

Exchange Rates

JOHANNESBURG - Yesterday's closing exchange rates, as supplied by Standard Bank (R/ R/ and R/US, other rates per rand.) These are the banks selling rates yesterday.

R/ £	15.15
R/ ¢	12.00
R/US \$	7.70
R/AUS \$	7.35
R/CAN \$	7.70
R/NZ \$	6.05

Dispatch Business

Strategic moves at GMC

GENERAL Motors Corporation is undertaking a strategic review of the Hummer brand - everything from revamping the product portfolio to selling the brand. It's part of a larger corporate plan to reduce large commercial vehicle and SUV capacity in the US and to increase smaller car capacity in order to compete more effectively in the marketplace. "No decisions have been made yet," said a company spokesperson, but "from a GMSA perspective, we remain committed to growing our business in SA." — DDR

Back Office



Why not start your export drive in Africa?

By LUYTON DRIMAN
Bradmant Consulting

WITH 53 countries on the continent there's a massive export opportunity for local manufacturers - even those in the Eastern Cape. Why target Africa? Well, let's be practical:

- South Africa is geographically and logistically close to many of our neighbours.
- South Africa has an extensive range of products and services, covering all genres, that makes the choice and selection process that much easier.
- South Africa is the easiest point of reference in the service industry, as many SA companies have agents and/or branches in many African countries, eg Barclays Bank.
- The lead times and turn around on new orders can be monitored on a regular basis, which makes it easier to stay in control; as opposed to communicating internationally.

Your company needs to approach the export function as a new business unit, not merely an "add on" for quick additional business. You need to re-assess your current business model and create a holistic export-marketing plan in order to make a long-term success of this venture.

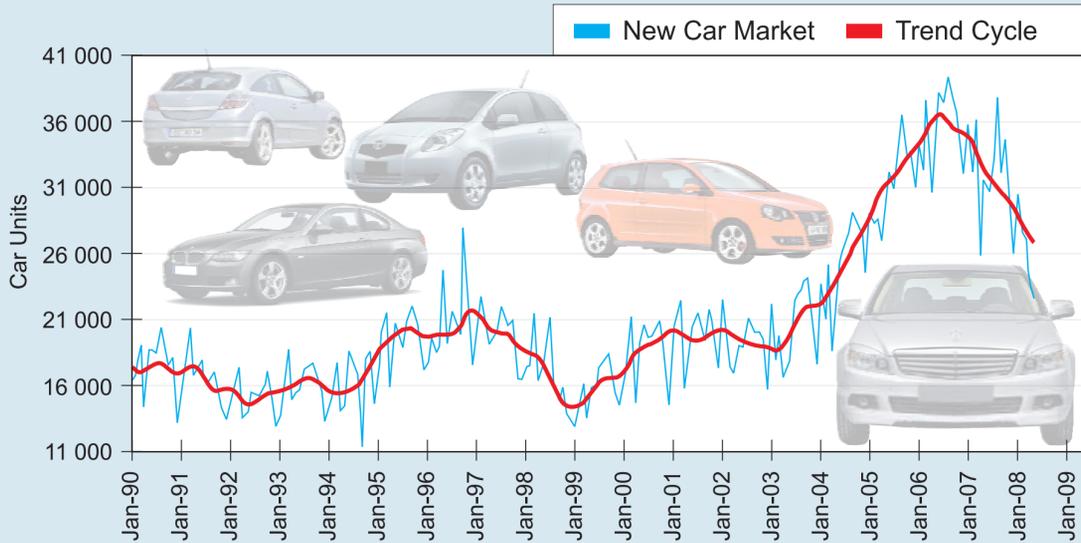
The export business is similar to military tactics: you are constantly selling, counter selling, using guerilla marketing methods, using direct approach methods, using rear market entry approach methods and occasionally, retreats. These factors are all dependent on the type of products and type of markets you are entering into and/or attempting to drive a competitive product out of.

Use the basic fundamentals of marketing and offer your customers and prospective customers what they want and what the market demands - not what you want to sell them or off-load on to them.

Many traders and importers travel widely and are very up to date with trends and products - right down to model numbers!

— luyton@telkomsa.net

South African passenger car market sales trend



Source: Naamsa

Motor industry gloom

By ROUX VAN ZYL
Business Editor

Sales dive as tight monetary policy applies brakes

THE brakes were slammed on the South African automotive industry during May with new vehicle sales showing a massive 23.4% drop compared to the same month last year.

This "severe weakness" was caused by public holidays in May, new vehicle price increases and social turmoil experienced in areas of the country, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

If this trend continued, Naamsa warned, it could lead to a prolonged recession in the auto industry with far reaching negative consequences on production capacity and employment.

During May, total new vehicle sales at 39 533 units had registered a decline of 12 095 units compared to the 51 628 vehicles

sold during the corresponding month last year.

Naamsa said the SA new car market had been under severe pressure for some time and trading conditions worsened considerably during May as the current tight monetary policy regime impacted on domestic consumer spending.

The sales decline was even more pronounced in the competitive passenger car segment where the 22 647 units sold reflected a decline of 8 850 units or 28.1% compared with May 2007.

Naamsa also said the downturn was already having a "devastating" effect on automotive dealers and the operations of importers and distributors.

Mercedes Benz SA reached fourth spot in the passenger sales market with 2 200 units sold, and

fifth position in the total market at 3 569 units.

For the balance of 2008, Naamsa expected new vehicle sales generally to remain under pressure as a result of the cumulative effect of interest rate increases, inflationary pressures, high levels of debt and the slowdown in economic activity.

