Ford production cuts foreshadow more plant closures, layoffs

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Last week's announcement by Ford Motor Co. of sharp production cutbacks prefigures a new round of plant closures and mass layoffs by America's second largest automaker.

In the wake of continuing large-scale losses, Ford said Friday it would dramatically reduce production in the fourth quarter at 10 US and Canadian plants. The company cited high gasoline prices as the primary reason for its deepening financial crisis. Sales of Ford's profitable but fuel-inefficient SUV and truck models, which account for the bulk of the company's production, have been hard bit by the rise in gas prices.

Ford indicated it would cut car and truck output by 168,000 vehicles, down 21 percent from a year ago. Third-quarter production will decline by 20,000 vehicles, a 10 percent drop compared to the previous year. For the full year, Ford production is expected to decrease by 9 percent, the sharpest fall since the recession of the early 1980s, when the company verged on bankruptcy.

The Ford announcement followed by two weeks the release of adjusted second-quarter profit figures, which showed the company losing $254 million. At that time, the company cited rising pension obligations as a major reason for its continued losses. Ford lost $1.4 billion in the first two quarters of 2006.

Ford officials have broadly hinted that the company will announce even more drastic measures after a full review of restructuring plans. "The question will be, does this do enough? Does this get across what we need to get across?" said one Ford official.

Wall Street gave management's plans for steep production cuts a vote of no confidence, downgrading Ford's investment status and thereby signaling its demand for even more severe measures.

The cutbacks at Ford take place amidst mounting signs of an overall economic slowdown in the US. The growth in the US gross domestic product (GDP) slowed to 2.5 percent in the second quarter of this year, down from 5.6 percent in the first quarter. These figures indicate that new layoffs and downsizing will not be limited to the auto industry.

In an e-mail to employees, Ford Chairman Bill Ford Jr. said, "An unprecedented spike in gasoline prices during the second quarter impacted our product lineup more than that of our competitors because of the long-standing success of our trucks and SUVs."

The company is planning to partially idle plants in Michigan, Illinois, Minnesota, Kentucky and Ontario. It is possible Ford may accelerate the shutdown of plants already set for closure in Wixom, Michigan; Windsor, Ontario; and Norfolk, Virginia. It is also planning to slash some 6,000 white-collar jobs.

Ford executives plan to meet in mid-September to discuss further cost-cutting measures. In January, the company announced its "Way Forward" restructuring program to address falling profits and declining market share. The plan called for the elimination of 25,000 to 30,000 jobs and the closure of 14 plants, as well as a 10-30 percent reduction in white-collar costs.

Sales of the company's profitable F-150 pickup truck were down 12 percent from a year ago through July. Total Ford sales are down 16.5 percent compared to last year. Demand for the company's large SUVs and trucks dropped an enormous 43.8 percent from one year ago.

The Ford announcement is the latest of a string of measures taken by US auto manufacturers aimed at shifting their crisis onto the shoulder of workers. It follows the bankruptcy filing of Delphi and attacks on workers' wages, pensions and benefits by the Big Three auto companies.

Predictably, the United Auto Workers union (UAW) had no comment on Ford's announcement. The union has been instrumental in imposing the new rounds of job cuts and concessions on auto workers. The lack of confidence

of autoworkers in the UAW was demonstrated by the announcement in June that more than 47,600 GM and Delphi workers had agreed to take early retirements or buyouts, an unprecedented exodus from the auto plants.

The new production cuts at Ford highlight the continued disintegration of US manufacturing and the decline of American capitalism. The planned cuts will have an inevitable ripple effect. Share prices of major auto parts suppliers Lear and Visteon fell Friday on the news of Ford's announcement.

Unemployment in Michigan, the base of Ford operations, stands at 7.0 percent, up from 6.3 percent in July. The state is suffering the second highest unemployment rate nationally, trailing only Mississippi, which is still recovering from the effects of Hurricane Katrina.

Michigan lost 28,600 jobs between June and July, largely due to cuts in the auto industry. Other Midwestern states dependent on auto-related jobs continue to experience unemployment rates well above the national average, including Ohio at 5.8 percent and Indiana at 5.7 percent.

In recent years, Ford and the other US-based automakers have relied on consumer rebates to boost their sales. The result has been a sharp decline in profits. With its announcement of drastic production cuts, Ford is indicating its determination to eliminate rebates by bringing production more in line with market demand.

The pressure facing Ford from overseas competitors was highlighted by the announcement that Toyota has for the first time surpassed Ford as the second largest auto manufacturer in the US in terms of sales. With the Big Three's share of US sales standing at just over 50 percent, foreign auto manufacturers appear set win a majority of the US market for the first time. Toyota and Honda, the major Japanese automakers, rely much less heavily on sales of large, fuel inefficient vehicles.