TRW announces the closure of 21 plants

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Within hours of the end of the General Motors strike, one of the auto industry's largest parts suppliers announced a cost-cutting program to eliminate 7,500 jobs. TRW will close 21 plants worldwide as part of a $150 million restructuring program.

The largest US maker of air bags, the company also makes safety belts, dashboard switches, electronic switches and other automotive parts. TRW said the cuts were determined by the combined pressure from the Big Three automakers to lower supplier costs, as well as its own goal of boosting profit margins by 1.5 percentage points over the next two years.

TRW operates four plants in the Detroit metropolitan area--in Farmington Hills, Rochester Hills, Washington Township and Sterling Heights--employing 2,500 workers.

TRW is a diversified company that also produces supplies for the space, weapons and information technology markets. The company was ranked eighth in a list of the top 75 global Original Equipment Manufacturer (OEM) suppliers listed by the Detroit publication *Automotive News*. Its automotive division operates 137 automotive parts plants worldwide, with 54,000 employees.

In addition to the cuts in payroll and plant operating costs, TRW will cut $75 million from sales and administration, and $300 million in capital spending over the next five years, as well as lowering material costs by eliminating up to 50 percent of its suppliers.

The trend followed by the auto industry mirrors that of most industries throughout America. The primary source of profits has not been price increases but cost-cutting to generate profits, with the pressure expected to increase following the settlement of the United Auto Workers strike against General Motors.

Last year, the Big Three US automakers reportedly cut $8.5 billion in costs. Ford Motor Company has been the most aggressive cost-cutter, eliminating over 7,500 engineers during the past three years. Ford employees have even been told not to print out e-mail messages, to save two cents per sheet of paper.

Auto suppliers have been targeted to cut 3 to 5 percent in costs through efficiencies. Because of the intense pressure, many of the larger diversified companies, such as TRW, are considering selling their automotive divisions unless profit margins improve. For smaller companies, the inability to produce at a profit means many will either be acquired by larger companies or get out of the business altogether. During the 1970s and '80s it was not uncommon for suppliers to collect a 15 to 25 percent profit on sales. Today the typical profit margins are 4 to 7 percent.

See Also:
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