberton dealership, for a premium of R4m The benefits of the deal were expected to materialise in future years and CMH director Stuart Jackson said gearing, now about 41%, would fall in the medium term as a result of retained earnings. (192)

Earnings a share increased to 6,2c (4,6c) and the interim dividend was lifted to 2c (1,6c) a share.

CMH chairman Maldwyn Zimmerman said second-half results tended to be better than the first six months because these were the higher selling months, although recent events had disturbed this pattern. However, he expected earnings for the full year to outstrip the R4,4m posted for the year to February 1993

Despite the improvement in operating margins, Zimmerman said trading margins remained depressed. "Business is hard to come by and profits per unit are hard to get. We are seeing some increase there but it is through aggressive marketing and cost-cutting to a large extent."

CMH shares are currently trading around 105c, where they are on a historic dividend yield of 8,85% and a price earnings ratio of 4,56 times, compared with the motor sector averages of 3,8% and 6,9 times The shares are below their 12-month high of 120c recorded on August 10

McCarthy vehicles sales above forecast figures

Star 19/10/93

(192)

THE group has high hopes for sales in the coming months

■ BY STEPHEN CRANSTON

The growth in the car and light commercial vehicle market exceeds group expectations, says Theo Swart, MD of McCarthy Motor Holdings

He says that if sales for July, August and September are maintained, the car market will exceed 200 000 units for McCarthy's financial year to June.

The light commercial market will exceed 100 000 units, compared with a group forecast of about 90 000

Swart says these figures were not boosted by new launches

McCarthy has built up a spread of franchises to reduce dependency on any single supplier.

But it has built up a strategic dominance in Toyota, which provides it with 36 percent of new car sales

Its UK operations consist of four major Toyota dealers

In South Africa, McCarthy has concentrated on the major metropolitan markets, and acquired two BMW dealers and a Nissan dealer to increase its manufacturer spread.

Theo Swart . . . better than expected.

Much of the growth in McCarthy's mass market retail arm Prefcor will be provided by the credit building supplies chain Bonus Building Supplies

Rather than aiming for the cash-and-carry sector designed for the builder — the niche dominated by Cashbuild — Prefcor has made use of its expertise in handling credit to offer terms of 24 months to pay.

Francis Molyneux, the CE of the Bonus operation, says that terms are offered to property-owners rather than to builders

"Many small builders are not financially stable and tend to blame their customers if they fall back on payments"

Molyneux says once a line of credit has been established, customers are willing to pay so as to secure more materials

The length of the book is much shorter and the level of bad debts far lower than they would be in the furniture business

The bad debt write-off for the chain is less than one percent, compared with about 1,6 percent in the Beare Group furniture operations

"Provided the credit granting is sound, we can keep out collection apparatus lean," he says

"Stocks are low because supplies of basic materials such as cement, bricks, roofing and window frames are readily available from suppliers"

Bonus stores are 450 to 500 square metres in area and rentals are low because they are not located in prime areas

Bonus does not even have a delivery infrastructure as deliveries are subcontracted to a local truck driver on a monthly contract

Bonus has 10 stores in Natal, and three in the Transvaal, with a further two planned for the end of November Next year it will move into the Eastern Cape

Within two to three years, Bonus is expected to grow into a national chain of 50 stores.

The rest of Prefcor, in contrast, is going through a consolidation phase

Optimism on motor exports BDay

EDWARD WEST

MOTOR industry exports were expected to climb 20% this year to R1,8bn from R1,5bn in 1992, said National Association of Automobile Component and Allied Manufacturers executive director Denzyl Vermooten 22/10/93

About a third was expected to be cars and trucks, a third automotive components exported directly by local manufacturers, and a third automotive components exported through local motor manufacturers by components manufacturers.

Exports were expected to continue growing over the medium term, but long-term growth would depend on the the restructuring of the local content programme and the economy.

Motor industry exports had risen sharply since 1986, when the industry first began exporting Total exports had been valued at R186m in that year

Vermooten said exports had grown since then as a result of international trade exhibition participation, the depreciating rand, a sluggish local economy which had forced manufacturers to seek other markets, incentives under the local content progamme, productivity improvements, and the lifting of sanctions (172)

Relatively low-volume product sales to niche markets were supporting SA's export drive as major international automotive component manufacturers were not prepared to service these markets

Samcor was the largest exporter of cars and medium-sized trucks, with annual exports of 1 000 to 1 500 units, most going to southern African countries

Volkswagen was the largest exporter of cars

FM 29/10/93

PENSIONS

The right to know

Three fund managers, Standard, Liberty and Syfrets, are in the running to handle the assets of the troubled motor industry pension funds A spokesman for the funds says other managers, including life offices, made presentations before the short list was established (192) (300)

For any fund manager the motor industry pension funds, with savings of 180 000 members, are a plum

Until now they have been managed internally — a situation which gave rise to problems exposed in the past 10 days

Not least, the funds had an extraordinary exposure to property at a time when most managed funds were spread across gilts, cash and equities with property hardly featuring

The pension fund managers promised that a statement would be made this week But an executive hinted it would not detail past investments and touch on the fund's involvement in futures, said to have created about R9m of the actuarial shortfall

Yet numbers quoted as resulting from poor investment need to be seen in perspective In a R1,5bn fund, the shortfall can be

FM 29/10/93

absorbed in cash flow though that does not excuse poor performance

Accounts of the directors' repentance, taken from tapes, appeared in investigative newsletter *noseWeek*, which has a 3 000 circulation, before being taken up by mainstream media

Legal action was taken to prevent a property developer publishing tape recordings of board meetings But *noseWeek* features editor Maureen Barnes says the order does not bind her publication She intends to "print and be damned" unless she gets a specific restraining order

The order to interdict publication of the tapes, said to have been obtained illegally, was based largely on an earlier judgment, in what is known as the "Sage case" — in which judgment went against the *FM*

The situation does need clarifying the use of information obtained illegally for publication can be prohibited except where there is "overriding public interest"

A crucial issue is what is illegal and what is overriding?

All newspapers receive information daily, often from disgruntled employees whose terms of employment would make transmitting the information illegal in the strict sense of the word

Interpretation of the term "overriding public interest" can be highly subjective

The magazine's editor, Martin Welz, insists. "The tapes, my tapes, were not stolen, not illegally acquired But even if they had been, I would still have used them"

Meanwhile, the Financial Services Board, which monitors financial institutions including pension funds, is defensive about the affair

Contrary to some news reports, the motor industry funds do report to the board Like most funds administered by industrial councils, the funds report to the Department of Manpower but file financial returns with the board, which is considered the competent monitoring authority Asked if he had detected problems or knew of any in other funds, an officer of the board Frans Reyneke, acknowledged he received the returns Asked if he had detected problems or had knowledge of problems in other funds, he replied "I am bound by an oath of secrecy" ■

(300) (192)

Task force agrees on fewer car models

'B/Day 29/10/93

EDWARD WEST

THE motor industry task force had agreed to move away from the proliferation of vehicle models, makes and components, National Association of Automotive Component and Allied Manufacturers president John Brandtner said yesterday

He told the association's annual meeting a rationalised motor industry which concentrated on high volume production of certain makes and models would lead to increased economies of scale

"The transition to a new dispensation for the automotive industry will not be painless There will be casualties among component producers and possibly even among vehicle manufacturers"

Other strategies likely to be recommended by the task force — appointed by government last year to consider a future automotive industry policy and structure — included lower tariffs across the manufacturing spectrum from raw materials to completed vehicles and parts

Also likely were strategies emphasising investment, training, research and development and the encouragement of reciprocal trade between local manufacturers and their overseas principals and licensors

Political progress and general economic factors were insufficient to guarantee the survival of the motor industry, he said

(192)

High government expenditure, a trend away from fixed capital investment, the small tax base, high company tax, the budget deficit and the poor prospect for sustained economic growth in the years ahead meant the motor industry would wait in vain for an economic boom

The industry's survival depended on the task force's deliberations and an acceptance by government of its recommendations, Brandtner said

He appealed to unions to realise they had an important contribution to make by instilling in members that productivity and labour stability should precede employment growth and rising incomes The task force programme afforded the industry's only hope of again becoming a major contributor to growth

Saficon ups earnings 143% off low base

(192)

CT 1/10/93

Own Correspondent

JOHANNESBURG — Motor retail and building product group Saficon's earnings rose 143% in the six months to end-September, albeit off a low base, on the back of cost controls, less tax and lower outside shareholders' interests

Today's published results showed earnings at R5,1m (R2,1m), translating into earnings a share of 14c (6c)

CE Kurt Hipper said car sales had improved marginally in the three months to September, but building industry conditions had deteriorated further, with tough competition pressurising margins

Saficon's turnover climbed 7% to R1,5bn (R1,4bn) in the six months Costs rose only 9% and gross margins improved slightly, contributing to a 15% increase in operating profit to R26,2 (R22,7m)

Costs included a R4m non-recurring charge for consulting fees, and ongoing change undertaken by building materials subsidiary Boumat Gearing fell to 0,36 1 (0,55 1) from lower interest-bearing debt

Interest paid increased marginally to R15,6m (R15,3m) and, together with a lower tax rate, contributed to a 65% rise in taxed profit to R6,3m (R3,8m)

Earnings were also boosted by reduced outside shareholders' interests to R1,3m (R1,8m), arising from the increase in the group's stake in Boumat to 65% from 51% A R1,8m extraordinary item related to the additional Boumat shares

Boumat's turnover, 96% of budget, climbed 10% to R668m (R609,2m) Operating profit fell to R10,6m (R12,8m) Lower interest at R4,8m (R6,5m) and tax at R2,3m (R3m) took earnings a share to 11,1c (10,5c)

Hipper said changes to improve Boumat's efficiency were proceeding well

He forecast an improvement in Saficon and Boumat earnings barring election unrest Dividends were passed on that basis until year-end

The results of Sakers' Finance and Investment Corp reflected those of Saficon, its sole asset Sakers' attributable earnings rose 145% to R2,5m (R1m), translating into earnings a share of 23c (10c)

Achiever Saficon lifts earnings 143%

BDay 1/11/93

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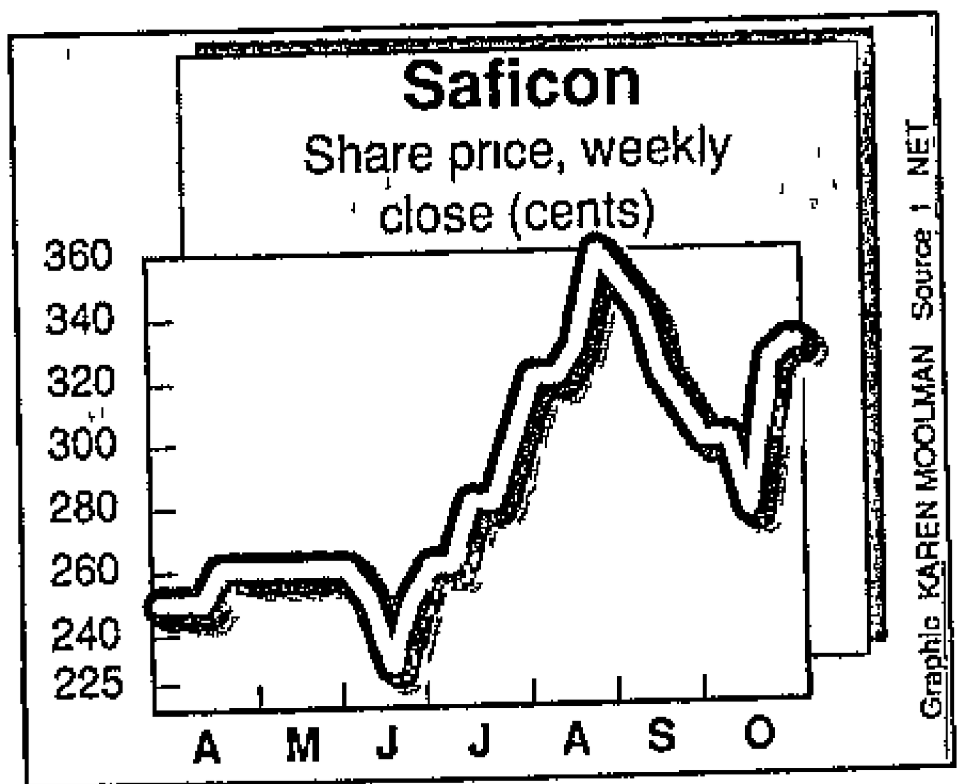

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China halts order for SA VWs

192

CT 4/11/93

Own Correspondent

JOHANNESBURG. — The Chinese government yesterday halted Volkswagen SA's R500-million motor car export programme to China under which the SA company was to deliver a total of 30 000 vehicles by the end of next year.

VW chairman Mr Peter Searle said he had been informed that the Chinese economy was "overheating" and that one of the measures taken to slow the process was cutting foreign exchange usage.

The unexpected halt to the exports was a temporary setback and shipments were expected to resume as soon as measures taken by the Chinese government to slow its economy had the desired effect, Mr Searle said.

"This could take a few weeks or a few months ... we are investigating the opportunities open to us."

Marketing director Mr Graham Hardy said VW would have been producing about 1 000 cars a month to fulfil the order.

About 13 500 Jettas would still be shipped to China in the first phase, but the interruption affected the second phase shipment of a further 17 000 cars, which was to have been produced between August this year to about September 1994, Mr Hardy said.

About 30% of the cars produced at VW's Uitenhage plant were destined for China. Employees would be transferred to other production lines as waiting lists existed for a number of these models

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Mood indicator from MIF

THE Motor Industries Federation will launch a quarterly industry mood indicator early next year, MIF executive director Vic Fourie said yesterday

Fourie said the launch was approved at the annual conference of the MIF in Cape Town

"We are looking at regular surveys of a sample of the industry based on statistics and perceptions," he said

(192) CT 4/11/93

Fourie said companies would be asked both for their assessment of the immediate future and for specific information such as levels of recent and planned capital expenditure

MIF president Philip Myburg said officials held a dummy run amongst delegates to the conference and found an overall mood of optimism

China puts VW's R500m exports on ice

EDWARD WEST

THE Chinese government yesterday halted Volkswagen SA's R500m motor car export programme, in terms of which the SA company was to deliver 30 000 vehicles to China by the end of next year B/Day

VW chairman Peter Searle said he had been informed that cutting foreign exchange usage was one of the measures that had been adopted to slow the overheating of the Chinese economy 4/11/93

The unexpected halt to the exports was a temporary setback. Shipments were expected to resume as soon as measures taken by the Chinese government to slow its economy had the desired effect, Searle said "This could take a few weeks or a few months . We are investigating the opportunities open to us."

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About 13 500 Jettas would be shipped to China in the first phase. The interruption affected the second-phase shipment of a further 17 000 cars, which would have been produced between August this year and about September 1994, Hardy said

The interruption underlined the unpredictability and economic vagaries exporters faced when dealing with world economies, he said

About 30% of the cars produced at VW's Uitenhage plant were destined for China Hardy said employees would be transferred to the Golf/Fox and Golf/Jetta production lines as waiting lists existed for a number of these models

The left-hand drive Jettas were exported in semi-knocked down form to the FAW/VW Automotive Company in Chang Chung City The company is a joint venture between Volkwagen AG in Germany and the Chinese government

A VW AG spokesman said measures to cool the Chinese economy were not likely to affect severely VW AG's development plans in the region, as vehicles produced at its major production plant in Shanghai had more than 80% local content

Boom time for Martin Jonker

EDWARD WEST

MOTOR retailer Martin Jonker Holdings' earnings quadrupled in the six months to end-August on the back of a 22,8% increase in sales.

Sales from the company's Nissan franchise in Cape Town and Pretoria climbed to R106,3m (R86,59m) and operating income was 46,3% higher at R4,26m (R2,91m), indicating improved gross margins

MD Hannes Jansen said the key was effective asset management, cost-cutting measures and the improvement in margins. Aftermarket activities, such as parts and service, also achieved handsome results.

Finance charges were lower at R1,19m (R1,47m) as a result of a successful R4m rights issue in December 1992 Tax was higher at R1,23m (R691 000). BDay 4/11/93

Attributable income more than doubled to R1,66m (R717 000) The more than fourfold increase in earnings a share to 4,2c (0,7c) follows a sevenfold earnings increase at the past year-end. (192)

Directors said a comparable result was expected for the second half of the 1993/94 financial year.

Elzet, Curnow in R2,7m merger

(192) CT 5/11/93

Business Editor

TWO Cape Town-based automotive companies are to be merged in a R2,7m cash deal A family-owned group, Elzet Industrial (Pty), has bought W & A's controlling interest in JSE-listed Curnow, and will reverse its own automotive refinishing company, Harveys, into it

The sale of W & A's 35,46% share in Curnow's, which has 14 outlets supplying the spray-painting and panel-beating trade, will not affect AECI's 34,07% shareholding

Elzet is paying 34c a share A similar offer, underwritten by Elzet, will be made to minority shareholders

Under the terms of the deal Curnow will buy Elzet subsidiary Harveys for R3m by way of the issue of 8,8m new shares at 34c each This will give Elzet an effective 53,5% control of Curnow

Peter Brunnschweiler, who owns and controls Elzet, said there were enormous synergies between Harveys and Curnow "The intention is to merge Harveys with Curnow giving us a strong national distribution network in this specialist niche market"

The deal is in line with W & A's decision to dispose of some of its diversified business in order to concentrate on core activities It will not materially affect W & A's earnings and net asset value

Brunnschweiler, who will join Curnow's board as executive chairman, said "Early indications are that we will exceed forecasts for the calendar year to the end of December 1994"

Peter Brunnschweiler

Colin Hultzer, formerly managing partner of accounting firm Arthur Andersen in Cape Town, will also join the board of Curnow

Curnow ended the year to December with consolidated profits of R2,2m (R1,9m) on an increased turnover of R46,8m (R44,5m)

Volvos back on sale in SA

CT 9/11/93

THE Volvo Car Corporation will shortly resume the sales of cars in South Africa (192)

Volvo ~~Car~~ Corporation said in a joint statement yesterday it had signed an sole distributor agreement with SA's Combined Motor Holdings Ltd (CMH), who will begin selling the Volvo 960 and 850

The cars will go on sale in Cape Town, Johannesburg, Pretoria and Durban

"A totally-owned subsidiary will be formed to deal with the Volvo franchise," CMH MD Maldwyn Zimmerman said

Sales of new cars take a dip

Star 10/11/93

BY CLAIRE GEBHARDT

New car sales hit a slight hiccup in October falling 3,9 percent, or 706 units, compared to September's 17 756 units.

