



Truck market on the up and up

The truck market has recorded its best month in a year, says **FRANK BEETON** in his quarterly review of the industry

Mercedes-Benz South Africa remains constrained by its overseas principals to reporting only aggregated monthly sales data for its Mercedes-Benz, Freightliner and FUSO brands to NAAMSA. In turn, NAAMSA has estimated the breakdown of these aggregated sales to individual model and variant levels. The following analysis has processed the resulting data on the assumption that it is the most accurate reflection of the true market composition available at this point in time. Readers should please bear this in mind when comparing this analysis and its conclusions with previous articles in **FOCUS** on Transport and Logistics' series of market reviews.

Subject to any influence on data integrity imposed by the reporting regime described above, it's been possible to conclude that the March 2012 truck market result was the best individual monthly return recorded

since one year earlier, in March 2011.

This has resulted in total reported sales for the January-March 2012 period producing quarter-on-quarter growth of 5,2 percent when compared to the final three months of 2011 – and confirms that the selling momentum gained during the second half of 2011 has carried over into the current year.

The improvement in sales volumes during the first quarter also reflects an improving vehicle availability situation when compared to the constrained conditions that prevailed during much of 2011, allowing vehicle manufacturers and importers to catch up on unfilled orders that were placed in the latter months of last year.

Another characteristic of the current market is that the premium extra heavy commercial vehicle (EHCV) segment has returned to monthly volumes in excess of 1 000 units in February and March 2012. The fact that the largest and most

Quarterly review

This commentary reflects the state of the South African "Truck Market" for all Commercial Vehicles with Gross Vehicle Mass ratings above 3 500 kg, as reported to the National Association of Automobile Manufacturers of South Africa (NAAMSA). In line with the current reporting regime of that organisation, the market has been divided into the following segments:

- MCV – Medium Commercial Vehicles, GVM 3 501-8 500 kg
- HCV – Heavy Commercial Vehicles, GVM 8 501-16 500 kg
- EHCV – Extra Heavy Commercial Vehicles, GVM 16 501 kg and above
- Buses – Passenger Vehicles, GVM 8 501 kg and above.

These reviews are presented on a quarterly timescale in order to reduce the impact of short-term market distortions which are often created by specific bulk-buy deliveries, the launch of new products, and/or the run-out of obsolete product ranges.

Manufacturer 1st quarter performance 2012

Manufacturer	MCV Units	HCV Units	EHCV Units	Bus Units	Total Units	Market Share		Market Position	
						This Quarter	Last Quarter	This Quarter	Last Quarter
Mercedes-Benz SA	586	154	949	53	1 742	26.16	26.20	1	1
Change						-0.04		0	
Toyota/Hino	518	257	93	0	868	13.03	14.34	2	2
Change						-1.31		0	
UD Trucks SA	150	311	196	0	657	9.86	12.32	4	3
Change						-2.46		-1	
MAN Group	0	48	324	108	480	7.21	9.86	6	5
Change						-2.65		-1	
GMSA	440	226	73	10	749	11.25	10.58	3	4
Change						0.67		1	
Volvo Trucks	0	0	482	22	504	7.57	6.27	5	6
Change						1.30		1	
Iveco	234	13	57	0	304	4.56	3.79	9	9
Change						0.77		0	
International	0	0	182	0	182	2.73	3.05	11	10
Change						-0.32		-1	
Scania	0	0	259	59	318	4.77	4.53	8	8
Change						0.24		0	
Tata	209	123	48	7	387	5.81	5.09	7	7
Change						0.72		0	
Peugeot	34	0	0	0	34	0.51	0.88	14	12
Change						-0.37		-2	
Volkswagen	230	0	0	0	230	3.45	1.37	10	11
Change						2.08		1	
VDL	0	0	0	21	21	0.32	0.02	15	17
Change						0.30		2	
Babcock/DAF	0	0	43	0	43	0.65	0.76	13	13
Change						-0.11		0	
Fiat	16	0	0	0	16	0.24	0.41	16	15
Change						-0.17		-1	
Citroen	3	0	0	0	3	0.05	0.03	17	16
Change						0.02		-1	
Powerstar	0	0	122	0	122	1.83	0.49	12	14
Change						1.34		2	
Totals	2 420	1 132	2 828	280	6 660	100.00			

expensive commercial vehicle grouping has maintained its dominant position in the market speaks well for the financial wellbeing of the transport industry, and its ability to access asset financing facilities. It was also notable that passenger bus sales, which contracted significantly during 2011 following the stimulus provided by Soccer World Cup in 2010, grew by an impressive 26.7 percent during the first quarter of 2012, when compared to the last quarter of 2011.

