

Tire retreading firm may be a smart buy

Last week I had to replace the tires on my car. I talked to the man at the station where I buy gas and after looking at my tires he said I should get them retreaded. It would be cheaper, and I would get just as good service. The bill was a lot less than new tires and that got me thinking. Wouldn't it be a good idea to invest in a company that is big in retreads? Would you tell me what you think about my idea and would you tell me about some companies in that business?

The major company in automobile tire retreads is Bandag. Bandag is a billion-dollar company. It is the world's largest manufacturer of processed tread rubber, equipment and supplies for the tire retreading industry.

The company serves more than 1,000 dealers in the United States and 100 foreign countries. The trucking industry has been a bigger market for retreading than the passenger car market.

Retreading is also popular in overseas markets.

Value Line recently ranked the tire and rubber industry as being the 10th best for growth and profitability over the next three to five years. It listed four companies, and three of them were in retreading.



today's investor
Thomas E. O'Hara
of the National Association of Investors Corp.

LEONARD REISER, the technical analyst who writes for Better Investing, reviewed Value Line's report and added his technical opinion. Of the four companies — Bandag, Danaher, Goodyear and Brad Regan — he ranks Bandag and Danaher as having the greatest potential.

Bandag, by the figures, seems to be the best company. It has had good growth and earns 25 percent on both total capital and on net worth.

Danaher is a bigger company than Bandag, but just a part of its business is in retreading. It has been growing by acquisition, and Value Line believes that in the next three to five years its profit growth may be greater than the other three.

GOODYEAR'S MAIN business is in new tires. Its profit margin has been improving, but the estimate is it will level off at 4.5 percent. Reiser does not expect it to be as favorable an investment as the others. The fourth company mentioned is Brad Regan. It is the only vertically

integrated retreader of tires, but it concentrates on tires for off-the-road mining, construction and earth-moving equipment. A sizeable part of its business is in retail stores which merchandise tires and major appliances.

You have picked an interesting area for investment. The prospects for the next few years may not be sensational, but they do seem to be good.

Thomas O'Hara of Bloomfield Hills welcomes your questions and comments but will answer them only through this column. Readers who send in questions on a general investment subject or on a corporation with broad investor interest and whose questions are used will receive a free one-year subscription to the investment magazine "Better Investing." For a sample copy of "Better Investing" or information about investment clubs, write Today's Investor, PO Box 220, Royal Oak, MI 48065

T-men raid flea markets

Agents with the Michigan Department of Treasury attended more than 200 fairs and flea markets statewide over the summer checking to see if vendors had a valid sales tax license and were paying the tax money due to the state.

Nearly 53 percent of the vendors did not have valid licenses, and Treasury agents collected more than \$357,000 during the operation.

"Research conducted following last year's tax-amnesty program showed that sales tax fraud was a growing problem, and we decided to take action to catch these tax cheats," State Treasurer Robert A. Bowman said. "Anyone selling goods at the retail level must remit the sales tax to the state. Unlicensed vendors are not only ripping off honest taxpayers by not paying their

fair share, but they represent unfair competition to legitimate vendors because they can sell goods at artificially low prices since no tax is collected."

Agents collected \$357,965.24 in cash from the vendors through on-the-spot assessments, and audits of past records are now being conducted on the unlicensed vendors.

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