Figures released yesterday by the National Association of Automobile Manufacturers (Naamsa) show that, year-on-year, new car sales for October showed a marginal improvement of 15 units or 0,1 percent

Total sales were down 3,3 percent, or 893 units on September's figure to 26 061 units (192)

Manufacturers and economists said the figures were in line with expectations given supply disruptions and the surprising strength of the market in September

Econometrix's Tony Twine said a correction had been anticipated and was nothing to worry about.

Commercial

Sales of new light commercial vehicles, bakkies and minibuses also reflected a downward trend, shedding 251 units or 2,9 percent compared with the 8 597 units sold in the corresponding month a year ago

New light vehicle sales in October were 174 units or 2 percent down compared with sales of 8 520 units in September.

Although heavy comercial vehicle sales increased by 16,4 percent on September, the market is still 10,5 percent down on a year-to-date basis.

Sales of medium commercial vehicles declined by 74 units or 24,3 percent compared with the previous month.

Toyota MD, Brand Pretorius, said the figures were in line with industry expectations and indicated that the market had bottomed out.

Naamsa said it anticipated that new vehicle sales would consolidate around current levels in the medium term It was confident that the industry was now on target to achieve 193 000 new car sales for the year.

Sacked car hire workers lose appeal to return

(192)

ARG 10/11/93

Union accepts Imperial pay offer

SHARON SOROUR, Labour Reporter

IMPERIAL Car Rental workers, dismissed for distributing a pamphlet alleging the company overcharged customers and criticising the managing director, will not be reinstated

The company's labour lawyer, Michael Bagraim, said appeal hearings had confirmed the dismissal of 25 members of the Transport and General Workers' Union

The workers were part of a group of 34 who were locked out by the company on September 9 following a deadlock in wage negotiations

Workers demanded an increase of R160 a month for drivers and R140 a month for cleaners, and a 75 percent annual bonus

But Mr Bagraim said the union yesterday accepted the company's final offer of a R130 a month increase for drivers and R100 for cleaners, backdated to July 1

The union asked the company to lift the lockout and allow the remaining workers to return The company would make a decision today, he said

At the appeal hearings workers accepted that they had drafted and distributed the pamphlet

Mr Bagraim said the pamphlet, distributed at D F Malan airport and to the managing directors of Imperial's largest clients, was defamatory, "not conducive to a future employment relationship", and went beyond the bounds of industrial dispute

In the pamphlet, workers alleged Imperial overcharged to "speed up profits" and claimed the company make a "profit exceeding R1 billion"

Workers urged customers to use rival companies and said Imperial paid its employees "minimal" wages in spite of huge profits — and that workers, who lived in shacks and backyards, had not had an annual bonus for eight years

Workers also lashed out at managing director Carol Scott

Refuting allegations, Mr Bagraim said the Imperial Group, of which Imperial Car Rental was a subsidiary, had a turnover of R1-billion

He said Ms Scott was a "hands-on" manager concerned about her employees If workers had grievances they had to follow procedure

The company obtained a Supreme Court interdict on October 15 restraining workers from further "distributing, disseminating or in any way publishing the pamphlet"

They were also restrained from blockading or obstructing the entrances to the company's premises, intimidating or interfering with permanent or temporary employees, and entering or being on the company's depots at the airport and in Cape Town, Bellville and Stellenbosch

Upward trend of new car sales flattens out

CT 10/11/93 (192)

By AUDREY D'ANGELO
Business Editor

SHORTAGES of some models helped to account for a 3,9% drop in sales of new cars in October to 17 050 compared with the 17 756 sold in September, leading manufacturers pointed out yesterday

But they were still marginally ahead of the 17 035 sold in October last year Sales in the first 10 months of this year totalled 164 058 compared with 154 244 in the same period last year

However, sales of light, medium and heavy goods vehicles lagged behind those in October last year

And although sales of light goods vehicles in the first 10 months of this year totalled 81 361 compared with 78 011 in the same period last year, sales of medium and heavy vehicles are so far even lower than between January and October 1992

Sales of medium commercial vehicles totalled 2 530 by October this year compared with 2 800 last year Sales of heavy goods vehicles totalled 4 058 compared with 4 535 last year

Brand Pretorius, MD of Toyota (SA) Marketing, commented "The market did show a fall-off compared with September

"But considering the number of selling days in October and some stock shortages on certain models, sales reflect our earlier opinion that the market has bottomed out"

Forecasting total new car sales of 194 000 for the year, Pretorius said there was little doubt that demand was due to the need to replace vehicles "rather than any expansion of the market place."

And there was "a pronounced buy-down trend In October 72,8% of sales were of small cars."

He expected the improvement in business confidence to stimulate demand for light commercial vehicles Toyota expected this market to grow by 5% in 1994

Pretorius pointed out that October "was a bumper month for Toyota with the company taking 30,3% of total vehicle sales"

Combined sales of Ford and MMI products gave the SA Motor Corporation (Samcor) a market share of 16,3%. Nissan had 15,9% of sales

John Jessup, director of communications and market planning at Nissan (SA) Marketing, said ongoing labour disruptions in the Nissan plant had caused a loss of 3 197 units over September and October

This had not only affected Nissan's sales but could have "had a restraining effect" on the entire market

A statement from the National Association of Automobile Manufacturers (Naamsa) said sales of new cars and light goods vehicles were "broadly in line with expectations"

Naamsa was confidennt the industry was now "on target to achieve 193 000 new car sales, 96 0000 new light commercial vehicle sales, 3 000 medium commercial vehicle sales and a lowish 4 800 heavy truck sales" this year

A statement by Samcor pointed out that vehicle sales followed cyclical trends and October was typically a weaker month

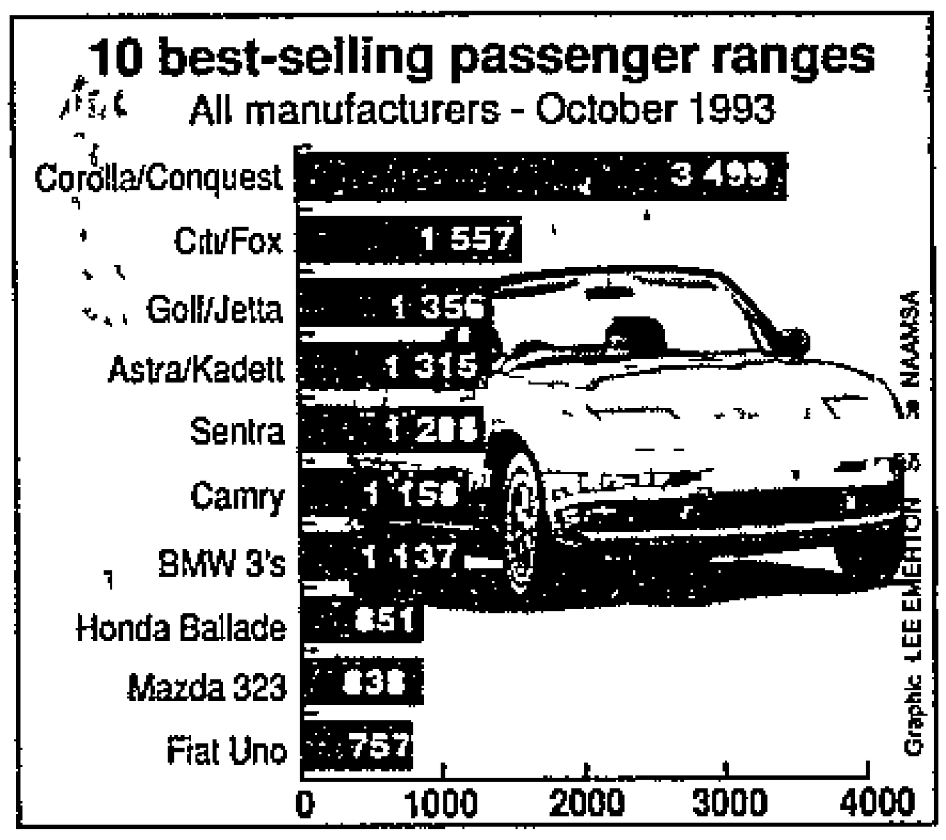
The statement continued that although Samcor sales had been affected by shortages in supply, its "entry level products remained popular"

Vehicle sales slow down

EDWARD WEST

THE upward trend in new car sales over the past few months slowed in October when only a marginal year-on-year improvement was reported B/Day

The National Association of Automobile Manufacturers of SA (Naamsa) said October new car sales rose only 0,1% to 17 050



units compared with 17 035 last October. The month's sales softened 3,9% against the 17 756 units sold in September 1993.

Naamsa said although the upward sales trend had slowed, the growth evident since May was maintained in October, based on improved business confidence levels, good demand for new models and replacement demand from the growing number of ageing vehicles on the road. 10/11/93

Toyota marketing MD Brand Pretorius said the month's sales reflected the group's view that the market had bottomed out considering the number of selling days and stock shortages on selected models October was traditionally a weaker selling month, a Samcor spokesman said. (192)

Nissan market planning director John Jessup said continuing labour disruption in its manufacturing plant, which started in

□ To Page 2

Car sales B/Day 10/11/93

□ From Page 1

June and continued during September and October, caused a loss of 3 197 units. This could have restrained overall car and light commercial vehicles sales. (192)

Nissan's supply levels would be insufficient to meet sales requirements until at least February next year, he said.

Light commercial vehicle, minibus and bakkie (LCV) sales fell 2,9% to 8 346 against the 8 597 sold in October 1992 and 2% compared with September's 8 520.

Medium (MCV) and heavy (HCV) truck sales continued to lag behind 1992 sales.

MCV sales fell 22,5% to 231 against the 298 sold in October 1992 and 24,3% compared with 305 sold in September 1993 HCV sales fell 12,7% to 434 against the 497 sold in October last year, but improved 16,4% on the 373 sold in September.

Naamsa said it was confident the industry was on target to achieve 193 000 new cars sales for the year, 96 000 new LCV sales, 3 000 MCV sales and 4 800 HCV sales

The forecast for 1993's new car and LCV sales represented a 5,5% and 3,8% increase on last year MCV and HCV sales forecasts for 1993 were 8,5% and 12,8% lower, respectively, compared with last year.

FM 12/11/93

just made it into the 10 best-selling passenger cars for the month. Assembled in SA by Nissan SA, it and the Nissan Sentra could have done better had supplies not been affected by labour disruptions in the Nissan plant that started in June and continued to October. That cost the company 3 197 units, says John Jessup of Nissan SA Marketing ■

(192)

FM 12/11/93

MOTOR INDUSTRY

Hanging in there

The tentative recovery of the motor industry is looking more permanent Sales increased in October for the ninth straight month And the trend should continue with hire-purchase sales rising as interest rates fall

This upturn even applied last month to sales of heavy commercial vehicles, which have a gross vehicle weight of 7,5 t and more Heavy vehicle sales have been weak all year, but last month sales totalled 434 units, 16% up on September's sales Nevertheless, this still didn't equal October 1992's sales of 497 units

The big surprise was the 34% increase in Mercedes-Benz sales, from 137 in September to 184 in October, giving it a 42% share of the heavy vehicle market

Toyota, which was taking market share away from Mercedes-Benz of SA in this sector while the German company was having labour problems at its East London plant last year, sold 75 heavy vehicles in October after selling 92 in September

"Economic indicators suggest a slow, fragile recovery is under way," says Delta Motor Corp sales and marketing director John Cuming He points out that October car sales — a total of 17 050 units — were also ahead of the October 1992 figure, though down on September So far this year, car sales are up 6,4% over the same period a year ago (192)

He says Delta is still forecasting that 195 000 passenger vehicles will be sold this year He is also more optimistic about light commercial vehicles, expecting "this market to remain buoyant because of improved farming conditions in many parts of the country — year-to-date light vehicle sales of 81 361 are 4,3% ahead of last year's "

He expects medium and heavy commercial vehicle sales to lag 1992's and not improve until after the election in April

National Association of Automobile Manufacturers of SA figures show that the Toyota Corolla is still the most popular passenger car, selling 3 499 units, followed by Volkswagen's Citi Golf at 1 364, Nissan Sentra 1 288, Toyota Camry 1 158, BMW 3 Series 1 137, Volkswagen Jetta 968, Honda Ballade 851, Mazda 323, 838 and Monza/Astra 832

The Fiat Uno, with 757 sales for October,

ANDILE NGCABA — **FACE TO FACE**

The ANC will make Telkom work

Andile Ngcaba is head of the ANC's telecommunications & information systems department.

***FM*: Why are you so intent on ensuring that State-owned Telkom has a piece of the telecommunications action when it has performed so poorly over the years?**

Ngcaba: First, the reason so few black people have phones is because of the apartheid policy The R2bn foreign and local investment is coming in on the profitable cellular networks, those companies are not interested in the uneconomic fixed-wire phone lines The cellular network is the lucrative part and the State organisations must participate in revenue-earning ventures such as cellular to subsidise the underdeveloped areas Public- and private-sector joint ventures can be a solution to SA's telecommunication development

It's important that Telkom's standing not be weakened It should be strengthened A public operator has an obligation to extend the fixed network to all citizens, irrespective of colour

You point out that many countries, such as Germany, France and the Netherlands, have State-owned telephone monopolies as proof that State involvement works. But aren't many countries selling them off these days precisely because it doesn't work?

Maybe they can afford to privatise because they have done well or privatisation is their political and economic line As far as we are concerned, we are opposed to privatisation

But you are not against some private-sector participation?

The concept of a mixed economy can develop this country There can be efficiency and economic growth if a mixed economy is implemented

Is there any truth to the rumours that the ANC wanted to hold up the cellular licence process to allow AT&T, an American company that honoured sanctions, to bid?

Since the call to lift sanctions by the ANC, the ANC has invited all groups to come and invest in SA There was no favour for one against another The investment is expected to come from all corners of the globe

Would you welcome foreign investment in the fixed network?

We have to develop a telecommunications strategy, policy and a master plan first The policy will inform us as to which direction to pursue

You mean that if AT&T said it would come into SA with a R1bn investment, would put people to work, would pay taxes and would get phones to the people, which you say is the primary goal, you would say no?

The relations will have to be informed by policy and structure so that, as South Africans, we will all develop Foreign investment is needed in all sectors, including telecommunications The issue is how can we negotiate with those who want to invest without giving away our birthright (the State organisations)

It's more important to protect Telkom than to get someone to put in the phones?

The principle must be a public telephone operator, majority-owned by South Africans The question of increasing telephone penetration is very important And the question of ensuring that Telkom's earnings are not cream-skimmed is also very important

The US has the best phone service in the world — it's readily available, cheap, offers lots of different types of services and is totally privately owned. Why not that type of system for SA?

Countries are different We could take the best experiences from Singapore, the US, Malaysia, Egypt, Zimbabwe, Botswana — all over — to develop what could be best for our country I believe in modelling SA rather than taking one specific country because of the imbalances created by apartheid, which make SA totally different

Why Zimbabwe? Have you tried to make a call there lately?

Zimbabwe may lack investment but its management structure is efficient and it provides very good training

You point out that a tiny percentage of blacks have access to phones. If Telkom has done such a bad job over the years, what makes you think it's going to change?

The NP government is responsible for policies that deprived our people of telephones There will be a reconstruction programme There must be efficiencies in management structure and they must deliver. When some senior Telkom authorities go on pension next year, young people should come in and revolutionise the management system of Telkom so it can be able to compete, so it will become known in the southern hemisphere and be a hub in southern Africa. There is a need for people with energetic strength, enthusiasm, good spirit and dynamic management skills

Will there be affirmative action?

Telkom has some good people and a lot of dead wood, no doubt Telkom is all white and male in senior management That will have to change It will have to put women and blacks in there Productivity and efficiency should lead us to a new democratic SA and into the next century

Are you interested in Danie du Toit's job as MD of Telkom?

I'm not interested in any job I work for the ANC and I will continue to work in the ANC and trade union structures I am a grassroots worker

Tractor sales rise expected to go on

JOHN DLUDLU

RECENT good rains and an upturn in the agricultural sector could see the current growth in tractor sales sustained in 1994, an industry spokesman said yesterday B/DAY 17/11/93

September tractor sales, at 306 units, were 48% higher than the same month in 1992. Sales for this year's first nine months rose 30% to 2 112 units compared with last year's 1 631 (1992).

Massey-Ferguson business manager Chris Heunes said agricultural producer prices, especially for maize and wheat, had shown a good improvement.

Another factor was that recessionary conditions in the 1980s had forced farmers to stretch their capital equipment replacement period from five to 14 years. "As a result I don't think they have much choice. They just have to buy new tractors," Heunes said

Ford sales director Bunty Raphael said year-on-year unit sales should increase to 3 000 this year, from last year's 2 200.

This year's demand had exceeded supply. "The industry did not anticipate this substantial growth in demand"

He expected this year's demand to spill over to 1994, boosting unit sales to 3 500 (500 units up from this year's projected figure)

Tractor sales had shown a consistent upturn for the past six months, but were still short of the sales of 14 000 a year recorded during the '70s.

In 1981, a peak year for the industry, unit sales surged above 20 000. The boom ended in 1983

Fritz Korte, MD of Cape Town diesel engine manufacturer ADE MD, was "cautiously optimistic" about a turnaround next year, predicting unit sales would rise to just above 3 000 this year.

