

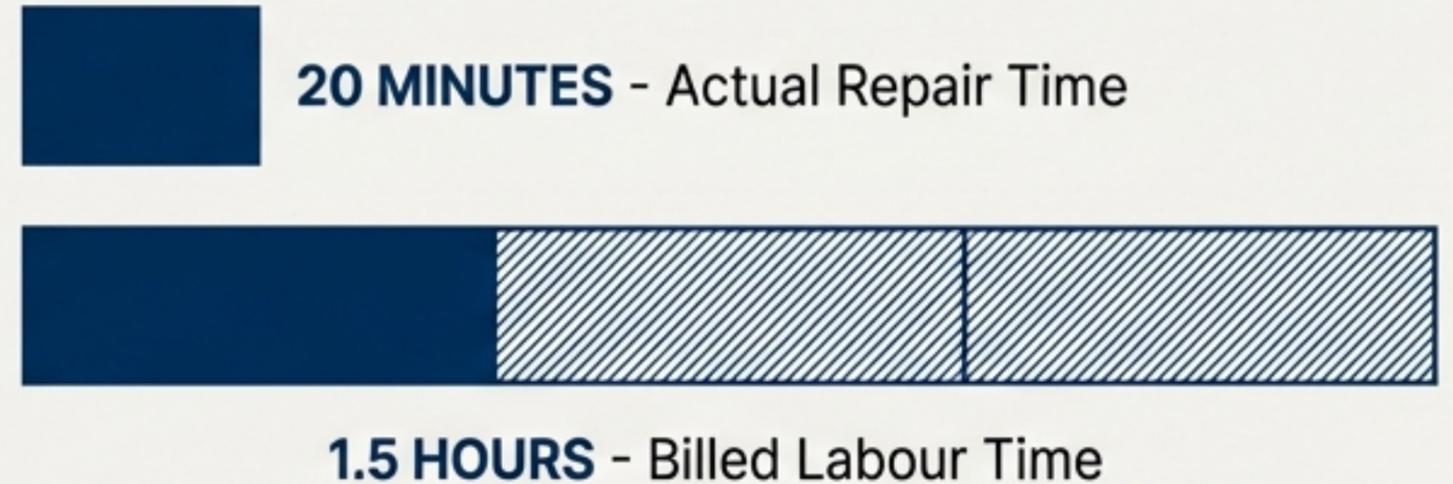


Behind the Bill: Deconstructing the Economics of Car Repair in South Africa

A 20-Minute Job, a 90-Minute Bill: The Disconnect That Sparks the Question

The story begins with a common scenario, based on the real experience of a customer named Mike. His car had a loud squeak, diagnosed as a failing belt idler.

- He was in a hurry and supplied his own part to the dealership.
- The actual time the van was in the service bay for the repair: **20 minutes**.
- The labour charge on the final bill: **1.5 hours**.



Central Question:

“Why was I being charged for 1.5 hours when it only took 20 minutes?”

This question reveals a fundamental misunderstanding of how the auto repair industry bills for its time. This presentation will provide the answer.

The First Answer: Workshops Don't Bill by the Clock, They Bill by 'The Book'



Actual Time

Time spent by mechanic on the job



'Book Time'

Predetermined time allowance from an industry labour guide

- The industry standard is not to charge for 'actual time' but for "book time," a predetermined time allowance for a specific job.
- These times are sourced from comprehensive databases and software, which provide standardized labour time guides for virtually every repair.

