

# Strike may hurt SA's manufacturing investments

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The strike by members of the National Union of Metalworkers of South Africa (Numsa) will be the largest strike in almost five years and is expected to disrupt production at about 10,500 companies in the manufacturing sector.



BMW's Guy Kilfoil says that the majority of vehicles are exported and the current strike may damage SA's reputation as a reliable supplier. Image: Twitter

Some motor companies may halt production from the end of next week if the latest National Union of Metalworkers of South Africa (Numsa) strike continues until then.

While some have built up considerable "buffer" stocks of components so they can continue building cars and commercial vehicles during the strike, others have only a few days' supply.

Numsa members are striking at steel and engineering companies in pursuit of a 12% wage increase. Employers are offering up to an 8% increase.

Though motor companies are not involved directly in the strike, many parts suppliers are.

BMW SA spokesman Guy Kilfoil said that although only nine of the company's 200 local suppliers were affected, they produced critical components such as axle assemblies, sheet metal parts, batteries, wheel rims and brake and fuel lines.

Without these, the company's Rosslyn assembly plant, near Pretoria, could not continue producing 3-Series cars, most of which are exported.

## Stockpiles may avert production problems

However, Kilfoil said there was no immediate cause for concern as BMW SA had six weeks' stock of threatened parts. It has also protected itself by bringing forward planned factory maintenance to this week.

Vehicle assembly was suspended last night and is due to resume next week, depending on the status of the strike. Most companies declared their intention to stockpile parts after the threat of a strike became apparent early this year.

"I believe the industry has prepared for this strike but everything depends on how long it lasts," Toyota SA and National Association of Automobile Manufacturers of South Africa President Johan van Zyl said on Monday.

The just-in-time nature of many parts - meaning they are manufactured and delivered to assembly lines immediately before they are used - can complicate stockpiling.

"There is a limit to what you can set aside," said Nissan SA's Managing Director Mike Whitfield.

"We are carrying eight to 10 days of stock, which is a little bit more than normal. If the strike goes on beyond next week, we may have a problem," he said.



Toyota's Johan van Zyl warns that South Africa's investment potential will be damaged unless the Numsa strike is quickly settled. Image: Imperial Toyota

## Minimise supply risks

General Motors SA Vice-President Ian Nicholls said the company was working with suppliers to minimise supply risk but that the risk of disruption remains high.



Mercedes C-class vehicles are exported all over the world and the Numsa strike could damage the company's R5,4bn investment in its production plant. Image: Mercedes

Mercedes-Benz SA's Chief Executive Arno van der Merwe, whose company recently launched the new C-Class sedan after a R5.4bn investment in its East London assembly plant, said that while he did not expect an immediate effect from the strike, the planned production schedule will continue until shortages in the supply chain impact local component availability.

Volkswagen SA's Managing Director David Powels said he would assess production on a day-to-day basis.

Companies say export orders are likely to bear the brunt of any extended stoppage as most local dealers carry enough stock of vehicles manufactured in South Africa to meet up to five weeks' demand.

Local consumers are further protected by the fact that many vehicles sold in South Africa are imported.

Export vehicles, however, go straight from the factory to overseas customers. And it is their fate that is causing the most concern.

## Last year's strike resulted in investments being lost

Last year, the local industry lost billions of rand because of an industry-wide, seven-week vehicle production stoppage caused by successive strikes at assembly plants and suppliers.

Even more damaging, it reinforced South Africa's reputation as a strike-prone, unreliable producer - a potential kiss of death for a sector that exports more than half of its production to nearly 200 markets around the world.

Since those strikes, BMW and Nissan have both publicly declared that labour volatility has persuaded them not to make additional production investments in SA.

"The ongoing labour disruptions send a negative message to international companies about doing business in South Africa," Nicholls said.

Powels said the recent five-month-long platinum mining wage strike, which undermined South Africa's position as a leading global supplier of the platinum-based catalytic converters that reduce vehicle emissions, had also affected sentiment towards the local motor industry.

Van Zyl warned that South Africa needed to be careful that it don't get a label around that says we are an unreliable industry.

"The unions know this. And yet since our seven-week strike last year, not a month has gone by that there has not been some kind of dispute somewhere," he said.

"Actions like these put off foreign investors. They destroy investments and jobs," said Van Zyl.



Nissan's Mike Whitfield says that if the strike extends beyond ten days, manufacturers will start to experience problems. Image: Nissan

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