He said the market was still vulnerable to possible shocks from the uncertain political climate, which could cause farmers to shelve replacement plans.

He expected the political climate and a slump in markets such as the sugar industry, to dampen the recovery next year, resulting in "pretty much the same" improvement next year.

Sales growth might also be offset by a recent trend of buying fewer big tractors rather than many small ones

FM 19/11/93 (192)

MOTOR INDUSTRY
FM 19/11/93

Entering a new phase

One of the purposes of Phase Six of the local content programme for motor vehicles was to save foreign exchange, but all it has really done since its inception in the mid-Eighties is fuel the fires of inflation

The falling value of the rand, particularly against the D-mark and the yen, increased the cost of imported components And as the price of the imported components rose, so did the duties on them Together, these raised the value of the imported content in the completed vehicle and decreased the local-content percentage by value (192)

To compensate, manufacturers sometimes increased the prices of their vehicles to increase the value of the local content because profit is counted as part of local content under the rules They also exported vehicles, sometimes at a loss, to earn foreign exchange to offset their increased cost and use of foreign exchange To recoup those losses, they increased their prices again

This spiral riled Finance Minister Derek Keys, who formed the Motor Industry Task Group about a year ago to establish a Phase Seven plan for the industry At the back of his mind, no doubt, was that with the lifting of sanctions, SA will also have to lift the protection afforded its manufacturers

He wants to transform the industry into an internationally competitive supplier of vehicles and components But the automobile manufacturers, sheltering behind some of the highest protective duties in the world, form an easy target for an angry response, and possible retaliation, from trading partners negotiating Gatt

SA's current offer to Gatt is a 50% duty on motor vehicles and 30% on most components, with an eight-year phase-in period

The task group is chaired by Derek Riley, former chairman of Midas, and consists of the National Association of Automobile Manufacturers of SA (Naamsa), the National Association of Automotive Component & Allied Manufacturers (Naacam), the Board on Tariffs & Trade, the Motor Industries Federation, unions and the IDC

The group must submit its report to Keys early next year and its recommendations will have to be implemented before the end of next year if SA is to comply with Gatt requirements The group has had many meetings, including a two-day *bosberaad* in the Magaliesberg There has been progress but members are extremely tight-lipped about what has been achieved

All Riley will say is that "the next step won't be called Phase Seven — it will be called the Motor Industry Development Programme " Naamsa's Nic Vermeulen says "it is expected that the current local content programme for SA-made vehicles will be replaced by a tariff-driven programme " This will conform with Gatt rules

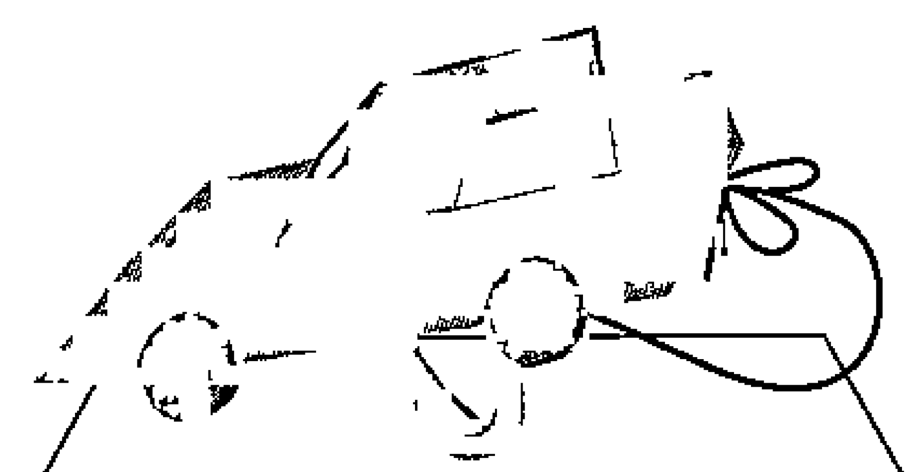
The other issues Keys wants the group to address include the affordability of vehicles, ways to stimulate growth in the motor and allied industries, the development of technology and training, and, seen against the backdrop of the falling rand, the preservation of foreign exchange He accepts that in the short term there could be job losses, but over time the industry should be able to offer more jobs

Naacam president John Brandtner is the most outspoken member of the group Addressing his organisation recently, he said the task group will have to create a model that will rationalise the motor industry He said SA cannot afford a situation where, in a market that absorbs 200 000 cars a year, seven manufacturers produce nearly 40 different models

He reasons that by making fewer models, manufacturers' production runs will be longer, which will allow them to reduce prices Atlantis Diesel Engines' MD Fritz Körte is a keen supporter of this concept, which he says is used in Australia "and is the only way we can compete with the great manufacturers of the world "

Riley, who visited Australia with two other task group members, believes the task group also will have to press for the lowering of tariffs across the board, from raw materials to completed vehicles, emphasise the importance of investment, training and research & development, and encourage trade between local manufacturers and their overseas principals and licensors

Brandtner warns, however, that the process of rationalisation and weaning away from protection must be well managed "The transition to a new dispensation for the automotive industry will not be painless There will be casualties among component producers and possibly even among vehicle manufacturers " ■



October vehicle sales

Cars		Total	%*
[illegible]	Corolla 3 499, Camry 1 158, Cressida 2, other 28	[illegible]	27,5
[illegible]	Citi/Fox 1 557, Golf /Jetta (new) 1 356, Golf /Jetta (old) 222, Audi 123	[illegible]	19,1
[illegible]	Mazda 323 838, Ford Laser/ Meteor 634, Mazda 626 (new) 540, Mazda 626 (old) 3, Telstar 450, Sapphire 22, Sierra 13	[illegible]	14,7
[illegible]	Sentra 1 288, Fiat Uno 757, Maxima 115, 200SX/300ZX 7	[illegible]	12 7
[illegible]	Kadett/Astra 1 315, Rekord 118, Kadett/Monza 90, Calibra 31	[illegible]	9,1
BMW	3 Series 1 137, 5-Series 295, 7-Series 35, other 1	[illegible]	8,6
M-Benz	Honda Ballade 851, M-Benz W124 455, W201 58, W140 38, W126 1, other 13	1416	8,3

*% of the total car market

	1993	1992	% Change
October	17 050	17 035	+0,1
Jan – Oct	164 058	154 244	+6,4
September (17 756) – October			-4,0

Light commercials

Toyota 3 018 (36,1% of the market), Nissan 1 854 (22 2), Samcor 1 726 (20,7), Delta 1 173 (14,1), VW 532 (6,4), AAD 43 (0,5)

October	8 346	8 597	-2,9
Jan – Oct	81 [illegible]61	78 011	+4,3
September (8 52[illegible]) – October			-2[illegible]

Medium commercials

[illegible] ,3) Delta [illegible] (1[illegible] 6), Nissan 24 (10,4) M-Benz 14 (6 1) [illegible]

October	231	298	[illegible]5
Jan – Oct	2 530	2 800	[illegible]
September [illegible] – October			-24,[illegible]

Heavy commercials

M Benz 184 (42 4 [illegible] Nissan [illegible]9 (20 5) MAN 23 (5 3), Toyota 75 (17,3) Delta [illegible] Erf 16 ([illegible] T[illegible]co 14 (0 2), Iveco 1 (0 2), AAD 1 (0,2)

[illegible]	1[illegible]	4[illegible]	[illegible]
[illegible]	[illegible]	4[illegible]	
September [illegible] – October			[illegible]

Total vehicle sales

[illegible] 30,9[illegible] Samcor 4 [illegible] (16 4) Nissan [illegible] 15,9), VW [illegible]90 (14,5), Delta 2 790 (10 7), [illegible]

October	[illegible]61	26 427	[illegible]
[illegible]	[illegible]2 002	239 590	[illegible]
[illegible]			

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Car-price rises to move into lower gear

SI Times (BUSS) 21/11/93

BY DON ROBERTSON

NEXT year's car price increases are expected to be an average 10%, substantially lower than 1993's 17%.

The main reason for the substantial 1993 increase was a sharp deterioration in the value of the rand against the Deutschmark and, especially, the Japanese yen, the two countries from which components are sourced. (192)

Requests from Business Times for price increase forecasts for 1994 brought responses ranging from 5% to 12%.

Toyota raised prices by 2% for passenger cars and 3% for commercials at the beginning of the month This takes the increase for the year to 17%, with the company absorbing some of additional costs It is targeting an increase of 10% in 1994, with a maximum of 12%.

Nissan lifted prices by 2,85% this month for a total of 17,5% for the year The company is forecasting a further decline in the rand against the yen and expects 1994 price rises of about 12%

Volkswagen raised prices 12,6% for the year after a 2,9% rise this month It hopes to keep rises this year to between 7% and 10% BMW models went up 2,9% in October for a 13,7% rise for the year. It hopes to hold price rises to 5% next year

Mercedes-Benz is charging 2,9% more for its Honda range from this month, taking the increase for the year to 15,3% The increase for 1994 will be within the inflation rate Mercedes-Benz models are now 8,6% more expensive than at the beginning of the year and will probably rise by about 10% in 1994.

Delta moved prices by 2,2% on passengers and 2,4% on commercials this month for an 11,4% and 15,4% increase for the year. It forecasts a 10% rise in car prices and 12% for commercials next year.

Samcor expects to hold price rises to about 10% in 1994.

Motor industry seeks new deal

■ BY DEREK TOMMEY

The motor industry wants its long-term development to be based on the Australian industry assistance package, says Derek Riley, chairman of the Motor Industry task group.

The task group is proposing that the maximum tariff on imported completely built-up car units (CBUs) should be reduced from the present 100 percent plus a 15 percent surcharge to 50 percent by the year 2002. Star

It is also proposing that the tariff on completely knocked-down components be reduced from the current 50 percent to 30 percent over the same period. 25/11/93

The new programme will include a duty-free allowance, possibly 15 percent to 20 percent initially, coupled with a mechanism penalising low-volume models by reducing the allowance. (192)

Exporters will be able to earn credits enabling them to import CBUs or components free of duty.

Some manufacturers under threat

Plan unveiled to remodel motor sector

BIDay 25/11/93

EDWARD WEST

THE motor industry task group yesterday recommended sweeping changes to the industry, which would cut the number of model ranges and could sound the death knell for some manufacturers. (192)

The task group, which was established by government, recommended that the industry's long-term development be modelled on the Australian motor industry's assistance package.

Task group chairman Derek Riley said the number of models needed to be substantially reduced if the SA industry was to remain competitive. The task group would probably recommend that the new programme be implemented on July 1 1995

The "Australian Plan" successfully rationalised that country's motor industry by reducing the number of manufacturing groups from five to four, and the number of locally produced models from 13 to six

"The average production volume per model increased 45% to 48 000 in 1993 from 33 000 in 1988, but the volume per plant remained more or less static as imports increased their market to 35% from 20% in a depressed market," Riley said.

By contrast, seven manufacturers in SA made 277 000 cars and light commercial vehicles in 1992, an average of 40 000 a manufacturer and 8 000 a model.

The industry was also highly protected with a 100% tariff and a 15% surcharge on fully built imports (CBUs). In the local content programme, assemblers were also protected by 50% duties on complete knocked down (CKD) imports.

Riley said the task group envisaged two new tariff-based development programmes, one for cars and light commercial vehicles and one for heavy and medium sized trucks

Its GATT offer proposed a reduction in the tariff on CBUs to 50% by the year 2002 and to 30% on CKD component imports by the same year.

The new programme would include a duty-free allowance for local manufacturers — to an agreed percentage possibly between 15% and 25% initially — coupled with a mechanism that penalised low volume models by reducing the allowance

An export facilitation scheme under which an exporter would earn credits enabling him to import CBUs or components free of duty would also be proposed. This measure would be valuable to manufacturers with the potential to export into the international markets, while importing low volume CBU models.

The task group — consisting of representatives from government, labour and

☐ To Page 2

Motor sector

B/Day 25/11/93 ☐ From Page 1

motor and component manufacturers — would also propose the formation of an Automotive Industry Authority (AIA)

"Progress in terms of rationalisation, quality and efficiency under a new development programme will have to be monitored and the programme adjusted from time to time. While it is necessary to keep prices under pressure, the idea is not to decimate either the assembly or component sectors," said Riley. (192)

The AIA should be state funded, independent of any government department and report to the Trade and Industry Minister.

The Australian plan was aimed at developing an internationally competitive industry through a restructuring of the industrial protection package to introduce more imported competition into the market, rationalise production and improve efficiency and quality

Negative aspects of the programme in Australia involved the slow progress towards international competitiveness, job losses and greater than expected import growth Cars became better value for money, but not really more affordable Australian industry profitability was still low and was still a net forex user.

BRIAN PORTER

FM 26|11|93

Dwindling returns

On the face of it, shareholders should wind up the business, take their capital and invest elsewhere for a better return That may sound harsh, but consider the facts in the table. while pre-interest profit has remained static, EPS have fallen steeply Debt has risen from about R11m in 1990 to almost R18m Shareholders' interest is steadily declining, as is return on capital (192)

Net asset value has risen gradually, but the share price has declined to 300c as EPS fell There is some consolation in net worth appreciation, though that assumes the direc- cont → pull

FM 26 11|93 (192)

Activities: *Sales and service of new and used motor vehicles*
Control: *Directors*
Chairman: *B B Robinson, MD A M Porter*
Capital structure: *2,8m ords Market capitalisation R8,5m*
Share market: *Price 300c Yields 2,6% on dividend, 6,6% on earnings, p e ratio, 9,1, cover, 2,5 12-month high, 390c, low, 275c Trading volume last quarter, 10 000 shares*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	7,0	8,9	13,8	15,5
LT debt (Rm)	3,8	3,9	3,8	2,4
Debt equity ratio	0,49	0,55	0,71	0,58
Shareholders' interest	0,37	0,36	0,33	0,30
Int & leasing cover	2,5	2,5	2,0	3,8
Return on cap (%)	13,4	11,4	10,1	8,6
Turnover (Rm)	286,6	307,2	340,8	420,9
Pre-int profit (Rm)	7,9	7,4	7,6	7,6
Pre-int margin (%)	2,7	2,4	2,2	1,8
Earnings (c)	91,4	78,2	63,4	32,9
Dividends (c)	25	21	18	13
Tangible NAV (c)	769	809	855	924

tors' assessment of market value of properties is realistic

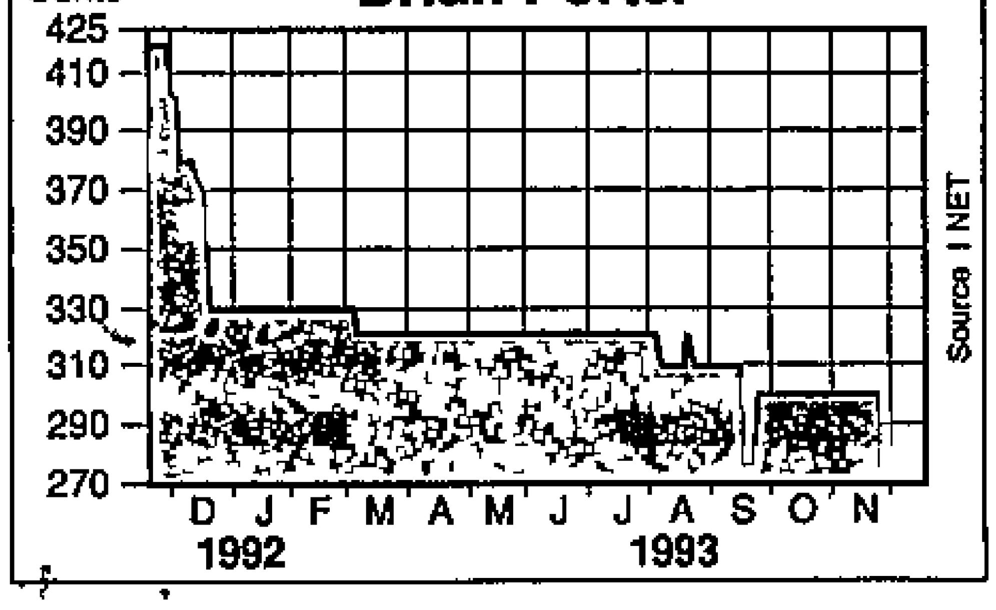
The book value of properties is R10,7m, whereas the directors say the market value is R21,3m That difference boosts net worth to 1 297c instead of 924c But if the wound-up value of the business, after all associated costs, amounted to no more than R10 a share and that was invested to yield 10%, the after-tax return of, say, 6% would still be about 80% higher than shareholders are now enjoying And the risk would be considerably less than that which attaches to a capital-intensive business operating on a margin of 1,8%

Of course, it doesn't really work like that, but the average shareholder in Porter (like other motor company investors), has had a rough ride over the past 10 years The motor industry has been through a particularly tough time over the past decade Until consumer demand picks up, earnings are unlikely to improve much

Porter at least gained market share by increasing its turnover 23,5% in the past year. However, judging by year-end stocks, which rose 16% to R57m, and the thinner margin, that success was earned at a high cost It resulted in higher interest payments, even though suppliers provided much of the finance

A high (70%) tax rate pulled after-tax earnings down 46% This arose because R673 000 additional tax was paid after a dispute about a film scheme investment

Now that the motor industry seems to have turned the corner (in the past three months, month-on-month sales figures have



(192)

increased each month) the worst could be over In addition, management has recognised the company has been too dependent on debt Chairman Brian Robinson says a "conscious restructuring" of the balance sheet has begun

This may be the time to buy for recovery, but bear in mind the shares are seldom traded

Gerald Hirshon

AUTOQUIP
FM 26/11/93.

