

Ford is 'completely committed to our operations here in South Africa'

In this 14 July interview with Business Day TV, Ford South Africa president and CEO Jeff Nemeth discusses how National Union of Metalworkers of South Africa strike has affected car makers.

Business Day TV: As the strike by metal workers in the steel and manufacturing sectors ends its second week today, two more car makers have said they will have to scale back production due to the unavailability of the components they need to make vehicles.

While General Motors and BMW cut production last week, Ford and Toyota have ridden the latest strike to affect manufacturers just a little bit longer. Ford South Africa CEO and President, Jeff Nemeth joins us now on the line with more.

Jeff ... unlike last year, you're really indirectly affected by the current strike ... it's your suppliers that are affected. How is this manifesting itself in your production line?

Jeff Nemeth: We've got suppliers, of course, all over South Africa in different bargaining councils and the present Seifsa (Steel and Engineering Industries Federation of South Africa) bargaining council, which is the strike that's been ongoing now for about two weeks, are the parts that are affecting us now and it's about six suppliers for us.

BDTV: Six suppliers at this stage ... how much longer can you be cushioned? Because we've now seen production at your Silverton assembly plant come to a halt. You've still got things under way in Port Elizabeth, but the question is, for how long?

JN: Yes, in Silverton of course we did have to go down today and I suspect we'll be down for the duration of the strike. As far as our Struandale plant goes, we do not have any suppliers that are in this bargaining council that supply that plant. I don't foresee any work stoppages in Port Elizabeth.

BDTV: Has production come to a total halt at your Silverton plant?

JN: Yes, we shut down and sent our workers home today.

BDTV: How does this then affect your export programme ... do you have enough cars rolling off the lines ... or that have rolled off the lines to fulfil your obligations at this point?



(Image extracted from the Ford SA website)

JN: Well, of course, everyday that we don't produce, we're not fulfilling our customer orders and the one good thing that we have is the vehicles do queue at the port while they're waiting for the boat to show up. So we do have some buffer, if you will, based on that queuing at the port. I suspect it will start impacting our export customers if the strike goes on beyond another week.

BDTV: To what extent has this now triggered a shift in sentiment, when it comes to South Africa as an investment destination? Seifsa said that the local Ford Motor operations are under pressure right now from head office to start selling....

JN: We're obviously really encouraging Seifsa and Numsa (National Union of Metalworkers of South Africa) to come to an agreement as quickly as possible. Any time you have a work stoppage such as this in any industry, not just automotive, of course it's going to impact South Africa's attractiveness as a foreign direct investment location. The more predictable the outcomes are of your manufacturing, the more predictable the return on investment numbers and therefore the more attractive a country is for direct investment. I do want to say though, that we are completely committed to our operations

here in South Africa. We have not changed in any of that commitment. We are in our 91st year of manufacturing in South Africa and we'd like it to continue for a long time going forward.

BDTV: You have invested about R3.5bn into these plants in recent years, how do the strikes we saw last year ... and last year hit the car makers quite severely ... how do the strikes of last year and this year affect your planning for the future and your planned investment for the future in South Africa?

JN: We're obviously very excited about the popularity of the new Ranger, which we launched here with that R3.4bn. We still have more orders than we can build for that vehicle from, not only in South Africa, but around the world. We have improved our quality and our efficiency considerably since we launched the Ranger.... We're going to keep working on those areas.

BDTV: Nevertheless, it's got to be a very hard sell to your parent company. What kind of questions and concerns are you fielding from abroad at this stage, and is it changing the way you're doing business in South Africa right now?

JN: One of the things that's very encouraging, and that I talk about with our principals in America is the fact that in the President's state of the nation address and also in (Labour) Minister (Mildred) Oliphant's comments, the government is brokering or sponsoring a social dialogue with the unions, business and government to try to come to a way to resolve the differences and the negotiations without such long work stoppages. And what we saw in the mining industry this year, as well as what's going on now in Numsa, has manifested itself in a slowdown in the economy, and I guess what I'd say for South Africa, is they can't afford for these types of GDP (gross domestic product) affecting work stoppages to continue. And I'm glad to see the government is taking action in that regard to try to come up with a better solution.

BDTV: After last year's strike at your plants, how has your dialogue with your workers changed ... are you entering those negotiations in a different frame of mind?

JN: One of the things that we've been really successful with, when we started ... when we brought the new Ranger in, is really involving our workers and our shop stewards in a more holistic business conversation and really empowering them to be part of the planning process here in our plant. And I'd say, from my point of view, that our relationship with our workers is stronger than it's ever been, because of that ... because they feel that they're more empowered, that there is more ownership and we're actually giving them more ownership in the process. And as long as you communicate with your workers, and you're open with each other, you can work (out) your differences ... amicably without reverting to a work stoppage.

BDTV: Yes, it is seemingly becoming a tougher feat though and some of the rhetoric that has been doing the rounds to investors has been from the unions saying, pull out, go ahead and leave if you're looking to divest ... that they won't be blackmailed or strong-armed into any deal that does not necessarily suit them. What kind of response do you have to that commentary that's out there?

JN: We're all in this together, right ... the workers, the companies, the workers are in to earn a salary, to earn a living, to improve their standards of living. We're in it to make a return on our investment and to satisfy our customers, and we all have pretty closely shared objectives, and I just keep encouraging and having that dialogue with our workers and with the union here, to try to keep pushing those shared objectives and come up with a way that we can get the solutions more quickly.

BDTV: In your talks with your suppliers, any end in sight ... what are they telling you?

JN: They aren't really ... we're not part of the negotiations, right. It's between our suppliers and their union and we support collective bargaining. We have supported unions in many countries where we operate and I'm continuing to encourage the suppliers to get this over with quickly. We all want to go back to work and so that's what it boils down to ... continuing to encourage them, to keep talking ... and they are continuing to talk, which is what the most important thing is.

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