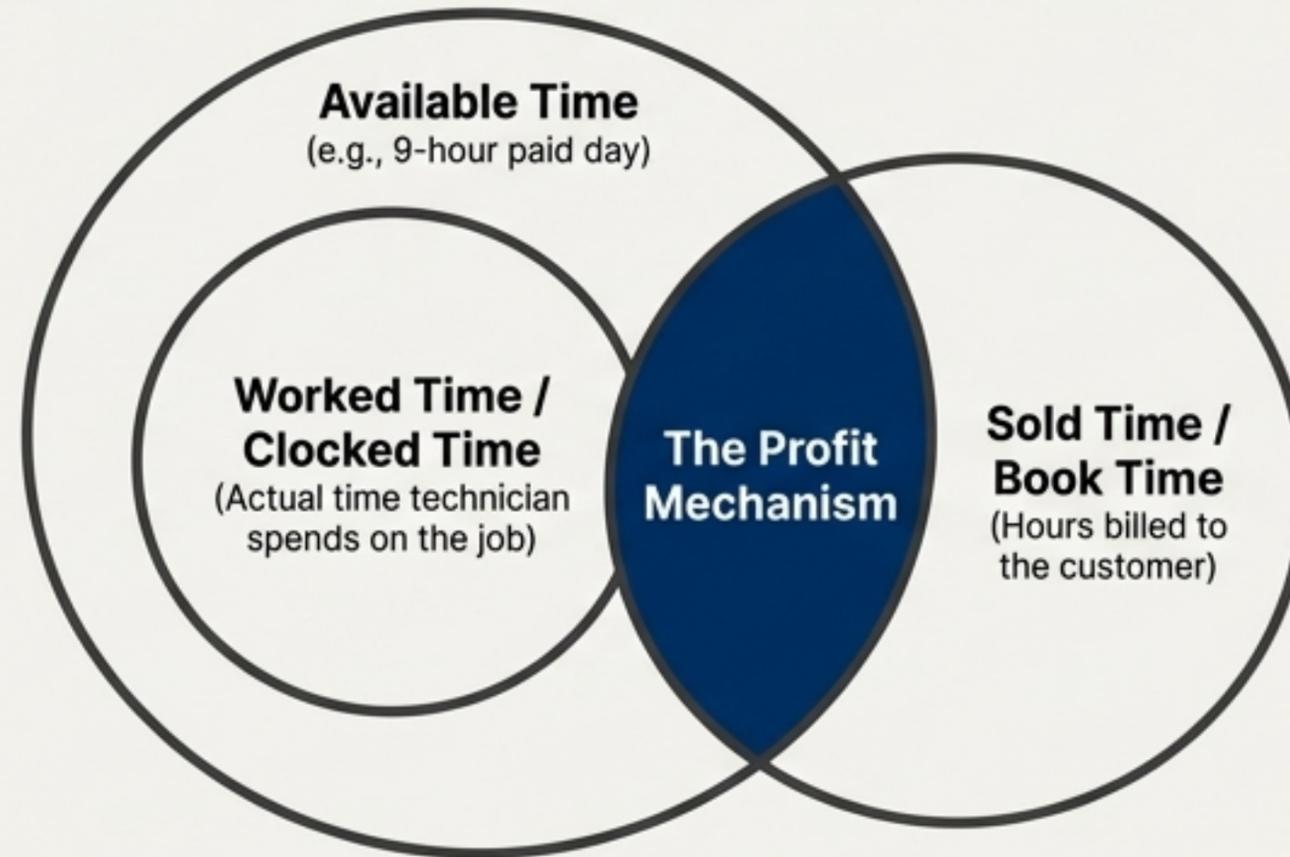
Audatex **MOTOR**

A workshop owner explains the logic: "If it weren't for 'the labor book' what would we do, how would we bid work? The labor book tells everyone how much time an average tech can do a job using normal tools."

Analogy: "You want a hole dug for a pool. I give you an estimate for \$5000... Does it make any difference to you if I dig the pool by hand over 20 days or go rent a backhoe and do it in three days?" The price is for the job, not the time taken.

Maximizing Perishable Inventory: The Business of 'Sold Time'

A Service Department's primary resource is time, which is a perishable inventory. Unlike parts or cars, lost time can never be recovered. The goal is to maximize the sale of "Available Hours."