SEGMENTATION DYNAMICS

Following the situation that prevailed throughout 2011 when the market was characterised by a particularly strong EHCV segment performance, this premium payload category continued to lead all other segments during the first quarter of 2012, confirming that demand for multi-axled haulers and load carriers has not yet dissipated. However, over the three most recent quarters, it has been noted that the gap between the market shares of

the EHCV and medium commercial vehicle (MCV) categories has narrowed. This review shows the extra-heavy share at 42,5 percent, while the entry level MCV category captured 36,3 percent of the first quarter's total market. The chassis/cab models in the MCV segment are sourced primarily from Japan, and would have been subject to some availability constraints during much of 2011, so the recent strengthening of the segment suggests there has been an improvement in this situation.

However, it is still notable that the performance of the cruiserweight heavy commercial vehicle (HCV) segment, at just 17 percent average market share for the past three months, is well below this category's long-standing and consistently-held position at 20 percent penetration of the total market. This segment is also dominated by product sourced from Japan, and its recent sub-par performance suggests that some unsatisfied pent-up demand may still exist in the distribution sector, which is the major user of the larger

4x2 freight carriers which typify the HCV product listings.

The first quarter of 2012 has also seen some improvement in the rate of heavier passenger bus sales, with the market share of this category edging up to 4,2 percent from its recent low point of 3,3 percent in the third quarter of 2011 – showing some welcome signs of renewed growth. In the aftermath of Soccer World Cup 2010, there is still ample evidence of a surplus in the local availability of luxury coaches, which identifies increased demand for commuter buses as the main driver of the recent performance improvement recorded by this segment. The substantial level of commitment expressed in the government's infrastructure programme for public transport should accelerate the rate at which new Bus Rapid Transit (BRT) systems are implemented, promising even more momentum in this segment going forward.

MANUFACTURER PERFORMANCE

The accompanying table illustrates the

relative market performance and ranking of each participating manufacturer in the quarter just completed, as compared to the returns for the immediately equivalent preceding period.

Readers should note the groupings of manufacturers contained in this section of the report. The rule employed is that if a manufacturer or group sells more than one brand through its distribution channels, then all sales for those brands will be consolidated in the result for the manufacturer or group. Thus, Mercedes-Benz includes Freightliner and FUSO, Toyota/Hino contains both brands, MAN

than FUSO's final quarter 2011 result, the marque having suffered substantial tsunami-induced availability constraints in 2011. Promotional activities during the first quarter were headlined by the Namibia launch of a revised and restyled Freightliner Argosy premium hauler range, and the announcement that Mercedes-Benz is to enter the used truck business with its first dedicated TruckStore outlet situated in Centurion.

Hino/Toyota

Another manufacturer to suffer the consequences of the March 2011 tsunami/

Trucks suffered a surprising reverse in the review period, selling nearly 16 percent fewer vehicles than in the preceding quarter and losing two-and-a-half percentage points of market share in the process. Consequently, this resulted in the brand finishing the first quarter of 2012 in fourth position, one place below its "normal" position in the market. In a year when UD Trucks is celebrating its 50th Anniversary in South Africa, it will be looking to new and improved products to restore its fortunes. The first of these was the latest generation of the remarkably successful UD Quon EHCV range, including an automated transmission option, that was recently launched at Sun City.

Tata

Recent statistical evidence suggests that Indian manufacturer Tata is consolidating its presence in South Africa, and is maintaining a market share slightly above five percent in the process. In fact, its performance in the first quarter of 2012 reflected a quarter-on-quarter volume improvement of more than 20 percent, which resulted in a market share increase of 0,7 percent, and the retention of seventh position in the rankings. None of the new global product offerings exhibited at the Johannesburg International Motor Show (JIMS) in 2011 has appeared in local sales reporting as yet, and these are sure to increase the level of interest in the marque when they enter the local market.