Squeezed margins

For this motor parts distributor and retailer, squeezed margins are indicative of the highly competitive industry in which it operates and the cost of chasing market share Despite a 13,8% increase in sales to R60,1m, Autoquip's reaction to price cutting and stock liquidations by competitors narrowed its margins from 7,2% to 4,7% in the year to

(192)

Autoquip's Coquelle *margins should improve*

FM 26/11/93

Activities: *Wholesale distribution of automotive accessories, tyres and select replacement parts.*

Control: *Directors 38,2%.*

Chairman & MD: *B D'A Coquelle*

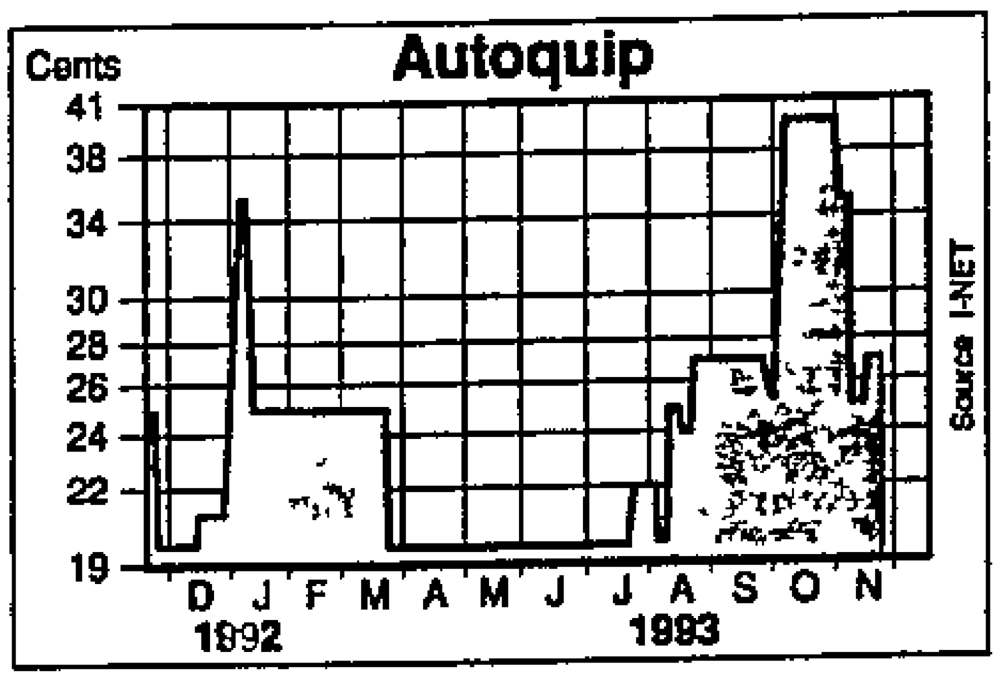
Capital structure: *10,9m ords. Market capitalisation R2,7m*

Share market: *Price· 25c Yields· 26,7% on earnings, p e ratio, 3,8 12-month high, 40c; low, 20c Trading volume last quarter, 592 000 shares*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	4,4	4,1	4,8	2,7
LT debt (Rm)	0,37	0,26	3,6	3,0
Debt equity ratio	0,53	0,45	1,30	0,98
Shareholders' interest	0,37	0,38	0,25	0,26
Int & leasing cover	4,3	3,1	2,0	1,8
Return on cap (%)	22,8	19,6	12,1	9,5
Turnover (Rm)	44,5	50,0	52,8	60,1
Pre-int profit (Rm)	5,2	5,0	3,8	2,8
Pre-int margin (%)	11,8	10,1	7,2	4,7
Earnings (c)	13,1	11,1	6,8	7,2
Dividends (c)	5,0	5,0	2,5	nil
Tangible NAV (c)	53,8	60,0	71,1	71,4

June 30. Operating income fell by a quarter to R2,8m

Chairman and MD Bruce Coquelle says effects of the low level of new vehicle sales were worsened because most were being sold to fleet owners or sold under full maintenance programmes. these vehicles are normally serviced by franchise dealers who source their parts requirements direct from the vehicle maker



Falling interest rates and a R2,6m reduction in debt cut the interest bill to R1,6m (1992. R1,9m), but pre-tax profit still fell by a third to R1,2m.

The lower effective tax rate of 14% (43%) helped, but attributable income of R783 000 was down 14%, continuing the steady decline begun in 1989 EPS were higher at 7,2c (6,8c) because the issued shares were reduced by conversion of ordinary shares into convertible redeemable prefs.

An additional tax payment incurred on a film investment resulted in an extraordinary charge of R751 000.

Benefits of restructuring to ease pressure on margins have yet to flow through. Despite effective asset management, a low write-off of bad debts and strict control on expenses, return on capital deteriorated further; at 9,5% returns are far below 1989's 25%. Return on equity has dropped from 34% to 10%

Divisional figures are not disclosed, but Coquelle says the Partquip division achieved a small gain in market share while Autoquip, the accessory & tyre division, maintained its share despite a poor performance. The division, he says, has been refocused into a consolidated niche market business and benefits of rationalisation are expected during 1994

(192)

Performance of Partco, a specialised distributor of quality automotive parts, was inhibited by lack of stock to support increased sales. Coquelle says the problem has been addressed and this, with better prices based on volumes, should improve margins.

At 25c, the share price is off the 40c peak set early last month The p.e of 3,8 reflects the difficult trading conditions and investor perceptions of poor earnings potential this year.

Marylou Greig

FM 26/11/93

LABOUR FM 26/11/93

Back to basics

Motor industry employers are hoping a united front will give them more clout with unions in negotiations

Vehicle assemblers have until now all sent their own representatives to negotiate individually at the industry's National Bargaining Forum Despite loose attempts to bargain as a team, they have often spent as much time negotiating among themselves as they have with union representatives (192)

Stegmann

The final straw occurred at the end of this year's annual bargaining round when, after the agreement was printed and everyone had gathered in Port Elizabeth to sign, MAN Truck & Bus announced it did not like parts of the agreement The result nothing was signed and everyone went home

George Stegmann, new chairman of the employers' negotiating organisation, Ameo, concedes that this fragmentation has weakened the employers' bargaining position with the industry's two unions, the National Union of Metalworkers (Numsa) and Yster en Staal The unions, while often benefiting from the lack of their opponents' consensus, have also expressed frustration

That's all changing, says Stegmann, who is also human resources director at Delta Motor Corp Employers have agreed that in future they will be represented by a streamlined negotiating team with a mandate to take decisions on their behalf

Ameo represents nine companies. Toyota, Mercedes-Benz, Nissan, Delta, Samcor, BMW, VW, MAN and AAD (which distributes Leyland vehicles) "In future we will negotiate collectively as Ameo and not as individuals," says Stegmann. "Where there are disagreements, we will resolve them among ourselves before going to the negotiating table." To achieve this, Ameo is appointing a full-time chief negotiator to co-ordinate employers' actions in talks with unions (192)

Whether nine competitors can reach consensus remains to be seen Even Stegmann admits it won't be easy. "There's a hell of a lot of work employers will have to do, like mandating and better communication within Ameo ranks And we certainly need better negotiating disciplines than we have seen in the past "

He adds that employers want to move away from the loose forum structure and into a formal industrial council for the car assembly industry "We have had one or two false starts in the past, but now we want to pursue an industrial council structure."

In general, Stegmann believes employers and unions are increasingly finding common ground. On the union side "there is a recognition that as the industry strives to become world competitive and efficient, there will be a fallout of jobs." In return, employers accept the need for industry funds to support retrenched workers and train them with marketable skills

He is optimistic that the antagonistic relationship of the past, which led to a string of disputes, is on the way out He hopes that once the April general election is over and a new government in power unions will adopt less of a political role and more of a "workerist" one

"Numsa won't ignore political issues but I believe its focus will change and it will concentrate more on human resources issues," says Stegmann Of course there will be continued disagreements. "It's naive to suggest it's an easy process We will stumble and fall along the way But for the first time we seem to be getting to grips with key issues " ■

Motor industry proposals likely next year

EDWARD WEST
and JOHN DLUDLU

FINAL detailed proposals for the long-term development of the motor industry were likely to be completed by the end of the first quarter of 1994, industry sources said yesterday

Polled on the motor industry task group's recommendation that the "Australian strategy" be used to model the sector's future, most agreed that, in the longer term, the move would make the industry more internationally competitive

The task group unveiled its recommendations on Wednesday

They included cutting the number of model ranges available in SA and the possible limitation on the number of motor manufacturers

The sources said industry employment would stabilise over the longer term and the new programme would be much easier to administer than the current Phase VI local content programme

A cut in the number of locally produced models would not limit the number available to consumers as the programme would stimulate low-volume niche market imported models and local production of higher-volume cheaper models

A chief concern among those polled was that the programme would not address the vehicle affordability crisis in the short term

The length of time taken in Australia for benefits from the programme to be felt was also of concern

The sources said Australia was only now becoming internationally competitive — eight years after following the industry restructuring programme

The possible closure of some manufacturing operations because of the programme could have a devastating impact on some regions

Government would also have to approve the final recommendations when they materialised, the sources said

BDAY 26/11/93 (192)

Car sales expected to outstrip forecast

B/Bay 29/11/93

EDWARD WEST

MOTOR industry retail trading revenue in 1994 was expected to accelerate above the forecast 13% growth this year as a result of higher new and used vehicle sales, said Econometrix economist Tony Twine

Total motor retail industry trading turnover was expected to climb 13% this year to about R44bn from R38,94bn last year

Twine attributed the growth to a moderate increase in new car sales, price increases and a slight change of sales mix to higher-priced passenger vehicles from light commercial vehicles

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Vehicle price increases next year were expected to be lower than in 1993 and the changed sales mix would continue boosting turnover The upward trend in vehicle unit sales was also forecast to continue, he said.

Trading revenue from new vehicle sales was on target to increase 15% to about R15,5bn from last year's R13,52bn while revenue from used vehicle sales was expected to increase 13% to about R8,23bn from R7,28bn in 1992.

New vehicle retail sales revenue was forecast to grow nearly 20% in 1994 while revenue from used vehicle sales was expected to be grow by a slightly lower percentage

New vehicle trading revenue grew a robust 25% in the first half of 1993 over the same period last year

However, this was not expected to be sustained in the second half as it would be compared with a relatively high base of revenue growth in the second half of last year

Revenue from workshop activities fell in the first half of 1993 compared with the first half of 1992, but was expected to improve and result in a 5% increase for the full year to R4,44bn from R4,23bn in 1992

Spares and accessories sales turnover was expected to increase 13% this year to R8,69bn from R7,69bn last year, Twine said

Media move holds back Richemont

CT 2/12/93

By ARI JACOBSON

RICHEMONT's move into the media world way back in 1991 is continuing to hinder the group and this helps to account for the modest 2% increase in attributable earnings to £97m for the six months to September.

However buoyed by steady sales of luxury and tobacco goods and backed by favourable exchange rates in certain markets, operating profits rose about 10% to £294m

In addition profitability was helped by improved investment income, up 10,5% at £16,9m and a lower effective tax rate

Richemont bought FilmNet, the largest North European pay televison channel but subscriber numbers have continued to disappoint at a time when losses were being incurred, as the group developed SA FilmNet

MD Johann Rupert mentioned yesterday that "significant investment had been made in broadening the appeal of the station with among others sports and children's programmes"

He warned that "further investment is still required and additional costs are likely to be incurred"

However MD Johann Rupert pointed out yesterday that subscriber numbers are "now starting to grow satisfactorily".

Surprisingly the tail-end of the recession had little impact on the luxury goods division, now contained in the Vendome company, which increased operating profits by about 24% to £90m

Tobacco profits as reflected in Rothmans international increased by 12,3% to £1,2bn, with a decline in sales volumes balanced by the favourable exchange rate

These two divisions, representing the now simplified Richemont structure, helped lift the group's operating profit before tax by about 10% to £311m

Rupert added that "the restructuring of Richemont's tobacco and luxury goods interests has eliminated complex cross-shareholdings and the consequence will be improved transparency and comparability of financial information in the group"

Rupert forecasted that trading activities would be "difficult" in the next six months but still alluded to "satisfactory" financial results for the full-year to March

MBSA-Mitsubishi truck deal

JOHANNESBURG.— Mercedes Benz of SA (MBSA) has concluded a co-operation agreement with Mitsubishi of Japan to produce a one-ton pickup truck at the East London plant

(192) CT 2/12/93

The MBSA chairman, Mr Christoph Kopke, said production of the Mitsubishi L200 would begin in August next year and increase current production volumes by about a third.

JSE actuaries indices

	INDEX	PREV	MOVE	EARN YLD	DIV YLD
OVERALL	4209	4164	45	6,5	2,9
MINING PROD	3261	3212	49	6,3	3,4
COAL	2732	2732	0	15,8	4 9
DIAMONDS	15409	15093	316	7,5	3,0
ALL GOLD	1858	1826	32	5,5	3 5
RAND&OTHERS	617	612	5	9,2	4,7
EVANDER	1536	1536	0	7 1	3 8
KLERKSDORP	5248	5141	107	4 0	3,7
O F S	1110	1099	11	4,3	4 5
WEST WITS	2684	2627	57	6 3	2,8
METALS&MIN	1897	1892	5	4,8	3,3
COPPER	618	629	11	10,8	11 6
MANGANESE	3200	3200	0	4,1	2 2
PLATINUM	4494	4464	30	4 1	2 5
TIN	16	16	0	0,0	0 0
OTHER METALS	25	25	0	11 7	4,5
MINING FIN	5061	5013	48	7 0	2,9
MIN HOUSES	5335	5267	68	8 0	2,8
MIN HOLDING	1479	1477	2	4,7	3 0
FIN&INDUST	5702	5649	53	6,4	2 6
FINANCIAL	3687	3671	16	6 8	3,5
BANKS&OTHER	3811	3772	39	9,2	3 0
INSURANCE	3953	3960	7	3,5	2 5
INV TRUSTS	2127	2127	0	2,3	1 6
PROPERTY	345	344	1	11,1	8 7
PROP TRUST	135	135	0	12,3	12,3
PROP LOAN ST	340	340	0	8,8	13 3
INDUSTRIAL	4903	4851	52	6,2	2,4
IND HOLDING	4871	4804	67	6 1	1 9
BEV HOTL LES	11894	11566	328	4,2	2,1
BUILD&CONSTR	3708	3582	126	6,9	3,5
CHEM & OIL	1166	1151	15	11,1	4,5
CLTH,FOOT,TX	516	507	9	15,7	5,8
ELECTRON ETC	1386	1377	9	7 5	2,8
ENGINEERING	1526	1524	2	6 5	3 3
FOOD	6812	6804	8	5,0	1,8
FURN&HSEHOLD	567	557	10	9,8	3,4
MOTOR	2935	2935	0	13,2	2,9
PAPER&PACK	5334	5366	32	6 6	2 7
PHARM&MEDICL	1910	1910	0	4 6	1 9
PRINT&PUBLSH	10921	10921	0	7,3	2,2
STEEL&ALLIED	812	799	13	7,8	2,9
STORES	6071	6068	3	4,4	2,2
TRANSPORT	36825	37285	460	6,9	1,6

MOTOR INDUSTRY

FM 3/12/93

Bridging the efficiency gap

This market is too small for seven assemblers

192

The advertising campaign for Opel cars in SA promises customers "a sense of knowing" If so, it's the only such sense at large in the SA motor industry Rather, there is an overwhelming sense of uncertainty as the industry awaits the outcome of the government-appointed task group, which is finalising recommendations for a long-term industry strategy

The task group is basing much of its thinking on the experience of the Australian motor industry, where an assistance package was designed to rationalise production and improve efficiency and quality through exposure to imported competition

Previously, says the task group, the Australian industry imposed high local content requirements protected by tariffs that ranged as high as 90% Today the tariff on built-up cars and components is 32,5% The target is to bring this down to 15% by the year 2000

Like the Australian model, the aim of the SA plan is to encourage local assemblers to concentrate on high-volume vehicles, "discontinue inefficient domestic production of low-volume models and permit the importation of such models completely built up"

The Australian package reduced the number of manufacturers from five to four and the number of locally produced car models from 13 to six But it also had shortcomings, the SA task group admits Progress towards international competitiveness has been slow, industry employment has declined, imports rose quicker than expected, cars are no more affordable than before, industry profitability is low, and it is still a net user of forex

The existence of seven major vehicle assemblers already makes the SA market one of the most competitive But that is under controlled conditions which effectively exclude outsiders In future, local assemblers will have to compete on more equal terms with major international companies — which possess huge advantages in facilities, skills and unit costs

SA vehicle sales simply don't offer the volumes to make local companies competitive on costs Increasingly, exports will be the deciding factor in determining which companies last the course Some already admit that, without existing export earnings, they would be hard-pressed to survive

It is also clear that SA companies can't achieve those exports without international support from their foreign parents and source companies

The three German-owned companies — BMW, Mercedes-Benz and Volkswagen — are already enjoying the benefits of increased integration into their parents' worldwide manufacturing operations and the resulting access to new markets

The CE of one local German company suggests Japanese-sourced companies such as Nissan and Toyota, which are wholly SA-owned, will have to undergo "adoption" by the Japanese if they are not to slowly strangle to death A number of Japanese companies have already indicated they would like a stake in their SA licence-holders, though not outright control There are already signs they are becoming more flexible in permitting limited access to previously closed markets

Entry into world markets, even through a parent, isn't automatic however, success depends largely on bridging the gap between inferior SA and world manufacturing standards Mercedes-Benz local chairman Christoph Köpke says that, compared with Europe, SA's motor industry cost-efficiency, in particular, is "out of the ballpark"

Herbertson

Hagemann

Local BMW chief Rainer Hagemann says a relatively recent comparison between identical 3-Series models in Germany and SA revealed the SA version cost R10 000 more to build Though that gap has subsequently been nearly halved, it must be closed before the local company can consider itself able to compete with the rest of the world

The pressure will be felt even more keenly as protectionist barriers come down For years, the industry has been cushioned by high tariff barriers to protect local content programmes designed to encourage self-sufficiency The current version, Phase Six, sets a 75% local content target on a value-based formula that takes account of forex spending, factory overheads and even wholesale profit margins