"Sold Time"

The labour hours charged to the customer, internal departments, or for warranty work. This is based on "Book Time".

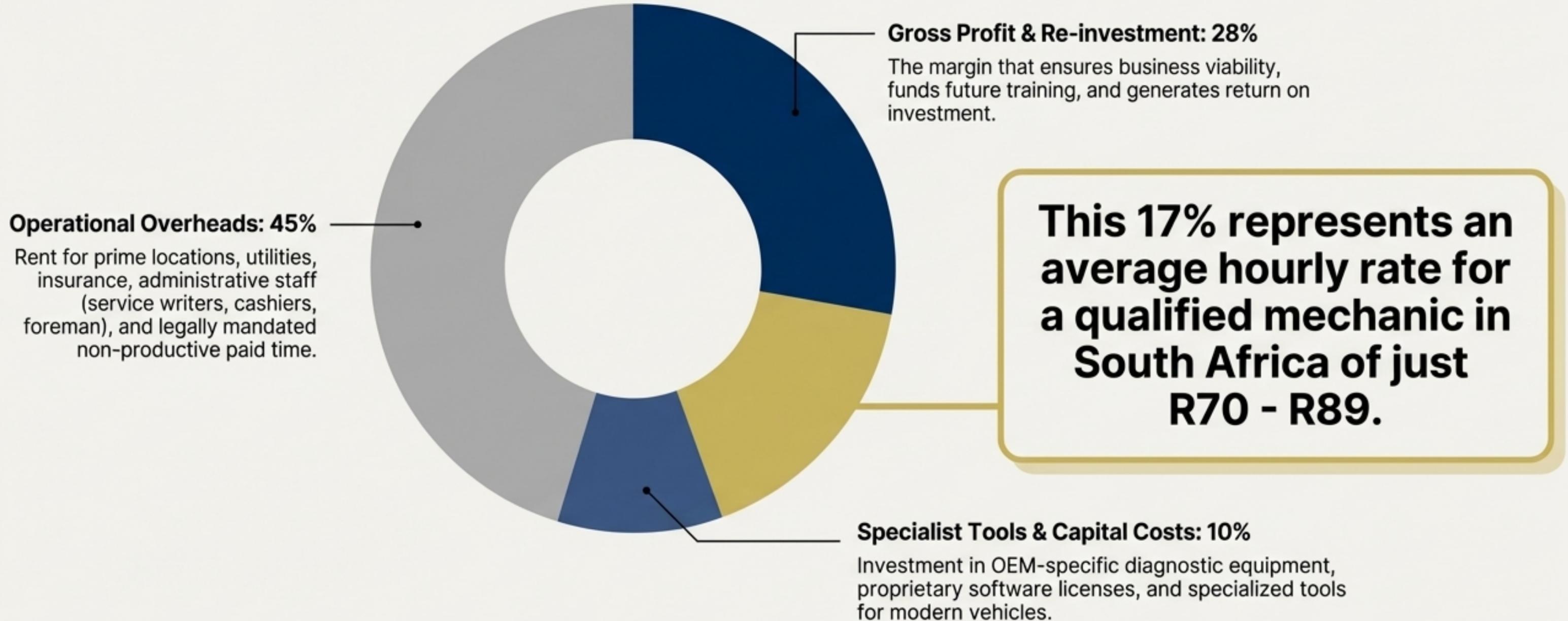
"Worked Time"

The actual time a technician spends on the job, measured by a clocking system.

The Profit Mechanism

When a skilled technician completes a 1.5-hour "book time" job in 0.8 hours, the workshop still bills for 1.5 hours. This efficiency difference is a key driver of profitability. The industry benchmark for the ratio of "Sold Hours / Worked Hours" is between **103% and 120%**. Conversely, if a job takes longer than the book time, the customer is protected from extra costs, getting "labor you didn't pay for." The system standardizes price and risk.

Your R1,200 Hourly Rate: Where Does the Money Actually Go?



