



THE ROAD FORWARD

NEWSLETTER OF THE MOTOR INDUSTRY  
OMBUDSMAN OF SOUTH AFRICA

**UPDATE**

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# FROM THE DESK OF THE OMBUDSMAN

## SA MOTOR INDUSTRY OMBUDSMAN HIGHLY RATED GLOBALLY

The Motor Industry Ombudsman of South Africa (MIOSA) is highly regarded in global terms according to the ombudsman, Johan van Vreden. He has conducted in-depth surveys and studies which found similar institutions in several other countries lagging behind the South African model. In addition, he has also hosted foreign visitors keen to see for themselves how the local organisation functions and they have been full of praise for its industry code, efficiency and functionality.

The Pretoria-based MIOSA, which started from small beginnings in 2000, has been officially accredited by the Department of Trade and Industry. It became a regulator and custodian of the South African Automotive Industry Code of Conduct on 17 October 2014 when the Code was accredited and became a regulation of the Consumer Protection Act No. 68 of 2008 (CPA).

It is the first industry ombud in South Africa to be granted regulatory powers with its Industry Code resorting under the CPA, where, for example, new goods are deemed to be warranted for six months and repairs for a period of three months.

The MIOSA works closely with the National Consumer Commission and the Office of the National Consumer Tribunal, while it interacts with organisations such as the Retail Motor Industry (RMI) in resolving disputes. The MIOSA is also a member of the Ombudsman Association of South Africa.

Now the entire automotive industry, from vehicle manufacturers and importers to dealerships, component suppliers, retailers and repairers must



**JOHAN VAN VREDEN**  
Motor Industry Ombudsman  
of South Africa



register with the MIOSA by the end of February 2015 and start paying a monthly statutory levy which is currently R150 (ex VAT) for dealers, component suppliers, retailers and repairers and R2 200 (ex VAT) for manufacturers and importers.

In terms of non-payment of the levies the usual approach of a statement with interest penalties and eventually recourse to the courts will be used as well as various other means, which may include the participation of the police service.

However, Van Vreden says it seems the new government-accredited MIOSA with its reasonable levies and the services it can provide to the local motor industry has been well received and registrations are being made in rapidly increasing numbers.

In the past the MIOSA was a voluntary contractual service provider to between 800 and 900 companies, mainly manufacturers, importers, dealers and retailers, but now it will expand to more than 20 000 companies involved in all aspects of the automotive industry with a legal requirement to register and pay a monthly levy.

Van Vreden said that as the number of companies increase so the annual fees payable by the manufacturers, importers, dealers, component suppliers, retailers and repairers will decrease accordingly. The objective being to have the rapidly growing number of dealers, component suppliers, retailers and repairers foot 80 per cent of the total budget in the future.

These new developments have resulted in all the MIOSA transactions being computerised and all transactions can be completed on the interactive MIOSA website. The staff at the Pretoria head office is set to grow from 20 to 42 people who will handle the increase in business, with the number of technical case managers growing from five to nine.

The objective is to have a maximum turnaround time of six weeks to resolve disputes. The manufacturers, importers, dealers, component suppliers, retailers and repairers will be given 10 days to reply to each initial complaint. If no resolution is reached after six weeks the Ombudsman makes a unilateral decision on a case.

The MIOSA, which is a non-profit institution, is currently handling about 1 000 cases a month. The vast majority of these being resolved over the telephone. The alternatives are to provide a new vehicle or component, to repair the fault or to refund the customer. Only one case has gone to court in the past 15 years of arbitration.

"Our attitude is not to be confrontational but rather to negotiate," explained Van Vreden. "We operate using four pillars: firstly SA law, then good engineering practice, good customer care principles and, above all, fairness.

"We are most impressed with the training given to the staff at many of the dealerships – particularly those in major groups – regarding the Consumer Protection Act and the role of the Motor Industry Ombudsman. This makes our job easier.

"However, we realise we face some challenges as the smaller companies are brought into the system, but believe they will also realise the benefits of being able to resort to the ombudsman for help at no cost apart from the levy, instead of having to employ attorneys."