As an indirect form of export incentive — the motor industry does not benefit from the General Export Incentive Scheme — export earnings also count towards local content Those companies that fail to meet the 75% target must pay excise penalties

Constant tampering with Phase Six has also created patchwork legislation that is subject to abuse A new programme must be transparent and easily administered, says the group, which is compiling two sets of recommendations — one a long-term strategy, the other an interim set of adjustments to Phase Six

Current task group thinking is that there should be two separate long-term programmes — one for cars and light commercial vehicles, the other for medium and heavy commercials That for cars will probably be ready early in the new year The other will take longer

Main elements of the group's recommendations on cars and light commercial vehicles are likely to include a duty-free allowance, maybe 15%-20% initially, on high-volume models, to be reduced on low-volume ones

"An export facilitation scheme, under which an exporter will earn credits enabling him to import completely built-up vehicles or components free of duty, will also be prepared," says the group

For now, the local car market is shielded by tariffs which effectively penalise built-up imported cars by 115% and components by 50% Gatt permitting, the task group suggests it would like protection reduced over eight years to 50% on fully assembled cars and 30% on unassembled components The reductions would be phased in from January 1 1994

But will Gatt bite? Mercedes' Köpke has his doubts "In no Gatt member countries, to my knowledge, has any motor industry got that kind of protection" Companies accept they will have to reduce the number of models and variants they build By most estimates, the car market by the year 2000 will be 70% local production, 30% imports

Even then, slowly improving domestic sales won't provide the volumes needed to bring unit costs down to world levels By one reckoning, local producers would have to at least match domestic sales with exports

There seems to be little doubt that some SA assemblers won't adapt easily to a new era of intensified competition and casualties may occur It is thought at least two could fail to make the transition — or they will have to undergo radical transformation

Who will they be? Realistically, none of the seven — BMW, Mercedes-Benz, VW, Toyota, Nissan, Samcor and Delta — can feel safe According to Samcor MD Robert Herbertson, "we are all at risk for one reason or another" Some — in particular Samcor,

FM 3/12/93 (192)

Mercedes-Benz and possibly Delta — may feel more vulnerable than the others

But rationalisation need not mean complete withdrawal by an assembler Some analysts don't rule out two players joining forces, for instance, allowing one to concentrate on cars and the other on commercial vehicles, each under its own badges

Another option could be a contract-assembly venture with a foreign company, using spare capacity to build for domestic and export markets

The situation at BMW is indicative of the way things could change At present, the company builds a variety of 3-, 5- and 7-Series models Hagemann can foresee the day, not far off, when it builds a single variant of a single model — for instance, a four-door 316i manual sedan BMW SA would become the main international assembly base for that model, to supply BMW markets all over the world

The idea appeals to Hagemann "We want to concentrate on one model and build that in big numbers Once you have those volumes, you and your suppliers start to control costs and you're all able to go big into exports of built-up vehicles and components "

Given its current level of profitability and absorption into the global operation, BMW's future looks secure Yet Mercedes-Benz's Köpke warns "If you build only one model, your plant is extremely susceptible If it's the wrong model and doesn't sell, what then?"

Kopke agrees, though, that "our own integration into Mercedes-Benz worldwide is vital " The luxury car market in SA has shrunk drastically in recent years and there is talk of Honda, for which the company builds and markets cars, going it alone He admits his company would be "suspect" if it relied on cars alone Truck sales, especially to Africa, make the difference

Kopke should feel more secure after the signing in Germany this week of an agreement under which Mercedes-Benz SA will build the Mitsubishi L200 one-ton bakkie He says the vehicle will initially be for SA but there are plans to export to Africa later and eventually farther afield

The main cloud on VW's horizon is the temporary suspension of its biggest export contract Having won the right to supply nearly 30 000 Jettas to mainland China, it has halted shipments because of a shortage of foreign exchange in that country

The suspension is a painful blow Having earned over R1bn from exports since the introduction of Phase Six four years ago, foreign business is central to VW's success It has admitted before that the domestic market alone isn't enough to carry the company in its current form

In addition to other export ventures, chairman Peter Searle is continuing to punt for the SA company to become the world source plant for right-hand-drive Audis

A windfall agreement like that could make a world of difference to long-term confidence at the SA company — particularly when the German parent is undergoing difficulties of its own and reviewing international business plans

Samcor, which builds Fords and Mazdas, seems to have most to worry about The group has never been the success that Anglo American hoped it would be when Anglo took over most of disinvesting Ford's share in the Eighties As the former exclusive assembler of Mitsubishi products in SA, Samcor's confidence won't be helped by the news that Mercedes-Benz is to build Mitsubishi bakkies locally

Lack of profits continues to disappoint, though the main reason, says Herbertson, is the drain on revenues through Phase Six excise duties Without these, "Samcor would be more than acceptably profitable " On the credit side, competitors speak admiringly of productivity improvements at Samcor If only it had the volumes to take advantage, the company would be doing well

Also to be considered is what pressure is put on Anglo by a new government to shed some of its enormous holdings, through mooted antitrust legislation or other means Mazda Japan has spoken of a stake in Samcor, but whether it or Ford wants greater involvement is open to question

Japanese investment has also exercised the minds at Nissan and Toyota, wholly owned SA companies with licensing agreements from Japan and both often frustrated in the past by the slow pace of export opportunities

Nissan CE John Newbury says Japanese companies have begun to accept it makes sense to source more from countries with weak currencies and, therefore, lower costs "Nissan in Japan is keen to bring us into their worldwide operation," says Newbury "It is determined that companies like ours will increase our responsibility for distribution beyond existing markets "

One natural area would be Africa All SA's vehicle assemblers are moving aggressively into this area with the blessing of foreign source companies, who acknowledge that SA is the natural base for supplying much of the continent and its vehicle design needs In truth, though, Africa alone won't guarantee the required volumes

Newbury has broader ambitions He believes Japan could eventually allow Nissan SA to build a limited range of high-volume vehicles for other international markets "I think it sees us as one of the three main production bases for certain vehicles Customers would have the choice of sourcing from us or one of the others "

Nissan Japan has admitted it would like to buy in once SA's political and economic upheavals are over Newbury thinks such a stake could go as high as 40% Nissan SA is owned by Sankorp, the investment arm of Sanlam, which may also be vulnerable to antitrust pressures

Market leader Toyota comes closest to the volumes needed for self-sufficiency But even CE Bert Wessels acknowledges that plenty has still to be done, including upgrading the Durban plant to international standards He says there are no plans for Japanese investment but there is a need for co-operation and for model rationalisation

Delta, despite its remarkable record since the management buyout from General Motors (GM) seven years ago, will always look susceptible, if only because of its limited market share

The export encouragement of Opel in Germany and of GM is bound to underpin its operations in the future Delta management, which has steadfastly refused to discuss buy-back clauses in the original purchase deal, won't comment on a limited reinvestment by GM, but that would evidently reinforce the company's long-term prospects A softening of Isuzu's stance against Delta exports to Isuzu markets beyond Africa is also important

But, given all that, survival will require sufficient concentration on efficiencies by each company to ensure that the short-term shocks of diminishing protection can be withstood so that longer-term advantages are secured And, even with sophisticated management, that won't be easy ■

STATEMENT ON TONY HEARD

The *Financial Mail,* in a leading article on January 17 1992, referred to the "somnambulant editorship" of Mr Tony Heard, former editor of the *Cape Times,* in a criticism of his views on newspaper unbundling

The article further observed "perhaps he just wants a job," and added, "Heard clearly lacks the insights of a working newspaperman "

These personal comments should not in any way whatsoever be construed as reflecting on Heard's professional capacity as an editor and as a working journalist

The *Financial Mail* would like to point out that it had no intention to make such a reflection and in so far as the comments might be so construed, it unreservedly withdraws them

The *Financial Mail* recognises that Heard was the longest serving editor of a major daily in the country when he left the *Cape Times* in 1987 and that in the closing years of his editorship he was awarded the Golden Pen of Freedom from the international newspaper publishers' body (FIEJ), the Pringle Award from the South African Union of Journalists and, in 1987, the *Cape Times* won the Frewin Trophy, awarded annually by the Newspaper Press Union for excellence in production and appearance

METJE & ZIEGLER Fw 3/12/93

Little relief

Activities: *Retails a range of products and holds the franchises for Mercedes-Benz, Honda, Audi & VW vehicles and property interests in Windhoek* (192)

Control: *Directors 83,9%*

Chairman: *E P H Bieber, MD A M Behnsen*

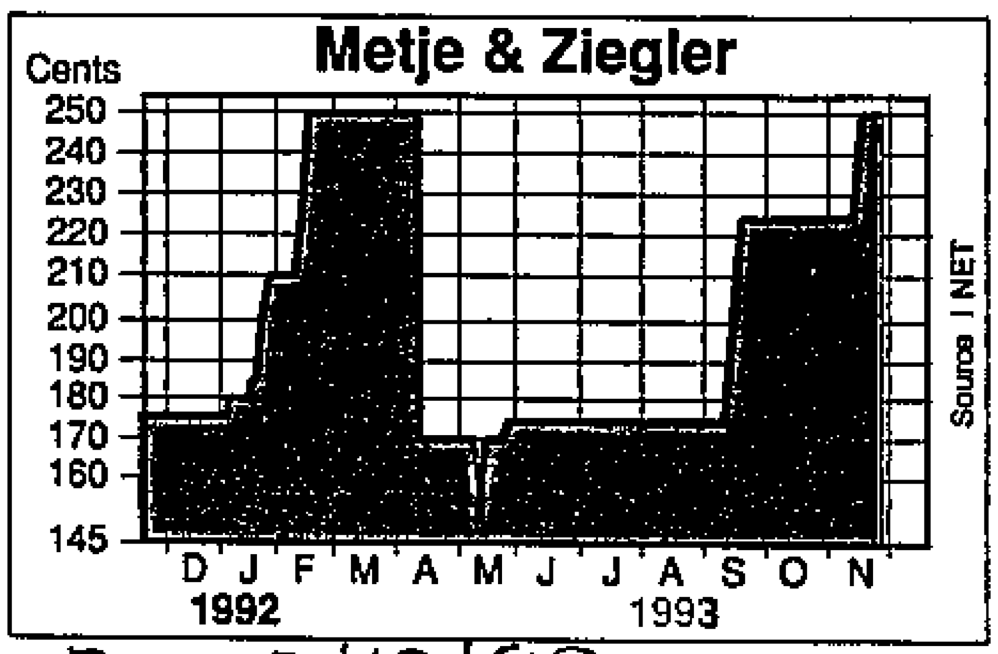
Capital structure: *3,5m ords Market capitalisation R8,8m*

Share market: *Price 250c 12-month high, 225c, low, 150c Trading volume last quarter, 900 shares*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	10,4	9,0	4,2	5,3
Lt debt (Rm)	0,16	0,12	0,08	0,29
Debt equity ratio	0,35	0,31	0,15	0,18
Shareholders interest	0,58	0,56	0,55	0,56
Int & leasing cover	5 42	0,95	1,86	0,80
Return on cap (%)	8 3	3 5	4,8	2,4
Turnover (% change)	1,1	(2,1)	7,8	10,5
Pre-int profit (Rm)	4,2	1,8	2,5	1,2
Earnings (c)	45,2	(26,9)	18,4	(10,9)
Dividends (c)	10	nil	5	nil
Tangible NAV (c)	842	815	828	835

The 1993 year started with the promise of better prospects for Namibian group Metje & Ziegler Its 1992 report stated "M&Z would have a significantly better year (in 1993) the progress towards increased profits would be marked " But hopes — and profits — faded as the year progressed and final results showed a R251 000 operating loss

The expected turnaround of M&Z's hardware & building materials division did not



Fw 3/12/93

materialise Losses from general merchandise increased from R2,4m to R3,9m Chairman Peter Bieber says steps, including replacing top management, have been taken to address the lack of profitability in the division He says the relocation of retail, except for M&Z Sport, under one roof should bring much better results (192)

Motor divisions M&Z Motors and Autohaus Windhoek performed well Taxed contributions from them increased 17% to R2m Property continued to show satisfactory earnings but the contribution showed little growth at R1,5m (1992 R1,4m)

Though the trading operations made an overall loss, net income of R511 000 arose from the disposal of a property in Walvis Bay and one in Grootfontein as well as the disposal of the interest in an associated company for R127 000

Borrowings increased R1m and revolving acceptance credits rose R2m to R5m Gearing is a low 18% but there were interest payments of R1,5m on pre-tax losses of R301 000 — far from a healthy situation M&Z has battled with low profitability for years and harsh steps taken in the past to bring relief have been ineffective

There were six years of earnings growth in 1983-1989 but no resumption of this pattern since then It is hardly surprising the share has depreciated 200c to 250c in the past three years

Kate Rushton

Merc deal a harbinger of future motor industry

The future of South Africa's troubled motor industry may be presaged in the Mercedes-Mitshubishi deal: joint ventures and fewer players. Mondli waka Makhanya reports WM 3-9/12/93

(192)

THIS week's announcement of a joint venture deal between Mercedes-Benz and Mitsubishi Corporation to build a bakkie may be a glimpse into what the structure of the troubled South African motor industry might be when its overhaul is over

Players in the motor industry — including labour, components manufacturers and assemblers — are negotiating a rationalisation plan to save the industry. This will most likely entail the reduction of car manufucturers and the halving of models produced in the country.

Motor manufacturers have in the past few years come under immense pressure as import duties on imported vehicles and parts — designed to protect local industries — simply pushed prices of locally manufactured vehicles beyond the reach of middle income earners.

Over the past four years the situation has been compounded by the recession and vehicle companies have had to contend with declining demand, which is only now bottoming out Most manufacturers have been battered by this Mercedes-Benz admits to having had to write off a huge investment on a recent model which sold poorly

"Everybody realises that the industry is not able to maintain itself," says Econometrix analyst Tony Twine

Although sales are expected to climb to 1988 levels by 1996, financially the trade will still be in the doldrums "The next three years are going to be toughest season yet," warns MBSA managing director Christoph Kopke

The deal between Mitsubishi and Mercedes is to produce Mitsubishi's L200 bakkie at MBSA's East London plant Vehicles will also be exported to other countries on the continent Mitsubishi chose MBSA over Samcor, which already produces Mitsubishi vehicles in this country.

It formed part of a comprehensive co-operation agreement hammered out by Mitsubishi Motor Corporation and Daimler-Benz AG in Berlin This country will be a first site for tangible joint production between the two The L200 project will most likely be replicated elsewhere in the world.

Kopke said he envisaged a greater distance developing between his company's manufacturing and marketing arms, which would increasingly operate autonomously This would make it possible for MBSA's East London plant, which is operating at only 40 percent capacity, to manufacture cars for other producers

The agreement came immediately after the Motor Industries Task Group had issued a preliminary report recommending the effective 115 percent tariff on vehicles be gradually reduced to 50 percent by the year 2002 and the 50 percent duty on components be reduced to 30 percent over the same period This would be in line with South Africa's re-entry into the General Agreement on Trade and Tariffs. Coupled with this removal of protection would be a rationalisation of the local industry which would see the number of manufacturers drop from the seven to five and the number of models produced here from 34 to 15.

A lot of bargaining still has to be done before a deal is struck

The biggest losers from imported components may well try to get the most out of any rationalisation, as will motor manufacturers at the bottom end of the market who are most likely to fall victim to tighter conditions In the middle of all this will be labour, in one of the most heavily unionised industries

There will also be a lot of horse-trading and new tie-ups between various manufacturers in the fashion of the Mercedes and Mitsubishi deal.

A similar scenario is foreseen by Twine, who envisages a return to the 1960s position where motor assemblers built various models of cars for franchise operators.

Task group chairman Derek Riley says the group will not recommend any survival strategies for individual companies and will create a "simple and understandable framework"

"It is best to have as little central control as possible," he says

Atlantis Diesel wipes out deficit

Star 7/12/93

(192)

BY MARC HASENFUSS

Cape Town — Atlantis Diesel Engines (ADE) has reported better-than-expected taxed profit of R19,4 million for the year to June

The profit has wiped out ADE's long-standing deficit, putting the group on a firmer footing

The directors say waning diesel engine sales were offset by demand for replacement parts, more component exports and growth in the industrial engine market

Exports to South Korea, France, Brazil, Argentina and the UK were a record R50 million, making up nine percent of total sales

Exports are expected to show solid growth in the next two years

Threat of motor strikes spreading

B/D94 8/12/93

ERICA JANKOWITZ

THERE are fears that strikes at Toyota's Durban plants and Samcor's Pretoria plant, which started on Monday, might spread to other factories. (152)(192)

In a bid to prevent this, manufacturers and the National Union of Metalworkers of SA (Numsa) are to meet in Port Elizabeth today.

The unprocedural strikes were sparked by tax deductions from ex gratia payments to workers which were part of this year's national bargaining forum agreement, Numsa negotiator Gavin Hartford said.

Numsa believed the payment should be a type of donation and the companies should not deduct tax. The issue had not been resolved at negotiations, he said.

Toyota spokesman Roy Houghton said it was a statutory requirement to tax ex gratia payments. He confirmed about 5 000 workers in the company's Durban operations were on strike.

Toyota said the strike's effect on model availability would be negligible as the plant was due to close on Friday for the Christmas break.

Samcor spokesman Ruben Els said about 2 500 hourly paid workers had been on strike at the Rosslyn plant since yesterday morning, but were expected to report for work today in anticipation of a resolution being struck at today's meeting

Dip in new car sales for November

AUDREY D'ANGELO
Business Editor

NEW car sales were lower last month than in October — but well up on November last year Industry sources said the drop was seasonal and they expected a steady improvement in the new year

Sales of light goods vehicles followed the same pattern But sales of medium and heavy goods vehicles remained below those in November last year

Total new car sales last month were 16 189 compared with 17 050 in October and 15 642 in November last year They totalled 180 247 in the first 11 months of this year compared with 169 886 in the same period last year

Sales of light goods vehicles totalled 8 238 last month, compared with 8 346 in October and 7 934 in November last year

In the first 11 months of this year they totalled 89 599 compared with 85 945 in the same period last year

Medium commercial vehicle sales totalled 229 last month, compared with 231 in October and 276 in November last year They totalled 2 759 in the first 11 months of this year compared with 3 076 in the same period last year.