MAN Group

Following a strong performance in 2011, MAN lost considerable ground during the first quarter of the current year. In the quarter-on-quarter comparison, absolute sales volumes were off by 23 percent, which resulted in a loss of two-and-a-half percent in market share, and demotion to sixth position in the market rankings. Notably, all of this loss was suffered by the "parent" MAN brand, while Volkswagen vehicles tracked the improved market and held on to their market share. The MAN Group continued to lead the local bus rankings during the first quarter, materially assisted by the delivery of 41 Volksbus units. It was recently announced that MAN is extending its range of aftermarket support products for operators, and that it



Market leader Mercedes-Benz maintained its position at the top of the local rankings.

includes Volkswagen (Constellation) trucks and Volksbus passenger units, but not VW commercial vans (listed separately), and Volvo Trucks includes Mack and Renault.

Mercedes-Benz SA

The long-established market leader maintained its position at the top of the local rankings during the first quarter of 2012, with a virtually unchanged market share from the preceding three-month period, and also captured top spots in the MCV and EHCV categories. The absolute numbers of Mercedes-Benz and Freightliner models sold during January, February and March differed from their performance in the final three months of 2011 only by single digit margins, so it was left to the Japanese member of the family, FUSO, to track the market growth with improved sales. These were nearly 50 percent better

earthquake event in Japan, Hino showed a further deterioration in volume during the January-March period, and consequently gave up 1,3 percent in market share in the most recent quarter-on-quarter comparison. However, this proved to be enough to maintain second place in the overall market standings. While celebrating its 40th year in the South African market during 2012, Toyota's truck specialist manufacturer will be looking to the launch of its very important new 300 Series medium commercial range, including crew-cab and automatic transmission derivatives, to restore its market share closer to the historic levels of 15-16 percent held prior to 2011.

UD Trucks SA

Having seemingly escaped the worst ravages of the natural disaster that affected its Japanese compatriots in 2011, UD

intends to increasingly leverage its Brazilian product range in an effort to become the Number One local supplier of commercials by 2020.

GMSA (Isuzu)

Isuzu Trucks SA returned a stellar performance during the review period, with an 11,8 percent improvement in volume and 0,7 percent increase in market share when compared with the result achieved during the preceding quarter. Most importantly, this resulted in promotion to third place in the market rankings – at the expense of UD Trucks. The result reflected volume growth across all four market segments, and confirms the good market acceptance of Isuzu's new N- and F-Series products. During the first quarter, Isuzu extended the availability of its increasingly popular automated transmission option upwards into its cruiserweight F Series. There has recently been increasing evidence that Isuzu Truck SA is taking a more independent stance in SA, and becoming less dependent on GMSA for organisational support.

Volvo Trucks

The Volvo Group continued to strengthen its local position during the first quarter,

with a quarter-on-quarter market share improvement of 1,3 percent driven by a 27 percent increase in sales volumes, mainly due to increased sales of Volvo EHCV trucks, while the companion Renault brand held steady. As a result, the group improved its market ranking by one position at the expense of MAN, to finish the review quarter in fifth place overall.

Scania

Reinforcing the good current acceptance of vehicles of Swedish origin in the local marketplace, Scania returned quarter-on-quarter volume growth of 10,8 percent during the January-March period, gaining a quarter of a percent of market share in the process, and maintaining eighth position in the overall rankings. Scania has announced that it intends to broaden its coverage of the local market in the year ahead, specifically targeting sugar cane, mining, livestock and fleet applications, while extending its warranty coverage to three years/600 000 km on long haul and distribution vehicles covered by Scania Finance maintenance contracts.

Iveco

Fiat Group commercial vehicle specialist Iveco also enjoyed a successful first

quarter, improving on its final quarter 2011 sales volume by a margin of more than 26 percent, which resulted in a market share increase of 0,75 percent, and the retention of ninth position in the market standings. Improved absolute volumes were registered across all three goods vehicle segments, despite the fact that no buses were delivered to major client PUTCO during the review period.

NC² – International Trucks

Following a strengthening of performance in 2011, recent developments surrounding the identity of this manufacturer – and the apparently limited role that global joint venture partner Caterpillar will be playing in on-road truck operations – may have led to some marketplace uncertainty over the outlook for International trucks in South Africa. This was reflected in a slightly softer first quarter market performance, with absolute volume down 5,7 percent in the quarter-on-quarter comparison, a loss of 0,3 percent in market penetration, and a slide of one position in the rankings to eleventh place. It is important that local management addresses any possible confusion in the marketplace well ahead of the brand's planned expansion of market coverage into the HCV segment.