Unhappy customers who wish to lodge a complaint with the MIOSA simply go to the website, [www.miosa.co.za](http://www.miosa.co.za) and complete an Assistance Request form which can be e-mailed ([info@miosa.co.za](mailto:info@miosa.co.za)) or faxed (086 630 6141). The information is captured on the system and an automatic e-mail is sent to the complainant with a reference number.

The MIOSA refers the complaint to the relevant manufacturer, importer, dealer, component supplier, retailer or repairer for comment. Once the response is received the file is handed to a case manager for investigation and finalisation. The call centre (086 116 4672 or 010 590 8378) is open between 13:30 and 15:30 Mondays to Fridays for anyone seeking advice or an update on their case. However, as mentioned above the staff complement will be increasing shortly and this will include a full day call centre.



Johan van Vreden had a varied career before setting the wheels of the MIOSA in motion in 2000, but there was always a technical leaning in whatever he did. This included spells at Armscor, SA Bureau of Standards (10 years) and the Automobile Association of SA (10 years).

Van Vreden and a friend, journalist Adri Bezuidenhout, then started an organisation which would become the MIOSA. After discussions with NAAMSA executives and its president, Dr Johan van Zyl, the foundation was laid in 1998 and it opened for business in 2000 as a contractual service provider for dispute resolution for certain manufacturers and dealers in the local motor industry.

Five years ago the decision was made to draw up the SA Automotive Industry Code, which involved detailed discussions and subsequent input from the affected parties. As well as obtaining the opinions of a host of attorneys – because the custodian of an industry code cannot compile such a document – Van Vreden says this was a lengthy process. Many checks and balances and extensive public consultations had to be made before an acceptable Code was agreed upon by all relevant parties.

The Motor Industry Ombudsman has a pet project about which he is very enthusiastic and that is to encourage learners to take up a career in the automotive industry. He regularly addresses learners at schools and takes whatever other opportunities he can to promote a career in the industry, with a special appeal to management to make it exciting for their employees. He says this can include allowing after sales team members to drive new model cars under supervision so they also develop the passion for a vehicle usually reserved only for the sales staff.

"The average age of an automotive technician in South Africa is now 50 and it is almost too late to improve the flow of new blood into the system in all aspects of the motor industry, not only technical," concluded Van Vreden.

ARTICLE ACKNOWLEDGEMENT ROGER HOUGHTON/AUTOLIVE

**AUTO CITY EDENVALE**

122 10th avenue, Edenvale  
(t) 011 452 5870  
(f) 011 452 7658

**BRAMLEY**

176 Corlette drive, Bramley  
(t) 011 885 1270  
(f) 011 885 1271

**CLAYVILLE**

Cnrs of Baksteen & 21  
Axle Roads  
(t) 011 316 6582



# COMMENT ON 2014 NEW VEHICLE SALES

## A CHALLENGING YEAR WITH SIGNS OF CONSOLIDATION

Following four successive years of growth in new vehicle sales – 2010 to 2013 – 2014 new vehicle sales in South Africa recorded a slight year-on-year decline. The slowdown in the economy, two interest rate increases and above new vehicle average price inflation contributed to a fall in domestic

sales volumes of 0.7% for the year. In the event, the marginal decline in aggregate sales during 2014 of 0.7% in volume terms compares to annual growth in total sales of 24.7% year-on-year in 2010, 16.1% in 2011, 10.2% in 2012 and 2.9% in 2013.

**AGGREGATE ANNUAL INDUSTRY** sales by sector, over the past six years, were as follows:

Sector	2009	2010	2011	2012	2013	2014
Cars	258 129	337 130	396 292	442 604	450 296	439 179
Light Commercials	118 159	133756	149 301	160 174	167 996	173 790
Medium Commercials	7 229	7 557	9 218	10 104	11 584	11 021
Heavy, Extra Heavy Commercials	11 705	14 464	17 438	17 737	19 340	20 533
Total Vehicles	395 222	492 907	572 249	630 619	649 216	644 523

On balance, 2014 turned out to be a difficult year for the South African automotive industry with domestic new vehicle sales under pressure, particularly at dealer level, despite attractive incentives and a strong contribution by the car rental sector which accounted for an estimated 14.0% of new car sales during the year. Sales of heavy and extra heavy commercial vehicles performed relatively well and recorded noteworthy year-on-year gains. Industry trading conditions remained intensely competitive with over 60 brands and about 2 962 model derivatives, in the new car and light commercial vehicle sectors, competing for consumers' franchise. Preliminary estimates indicate that motor industry new vehicle related sales turnover had grown by about 9.0%, based on sales volumes and a weighted average estimated increase of about 10.0% in new vehicle prices, during 2013 to reach about R224 billion for the year. Industry new vehicle export sales

were estimated to have added a further R65 billion to total industry 2014 revenue.

