

ASSOCIATION OF THE MONTH

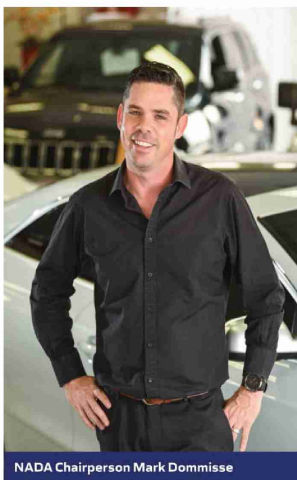
SA's new vehicle dealers expected to get back on the gas in 2021

The National Automobile Dealers' Association (NADA) foresees an improved, but by no means smooth road ahead for South African car dealers in 2021.

"Along with so many other industries, the hard lockdown at the pandemic's onset forced us into a dire situation," says NADA Chairperson Mark Domisse. "For a very uncomfortable period new vehicle sales were brought to a virtual standstill. Between April and October there were six amalgamations, 19 dealership sales and 38 closures as a result of the economic slowdown.

"Midway through 2020 we began recovery phases and franchise dealers have done everything in their power to transition from pure survival modes to finding their feet in tough trading conditions, even if it has meant evolving into leaner, more efficient businesses. This right-sizing, combined with government and rental agencies reopening fleet acquisitions mean dealers have seen some stability over the past four to six months.

"The return in appetite from the car-buying public, no doubt stimulated by low interest rates and many banks' financial relief plans, has also been crucial to recent recovery. In fact, NADA



NADA Chairperson Mark Domisse

credits the South African government and financiers for providing a strong foundation for our industry to rebuild upon."

Domisse stresses, however, that any market predictions are risky given many uncertainties both locally and globally. A number of forces, some of which are outside South Africa's control could still impact the economy and dampen any recovery efforts.

"A return to hard lockdown, which cannot be ruled out as a possibility, would be devastating to the domestic economy. Infection rates must remain low and pandemic-related deaths must continue to decrease in order for lockdown alert levels to remain as is or relax moving forward. The roll-out of the vaccine in South Africa will go a long way to keeping us out of lockdown. We're looking forward to the opportunity to put this in place and creating the necessary immunity to strengthen the economy.

Of course, the success of franchise dealers is not measured only on pure sales, but also services and parts. A dealer's income is split roughly fifty-fifty between vehicle sales and revenue generated by workshops and parts counters.

"We saw a sharp decline in servicing during initial lockdown phases, as work-from-home arrangements meant far less commuting and most drivers simply weren't accumulating distance," said Domisse. The panel industry was also



severely affected, as fewer cars on the road saw fewer accidents—a grim fact perhaps, but a fact nonetheless.

“From around September, NADA’s member dealers have returned to near normality in workshops as a result of more regular commuting patterns. We also saw pre-holiday services close to normal numbers just ahead of the December holidays.”

Used Car Market

NADA is also encouraged by a healthy used car market, as many consumers are reviewing household budgets and downscaling monthly vehicle expenses.

“Demand for second-hand cars is particularly strong, and potential is high for used car departments and dedicated used car dealers. Unfortunately, this does pose another challenge as demand is outstripping supply at the moment. We expect buoyancy in used car sales to continue, provided the flow of good quality second-hand vehicles entering the dealer ecosystem is sustained,” said Dommisse.

Tax Burden

“We are very pleased that naamsa has taken a strong stance on the subject of taxation and has requested the government to cut taxes, by removing the carbon tax on exhaust emissions and reducing the ad valorem duty, which is a value-based tax on items considered a luxury in South Africa. This has the potential to reduce the 42% cumulative tax amount to between 35 and 38%. Most vehicles should certainly not be termed luxury items in a country with an unreliable and inconvenient public transport system,” commented Dommisse.

A presentation made by naamsa last year to the government showed that making vehicles more affordable could boost new sales by about 28 000 units. The presentation also showed that the reduction in ad valorem tax would have a neutral impact on taxes as the tax on increased sales would offset the lower rate of tax per vehicle.

“These taxes make up only a part of the massive tax burden that motorists and transport operators have to ultimately bear, which includes for example the highly taxed fuel levy, annual licence fees, controversial toll fees, and a tyre levy,” added Dommisse.