(192) CT 8/12/93

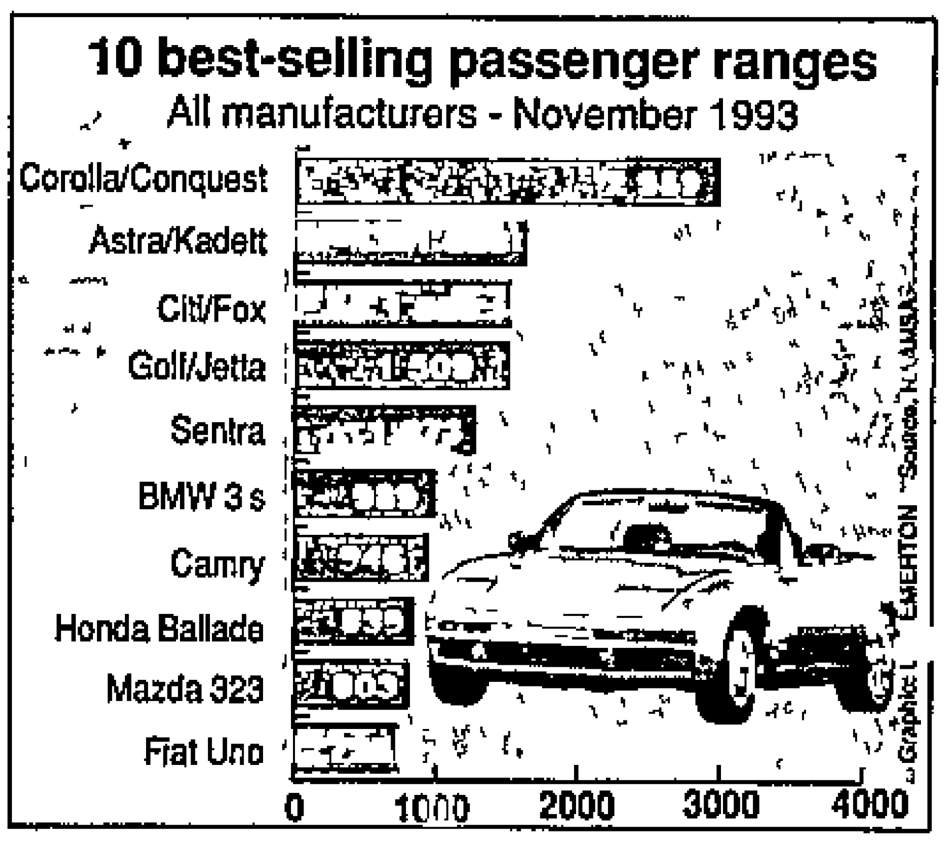
Heavy commercial vehicle sales totalled 482 in November, slightly up on the 434 reported in October but down from the 508 in November last year They totalled 4 565 in the first 11 months of this year compared with 5 043 in the same period last year

Brand Pretorius, MD of Toyota (SA) Marketing, said the "small dip" in car sales in November was expected and followed a seasonal pattern

"Our forecast for the year is that total passenger vehicle sales will be very close to 194 000

"A significant feature of the market in November was the share taken by small and light passenger cars

John Jessup, marketing director of Nissan (SA) Marketing said the figures "confirmed the market consolidation at current levels with volume 3,2% up on the same month last year but following the seasonality tyrend and falling 3,5% against last month's volumes



New car sales rise in November

JOHN DLUDLU

NEW car sales climbed in November in spite of low inventory volumes, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Sales rose 3,5% to 16 189 units in November against 15 642 units in November 1992. But sales were down 5% on the 17 050 units in October 1993. B/Day

Sales of new light commercial vehicles (LCVs) improved 3,8% to 8 238 units (1992: 7 934), while month-on-month sales softened 1,3% from October's 8 346 units

The medium and heavy commercial volume categories were under pressure in November. Medium commercial vehicle sales slipped 47 units to 229 compared with November last year, and were only two units over October's sales. 8/12/93

Heavy-duty trucks' year-on-year sales slipped 26 units to 482, but a month-on-month comparison showed a 48-unit rise.

Naamsa said replacement demand and the recent improvement in business confidence could maintain present levels of new car and LCV sales. (192)

Nissan SA's John Jessup said the figures confirmed that 1994 would see slow but steady LCV sales growth on the back of an expected continuation of a firm trend in GDP. "The improvement of agriculture conditions further supports sales of LCVs."

But excess capacity might put the brakes on sales improvement.

Market leader Toyota SA said the month-on-month total sales dip was a seasonal pattern.

Strike threatens motor industry

(192) (FSD) CT 9/12/93

Own Correspondent

JOHANNESBURG — THE car manufacturing industry throughout SA is likely to grind to a halt today after employers and workers were yesterday unable to reach agreement on tax deductions from ex gratia payments

Commenting on an emergency meeting called by the union yesterday, National Union of Metalworkers of SA (Numsa) negotiator ... Hartford said the union felt management had taken a short-sighted decision on the tax deductions, "given the fact that it would cost manufacturers somewhere in the region of R1,5m to R2m to pay workers' tax To date Toyota has lost about R9m as a result of its strike and Samcor about R5m"

Two Toyota plants in Durban and Samcor's Rosslyn plant were shut down this week as a result of the dispute Hartford expected workers from other manufacturers to down tools today "with the further prospect of not resuming work at the January start-up" after the Christmas break

Nissan MD and National Association of Automobile Manufacturers of SA vice-president John Newbury said Numsa's argument was spurious as it could not call a strike over every contentious issue and argue that strike costs amounted to more than the cost of reaching agreement on the union's terms

Commodity Index 1649,6

Vehicle sales still on rise

Star 9/12/93

BY JOHN SPIRA

Vehicle sales data for November offer added confirmation of an embryonic economic recovery.

Figures released by the National Association of Automobile Manufacturers (Naamsa) reflect sales of 16 189 units — 3,5 percent higher than in November 1992. (1992)

However, November car sales declined by 861 units (5 percent), compared with October levels.

The year-to-date figures are nevertheless encouraging, with 180 247 cars having been sold in the first 11 months of the year — 6 percent ahead of the 169 886 sold in the same 1992 period.

Naamsa expects the further recent improvement in business confidence levels, steady demand for new models and increasing replacement demand pressures will continue to underpin sales at present levels

True picture

Manufacturers are happy with the sales, pointing to the extension of the rising trend since May

Retailers, on the other hand, suggest that the figures fail to represent a true picture of the demand for vehicles.

As one large retailer told The Star last night "November sales would have been substantially higher had the manufacturers been able to supply us with our requirements

"We are experiencing no benefits from the economic upturn — not because the demand isn't there, but because we cannot supply our customers.

"It's time the manufacturers showed some guts by committing their resources to increased levels of production and to higher stock levels"

Talks over strikes at car plants

Star 9/12/93

■ BY PAUL BELL
LABOUR CORRESPONDENT

Motor manufacturers met the National Union of Metalworkers (Numsa) in Port Elizabeth yesterday in an effort to resolve a dispute that has brought Toyota and Samcor assembly lines to a virtual halt. (192)

The strikes at Toyota in Durban and Samcor in Pretoria entered their third day yesterday. Toyota decided to shut its assembly line three days early; it was due to close on Friday until January 11.

At Samcor, management and shop stewards issued a joint statement to workers this week that production should continue while the matter was being negotiated.

A spokesman said absenteeism yesterday morning had been unacceptably high, and there would be no production yesterday.

Other manufacturers have not been affected.

The issue — workers are objecting to tax deductions from an ex gratia payment — is a hangover from the main agreement between Numsa and the manufacturers on wages and conditions of service, reached in August.

Tax dispute likely to bring car manufacturing industry to a halt

B/Day 9/12/93

ERICA JANKOWITZ

THE car manufacturing industry throughout SA is likely to grind to a halt today after employers and workers were yesterday unable to reach agreement on tax deductions from ex gratia payments

Commenting on an emergency meeting called by the union yesterday, National Union of Metalworkers of SA (Numsa) negotiator Gavin Hartford said the union felt management had taken a short-sighted decision on the tax deductions, "given the fact that it would cost manufacturers somewhere in the region of R1,5m to R2m to pay workers' tax To date Toyota has lost about R9m as a result of its strike and Samcor about R5m"

Two Toyota plants in Durban and Samcor's Rosslyn plant were shut down this week as a result of the dispute. Hartford expected workers from other manufacturers to down tools today "with the further prospect of not resuming work at the January start-up" after the Christmas break.

Nissan MD and National Association of Automobile Manufacturers of SA vice-president John Newbury said Numsa's argument was spurious as it could not call a strike over every contentious issue and argue that strike costs amounted to more than the cost of reaching agreement on the union's terms. He felt workers stood to lose a great deal more than the tax deduction as some plants had been on strike for several days

"Taxing earnings is normal practice and we are bound by the fiscal laws of the country," he said. (192)

"The gratuity payment of about R300 a worker formed part of this year's wage agreement, but the issue of taxation had not been resolved during talks. Hartford said taxation was discussed, but the parties had decided to cross this hurdle when the payment was made.

Toyota announced yesterday it had closed its Prospecton vehicle assembly plant, ahead of the scheduled Christmas close tomorrow. Its stamping and components plant operated normally yesterday, but was affected by strike action on Monday and Tuesday.

Hartford said Toyota had effectively locked workers out and Numsa intended to oppose this "unilateral" management tactic "We believe this is a clear indication that Toyota management is unwilling to conduct industrial relations in a co-determined way Toyota is unlikely to go into production on January 11 and customers should know there will be a scarce supply of these cars in the new year."

The chairman of the national bargaining forum agreed to approach the Receiver of Revenue in an effort to find a workable compromise. However, Numsa did not know when this meeting would occur and manufacturers were sceptical that a tax concession would be granted

Bid to solve car giants' tax problem

Star 10/12/93

■ BY PAUL BELL
LABOUR CORRESPONDENT

The National Bargaining Forum (NBF) for the motor manufacturing industry is to approach the Receiver of Revenue in an effort to seek a solution to the tax problem which caused workers to go on strike at both Toyota and Samcor this week.

A meeting of the NBF in Port Elizabeth failed to resolve the issue, which involves the deduction of tax from end-of-year ex gratia payments to workers. The payments are part of the wage deal agreed on earlier.

Workers accepted the deal — a 7 percent increase plus the 3 percent payment — but wanted the payment to be tax-free. Employers refused, saying they were bound to deduct tax.

Toyota's Durban assembly line and Samcor's Rosslyn plant were both shut for much of the week, and will not reopen now until January.

The National Union of Metalworkers of SA (Numsa) also accused Toyota of locking workers out, after the company decided that in view of the shortage on the assembly line, it would close the plant three days earlier.

A Toyota spokesman denied the charge, saying it had been left with no alternative after Numsa had failed to persuade its members to abide by an agreement to return to work. (192) ([redacted])

Numsa, having not initiated the strike, is understood to have been mildly unhappy that members had resorted to the action. (~~255~~)

Numsa negotiator Gavin Hartford was not prepared to comment on the union's attitude, however, saying only that it had advised managements of workers' dissatisfaction over the issue and that "we are responding to workers' feelings".

Hartford believes management has been short-sighted because it would have been cheaper for them to pay the tax — between R1,5 million and R2 million, according to his estimate — than sustain the lost production, worth about R9 million to Toyota and about R5 million to Samcor.

Receiver to rule on car strike issue

BDay 10/12/93

ERICA JANKOWITZ

THE Receiver of Revenue will meet two representatives of the car manufacturers' National Bargaining Forum on December 17 to give a ruling on whether tax should be deducted from year-end gratuities. And once this ruling has been given, both parties have undertaken to abide by it, Midlands Chamber of Industries spokesman Madeleine Loyson said yesterday.

Meanwhile, the threatened strike in car plants did not materialise yesterday, with only Samcor's Rosslyn plant and the Toyota vehicle assembly plant in Prospecton still reporting no production. (192)

Toyota closed its plant yesterday, a day ahead of schedule, saying it was impractical to reopen it for one day with production having been disrupted since Monday. But management denied it had locked workers out.

The company said workers had not complied with a National Union of Metalworkers of SA (Numsa) undertaking for workers to return to work pending the outcome of Wednesday's meeting. Both its component and stamping divisions operated normally yesterday.

A Samcor spokesman said the plant could not operate either yesterday or on Wednesday because of "a high level of delinquent absenteeism". Three days of production were lost and today was not a scheduled production day as the plant would officially close for its year-end break.

Samcor did not foresee problems with the January 10 resumption of production as the issue should have been resolved by then, he added.

Other manufacturers — including Delta, Nissan and Volkswagen — reported limited or no disruption yesterday, but a National Automobile Association of SA spokesman said there were "rumblings" of further action in the industry.

These manufacturers are scheduled to close for the Christmas break later in the year, but most will reopen on January 10.

Numsa said it would await the outcome of the scheduled meeting and study the Receiver's opinion.

● Comment: Page 8

Row over tax deductions

Sowetan 10/12/93

THE CAR MANUFACTURING industry throughout South Africa is likely to come to a halt today as employers and workers were unable to reach an agreement on tax deductions on *ex gratia* payments

Two Toyota plants in Durban and Samcor's Rosslyn plant outside Pretoria were shut down this week as a result of the dispute National Union of Metalworkers of South Africa negotiator Mr Gavin Hartford said yesterday that Toyota had lost about R9 million as a result of the strike and Samcor about R5 million

Workers at other manufacturers were expected to down tools today

(192)

A spokesman for Toyota said the company had no alternative but to close

He cited the reason as Numsa's failure to honour its undertaking to return its members to work on Wednesday pending the outcome of a meeting the same day between the trade union and representatives of the industry — *Sapa*

VW hopeful of Chinese deal

CT 11/12/93 (192)

Own Correspondent

PORT ELIZABETH — Volkswagen South Africa is confident that its export programme to China will resume early in the new year

News reports this week quoted public affairs manager Percy Smith as saying that the future of the R500m export programme would be decided at a board meeting between representatives of VWSA'a mother comany, VWAG, and their Chinese counterparts this weekend

Smith said VW were hopeful that the deal would be resumed as early as January 6 next year

However, top economists have said China's economic woes, which caused VW to halt its R500m vehicle export programme to the country could last another year

Old Mutual Economist Dave Mohr said pressure had been placed on China's balance of payments as a result of the country's very high growth rate and measures had to be introduced to "cool the economy down".

Jockeying for position in the resale stakes

SI Times [BUSS] 12/12/93

By DON ROBERTSON

THE resale value of the Audi now exceeds that of its two German rivals, Mercedes-Benz and BMW, says Audi's marketing director, Graham Hardy

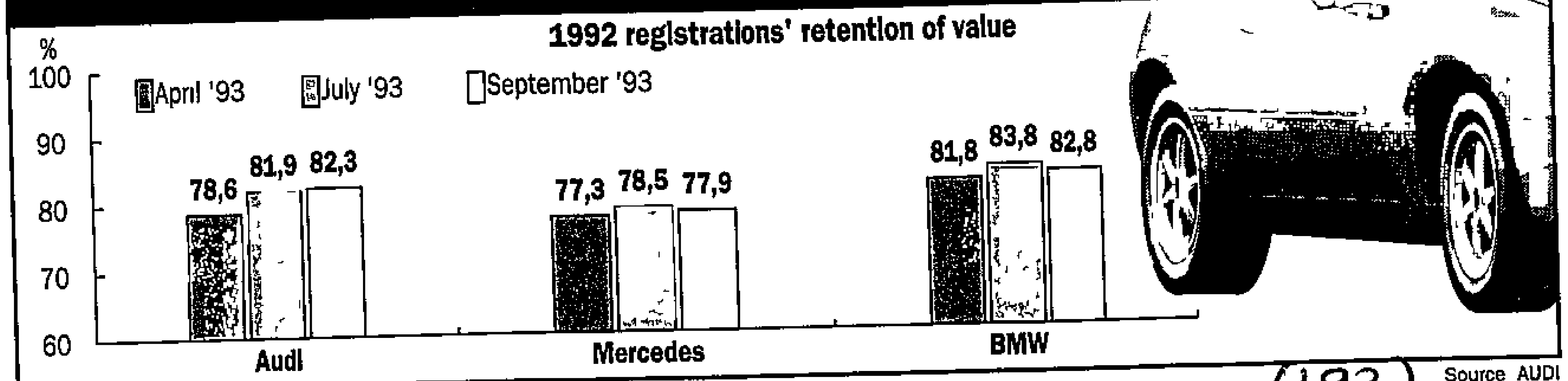
Based on the Auto Dealers' Digest produced by Mead & McGrouther, the Audi's resale value (1992 registration) was 82,2% in October, up from 81,9% in July.

In contrast, the value retention of the Mercedes-Benz W124 range dropped to 76,9% from 78,5%, while the resale value of the BMW 5 series fell 2% to 81,8% from 83,8%, he claims.

This makes Audi the only luxury vehicle with a steadily increasing resale value, which Mr Hardy says is because of its growing acceptance by customers

"Since the new Audi 500 was brought to SA 18 months ago, it has redefined its position in the prestige car market Our competitors now think of us as an opponent to be respected," says Mr Hardy

Audi vs competitors



Source AUDI

Graphic FIONA KRISCH

(192)

But Mercedes-Benz and BMW are not convinced.

Peter Cleary, management board member for the passenger car division at Mercedes, says residual values have become a contentious issue recently.