Export sales had been negatively affected by a four-week strike in the metal and engineering industry during the middle of 2014 with an estimated net loss of 16 000 vehicles and, as a result, aggregate 2014 total vehicle exports at 276 874 units were only slightly up on the 276 404 vehicles exported in 2013. 2014 vehicle exports still represented the third highest annual industry export figure on record.

Assuming further modest improvement in the global economy industry export sales during 2015 could improve by some 50 000 vehicles or about 17.0% over 2014. Total industry exports were projected to reach about 325 000 units during 2015 increasing further to about 375 000 units in 2016.

ARTICLE ACKNOWLEDGEMENT NAAMSA

global vehicle  
testing

### CONSTANTIA

Cnr JG Strydom Springhaas  
Constantia Kloof  
(t) 011 475 0378  
(f) 011 479 0379

### CLEARWATER

Cnr Kudu Rooibok,  
Weltevreden  
(t) 011 679 5814  
(f) 011 679 5847

### MARTINDALE

189 Main Road, Newlands  
(t) 011 477 6052

### EDENVALE

121 9th Street, Edenvale  
(t) 011 452 2029

# 2013 - 2014

## Vehicle price comparison



**CONTINUED DIFFICULT DOMESTIC NEW VEHICLE TRADING ENVIRONMENT BUT PROJECTED GROWTH IN VEHICLE EXPORTS**

12 January 2015: The latest TransUnion Vehicle Pricing Index (VPI) indicates an unusual trend that used car prices are tracking new car prices, indicative of a slight softening of the used car market relative to new vehicles. In addition, for the fourth consecutive quarter, used car inflation has increased on a year-on-year basis, rising by 1.36% between Q4 2013 and Q4 2014. From 2012 to 2013, the used market experienced five straight quarters of year-on-year price deflation.

"Historically, used car price trends tend to lag behind those of new cars, generally seeing an increase in pricing only a few months following new car pricing inflation. However, for the past couple of months we have seen used car pricing trends keeping pace with new, rising almost simultaneously. We have also seen a slight decline in the number of used vehicles sold relative to new cars during this quarter," says Keith Dye, CEO of TransUnion Auto Information Solutions.

### SOLUTIONS

According to TransUnion's records of financial registrations, the trend towards purchasing used rather than new vehicles, which emerged in the first quarter of 2014 and continued into Q3, has started to reverse again in Q4. The ratio of used to new vehicles declined from 1.79:1 in Q3, down to 1.81:1 during the final quarter of 2014. This ratio, however, has not yet reached the lows of 1.65 as in Q2, 1.52 in Q1 and 1.25 at the end of December 2013.

"This decline is not material and may be affected by the purchasing patterns of car rental organisations, which tend to re-fleet their operations during the last quarter of the year, inflating the number of new cars sold relative to used cars. The price indices graph also shows a small decline year-on-year from an inflationary point of view, however, this change is also minimal and can mostly be attributed to a degree of stability in foreign exchange rates over the period. As a result, pricing has remained fairly static," Dye adds. Used car inflation is still surpassed by the rise in new car prices, which once again outpaced the Consumer Price Index (CPI). At 7.18%, this figure significantly reduced over Q3, where the rate rose as high as 7.82%. This represents the first downward trend after four consecutive quarters of year-on-year new vehicle price inflation.

Furthermore, Rudolf Mahoney, head of research and PR at WesBank says, "Increases in new car prices

continue to exceed headline CPI. This has resulted in a significant price gap between new and used cars, with more consumers opting to finance used cars."

