

26 April 2020

Honourable Ebrahim Patel
Minister of Trade and Industry
Private Bag X84
PRETORIA
0001

By email

Dear Minister Patel

CALL FOR AUTOMOBILE RETAIL AND AFTERMARKET SECTOR TO BE INCLUDED IN LEVEL 4

The RMI is the representative body for the automobile sales, services and repair industry. On 24 April 2020, we submitted a comprehensive motivation and an appeal for consideration to be included under Level 4 for the proposed framework for sectors. Our submission to your office was only submitted late in the afternoon of 24 April 2020 and we acknowledge that you may not have had a chance to review this prior to the public announcements on 25 April 2020.

As a representative business organisation, the RMI fully appreciates the vast number of submissions under consideration and we have therefore taken the liberty of re-submitting our original submission for your kind consideration. In addition, following your announcement and circulation of the draft framework for sectors/risk adjustment strategy document, we welcome the opportunity to provide further commentary thereon. We would accordingly like to highlight the following points in addition to those contained in our attached submission of 24 April 2020:

- a) Automobile services, repairs and maintenance are all currently listed under Level 2, with the exception of vehicle sales (only sales), which falls under Level 3.
- b) We note that input and comment on Level 4 is only required by noon on Monday, 27 April 2020. Input and comment in respect of Level 4 within the prescribed format will accordingly be submitted under separate cover.

We provide the following eight strong motivators detailing why the automobile sales, services, repair and maintenance industry (automotive aftermarket) should be considered for inclusion under Level 4.

- i) The Automobile aftermarket is not only a vital employment sector and contributor to the fiscus, but it is a significant enabler of, and support function to, many other sectors across the 5 Alert Levels. Without an effective and operational automotive aftermarket, strategically located in each district, community, town, metro and city across all provinces, we are of the view that vehicle safety and effective vehicle repairs and maintenance of all persons and businesses operating under Level 4 (including essential services and health personnel) and amounting to roughly 40% of the total economic activity and employment, would be negatively impacted and detrimental to the much-needed and speedy recovery of the economy.
- ii) Automobile manufacturing, listed under Level 4 (phased in to a maximum of 50% of employees), is to a large extent dependent on the automotive aftermarket for sales, services, repairs and maintenance of vehicles. The total value chain needs to be kept together to allow for efficiencies, support and a co-ordinated effort to re-open the economy and to fight the COVID19 pandemic.
- iii) Automotive aftermarket businesses are operating, unlike general retail stores, at low levels of risk as they do not attract masses of customers at any one time into the workplace. Health and safety is reasonably easy to control and enforce and social distancing of both employees and customers is relatively easy to enforce. Therefore, the customer and employee interface is limited, collection and delivery of vehicles can be, and will be done, without any interaction with customers. Operations until business can return to normal under level 1 conditions could therefore be easily managed from a health risk and prevention perspective.
- iv) Given the nature of the general automotive workplaces, consisting of large workshop and sales areas, well ventilated with limited interaction between employees and customers, health risk requirements could be implemented, controlled and managed at relatively low risk to all.
- v) The RMI, on behalf of automobile businesses has developed a comprehensive COVID-19 business risk plan for immediate implementation. The industry at large is ready and committed to implement all measures and maintain compliance at all times and subject itself to having the plan approved by the Honourable Minister as well as the Health Department if required.

- vi) The RMI, in considering a level 4 status, has taken into account the risk of transmission, the economic impact of the current lockdown, the economic contribution (2, 5% of GDP) and the impact on livelihoods and jobs.
- vii) The automobile aftermarket therefore fully supports Government's initiative (including the gradual implementation and reintroduction of staff at a phased approach) and accordingly heeds the call to meaningfully contribute to fighting the COVID-19 pandemic.
- viii) The sustainability of the automotive aftermarket is at a critical junction. It simply cannot sustain its overheads and huge capital investment in very specialised and sophisticated equipment and premises beyond the current Level 5 lockdown date of 30 April at zero turnover without seriously risking business closures and thousands of job losses. Assuming the automotive industry can start operating on Monday, 4 May, it is widely accepted that business recovery would take as long as 6 – 9 months post lockdown to return to a sustainable and profitable return on investment. The earlier the start, the fewer the job losses and permanent business closures there will be.

Given the risk mitigation measures alluded to above, it is our submission that the benefits of allowing economic activity for automotive aftermarket businesses under Level 4, as opposed to the current level 2 scenario, far outweigh the risks associated therewith.

We thank you, Honourable Minister, for the opportunity to submit our appeal for your favourable consideration. We are available at short notice should you or your department wish to engage the RMI on any information or further clarity that may be required.

Sincerely



JAKKIE OLIVIER
CEO: RETAIL MOTOR INDUSTRY ORGANISATION (RMI)