



AUTOMOBILE MANUFACTURERS EMPLOYERS ORGANISATION

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MEDIA RELEASE BY THE AUTOMOBILE MANUFACTURERS EMPLOYERS ORGANISATION (AMEO) ON THE INDUSTRIAL ACTION IN THE SOUTH AFRICAN NEW VEHICLE MANUFACTURING INDUSTRY: FOR IMMEDIATE RELEASE

Automotive companies, with vehicle manufacturing operations in South Africa, have registered their concern over the commencement of strike action in the automobile manufacturing industry, as announced by NUMSA last Friday 6 August 2010. NUMSA initiated strike action on Wednesday 11 August in support of numerous demands, inclusive of a 2010 wage increase of 15% and various other demands which would result in a cost increase of over 30% for the employers in the industry.

These demands are unrealistic and do not take into account the highly competitive nature of the Global auto industry, as well as our relative lack of competitiveness when comparing our costs to Auto manufacturers in other countries.

The South African auto market is highly competitive with 60 brands and over 1100 models available to the consumer. Local OEM's are competing against Importers who are keen to make inroads into the South African market. Increases of the magnitude demanded by NUMSA would lead to a further deterioration of the already poor cost competitiveness of SA OEM's and further risk not only to production for the local market but also to long term Export contracts.

The market in SA is at an early stage of recovery after the dramatic downturn over the period 2007 to 2009. We have to recognise, however, that this recovery is fragile. The original equipment manufacturers together with supplier and dealers contribute about 6 to 7% of the country's GDP, and are accordingly a significant contributor to the SA economy.

Since 1995 the parties to wage negotiations in the auto industry (namely the employers and Numsa) have concluded a series of three year agreements covering wages and conditions of employment for hourly employees. This has greatly assisted in positioning South Africa as a reliable and stable manufacturing base, and it is for this reason that the employers are of the view that the agreement currently under negotiation should also be of three years' duration.

The current negotiations have been facilitated by two highly respected facilitators who have been involved in many high profile wage settlements in recent years. These negotiations reached an impasse recently and in terms of the agreement regulating the auto sector bargaining process, the facilitators were required to provide an opinion on the reasonableness of the positions of the two parties. The facilitators found that the Employers position was the more reasonable position at the time of deadlock; at the same time we recognize that much work needs to be done to conclude the negotiation process, and we remain open to concluding this with Numsa as soon as possible.

The employers' current offer is a 7% wage increase for 2010, based on a 3 year agreement, with increases in subsequent years linked to inflation. At deadlock NUMSA was still insisting on all of its original 18 demands being met, including a wage demand of 15% for a one year agreement, almost doubling of the annual bonus and a 50% increase in Sick leave payment. The total cost implications of the NUMSA demands are in excess of 30%.

The industry has in recent years become export dependant and our shareholders and investors require long term agreements to ensure industrial stability and continuity of supply in the industry. Our relatively poor global cost competitiveness also requires moderation when it comes to wage increases if we are to maintain our export business into the future.

As a result of strike action the Employers stand to lose more than 2100 cars per day (of which 50% are destined for export markets) and Employees will lose over R8 million per day in total wages and benefits in respect of the 15,000 hourly employees in the industry.

Employers remain open to engaging Numsa on an urgent basis to ensure that we achieve a balanced agreement that provides reasonable wages and conditions of employment while at the same time ensuring that the auto manufacturing industry in SA maintains, and grows, its competitiveness going forward.

Inquiries may directed to the Chairman of the Automobile Manufacturers Employers Organisation, Mr Chris Thexton, at 041-4039124 or 082 339 3838

**AMEO OFFICES : PRETORIA
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