WesBank noted that the ratio of used to new cars that it has financed has moved from 1.12:1 in September 2012 to 1.44:1 in December 2014, indicating a 23% growth in favour of used vehicles over the long term. Negotiating difficult economic times, consumers also continue to use the structure of the finance agreements, such as longer repayment terms and balloon payments, in order to keep monthly repayments at affordable levels.

"The recent, sharp drop in fuel price offers welcome relief for consumers, while the prevailing low interest rate provides a level of certainty and confidence. This is reflected in the vehicle replacement cycle, which has remained consistent at 36 months for the last year," said Mahoney.

"The TransUnion VPI report indicates that new car price inflation seems to be flattening out, and the market can look forward to price stability in 2015. However, the performance of the rand, and all associated factors, remain a risk."

The rate of new car price inflation has continued to slow as a result of a more stable exchange rate, but the fact that this figure remains above the CPI shows an economy that is still beset by challenges, lowering demand for both new and used vehicles. Fluctuating exchange rates will continue to have the greatest impact on pricing and ultimately the market in 2015.

"Statistically, this has not been a significant or dramatic quarter in terms of the VPI. While the relative increase in new car values may be indicative of a softening of the used car market, none of the trends that we are currently seeing represent dramatic changes or shifts and are not currently cause for concern," Dye concludes.

"TransUnion publishes the VPI on a quarterly basis. The vehicle risk intelligence company calculates the VPI from data it receives on monthly sales returns from a large number of dealers throughout the country, as well as vehicle financing registrations from all of the major banks and vehicle finance houses.

*"WesBank confirms our views except the pricing ratios. Materially affected by the credit view."*

ARTICLE ACKNOWLEDGEMENT KEITH DYE AND TRANSUNION

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**MAYFAIR**  
C/O Kruger & Devos  
4 Newclare Road, Mayfair  
(t) 011 839 2196

**NELSPRUIT**  
Shop 5, Christie Crescent  
Vitonla EXT 2  
(t) 013 752 2501

**RANDBURG**  
6 York Street Kensington B  
(t) 011 787 0085

**MAXTRON**  
346 Jules Street, Malvern  
(t) 011 622 1541



**NICO VERMEULEN**  
Director NAAMSA & Member  
of MIOSA advisory board

## NAAMSA COMMENT ON THE JANUARY 2015 SOUTH AFRICAN NEW VEHICLE SALES STATISTICS

In amplification of the new vehicle sales statistics for the month of January, 2015 – released for public consumption on the website of the Department of Trade and Industry – the Association commented that new vehicle sales had started 2015 on a mixed note, however, short- to medium-term prospects had turned increasingly positive. Moreover, as expected, export sales of new motor vehicles had started the year on a strong note.

In the event, January 2015 aggregate new vehicle sales at 52 306 units registered a decline of 642 vehicles or a fall of 1.2% compared to the 52 948 vehicles sold in January last year. Sales of light commercials, heavy and extra heavy trucks had recorded noteworthy gains. Moreover, the January 2015 export sales of 16 708 units reflected a substantial improvement of 2 863 vehicles or a gain of 20.7% compared to the 13 845 vehicles exported in January last year.

Overall, out of the total reported industry sales of 52 306 vehicles, an estimated 42 845 units or 81.9% represented dealer sales, 11.3% represented sales to the vehicle rental industry, 4.0% to industry corporate fleets and 2.8% to government.

The new car market had experienced some pressure in January 2015 and at 36 982 units reflected a decline of 1 392 units or a fall of 3.6% compared to the 38 374 new cars sold in January last year. The car rental industry had again made a strong contribution and had accounted for 15.3% of new car sales in January, 2015.

Domestic sales of industry new light commercial vehicles, bakkies and minibuses at 13 460 units during January 2015 reflected a gain of 756 units or an improvement of 6.0% compared to the 12 704 light commercial vehicles sold during the corresponding month last year.

Sales of vehicles in the medium and heavy truck segments of the industry at 637 units and 1 227 units, respectively, reflected a mixed picture and, in the case of medium commercial vehicles, reflected a decline of 136 units or 17.6% and, in the case of heavy trucks and buses, an improvement of 130 vehicles or a gain of 11.9% – compared to the corresponding month last year.

Industry new vehicle exports during January, 2015 had registered, as expected, strong gains compared to the corresponding month last year. NAAMSA anticipated that on the back of normalised industry production, exports for 2015 would improve by around 15% to a record of about 320 000 vehicles.