NADA Dealer Development Programme

As a result of the COVID-19 pandemic, the 2020 NADA DPP Conference and Roadshows were cancelled. However, during the course of the year NADA hosted four webinars that reached 2 839 unique viewers. NADA also produced two podcasts, which streamed to some 553 listeners. The MISX/NADA BOTY Awards was a highly successful digital live event and with participation from 454 industry role players.

The **NADA DPP website** continues to provide cutting edge information to the motor vehicle dealer community and we are constantly finding innovative ways to make the content more informative.

In 2021 to retain front-of-mind awareness of the NADA Dealer Performance Programme and to deliver both practical and informative content to the motor dealers, NADA will again use live broadcasts, webinars and podcasts supported by an increased online presence to achieve this goal.

2021 NADA DSI Survey

In 1996 an initiative, designed to seek ways of improving communication in the entire value chain of the motor industry was implemented. NADA developed and implemented a dealer satisfaction survey (DSI) to measure the relationship and service-related key issues between the franchisor (OEM/Importer/Distributor) and the franchisee (dealer). This survey has proven to be a valuable management tool for the motor vehicle dealers (dealer councils) and the motor manufacturers, importers and distributors in South Africa.

Since the initial study in 1996, the survey has been repeated each year. Unfortunately, due to the COVID-19 Pandemic and the initial hard Lockdown of the South African economy a difficult decision was taken to suspend and finally cancel the 2020 Survey.

The 2021 NADA DSI is back on track and will take place, with this year marking the 25th Anniversary of the NADA DSI.

We appeal to all dealer principals to once again complete the survey as and when they receive the online questionnaire from research house Lightstone.

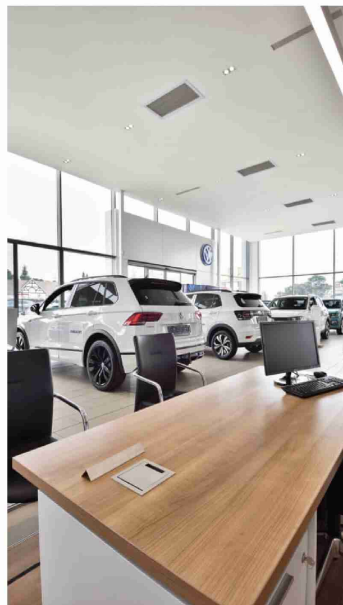
Final Guidelines for Competition in the South African Automotive Aftermarket Industry

The final Guidelines for Competition in the South African Automotive Aftermarket Industry were published in the Government Gazette No. 44103 dated 29 January 2021.

The Guidelines are intended to provide practical guidance for the automotive aftermarkets industry, to promote inclusion and to encourage competition through greater participation of small businesses as well as historically disadvantaged groups. The Guidelines come into effect on 01 July 2021.

NADA is currently reviewing the Guidelines to assess its application and potential impact on the retail motor vehicle dealers’ business. During this review process NADA will consulting various stakeholders to better understand how the Guidelines will be applied in practice.

NADA has also suggested that Dealer Council Chairpersons liaise with their respective OEM’s to see how they intend on applying the guidelines with their particular franchisees and the implications for their respective dealer networks.



Should NADA members require any assistance with the interpretation of the Guidelines, please **contact the NADA office** accordingly.

NADA Transformation Committee

Since the advent of democracy, South Africa’s economic transition and transformation remain incomplete.

The situation is further exacerbated by the unsustainable economic trajectory of the country, characterised by low growth and rising unemployment, which has been aggravated by the impact of COVID-19. This spells doom for the majority of our population unless industries such as our own consciously collaborate with government in initiatives to transform the economy and create opportunities for the previously disadvantaged.

The purpose of NADA’s Transformation Committee’s is to holistically increase access and opportunities for previously disadvantaged people.

The NADA Transformation Committee is headed by Marcia Mayaba, the Vice-Chairperson of NADA. She is supported by the following people:

- Mark Dommisse (NADA Chairperson)
- Derik Scorer (NADA Executive Director)
- Brandon Cohen (NADA Legal and Compliance)
- Ilze Botha (Bidvest-McCarthy)
- Thato Mothibe (Avis Fleet)
- Michele Seroke (Motus)
- Noni Tshabalala (RMI)
- Gary McCraw (NADA Director)
- Ilana Salant (Meropa Communications) **a**