The resale value of a car is dependent on several factors, most important of which is the durability of the vehicle, but also supply, demand and inflation

"The expected future value of a car has to be the most important comparison because this is what the banks use when they decide how much cover they are prepared to give on residual value."

For its own purposes, Mercedes-Benz uses forecasts by Principal Circle, based on actual prices of used cars financed through Wesbank and forecast into the future by means of an econometric model

This research has been extended to the Mercedes-Benz E220, the BMW 525i, the Toyota Camry 300 SEi, the Nissan Maxima and the Audi 500SEL and shows the retained value of these cars compared to the original price over a period from one to four years

According to Mr Cleary, it shows the Mercedes-Benz at 67,4% after 12 months, compared with the BMW at 56,4%, the Camry and Maxima at 60,1% and the Audi at 50,2%.

"The Mercedes-Benz value after two years is higher than the value of its competitors after only one year. After four years, the normal replacement cycle, the E220 is at 55% of its original value, higher than the Audi's value after only one year. At that time, the car has held value 20,7% more than the BMW, 18% more than the Camry, 15,8% more than the Maxima and 38% more than the Audi," he contends

BMW also doubts the accuracy of the Mead & McGrouther digest. Jerome McManus, national retail finance manager for BMW Finanz, says the resale price of vehicles tracked down by the digest could depend on whether a motorist is trading the car in on a similar model through the same dealer and the extent of price increases on that model since purchase. Supply and demand for the vehicle are also important.

"In the case of BMW, the maintenance contract should be discounted from the figure as this goes with the vehicle. We certainly do not treat the digest as the Bible," he says

VW confident of renewed China exports

PORT ELIZABETH — Volkswagen SA is confident that its vehicle export programme to mainland China will resume early in the new year

MD Peter Searle announced yesterday that a weekend meeting between VWAG and the joint venture company in China last weekend had a cast a positive light on developments

But, he said, details were still being negotiated

VW have not revealed if the export volumes will be the same as the original order

"We are quite certain that production of the left hand drive Jettas for China will resume in January," Searle said

In a shock announcement in November this year, VW said there had been an "unexpected interruption" in the building and shipment to China of 17 000 left hand Jettas

The order for the 17 000 Jettas followed an initial order for 12 500 Jettas which had already been delivered

The blow to the South African motor industry came in the wake of China's shortage of foreign exchange At the time Searle said it could be a "few weeks of a few months" before the programme was resumed, while top South African economists believed China's economic woes could last as long as a year

In November, Searle was adamant that the freeze on imports should be seen as temporary

● Reports earlier this year said up to R156m of the R500m order would be sourced with South African suppliers — with R100m going to 32 suppliers in the Eastern Cape

● China has three VW factories of its own and, when these are in full production, imports from SA are likely to be limited to components, a spokesman admitted yesterday

(192) CT 15/12/93

But the company sees scope in the "emergent" market in SA, provided the the problem of affordability can be overcome

At present local content of cars has to be 68% by value, and import duty on those brought into the country is 115% But these protective duties are due to be phased out gradually over the next seven years

A senior VW executive told SA journalists in Wolfsburg, Germany, recently that the car industry in this country could survive only if it concentrated on fewer models and on manufacturing and exporting components, and if the local content rule were relaxed to allow imports from Europe — Own Correspondent and Business Editor

VW resumes R500m export project to China

BiDay 15/12/93

JOHN DLUDLU

CAR producer Volkswagen SA would resume its R500m vehicle export programme to China next month, the company said yesterday

The decision, which comes six weeks after the exports were halted, follows a weekend meeting between Volkswagen's German parent and its Chinese distributor, FAW/VW Automotive Company (192)

VWSA chairman Peter Searle said production of left-hand drive VW Jettas for China — which accounted for about one third of total production — would resume next month China halted the imports in November as part of a bid to cool its economy Heavy use of foreign exchange, stemming from imports, had been central to the economic overheating

The company would not say what effect the suspension would have on its earnings. Spokesman George Platt refused to disclose the terms of the deal, although he said developments looked positive

VWSA was expected to deliver 30 000 vehicles to China by end-1994, producing about 1 000 a month The Jettas were exported in semi-knocked-down form to FAW/VW, based in Chang Chung

The suspension had affected the second phase of the programme, sparking fears of retrenchments among VWSA staff This was averted by transferring employees to the Golf/Fox and Golf/Jetta production lines, which had fuller order books

COMPANIES

BMW SA export plan goes ahead

JOHN DLUDLU

BMW SA is to go ahead with its R100m expansion plan to beef up its export arm despite a slump in world demand.

Marketing director Chris Moerdyk said modification work had begun at the company's Pretoria plant. B/Day

He said there was a need to integrate the SA operation into the global market after the lifting of sanctions

"We want to make the local subsidiary a world supplier," he said. 15/12/93

BMW AG was currently involved in more than 130 countries.

No decision had been taken on which models would be built at the export centre and to which overseas markets the cars would be exported

Sluggish car sales in major markets would be taken into consideration by the German headquarters in deciding the model to be built at the plant.

An announcement was expected "within the next few months".

"The most important thing now is to get us ready for an export market, by setting up a proper infrastructure. As soon as we have this in place we will also decide whether the models will be left or right-hand drives," Moerdyk said.

It was understood the expansion programme would be financed locally through retained profits.

Production work would begin at the end of 1994. (192)

The decision to invest in the expansion was taken after the appointment of Rainer Hageman as CE for BMW SA this year.

New jobs would be created, but Moerdyk did not expect these to be immediate

The move was expected to double production from the 15 678 units sold in 1992

ADE Fm 17/12/93

Holding down prices (192)

Atlantis Diesel Engines (ADE), the western Cape engine manufacturer that supplies most of the country's truck engines, is hoping to freeze prices for a second successive year. Prices haven't moved in 1993 and MD Fritz Körte says that with the exception of a 3% rise on one engine range, there will be no increases until at least mid-1994. "It's possible the freeze could run to the end of the year."

The ability to restrain prices, and still be profitable, suggests that ADE has finally shed the "White Elephant" label that hung round its neck for years after it was created as a strategic company by government's Industrial Development Corp in 1980.

The days of the IDC bailing out the company are gone, Körte insists. If ADE can't make it alone in the future, "we're gone."

He says ADE has earned an after-tax profit of R20m in each of the last two years — and expects to remain firmly in the black in the current financial year, to June 1994. He adds that the company is debt-free and has R80m in the bank.

It also has an improved relationship with the motor industry. It's not so long ago that SA truck manufacturers had little good to say for ADE. The company took advantage of its captive market — its customers were prohibited from importing engines from foreign companies. Prices were high and delivery times slow.

"Our attitude used to be, 'You wait until we're ready,' says Körte, who was the company's technical director before becoming MD in 1990. "Now we jump when customers want something."

Fm 17/12/93

Price restraints have made ADE's products competitive with imports, though with the help of an effective 50% protection. Körte is confident that after tariff barriers are reduced under the new Gatt deal now under discussion — possibly to 30% — ADE will still cope. (192)

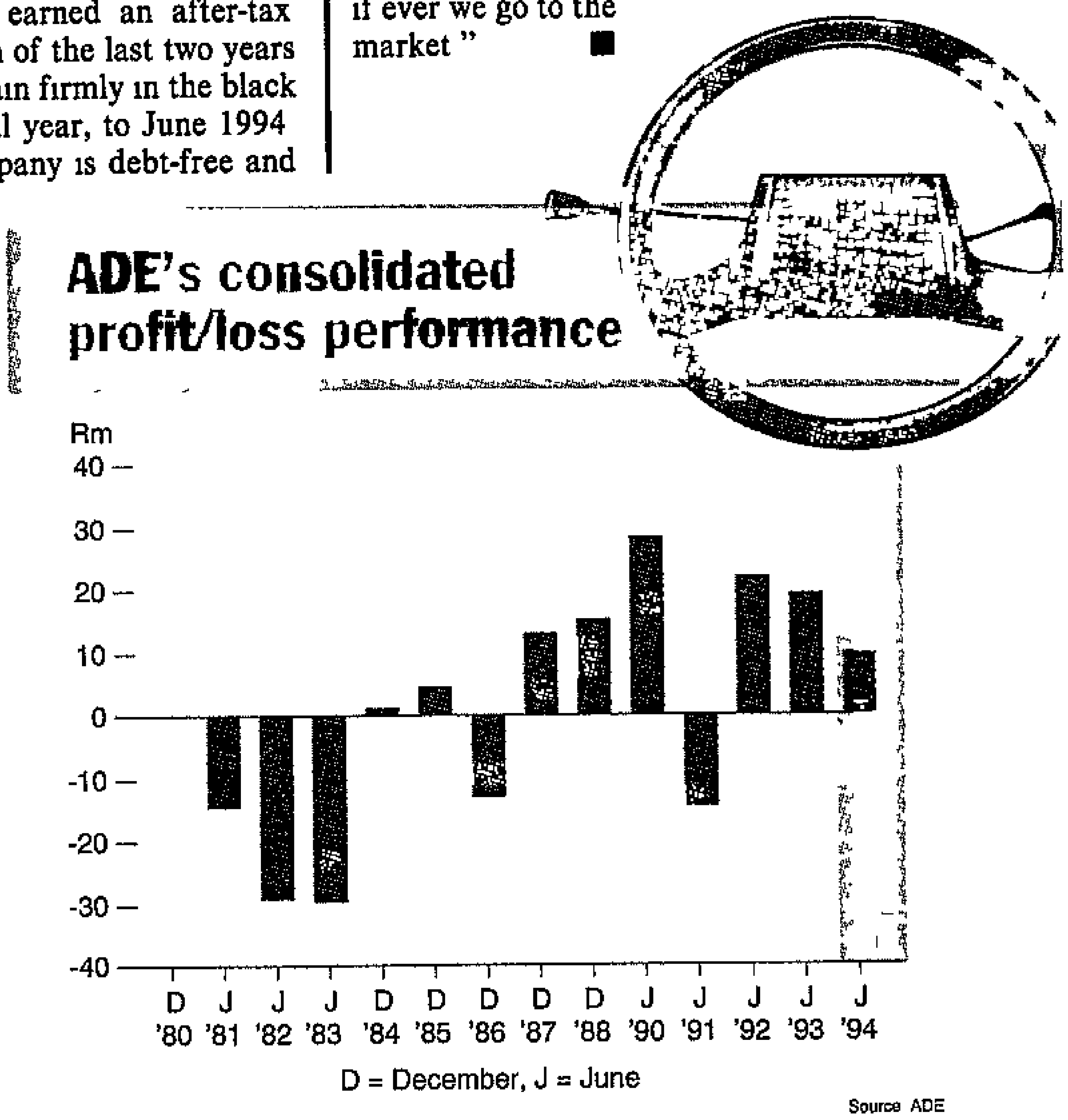
The company has 80% of the truck engine market, a share that Körte thinks is unsustainable under future conditions. ADE is therefore looking elsewhere for income and profits.

It is already exporting engines and components to several countries, including Argentina, Germany, Brazil, South Korea, the UK and parts of Africa. It is also negotiating for sales to the US. Other existing projects include assembling imported tractors and co-operating with vehicle manufacturers to convert petrol-powered minibus taxis to diesel.

Engines will remain ADE's core business but it is considering other areas. It is actively looking for takeovers and joint-venture opportunities with local and overseas companies. Ideally, these would be in activities with which it is already familiar, such as casting and forging, but it is also eyeing new areas.

The company has hired a firm of business consultants to recommend ways of reducing costs and to define ADE's long-term future. The first phase will be complete in January but Körte already has a clear picture of the company he wants to see.

"I want this company to consistently make profits and be the sort of company people would like to buy, if ever we go to the market." ■



FM 17/12/93 (192)

MOTOR INDUSTRY FM 17/12/93

Counting the bruises

(192)

Relations between the motor industry and the National Union of Metalworkers of SA (Numsa) had seemed to be settling down after several years of confrontation Now they've soured again Numsa called a strike last week, claiming a R300 *ex gratia* payment to workers is "clean money" and should not be taxed The industry's view is that the payment, negotiated at an industry bargaining forum in July, was earned and is taxable

A total shutdown of the industry was avoided because most workers agreed to abide by a Receiver of Revenue decision on the issue expected this week But about 3 000 workers at Samcor and 4 000 at Toyota's main plant did go on strike for part of last week

As is usual in most strikes, the worker doesn't win The tax on R300 for the average worker is about R60 but those who downed tools each lost several hundred rands in wages The no-work, no-pay rule is strictly applied in the industry Not enough employees reported for work so those who wanted to work also lost some pay

It probably cost Samcor and Toyota R20m-R24m in lost production, says Gavin Hartford, Numsa's national organiser, collective bargaining

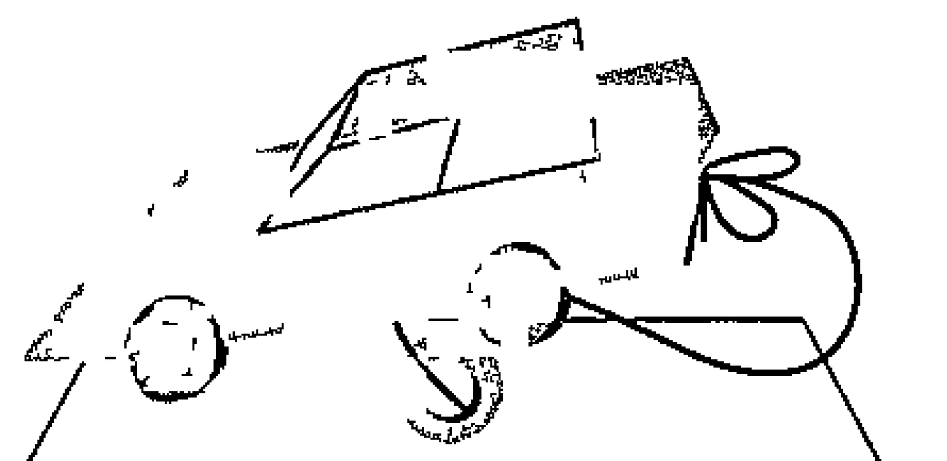
"It doesn't end there," says National Association of Automobile Manufacturers of SA executive director Nico Vermeulen. "The effects go right down the line The manufacturer, the dealer, the component manufacturer all lose sales, and the workers who went on strike as well as those who couldn't work because of their actions all lost nearly a week's wages The money they lost is six to seven times the amount they would have had to pay in tax on the R300 Some of them lost some of their bonuses as well Stringent conditions are attached to the paying of bonuses "

Numsa's "totally illogical behaviour" saddens Vermeulen He says. "To help the industry become more competitive internationally, which is more than possible now with SA's increasing acceptance by the rest of the world, the need is to promote co-operation rather than confrontation, which was a feature of relations in the past "

Automobile Manufacturers Employers' Organisation vice-chairman Harry Gazandam says Numsa's attitude is "certainly not a good indicator for prospective investors in SA Numsa is the country's second-biggest trade union What signal is the strike sending out? The R300 may have been a special bonus, but it is taxable The Income Tax Act is very clear Employers have to deduct tax from all forms of income earned by employees "

Hartford describes the R300 as "not anything that was earned, but a clean piece of money that isn't linked to services rendered, a benefit package, basic rates or actual hours worked It was agreed that it would be paid even if a worker did no work or was on strike for three months "

He has no idea how much the strikers lost but believes that "it would have paid the industry to have paid the workers' tax rather than lose R20m-R24m " He agrees such a suggestion smacks of extortion but says "All industrial actions have an element of extortion " ■



November vehicle sales

Cars		Total	%*
[illegible]	Corolla 2 989, Camry 946, Cressida 3, other 14	[illegible]	24,4
[illegible]	Golf /Jetta (new) 1 509, Golf /Jetta (old) 133, Citi/Fox 1 523, Audi 166	[illegible]	20,6
[illegible]	Ford Laser/ Meteor 595, Telstar 442, Sapphire 2, Mazda 323 803, Mazda 626 (new) 489, Mazda 626 (old) 2	[illegible]	14,4
[illegible]	Sentra 1 273, Maxima 117 200SX/300ZX 2, Fiat Uno 725	[illegible]	13,1
[illegible]	Astra/Kadett 1 628, Rekord 120, Monza/Kadett 98, Calibra 15	[illegible]	11,5
M-Benz	Honda Ballade 839, M-Benz W124 443, W126 1, W201 11, W140 55, other 11	1 360	8,4
BMW	3-Series 989, 5-Series 219, 7-Series 26, other 1	1 235	7,6

*% of the total car market

	1993	1992	% Change
November	16 189	15 642	+3,5
Jan – Nov	180 247	169 686	+6,1
October (17 050) – November			-5,0

Light commercials

Toyota 3 038 (36,9% of the market), Nissan 1 835 (22,3), Samcor 1 613 (19,6), Delta 1 223 (14,8), VW 455 (5,5), AAD 74 (0,9)

November	8 238	7 934	+3 8
Jan – Nov	89 599	85 945	[illegible]
October ([illegible]) – November			[illegible],3

Medium commercials

Toyota 116 (50 7[illegible]) Nissan [illegible] (17 0 Samcor [illegible] (13,5), Delta 29 (12,7), M Benz 13 (5,7), AAD 1 (0 4

November	229	276	-17 0
Jan – Nov	[illegible] 759	[illegible]	10
October ([illegible]) – November			[illegible]

Heavy commercials

M-Benz 197 (40,9%), Toyota 90 (18 7), Nissan 82 (17,0), MAN Truck 40 (8,3), Delta 32 (6,6), ERF 15 (3,1), Tyco 15 (3,1), Iveco 8 (1,7), AAD 3 (0,6)

November	482	508	-5,1
Jan – Nov	4 565	5 043	-9,5
October (434) – November			+11,1

Total vehicle sales

Toyota 7 196 (28,6%), Nissan 4 073 (16,2), Samcor 3 977 (15,8), VW 3 786 (15,1), Delta 3 145 (12,5), M-Benz 1 570 (6,2), BMW 1 235 (4,9), others 156 (0,7)

November	25 138	24 360	+3,2
Jan – Nov	277 170	263 950	+5,0
October (26 061) – November			-3,5

Source NATIONAL ASSOCIATION OF AUTOMOBILE MANUFACTURERS OF SA

Volkswagen's export setback leads to better productivity

S/Times [Buss]

By DON ROBERTSON

THE quality problems experienced by Volkswagen SA earlier this year and the temporary postponement of export orders for left-hand drive Jettas to China has benefited the domestic market.