Domestically, near term prospects for the new vehicle market had improved on the back of a number of recent positive developments. The latest SA Reserve Bank leading indicator had increased significantly to its highest level in nine months. Given the close correlation between new car sales and the leading indicator, this development augured well for vehicle sales in the short- to medium-term. Furthermore, the substantial rise in the purchasing managers' index also suggested an improvement in business activity and manufacturing output in South Africa. Thirdly, consumer spending was likely to benefit from the substantial decline in fuel prices over the past six months. Importantly, resultant lower inflationary pressures opened the way for stable interest rates well into 2015.

As a result of these factors, the outlook for 2015, in terms of new vehicle sales, had improved over the short - to medium - term and would be reinforced further by expectations of a higher economic growth rate of around 2.3% for the year. However, one major negative factor revolved around security and stability in electricity supply.

The proposed change by the fiscal authorities to the basis of fringe benefit taxation of company cars was expected to result in pre-emptive buying during the balance of February 2015, to avoid the higher basis of valuation of company cars, for fringe benefit tax purposes, with effect from 1 March 2015. The planned legislative change provided that, instead of basing the taxable value of the private use of a company car on the cost to the employer, the taxable value would instead be based on a higher retail market value. NAAMSA anticipated that the tax change would result in a further move to the car allowance alternative and that companies might consider purchasing new company cars in advance of the tax change. There would be no impact on current company cars or on vehicles acquired before 28 February 2015.

ARTICLE ACKNOWLEDGEMENT NAAMSA

### WESTGATE

Unit 19, 139 Ontdekkers Road,  
1725, Roodepoort  
(t) 0117685620  
(f) 0117685620

### HARTBESPOORT DAM

Shop 68, Crossroad centre,  
Hartbeespoort  
(t) 012 259 0553  
(f) 0117685620

### HEIDELBERG

2 Bessmer Street  
(t) 0163412987

### VEREENIGING

45 Lesley Street, Vereeniging  
(t) 0164555695



# SOUTH AFRICAN NUMBER PLATE ASSOCIATION

## PROPOSED NATIONAL NUMBER PLATE FOR SOUTH AFRICA

• Government Gazette number 38430 was published on 28 January 2015 that yet again stipulates requirements for the proposed national number plate. The deadline for comment is within four weeks of publication (Wednesday, 25 February 2015) and SANA will submit its views and recommendation, which will also be circulated to members. Aforementioned Gazette is available on the SANA website for download ([www.sa-na.co.za](http://www.sa-na.co.za)).

• Industry did not receive any official feedback with regard to comments and recommendations that were submitted on Government Gazette No: 37845 of 9 April 2014, the first Government Gazette to propose the national number plate. However, comments submitted by SANA were incorporated in Government Gazette number 38430.

## AMENDMENTS TO THE NATIONAL ROAD TRAFFIC ACT

Government Gazette number 38429 was also published on 28 January 2015 and proposes amendments to the National Road Traffic Amendment Bill, 2015. SANA will submit comments before the deadline. The Gazette is available on the SANA website for download.

## MANDATED CERTIFICATION SCHEME : SABS

- SANA meeting with DTI :  
Wednesday, 11 February 2015
- SANA met with the Deputy Director General of the Department of Trade & Industry and the management of SABS with regard to industry concerns raised. These include:-
  - Inconsistent auditing practices;
  - The new 2D barcoded SABS certification mark sticker;
  - Lack of consequences for SABS permit holders that transgress the SANS 1116 specification and National Road Traffic Act requirements;
  - Clarification on SABS' mandate with regard to regulation;
  - Serious delay in feedback, with regard to queries raised; and
  - Serious delay in issuing of permits, test reports and SABS certificates.

Feedback in terms of the outcome of this meeting will be given to SANA members.

