

GOODYEAR JAMAICA LIMITED 1996

Managing Director's Report

This certainly is a challenging time to be engaged in business. There is no time for complacency, as we constantly seek to adjust to changes, to research, forecast, position and reposition to gain competitive advantages in an increasingly competitive market place.

On March 21, 1997, the manufacturing plant was closed spiralling a new series of events and changes in the lives of many persons associated with Goodyear; some for over thirty (30) years.

In our 1995 report we advised you that the Plant no longer produced tyres for motor cars and that only tyres for commercial application were then being produced, in addition to repair material and tread rubber.

The facility manufactured primarily bias ply tyres although radialisation is, has been and continues to be, the strong market trend.

In addition to being the smallest tyre producing facility in the Region the Plant also operated at around 68 percent capacity, and became increasingly uncompetitive.

The Plant's small size and Goodyear's ability to service this market with products from more efficient and competitive production sources dictated the

decision. In addition, structural changes were made to the Latin America manufacturing strategy, which required products to be rationalized to individual locations.

Goodyear has a responsibility to provide its customers with the highest quality product from the most cost efficient source possible, therefore the decision to close the Plant was market driven and strategically based.

We said farewell to many persons and companies with whom Goodyear has developed meaningful relationships over the many years of the Plant's existence; we said farewell to our many hardworking associates who dedicated much of themselves to the growth of this Company, and we wish for them future success and God's richest blessing.

I would like to take this opportunity to apologise to all our stockholders for the delay in publishing this report. We hoped to provide you with a 1996 Profit & Loss account, reflecting as accurately as possible the expected outcome, after adjusting for items of cost associated with the Plant's closure.

The Company is obligated to make this adjustment, reflecting the expenses and costs associated with the plant closure in its financial statements for 1996, as the circumstances which caused the closure existed prior to December 31, 1996.

These costs are determined to be of an extraordinary nature and are therefore shown after normal operating profits. Except for any loss which might occur in the sale of inventories and assets, we believe that the figure of \$109,416,000 approximately reflect these costs.

Financial Performance

The mix of commercial tyres produced locally and with that of imported tyres, sold both locally and in export markets, generated sales of \$987,243,000 compared to \$890,072,000 in the previous year, an increase of 10.9 percent. Cost of sale percentage improved slightly by 1.3 percent and profit before taxation by 42 percent.

Factory cost, however, increased by 15 percent per 100 kgs of production whilst

other Plants in the region were steadily reducing costs.

Organizational Change

In Media Communication releases at the time of the Plant closure, it was stated by Mr. Polhemus, Vice President for the Latin America Region and Chairman of the Board of Directors that Goodyear Jamaica Limited will continue its sales presence in Jamaica with its offices at 8 Olivier Road, Kingston 8, and distribution through its local distributor and dealers. He also referred to the fact that Goodyear is a global company, and as such is able to satisfy the Jamaican consumers' needs from its worldwide resources.

We are presently in the process of restructuring and training the entire Sales and Administrative arm of the organization to be more market oriented and to be able to forecast and respond quickly to market issues.

In the future you will see an organization which is more attuned to the needs of the consumer, one which is more service oriented and at the same time one which has as its ultimate goal, that of enhancing shareholder value and the satisfaction of the needs of all its stakeholders.

V. M. GOLDSON