The high labour rate is primarily a mechanism for **overhead recovery** in a high-cost operating environment, not a reflection of the technician's salary.

The Dealership Financial Model: How the Service Bay Carries the Business

The Service and Parts departments (Aftersales) are the financial bedrock of a modern dealership, especially when new car sales margins are thin.

Key Concept: Aftersales Absorption

This metric measures the percentage of a dealership's total expenses that are covered by the gross profit from the aftersales departments.

- The industry norm is for aftersales to cover approximately **65%** of all dealership expenses.

- For commercial vehicle dealers, this can be over **80%**.

This means the workshop's revenue doesn't just pay for the workshop; it helps pay for the showroom, the sales staff, and the entire dealership's fixed costs.

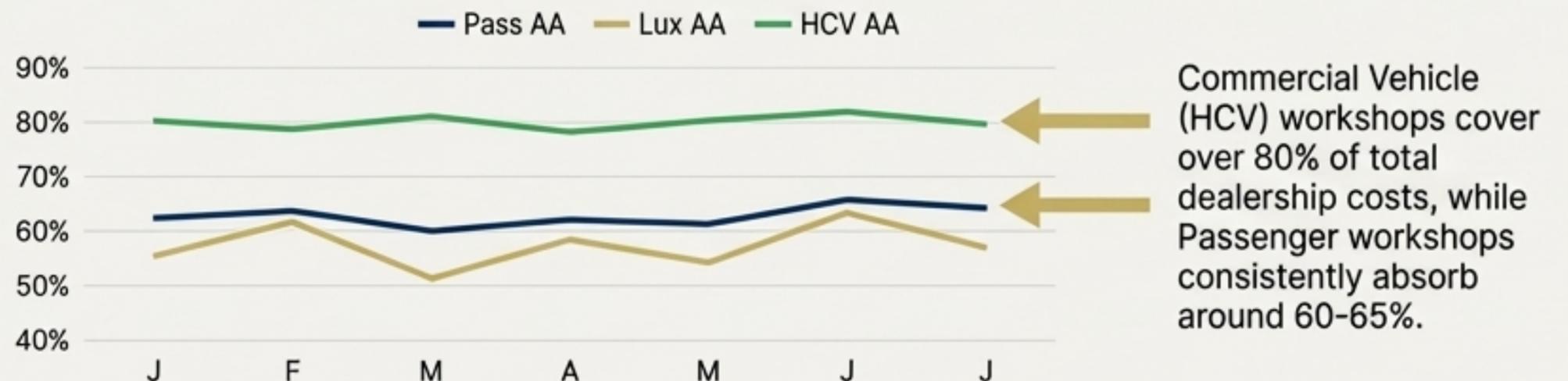
Expenses as a % of Total Dealer GP (Passenger Vehicles)

NADA/MSX data



Aftersales Absorption Rate by Vehicle Segment

NADA/MSX data



A Spectrum of Choice: Mapping the South African Car Service Market

Consumers have a range of options beyond the dealership, each with a different business model, cost structure, and value proposition.



1. Dealerships (OEM)

Highest cost, focused on warranty preservation and brand-specific expertise. They represent the manufacturer.



2. Franchise Workshops (RMI-Approved)

Mid-tier cost structure. Brands like Bosch Car Service offer a quality guarantee and specialize in post-warranty vehicles, backed by organizations like the Retail Motor Industry (RMI).



3. Local Independents

Price leaders with the lowest overheads. Often relationship-based, serving older vehicles where cost is the primary concern.



4. Mobile Mechanics

The disruptive model. They dismantle the traditional workshop structure by eliminating fixed premises, competing on convenience and cost savings.