"Current monetary policy was clearly having the desired effect of curbing consumer demand in South Africa, particularly in the case of the automotive sector," Naamsa suggested.

"Any further tightening in monetary policy risks turning the current sharp downturn in the domestic automotive retail and distribution sectors into a far deeper and prolonged recession with far-reaching negative consequences in terms of capacity downsizing,

business closures and employment losses."

Jacques Brent, vice president of sales and marketing at Ford Motor Company SA, said the industry was certainly feeling the effects of the high interest rates as well as the high fuel prices.

"We are seeing sales rates that we have not seen since 2004. With an almost guaranteed interest rate hike next week we can expect the current sales pace to continue for the balance of the year."

General Motors SA vice president of sales and marketing Malcolm Gauld expected that down trends would increase as consumers look to stretch their purchasing power to the maximum.

"On the positive side, the market is currently over supplied and consumers are able to negotiate great deals," he added.

THE wreckage in domestic vehicle sales doesn't look bad if exports are added.

A 57% jump in exports lifted total locally manufactured sales in May to 62 734, just 6% down from May last year, despite the 28% crash in domestic new car sales.

Nearly all the exports came from the new Toyota Corolla plant near Durban. Of the 8 381 more vehicles exported this May, 5 112 or 61% were from the new factory.

Corollas overtook Toyota's Hilux range of bakkies as SA's biggest manufactured export in May, according to National Association of Automobile Manufacturers of South Africa data released yesterday.

New minibus regulations requiring taxi drivers to replace their vehicles with 14 seaters saw Toyota's Quantum jump to South Africa's third best selling vehicle.

Toyota discontinued Hi-Ace production in December because it didn't meet the new requirements. — Robert Laing

Inflation unlikely to decrease before 2010

A SOUTH African Reserve Bank official has warned that consumer price inflation less mortgage costs (CPIX) is unlikely to return to the bank's inflation target range before 2010.

Chief economist of the central bank Monde Mnyande said inflation remained high due to petrol and food prices, among other factors.

Wage settlements were drifting higher, as were inflation expectations, presenting a challenge for the country and the central bank.

"Given these broad-based inflationary pressures, CPIX inflation is unlikely to return to within the inflation target range before 2010," Mnyande said in a presentation to Kagiso Trust on Monday.

The bank's target range is between three and six percent.

Mnyande said inflation was projected to decline towards the target range in the final quarter of 2009, as relatively tight monetary policies slow down underlying inflationary pressures.

"CPIX inflation is likely to remain quite high in the next few months - factoring in the recent trends in petrol prices and the under-recovery of underlying fuel costs."

"Unbridled price increases, as reflected in the basket of consumer goods and services, go against the interest of economic growth and development and must be resisted by the bank and by all role-players in society." — Sapa

Tata to take over Jaguar Land Rover SA

JAGUAR Land Rover South Africa (JLRSA) yesterday said it would become one of three automotive legs under Tata Africa Holdings, with the other two being Tata Trucks and Buses and Tata Motors.

The announcement comes after Ford entered into a definitive sale agreement with Indian conglomerate Tata International in March to sell Jaguar Land Rover for \$2.3-billion.

But JLRSA were quick to say that it will form an "entirely new and separate entity" under Tata Africa Holdings with no relationship to Tata Motors at all.

Tata Africa Holdings is represented in 10 countries on the African continent and is a subsidiary of Tata International.

In a statement, JLRSA said Tata had elected to retain the existing executive Jaguar Land Rover team who will continue to run the two brands as they have done under the ownership of Ford.

Andrew Daniel, managing director for JLRSA, will continue to manage both brands in South Africa and Sub Saharan Africa.

The existing management reporting structures for JLRSA remain unchanged.

What will, however, change is the brand grouping.

Until now, Jaguar and Land Rover were part of a suite of brands, but will in the future exist as totally independent brands.

Daniel said that customers would not be affected by the

acquisition.

"All existing warranties, maintenance agreements and other after sales support processes will remain intact. Service levels and the unique brand experiences will remain the same. The planned product line ups do not change and all planned launches and new model introductions will continue," he said.

From a retail perspective, new dealer agreements will need to be signed, while JLRSA may seek new, independent suppliers in the future.

"We will retain all our existing staff members. Part of the rationale for looking for premises within the Pretoria area is due to staff who reside in the area and our desire is to retain our qualified staff."

An additional eight members of staff will be appointed in order to deliver support ser-

Group's rating lowered

GLOBAL credit ratings agency Moody's Investors Service downgraded Tata Motors yesterday, a day after it sealed its purchase of British luxury icons Jaguar and Land Rover.

Moody's cut its so-called "corporate family rating" for Tata Motors Ltd (TML) to Ba2 from Ba1, which was already one notch below investment grade. Corporate family refers to a company's ability to honour all of its financial obligations.

"The rating change reflects the considerable challenges

currently being supplied by Ford Motor Company of Southern Africa. — DDR

TML will face in successfully integrating such a large operation, which only recently turned profitable, and the immediate impact on TML's financial profile," said senior Moody's analyst Chris Park in a statement.

Analysts questioned whether Tata will do better in plugging what was a financial sinkhole for Ford, which received less than half of what it paid for the two prestige marques after investing heavily to turn them around. — Sapa AFP

JHB/PTA to Durban	R 199
JHB/PTA to Cape Town	R 150
JHB/PTA to Bloem	R 199
JHB/PTA to Kimberly	R 199
JHB/PTA to E. London	R 150
JHB/PTA to PE	R 299

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