

GMSA geared to stay in SA

With well-established core brands such as Chevrolet, Isuzu and Corsa in its stable and at least five new models due to join its range within the next 18 months General Motors South Africa says it's here to stay - in spite of what may happen to GM in America.

 By [Henrie Geysler](#) 5 Dec 2008

"Owners of our core brand products have my absolute assurance that we are going to be around for many years to come," Stevan Koch, the president and managing director of the African operations of GM, told *n* in an exclusive interview in Port Elizabeth.

He said owners and prospective buyers of GM products also need not worry about having their vehicles serviced and repaired. "I know that many dealerships are closing down, but GMSA has the strongest, most profitable dealer network in this country and this, coupled to our R150-million Vehicle Conversion and Distribution Centre (VDC) and an additional R220-million investment in a new Pan-African Parts Distribution Centre at Coega, is a clear message of our commitment to GMSA's future in this country."

Of the GM brands sold in South Africa, the only two which might not survive the tough economic climate amid the slump in local new car sales as part of the GMSA fold are SAAB and Hummer, while Opel would probably become more of a niche product.

He concedes that GMSA's product range was probably too extensive and that some stream-lining might be necessary.

However, the group's core brands were all doing well, with the Opel Corsa Utility particularly strongly positioned as the market leader for 43 consecutive months.

GMSA has grown its market share by almost five percent year to date, while new vehicle sales plunge low by the month.

Koch said he expected the total South African market to be about 490,000 units this year, compared with 614,000 last year.

And next year looks even gloomier with an expected sales market of only 400,000 new vehicles.

He said besides the world-wide recession, South African trading conditions were hampered by high interest rates, inflation, unrealistic property prices, the rand exchange rate, the political situation, power outages, crime, and South Africa's current account deficit which is one of the worst in the world.

The weakness of the rand and inflation will result in cost increases. For instance, the rand's deterioration against the Japanese yen means that costs have virtually doubled on imported parts and goods. This will impact on new car prices.

GMSA has been running a much leaner and more efficient operation since 2007 which has resulted in better quality and better service to dealers and customers - and 15 Synovate Quality Awards in 2007 and 13 this year.

He said it was important to bear in mind that 60% of GM's total sales come from outside the USA and of these emerging markets such as South Africa have grown in stature.

Most GMSA products are manufactured in countries other than the USA.

In Israel GM sales were up 35%, in Egypt it had increased by 64%, North Africa by 54% and East Africa by 11%.

“GMSA has been in South Africa for eight years and we are well entrenched. We saw what was happening and we prepared for it, so we are feeling pretty good about our future in this country,” Koch said.

He expected the downturn in the economy to last for a long time. “I don't expect to see a real improvement before the end of 2010, but we are bedded down and equipped to deal with it.”

And while NAAMSA's official new car sales figures show November sales down by almost 30% and new car sales at its lowest ebb in five years, last month was the best cash-flow month of the year for GMSA, with November almost as good.

Although he is confident about the group's ability to weather tougher market conditions he expressed some concern about the Automotive Production and Development Programme's intention to reduce import duties which would put locally produced vehicle prices under pressure.

Import duties on vehicles are currently 29%, but this will drop to 25% by 2012 - and they will remain at that level from 2013 onwards.

In other countries with developing auto industries such as South Africa, import duties are generally as high as 35% to protect locally manufactured vehicles against cheaper imported vehicles.

ABOUT HENRIE GEYSER

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