

Mobility is essential in getting the economy back to work

The National Automobile Dealers' Association (NADA) empathises with the South African government and the enormous balancing act it must perform as it weighs up saving lives, protecting the health sector, and getting the economy back on its feet as the Covid-19 crisis develops.



Mark Dommissie, National Chairperson of National Automobile Dealers' Association (NADA)

“NADA applauds and agrees with the risk-adjusted and phased approach to unlocking economic activity, and in this regard, urges government to consider the retail automotive sector as a key component in getting all sectors operational,” says Mark Dommissie, national chairperson of NADA.

“In order for the economy to function efficiently, it relies on various forms of crucial mobility services, including the repair and maintenance of private and public transport, parts availability, and new vehicle supply. The motor industry plays a critical role in getting people, products and services to market. It is therefore imperative that dealerships be among the first businesses to commence work when lockdown restrictions are eased,” adds Dommissie.

As soon as the go-ahead is given, new vehicle production facilities in South Africa will resume operations and will require channels in which to distribute the products they assemble. Limiting demand to export only is unnecessarily prejudicial to the factories – domestic consumption driven by the NADA members will surely help reduce the pain to OEMs and their factory workers. interrupted supply into the local market will cause lost sales, which inevitably will lead to lost jobs.

Jebb McIntosh, founder of Combined Motor Holdings, now chief executive officer and director at CMH Holdings has this to say: “Automotive retail has a massive investment in stock, with interest costs growing daily, salaries being paid to staff and lease payments to landlords. Under the lockdown, these costs remain and are draining cash resources of every dealership.

Every day this continues, means an increase in the number of dealerships that will never open their doors again, and a greater number of retrenchments at dealerships that do open. This will only add to the growing number of jobless people begging the government for support.

Complying with protocols

“Franchised dealerships are disciplined businesses, that are used to complying with protocols which are overseen by OEMs and other stakeholders. Strict safety protocols are in place and have been from day one, ensuring the safety of both staff and customers. In addition, dealerships are self-standing properties with a limited number of people visiting daily,” says McIntosh.

At present, there are approximately 1,600 franchise dealers in South Africa, employing 60,000 people directly. Taking the multiplier effect into account, this number increases to nearly one million people in the full automotive industry value chain.

The investment that these franchise dealers (groups and independents) have on the table in dealership facilities and working capital is well in excess of R40bn – equating to a massive contribution to the Fiscus. Retail operations account for 2.5% of the motor industry’s 6.9% contribution to GDP and can make a significant contribution to jump-starting the economy.

Osman Arbee, CEO of Motus notes: “We employ 15,000 people in South Africa. As a result, the safety of our people and customers will always come first. However, by returning to work on 4 May, we will be best placed to save our businesses, jobs and help government reduce the need for further support packages. The motor business can effectively apply the new hygiene standards and “social distancing” which will support the low transmission of spreading the coronavirus due to the nature of the business where there are no large gatherings.

“Our high tax base is a strong contributor to the fiscus and we will help kick-start other industries, including the OEM’s, parts manufacturers, vehicle asset financing, other financial services and the workshops. We also have a vital role to play in supporting the mobility needs of any other business or industry that is allowed to recommence trading. Simply put; we represent a low risk and high return opportunity,” concludes Arbee.

There is additional investment in training and qualifications generated out of formalised trade skills in dealerships such as technical, sales, finance and insurance, administration, and accounting.

Rebuilding the economy

These represent fantastic opportunities for this 60,000-person skills pot to contribute towards rebuilding the SA economy and, more broadly, also feeds important other sectors such as non-franchise workshops, motor vehicle body repairers, parts retailers, and used car dealers.

The coronavirus pandemic has forced the automotive industry to press the pause button and the situation is dire for the sector as thousands of dealerships are currently in lockdown. The consequence of this is causing a massive cash flow

stoppage to the fiscus, compounded by the issue of around one million people being out of work.

“It is crucial that the dealer retail market swings into gear as soon as possible,” says WesBank Motor CEO, Ghana Msibi. “Dealers are a critical enabler in the automotive value chain, and with current technologies the financial industry can be largely digitised. We can execute almost all aspects of finance and insurance processes online, and can nearly completely eliminate the need for consumers to enter dealerships prior to the final delivery of vehicles.”

“WesBank predicts that social distancing will be part of our lives for quite some time to come and expects more people will be leaning towards safer means of transportation in efforts to avoid being exposed to contagious illnesses,” Msibi continued.

From a safety perspective, dealerships can adapt quite quickly and easily to ensure that their environments are as safe as possible. Dealerships generally have low footfall and spacious facilities – both of which are positive factors to consider in ensuring effective social distancing and mitigating the risk of virus transmission. Appointment scheduling and access control measures, which were largely in place prior to the crisis, can ensure that the total number of people within facilities at any given time is monitored and controlled.

“While we remain fully supportive of government initiatives with regards to Covid-19, franchise dealerships are well geared to institute and manage a wide range of safety measures and infection prevention protocol. This will not only support a phased start-up process for the economy, but will also provide a vital support to motorist that will need to rely on private vehicle usage as opposed to public or shared transport solutions,” says Graeme Watson, CEO of Super Group Automotive.

“In addition to this, our staff rely on a considerable element of incentive-based earnings and a further extended lock-down period will have a dramatic effect on their livelihoods and will no doubt result in significant redundancies. This, together with our large fixed overheads and cash consumption during a prolonged lock-down period, will materially affect the future viability of many of our dealerships and the retail motor industry as a whole,” Watson adds.

Brynn Stephenson, CEO of Unitrans Automotive Group says: “We have 6,000 staff members at Unitrans, with the majority earning a significant portion of their salaries on commission-based structures. Earning a basic salary, if paid without any commission, is in no way a sufficient income. With no turnover in our dealerships, cash reserves will soon be depleted resulting in the frightening prospect of a complete business restructure.”

Franchised dealers operate under a range of very strict Manufacturer standards and government regulations and can be relied upon to do everything in their control to protect staff and customers from the spread of infectious disease.

Adhering to safety and hygiene standards

NADA has a clear plan to drive adherence to safety and hygiene standards through ongoing research and consultation with the health sector. These standards will be enforced through communication campaigns, including consistent engagement with its members.

“We remain committed to contributing and supporting the resurgence of the South African economy within the important safety constraints required to combat the Covid-19 pandemic.

It is a sector of the economy that can contribute enormous benefit in the immediate-term, a factor that needs to be seriously considered by government.

We are a highly vulnerable industry. Motor retail is right on the edge but, if it is saved, and can open quickly, we can bring in revenue both for dealership staff and to the fiscus, which is a win-win for all,” concludes Dommissie.

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