The Aftermarket at a Glance: Comparing Your Options by the Numbers

Metric	Dealership (OEM)	Franchise (RMI)	Local Independent	Mobile Mechanic
Labour Rate/Hour	R1,000 - R1,200+	R700 - R1,000 (est.)	R350 - R700 (est.)	15-30% cheaper than workshops
Minor Service Cost (Entry-Level Car)	R1,000 - R3,500	Competitive with Dealer	Generally Lowest	Competitive with Independent
Major Service Cost (Luxury Car)	R3,100 - R15,000+	Lower than Dealer	N/A (Often not specialized)	N/A (Often not specialized)
Diagnostic Fee	Waived if repair proceeds	R740 - R1,200	Varies, typically <R1,000	R700 - R1,200
Call-Out Fee	N/A	N/A	N/A	R100 - R450
Value Proposition	Warranty Assurance	Quality Guarantee	Price Leadership	Ultimate Convenience

Data synthesized from AutoTrader, Michanic, Group1 Auto Clinic, and industry analysis. Prices are estimates and vary by location and vehicle.

The Ground Shifts: How Regulation is Opening the Market for Competition

The market dynamics are not static. In 2021, the Competition Commission of South Africa introduced a transformative set of rules to address long-standing anti-competitive practices in the automotive aftermarket.

Introducing the 'Guidelines for Competition in the South African Automotive Aftermarkets'

- **Purpose:** To lower barriers to entry, promote inclusion for small businesses and HDIs, and increase consumer choice.
- **Core Concept:** Formally introduces the principles of 'Right to Repair' into the South African market.

This marks a deliberate government intervention to dismantle the effective monopoly that dealerships held over in-warranty service and repairs, creating a more level playing field.



Competition Commission
of South Africa

GUIDELINES FOR COMPETITION IN THE SOUTH AFRICAN AUTOMOTIVES AFTERMARKETS

Your Car, Your Choice: What the New Rules Mean for You



1. In-Warranty Servicing Choice

Consumers can now service and maintain their in-warranty vehicles at an Independent Service Provider (ISP) of their choice. OEMs cannot void an entire warranty simply because an ISP performed the work.*



2. Unbundling of Service Plans

OEMs and dealers must now quote and sell Service and Maintenance Plans separately from the vehicle's purchase price, allowing consumers to compare offers or decline the plan.



3. Access for Independents

OEMs must make technical information, diagnostic tools, and training available to ISPs on reasonable terms. They must also sell original spare parts to ISPs.



4. Consumer Recourse

The roles of the **Motor Industry Ombudsman of South Africa (MIOSA)** and the **Consumer Protection Act (CPA)** are reinforced, providing clear dispute resolution pathways for consumers.

Note: The warranty may be voided for a specific part if damage is caused by the ISP's work or faulty non-original parts.

The Bigger Picture: From a Repair Bill to a National Industrial Strategy

The changes in the aftermarket are not just about saving consumers money on oil changes. They are a critical component of the South African Automotive Master Plan (SAAM) 2035.

“A globally competitive and transformed industry that actively contributes to the sustainable development of South Africa’s productive economy...”

By fostering competition and lowering entry barriers in the aftermarket, the plan aims to **create a more robust, inclusive, and dynamic value chain**. This **supports** deeper localisation, skills development, and employment growth.

In short, a more competitive aftermarket is a foundational building block for a stronger manufacturing sector.

Geared for Growth: The Road to 2035

The SAAM 2035 sets clear, ambitious targets. The transformation of the aftermarket is designed to help the entire South African automotive ecosystem achieve these goals:



1. Grow Production

1%

Increase South African vehicle production to 1% of global output, targeting nearly 1.4 million units annually.



2. Increase Local Content

60%

Raise the average local content in South African-assembled vehicles from under 40% to 60%.



3. Double Employment

2x

Double total employment across the automotive value chain, from ~112,000 to 224,000 jobs.



4. Drive Transformation

Substantially increase the contribution of Black-owned firms in the supply chain and dealership networks.



Understanding the economics behind your repair bill is the first step to understanding the journey of one of South Africa's most critical industrial sectors.