The assembly-line upgrade to meet the quality standards of the German parent, the establishment of a separate build-line for the export order, and a general restructuring of the entire operation has resulted in a 20% increase in productivity in the second six months of the year.

Production levels increased from 3 750 units a month in the first half of the year to 5 000 in the second six months The backlog in demand for the Citi Golf and other models has been sharply reduced.

Production of the Citi Golf and new Golf and Jetta ranges has increased from about 85 a day to 120 for each model, for total daily production of 280 a day, including minibuses and pickups This is expected to increase to about 290 a day in the first quarter of 1994.

19/12/93

Staff has been trimmed from 8 500 to about 7 300

Graham Hardy, appointed marketing director this year, says the Chinese export order was cancelled towards the end of September, but redeploying the workforce increased production levels This allowed strong demand to be met and some stocks to be built up

(192) (53)

Last week, the company renegotiated the Chinese deal Deliveries should resume when the plant reopens in January Between 10 and 15 cars a day will be built for export, but the workforce will be "rebalanced" so that production for the domestic market will not suffer

To date, Volkswagen SA has delivered 17 000 Jettas to China for final assembly at the FAW/VW production plant in Chang Chung. It is hoped that the remaining 13 000 cars will be delivered to China by the end of next year at a rate of about 1 000 a month

In a strong appeal to the workforce before the Christmas shutdown this week, workers were urged to "fight back" to enable the company to regain its lost share of the market. In some months, it beat market leader Toyota

Mr Hardy says share of the car market will be about 18% this year, having reached 20,6% in November The company expects to increase this to between 22% and 23% in a slightly bigger market in 1994

The restructuring of plant and other operations has resulted in increased profitability and "a positive contribution" to the parent company is expected this year, after a small loss in 1992

Exports are growing and are expected to reach R500-million this year, of which about 60% reflect the Chinese export order

Motor firms braced for more disruption

ERICA JANKOWITZ

MOTOR manufacturers are bracing for more production disruptions when they reopen their factories in January following a ruling by the Receiver of Revenue that year-end gratuities are liable for tax.

Non-procedural strikes broke out at some plants earlier this month when workers found employers had deducted tax from ex gratia payments The National Union of Metalworkers of SA (Numsa) and employers agreed to ask the Receiver for his opinion on the dispute. 8/D94

An Automobile Manufacturers Employers' Organisations spokesman said yesterday the disputing parties had agreed that the Receiver's decision would be honoured, but Numsa had since indicated it would review its options if it was ruled that the payments were taxable. 21/12/93

Employers would try to resolve the issue before the January 10 reopening of plants after the Christmas recess. While no meetings had been planned due to the unavailability of Numsa, employers were available for discussions with the union, he said.

Toyota and Nissan closed their plants earlier than their scheduled December 10 shutdown after workers downed tools

The payments formed part of the wage agreement signed between Numsa, the SA Iron, Steel and Allied Industries' Union and employer representatives on the National Bargaining Forum Only Numsa members participated in the strike, which brought production at two of Toyota's Durban plants and the Nissan facility in Rosslyn to a standstill for several days ([illegible])

Another ex gratia payment is scheduled for early next year and this may lead to further strike action (192) ([illegible])

Numsa was not available for comment

Car sales leave forecasts in dust

BDay. 22/12/93

MICK COLLINS

MOTOR industry sources said yesterday that final new car sales figures for 1993 could be as high as 194 000 units, considerably up on the 182 000 projected earlier in the year.

However, to put the 1993 sales in perspective they came off a seven-year low of 174 450 in 1986 and the projected final sales for 1993 are still behind the 197 730 sales posted in 1991

"The market grew against all odds but the growth was driven by replacement demand rather than new buyers in the market," said Toyota SA marketing MD Brand Pretorius.

"If the market can show growth in a negative economy then there is a prospect for further growth in 1994 when we see the prospect of new buyers coming back into the market."

He said Toyota's forecast for 1994 was a conservative one which would see marginal growth to a market of 198 000 units.

"We expect that replacement demand will underpin sales during the first half of the year. The real scope for growth will only come in the second half of the year providing we have a more settled political environment in a post-election SA.

"Business confidence is improving all the time and there is a distinct correlation between this indicator and vehicle sales and this will help to keep some impetus in the market in the early part of the year."

As in 1993 a feature of the market in the coming year would be a continued buy-down trend The small and light car markets currently account for virtually one in three sales and there would be more growth in the coming year. (192)

"The medium car sector has also shown some pleasing growth during 1993. This has been at the expense of the luxury sector with a far more rational approach to vehicle purchases now evident."

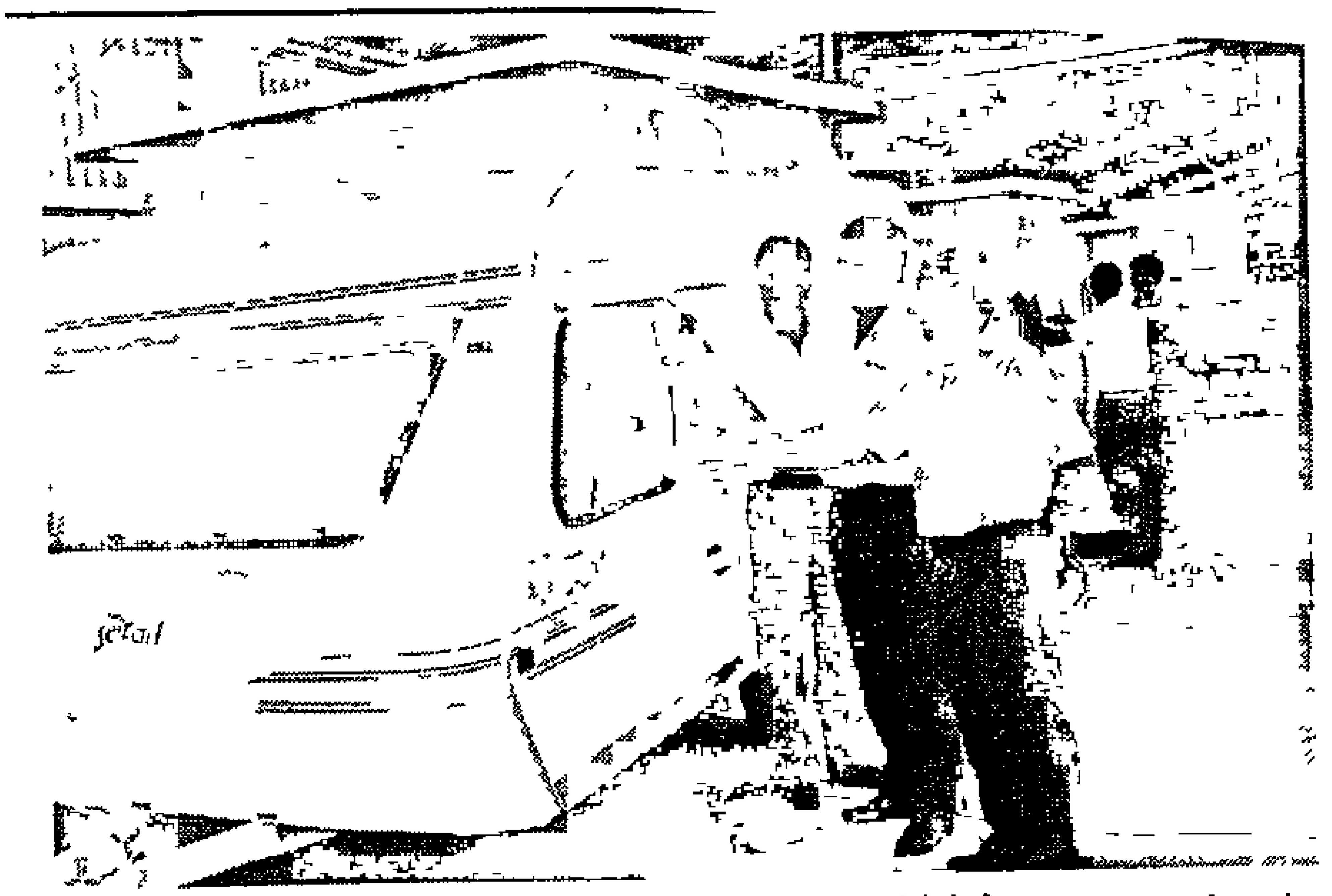
In the light commercial vehicle market indications are that 100 000 units may have been sold during 1993.

Pretorius said the growth forecast for this sector in 1994 was 5%.

"If this is achieved we will only have recovered to the position we forecast for 1991. The light commercial vehicle market will be largely driven by an increase in business confidence and the prospects of a good year for the farmers as they recover from the effects of devastating drought conditions."

The one point of gloom for the industry was the medium and heavy vehicle markets which were the only areas where industry pundits have some reservation in projecting significant growth.

"These markets have declined to such a very low base and exceptional growth will be needed to ease the pressure in these markets. It is not expected that this growth will be forthcoming in the current year although the market will be stimulated by at least one newcomer from Toyota," said Pretorius.



WINDOWS ON THE WORLD . . . CI Caravans, which is now exporting to Holland, has developed a new range to meet European requirements. From left, marketing director Vincent White, MD Richard Cardo and export despatch controller Colin Liptrott discuss the double glazed windows considered necessary for insulation in Europe.

CI Caravans nets key European export deal

(192)

CT 23/12/93

Business Staff

CI CARAVANS is believed to be the first manufacturer in the southern hemisphere to export caravans to the highly competitive European market.

MD Richard Cardo says it plans to dedicate 10% of production capacity to export volumes following a deal for fully assembled caravans with the largest distributor in Holland, MPH Rekreatie.

Further longterm deals to export components and motorhome bodies to other countries are being discussed.

Cardo said his company was recognised as a world leader in low-profile caravan design

It had developed the Safarirange, based on the Sprite, for the European market. This offered a choice of toilet compartment, end kitchen and double dinette lay-outs. There was also an ultra-light model with a fully opening tailgate.

"As the end kitchen version is unlike anything avaliable in SA, we are currently launching a limited edition locally."

Cardo said that to meet climatic requirements the export caravans had double-glazed windows and insulated floors and body. European ventilation requirements to combat damp also made design modifications necessary.

"European road traffic regulations stipulate that caravans must have white riding lights above the front window to indicate a higher than normal vehicle to oncoming traffic.

"This is a feature we are now putting into our local Sprite models."

FEMCO FM 24/12/93 (192)

Potential for the brave

The company's traditional attitude to press inquiry — maintaining a discreet and discouraging distance — has been preserved through 1993 And the annual report does little to throw light on recent developments

FM 24/12/93

Activities: *Manufactures electric motors and electric wire harnesses for motor cars.* (192

Control: *Directors 64%*

Chairman: *Dr J P Kearney, Joint CEO's N L van Zyl and G Zammit.*

Capital structure: *24,6m ords Market capitalisation R4,4m*

Share market: *Price 18c Yields 16% on earnings, p.e ratio, 6,2 12-month high, 30c, low, 6c Trading volume last quarter, 121 000 shares.*

Year to Apr 30	*'89	*'90	†'92	'93
ST debt (Rm)	6,4	10,4	23,3	35,8
LT debt (Rm)	19,4	11,1	4,0	5,2
Debt:equity ratio	0,70	0,45	0,72	1,15
Shareholders' interest	0,47	0,55	0,41	0,35
Int & leasing cover	3,9	1,9	0,3	1,0
Return on cap (%)	12,5	9,0	n/a	6,8
Turnover (Rm)	110,1	107,2	160,7	126,2
Pre-int profit (Rm)	9,8	7,8	0,03	6,5
Pre-int margin (%)	8,9	7,2	n/a	5,2
Earnings (c)	30,0	21,1	(27,7)	2,9
Dividends (c)	12,0	5,0	nil	nil
Tangible NAV (c)	152	194	153	140

* Financial year to end December † 16 months to April 30 1992

(192)

It is reasonable, for example, to expect the directors to show some enthusiasm for the merger of harness manufacturing activities with those of Unihold, announced in October and recommended by the board Instead, the matter is treated *sotto voce*

Looking at the annual results, turnover is static at R126,2m The previous accounting period was 16 months and annualising the figures indicates a marginal increase this year Helped by a tax credit of R878 000, net operating profit is R1,1m, despite the real blow of the Numsa strike, which chairman Jack Kearney says cost Femco and Auto Cable R3m on the net profit line

An extraordinary loss of R1,5m on the sale of Prime Plastics is taken above the line This is one of the few companies to comply with the SA Institute of Chartered Accountants' accepted accounting procedure ahead of its introduction and is to be congratulated Of course, this has a material effect on the company's EPS calculation

So does another extraordinary item of R1,6m, on writing down the value of loans made in terms of the group share incentive scheme to reflect the much reduced underlying value of the company's shares

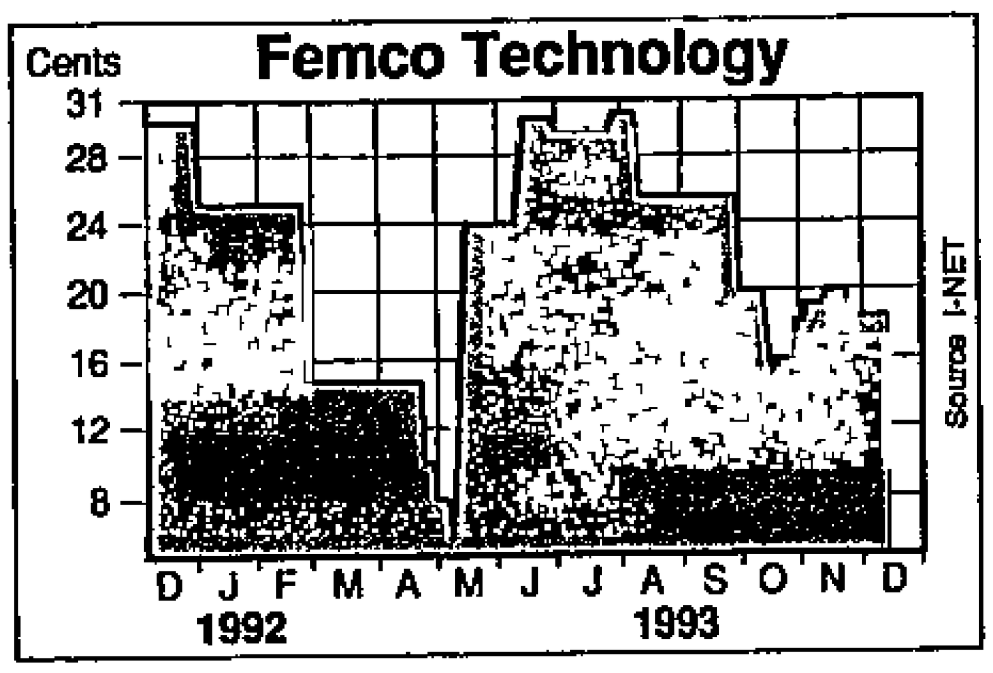
Kearney refers to this transaction briefly in his statement, the directors do not, nor does any explanatory note detail the share incentive trust scheme, how it has been constructed and who the beneficiaries are It is not enough to point to an annual audit shareholders are entitled to receive this information afresh each year

The result of these two items is that Femco posts a loss for the second successive year

Joint CEs Nimrod van Zyl and Guy Zammit say they intend in 1994 to reduce interest-bearing debt (which will improve debt equity, too high in my view) and concentrate on diversification. Clearly, they've had enough of the vagaries of supplying the automotive industry, beset as it is with a militant labour force and hostage to the economy

FM 24/12/93

However, high on their list is property development The path to penury is paved with property developers and this kind of announcement fixes me with fear (192)



Femco's share price is languishing around 18c Last year, its high was 90c and its low 25c this shows clearly the hard times on which it has fallen and the market's concern It has potential for recovery and is certainly cheap enough to encourage the brave or adventurous

David Gleason

Vehicle sales forecast to increase next year

JOHN DLUDLU

THE National Association of Automobile Manufacturers of SA (Naamsa) has revised upwards expected car sales for 1993 and has projected the recent uptrend to continue next year B/Day 29/12/93

In its third quarterly review of business conditions for the industry to September this year, Naamsa projected new car sales for 1993 would rise to 185 800 units, compared with 182 908 units sold last year. This has been revised to 193 000 units. (192)

The forecast — comprising seven car manufacturers, seven LCV makers, five medium commercial vehicle and eight heavy truck assemblers — projects the uptrend to continue in 1994. It expects 1994 new vehicle sales to surge to 197 000.

The forecast predicts a slump in the heavy commercial vehicle sector this year to 5 200 from last year's 5 413. However, sales in this category are expected to pick up again to 5 500 next year, maintaining a consistent improvement through to 1996.

Manufacturers are pinning their hopes on a wide range of factors, including the business confidence index level, compiled by the SA Chamber of Business (Sacob), which has shown a consistent improvement in recent months.

Another source of hope in the new year is the pent-up demand by companies which did not replace vehicles in the past few years because of the recession.

The removal of sanctions has also strengthened hopes for a good 1994, as it has expanded scope for exports.

An industry source said chances of realising these hopes depended on extra-industry factors such as the sociopolitical climate and the business mood after the election.

Many manufacturers agree that this year has been one of the best for the local automotive industry in years. This is shown by the recent unveiling of a R100m expansion plan by BMW for its Pretoria plant, to produce cars for an as yet unidentified overseas market.