BIZCOMMUNITY

Put pedal to the metal or stall, Ford boss warns SA

By Brendan Peacock

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A week after professional services firm EY warned that South Africa needed to quicken its alignment with trading blocs in Africa to benefit from investment interest, Ford Motor Company South Africa CEO Jeffrey Nemeth and US under-secretary for economic growth, energy and the environment Catherine Novelli reiterated that competitor trading bloc development around the world was accelerating.

Nemeth said trade blocs were vital for access to new customers, which would provide better returns for foreign direct investment in South Africa.

"The pie would get bigger. Also, it's difficult to compete against the artificial weakness of the yen and cheap Japanese imports, which hampers investment in Africa."

Novelli said: "Opening up markets on a regional basis is key. Everyone looking at coming into Africa, or here already, says markets are not big enough to sustain a full operation in each country. Larger markets make it competitive to invest here. Exporting to the continent and further becomes easier if that's in place."

She said the most basic requirements for foreign direct investment included good economic policy, transparent regulation with public participation, the sanctity of contracts, the protection of intellectual property, good internet, low tariffs, and efficient customs procedures given the nature of global just-intime supply chains in modern multinationals.

The US is working hard at its bilateral treaties and trade agreements to try to secure open investment rules in an effort to ensure its firms' flexibility in their operations once they invest.

"The operations here aren't without challenge. Although we remain committed to manufacturing in South Africa, we're concerned about some issues. The government remains a strong strategic partner for us in the rest of Africa, where there are a billion customers," said Nemeth.

Nemeth outlined the major obstacles to foreign multinational investment as being labour issues, trade agreements and broad-based black economic empowerment (B-BBEE).

"Challenges include convincing our board to continue to invest in a country where the stability of output is less certain than in other countries. This includes in the manufacturing and transport sectors," Nemeth said.

"It is not unusual to have strikes in any manufacturing business, but what is unusual is to have eight weeks of downtime last year and four this year.

"What it does to the demands on returns is you have to deal with uncertain output and you need higher returns to deal with that risk."

He said the strikes had cost Ford a lot of sales, which had a long-term impact on its business. Ford had also been struggling with more than 90 power outages at its Port Elizabeth plant in the past year.

As a privately owned company with no shares to sell off to satisfy B-BBEE ownership requirements, procurement from clients has become a barrier to competitiveness.

Novelli stepped in to say the US did not look on domestic supplier requirements favourably.

"If you try to force it, it becomes hard for companies to make good.

"Everyone wants economic development in their country but that happens naturally. It's much easier to have good quality at a closer place so that there are no logistical challenges. Mandating it becomes a problem," she said.

Source: Business Times