

Ford CEO says company will rethink where it builds vehicles after last year's autoworkers strike

February 15 2024, by Tom Krisher



Ford Motor Co., President and CEO Jim Farley announces the automaker's new BlueOval Battery Park, Monday, Feb. 13, 2023, in Romulus, Mich. Ford's top executive says that last fall's contentious United Auto Workers' strike changed the company's relationship with the union to the point where it will "think carefully" about where it builds future vehicles. Credit: AP Photo/Carlos Osorio, File

Last fall's contentious United Auto Workers' strike changed Ford's relationship with the union to the point where it will "think carefully" about where it builds future vehicles, Ford's top executive said Thursday.

CEO Jim Farley told the Wolfe Research Global Auto Conference in New York that the company always took pride in its relationship with the UAW, having avoided strikes since the 1970s.

But last year, Ford's highly profitable factory in Louisville, Kentucky, was the first truck plant that the UAW shut down with a strike.

Farley said as the company looks at the transition from internal combustion to electric vehicles, "we have to think carefully about our (manufacturing) footprint."

Ford, Farley said, decided to build all of its highly profitable big pickup trucks in the U.S., and by far has the most union members—57,000—of any Detroit automaker. This came at a higher cost than competitors, who went through bankruptcy and built truck plants in Mexico, he said. But Ford thought it was the "right kind of cost," Farley said.

"Our reliance on the UAW turned out to be we were the first truck plant to be shut down," Farley told the conference. "Really our relationship has changed. It's been a watershed moment for the company. Does this have business impact? Yes."

In a statement, union President Shawn Fain said Ford should stay focused on building the best auto industry, not on a race to lower wages.

"Maybe Ford doesn't need to move factories to find the cheapest labor on Earth," he said. "Maybe it needs to recommit to American workers

and find a CEO who's interested in the future of this country's auto industry," Fain said.

Asked about Farley's comments, White House press secretary Karine Jean-Pierre said President Joe Biden believes in making goods and creating jobs in the U.S. "We're going to do everything we can to make sure that continues," she said.

Biden, she said, believes that workers have the right to collective bargaining to get better wages and benefits like the UAW did. "That is something that the president is always going to speak for and is going to stand up for" she said.

The UAW made strong wage gains after a six-week strike at selected plants run by Ford, General Motors and Jeep maker Stellantis. Top-scale factory workers won 33% raises in a contract that runs through April of 2028, taking their top wage to around \$42 per hour.

High manufacturing costs are among the reasons why Ford has a \$7 billion annual cost disadvantage to competitors, Farley has said. He told the conference that Ford is making progress on cutting those costs with cultural and structural changes at the company.

It expects to take out \$2 billion worth of costs this year, and Farley said he thinks cuts in manufacturing costs will offset the cost of the UAW contract. Ford has said the contract would add \$900 to the cost of a vehicle by the time it reaches full effect.



United Auto Workers members walk the picket line at the Ford Michigan Assembly Plant in Wayne, Mich., Sept. 26, 2023. Ford's top executive says that last fall's contentious United Auto Workers' strike changed the company's relationship with the union to the point where it will "think carefully" about where it builds future vehicles. Credit: AP Photo/Paul Sancya, file

Ford has shifted its electric vehicle strategy to concentrate on smaller, lower priced EVs and work vehicles such as pickup trucks and full-size vans, Farley said. Any EV larger than a Ford Escape small SUV "better be really functional or a work vehicle."

A small team within the company is developing the underpinnings of a less costly smaller vehicle, which Farley said would be profitable because of U.S. federal tax credits as high as \$7,500 per vehicle.

He gave no time frame for the small EV to come out, but said Ford's next generation of electric vehicles would come in the 2025 through 2027 time frame.

His comments about the union raise questions about whether the new small EV would be built in Mexico, which has lower labor costs. Vehicles built in North America are still eligible for the U.S. tax credit.

Farley also sees EV battery prices coming down with more competition. The company, he said, may go with a common cylinder-shaped cell to leverage purchasing and get better prices. He also said Ford might do that with another automaker.

Ford's Model e, the electric vehicle unit, lost nearly \$5 billion before taxes last year. Farley wouldn't give a date for it to break even, but said any new EV built by the company has to make money within 12 months of its release.

The company still posted net income of \$4.3 billion due largely to big profits from its Pro commercial vehicle unit and Ford Blue, the internal combustion division.

Farley said Ford and others will have trouble competing on EVs with Chinese automakers, who have gone from no EV market share in Europe two years ago to 10% of the market now.

Chinese auto giant BYD 's Seagull small electric vehicle, he said, has about \$9,000 in material costs, and it will probably cost the company another \$2,000 to meet crash test standards, for a total of around \$11,000. It has a range of about 150 miles in cold weather, "not a fantastic vehicle, but pretty damn good."

Ford's lowest-priced U.S. EV is the Mustang Mach e, which starts

around \$43,000.

Shares of Ford closed Thursday up 2.4%.

© 2024 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Ford CEO says company will rethink where it builds vehicles after last year's autoworkers strike (2024, February 15) retrieved 8 May 2024 from <https://techxplore.com/news/2024-02-ford-ceo-company-rethink-vehicles.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.