# Wall Street demands more plant closures, deeper cuts at Ford

## DaimlerChrysler prepares new round of layoffs

**Shannon Jones**
**18 September 2006**

Financial analysts overwhelmingly dismissed the restructuring plan announced by Ford Friday as insufficiently brutal, sending the auto maker a blunt message from Wall Street that it must close more assembly plants and slash more jobs.

On the same day, DaimlerChrysler announced losses at its Chrysler unit for the third quarter of $1.5 billion, double the figure it had previously projected. The sharp upward revision in operating losses at the company's North American operations sets the stage for a new round of job cuts and concessions demands.

Following Ford's announcement of its revised turnaround plan, its stock fell 15 percent, rebounding somewhat to close at minus 12 percent for the day.

In its Friday announcement, Ford increased the planned number of white collar job cuts from 4,000 to 14,000, and moved forward the elimination of 25,000-30,000 hourly jobs to the end of 2008, four years earlier than previously planned. To meet this goal, it offered job buyouts to all 75,000 of its unionized workers, following the example set by General Motors.

These moves, which will have devastating social consequences, failed to assuage critics at the leading investment houses. "Ford's plan lacks the scope in terms of asset sales and falls short of the critical level of strategic commitment to stabilizing financials," said analysts at CreditSights in New York, as quoted by the *Financial Times* of London. The newspaper headlined its weekend edition "New Ford Plan Fails to Ease Crisis."

Another analyst, Craig Hutson of the corporate bond fund Gimme Credit, declared, "Overall I was underwhelmed by the announcements." Merrill Lynch analyst John Murphy downgraded Ford stocks from neutral to sell.

Financial analysts expressed disappointment that the automaker delayed its projected return to profitability until 2009. There is also alarm at the rapid depletion of the company's cash reserves. It will run through $8.5 billion this year, including $3.5 billion from money set aside to cover retiree health care costs.

Ford came under particularly harsh criticism for failing to announce more plant closings. The company's updated plan calls for the shutdown of 16 factories. At the Friday press conference, company officials projected that the automaker would emerge from its downsizing program with a North American market share of 14-15 percent—a staggering decline for a pioneer auto firm that was for nearly a century a symbol of the might of American capitalism. Only a decade ago, Ford controlled some 25 percent of the North American market.

But analysts quickly pointed out that the company's projected capacity of 3.6 million vehicles was nearly 600,000 higher than the capacity needed for such a sharply reduced market share. Many concluded that the company would have to shut an additional two or three assembly plants.

Ford also faced criticism for not announcing the sale of its money-losing Jaguar division or at least part of its profitable Ford Credit Financing unit.

Also on Friday, shares of DaimlerChrysler fell 6 percent on reports that the company was revising upward its projected losses for Chrysler Group and reducing its overall projection for 2006 profits. The automaker said it planned "significant" production cuts over the coming months.

DaimlerChrysler Chairman Dieter Zetsche indicated the automaker was in discussions with companies in China and other low-wage Asian countries over production of subcompact vehicles, which it says it cannot produce competitively in the US.

In an unusually blunt assessment of the role of the United Auto Workers (UAW) union, the *New York Times* wrote September 16, in reference to the Ford and GM buyouts, “The deals, which have not yet been matched by Chrysler, are a clear signal from the union that workers would be well off to get out now before 2007 contract talks, when some of the protection that the UAW has offered generations of workers may diminish.”

The continuing crisis of the US-based auto manufacturers is part of a long-term decline that has seen their once-dominant position massively eroded. Sales in the US market of Japan-based Toyota will soon exceed those of Ford. With the completion of Ford’s restructuring, the company will employ fewer autoworkers in the US than Toyota. This will mark the first time in 70 years that Ford has not held the position of the number-two auto company in the US.

According to one estimate, Asian auto companies will soon outsell US-based car companies in the US market. In July, the best-selling auto makes in the United States were GM, Toyota, Ford, Honda and Chrysler, pointing to the end of the dominance of the so-called Big Three US automakers over the domestic market.

It is a significant indicator of the depth of the crisis at Ford that the automaker is suspending dividend payments on its stocks. It is the first dividend suspension since the 1982 recession.

However, these events signal more than a conjunctural downturn. The fall of once-powerful symbols of American capitalism like Ford points to the historic decline of US capitalism.