Powerstar

Chinese brand Powerstar returned a spectacular result during the first quarter, more than trebling the volume sold in the final three months of 2011, resulting in a 1,33 percent improvement in market penetration, and promotion from 14th to 12th position in the market rankings. This has followed a major restructuring of local management, with more direct involvement from China, but does not, as yet, include any sales of the new V3 global truck-tractor exhibited at JIMS last year.

Babcock/DAF

With 43 unit sales recorded during the first quarter of 2012, DAF has consolidated the volume growth experienced during the previous year, but, in view of the market expansion during the review period, the Dutch marque gave up one tenth of a percentage point of market share, remaining in 13th position in the overall market standings.

VDL

Front-engined ladderframe bus specialist manufacturer VDL gained substantial momentum during the first quarter, with 21 units delivered. This resulted in a 0,3 percent improvement in market share in

the quarter-on-quarter comparison, and promotion from 17th to 15th position in the market rankings.

Van manufacturers

Four vehicle manufacturers compete in the MCV segment of this market with European-sourced integral van-derived products. Of these, Volkswagen Commercials – following the launch of its improved Crafter range – recorded a spectacular 164 percent improvement in quarter-on-quarter volume and gained one position to finish tenth in the overall rankings. In stark contrast, Fiat and Peugeot gave up market share to the tune of 0,2 percent and 0,4 percent, finishing the quarter in 16th and 14th positions, respectively. Citroen doubled the population of Relay panel vans sold in South Africa by adding three more units to the similar number sold in 2011.

Non-reporting manufacturers

Readers should note that local sales volumes of several commercial vehicle brands – including FAW, Warrior (Dong Feng), Foton and Ashok Leyland – are not yet reported to NAAMSA, and are therefore excluded from the comments and data contained in this report.

It should also be noted that Associated Motor Holdings (AMH) has recorded sales in the MCV segment during the review period. In line with the policy of that group, no details of the individual models sold have been disclosed to NAAMSA, but from observation we can deduct that these vehicles are from the Hyundai HD Series of light trucks. These volumes are not subject to the full NAAMSA verification process, and consequently have not been included in the Chart 1 database. AMH's total reported sales in the MCV segment during the first quarter of 2012 totalled 86 units. During the review period, FAW announced the investment of R600 million in South Africa, which will include the construction of a R200-million assembly plant for light and heavy vehicles at Coega in the Eastern Cape.

GENERAL MARKET COMMENTS

The domestic environment for commercial vehicle sales in 2012 is currently positive.

Despite a short-lived dip in foreign exchange value during the second week of March, the Rand's recent steady performance argues in favour of stable vehicle pricing in the medium term, and there seems little prospect of any movement in local interest rates (currently at their lowest level since 1973) until later in the year. International oil prices, and their influence on the local cost of fuel, may be held hostage to the continued sabre-rattling in the Middle East. Any prediction of outcomes in this arena is particularly challenging. Ongoing uncertainty regarding the economic health of various European countries has the potential to limit offshore demand for South African products, but Asia's hunger for primary commodities, although showing some signs of softening off a particularly high base, is likely to underpin the country's export performance in the year ahead.

Earlier uncertainty concerning prospects for the truck market beyond the first quarter of 2012 has been mitigated by the Minister of Finance's February Budget Speech announcement that infrastructure spending to the value of R83 billion has been provided for during the 2012/13 fiscal year. The nature of the resulting infrastructure projects – including road and dam construction, improvements to public transport, and housing development – should extend the term of the currently positive environment for commercial vehicle sales. The planned extension of this infrastructure programme by a further provision of R188 billion over the 2013-2015 period should also sustain the steadily growing trend in truck and bus sales for the medium term. The recent announcement of measures to promote local manufacture of buses through selective public sector tendering is also good news for the local bodybuilding industry, which has found itself seriously disadvantaged since the relaxation of importation restrictions in the mid-1990s and contracted substantially as a result.

At time of writing, it seems probable that the final result for the 2012 truck market will turn out to be better than its 2011 reported outcome of 26 697 units. ■



VW Commercials recorded a 164 percent improvement in quarter-on-quarter volume.