### • Major fee increase for new SANS 1116 SABS permits

This office has been overwhelmed with queries from existing permit holders and prospective embossers with regard to the dramatic price increase for new SANS 1116 part 2 & 4 permit applications. I did not see an official price structure from SABS, but below is an example of quotes received from an existing permit holder:-

### • SABS Application Fee

Embossing practice situated in Midrand: ± R 12 000  
Embossing practice situated in Centurion: ± R 9 700

### • Monthly Permit Fee

Embossing practice situated in Midrand: ± R1 810  
Embossing practice situated in Centurion: ± R1 436

It is SANA's opinion that such a major increase will result in a negative growth rate for the embossing industry, since existing embossers will battle to expand their current business operations and start-up businesses/BEE candidates will not be able to enter this market. SANA will definitely take this matter up with the management of SABS Certification.

### • CANCELLATION OF SABS PERMITS WITHOUT WRITTEN NOTIFICATION

This office again received complaints from embossers, who forgot to inform SABS of their intention to relocate and whose SABS permits were subsequently cancelled. SABS is in breach of the Constitution and the PAJA Act (Promotion of Administrative Justice Act) for not giving the permit holder written notice of their intent to cancel the permit. In order to provide the individual the opportunity to respond, SANA will address this issue with the CEO of SABS.

In the meantime embossers are advised to rather correspond with SABS via e-mail, informing them of your intention to relocate, since postal deliveries are unreliable and e-mails are the best way to record your interactions with SABS personnel.

## FEEDBACK

### • PROVINCIAL : NORTH-WEST : PROPOSED NEW SECURITISED NUMBER PLATE

Industry is still awaiting feedback on the proposed new securitised number plate system for North-West Province.

COURTESY OF THE SOUTH AFRICAN NUMBER PLATE ASSOCIATION

#### WILLOWS

Lynnwood Road, Pretoria  
(t) 0128077177  
(f) 0128077177

#### SUIKERRIET

No. 9 Suikerriet Street  
Nelspruit  
(t) 0137553945

#### KEMPTONPARK

Unit 6 Detroit Plaza  
(t) 011 975 5507  
(f) 011 394 4479



## A NEW ERA FOR THE IDA GROUP OF COMPANIES

Lightstone Group, which is part of the wider Halls Group, has acquired WheelsWeb Group, also referred to as the IDA Group of Companies.

This change in the ownership of WheelsWeb provides the IDA Group of Companies with new and exciting prospects as it is now part of a group that is fully invested in and committed to the motor industry in South Africa. In fact, following this acquisition, Lightstone Group now has assets and investments ranging from Signio, IDA Risk Management, Electronic F&I Services, Vehicle Data Verification and Vehicle Valuation capabilities, as well as many other related businesses and service offerings. We know that all of these are vitally important to motor dealers in their quest to become profitable and sustainable businesses.

While the IDA is and will always be an independent body, it nevertheless has access to all of the benefits flowing from the acquisition of the IDA Group of Companies and, in particular, the opportunities and benefits that Signio and Lightstone Auto, both

subsidiaries of Lightstone Group, can offer the IDA Group of Companies.

From a WheelsWeb perspective we realise that technology is a key enabler for our industry and we have been focused on providing technologically advanced solutions to IDA members. In our continuous endeavour to improve and take our service offering and our new value proposition to another level, we have been looking for an appropriate partner over the last year, which resulted in this deal with Lightstone Group. Having now concluded the deal, the strategy of enabling the industry through technology is one step closer to being realised.

As indicated above, the IDA is and always will be an independent body and, as such, the deal will not have an impact on the Independent Dealer Association and its operational functioning. However, the deal does provide better governance, better industry data, better finance related data, and more hands and feet in the market - all of which is undoubtedly to the benefit of all the IDA members.

ARTICLE ACKNOWLEDGEMENT HEADS-UP - IDA NEWSLETTER

### NEW APPOINTMENTS AT MIOSA:



**Carol Brandt**  
Personal Assistant



**Graham Botha**  
Case Manager



**Kobus Rabie**  
Case Manager



**Nick Brandt**  
Case Manager

### CONTACTING REPRESENTATIVES

Gauteng/Free State/ Mpumalanga/ North West/ Northern Cape	Mercia van Niekerk National Project Manager	082 442 9250
Limpopo	Deon Schuhardt	081 536 7654
KwaZulu-Natal	Cyril Neilson	071 608 9995
Eastern Cape	Stephanie Newsome	081 267 2608
Western Cape	Rozanne Spangenberg	082 575 2681

