Ford announces 1,500 job losses at its biggest UK plant

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Ford revealed February 18 that it was to shed 1,500 jobs at its UK production plant in Dagenham. The company simultaneously announced that its largest German plant in Cologne would become the main location for the manufacture of its new Fiesta range from November 2001.

News of the redundancies came just days after the company issued a statement that it was going to restructure its entire European operations. Announcing the job losses, Nick Scheele, chairman of Ford's European operations, said, “Our recent financial performance in Europe has been poor and unacceptable, and we have to take the necessary action to return Ford of Europe to profitability.”

Scheele said that the future of Dagenham or its other UK plants could not be guaranteed and that the company was reviewing its production levels and finalising an overhaul of its suppliers and distribution network. This review of its European operations will last three months. The cuts at Dagenham will take place almost immediately. Scheele said that Ford is planning to reduce annual capacity at the plant by 137,000 vehicles from August this year. One of the two assembly line shifts is to be ended and daily production of the Fiesta model halved from the present 1,200 to around 560.

Scheele said, “a single shift and full five-day working [in] Dagenham will be able to handle the entire demand for right-hand units for the foreseeable future. We believe this is the optimal way for Ford of Europe to address its overcapacity situation.”

The cuts will lead to a 30 percent reduction in Ford's requirement for components for the Fiesta models currently produced at the plant. Scheele said that cost and productivity issues were taken into consideration in the decision to move Fiesta production to Cologne. To build the Fiesta at Dagenham takes two hours longer, using the same level of equipment, than in Cologne and it costs “substantially more” to produce the car in the UK, Scheele said.

Ford is taking these measures in response to a drastic collapse in the profitability of its European sales, and vast over-production in the European car market. Last year, Ford's European profit level fell from $193 million to $28 million. As well as the cutback in staff and vehicle production at Dagenham, Scheele said that “about another 200,000 units of capacity will need to be taken out of Europe”.

Scheele estimated that excess auto capacity in Europe stood at around 1.7 million units. At present, Ford has a manufacturing capacity for 2.25 million vehicles a year in the European region. This is in contrast to its sales last year of 1.7 million units. This over-capacity of more than 500,000 vehicles demonstrates the scale of the cutbacks Ford has now embarked upon in an attempt to return to it previous levels of profitability.

Car manufacturers throughout Europe have been forced to cut the prices of their models in an attempt to retain market share. This has led to a sharp increase in the total sale of vehicles. Last year's car sales on the continent reached a new record of 15.07 million units.

The main trade union at Dagenham, the Transport and General Workers' Union (TGWU), has a long history of collaborating with the company in carrying out cutbacks and implementing the productivity hikes demanded. The TGWU responded to the latest job loss announcement by seeking to pit workers in Britain against their colleagues throughout Europe.

Tony Woodley, TGWU chief motor industry negotiator, said, “It once again smacks of it being far easier and cheaper to sack British workers. We are not prepared to be treated unfairly or disproportionately with other workers across Europe.” Speaking of the previous deal the union had agreed ending production at another of Ford's plants in Halewood, Merseyside, he said, “Two years ago we assisted by closing Halewood for Ford production, allowing them to spread their production costs across the rest of Europe. Under those arrangements it was made clear this plant would have a new model and future. We intend to make sure Ford honours those commitments.”

Woodley announced that the union would meet with Ford's management this week to discuss the proposed job losses.

In the aftermath of the announcement there has been media speculation that the government may intervene. The February 20 *Observer* newspaper wrote that the government could offer the company a financial deal in order to save jobs at the plant. However, a source close to government ministers was quoted as saying, “The car industry does not hold back from asking for cash. I do not think we would get into a situation where we would give any amount of money to save it [Dagenham]. It would depend what they were asking for. We would look at the costs and benefits of doing that.”

Under current legislation, Ford Dagenham would not be eligible for European regional aid. This would only be the case if the company were threatening to move production and jobs outside the European Union (EU). However, such a financial deal between the government and Ford could be made under “European Objective Two” status, because the plant is located in an outer London area that is designated as deprived by the EU.

See Also:

Ford Europe unveils restructuring strategy
[18 February 2000]

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