Record losses for US automaker Ford

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Ford Motor Company announced last week that it lost $12.7 billion in 2006, making it the worst year in the company's 104-year history. The massive losses are a further blow to Ford, which is already engaged in a retrenchment program that includes a series of plant closings, mass layoffs and employee buyouts designed to transform the former US industrial icon into a relatively marginal competitor in the US and world auto market.

Ford lost $5.8 billion in the last three months of 2006 alone, mainly as a result of downsizing costs and the continuing fall in sales of its sport utility vehicles and light trucks, which have been hard hit by high gas prices. Ford's losses were equal to $4,700 per vehicle, according to analysts, about the same as it made in profits on each of its big-sized vehicles earlier in the decade, when it controlled 25 percent of the US market.

Ford's share of the US market fell to 17.5 percent in 2006, and it is predicted that the company—long the number-two auto company in the US—would soon fall to fourth place behind General Motors, Toyota and Chrysler, with about 14 percent of the share of cars and trucks sold in 2009.

Facing a financial meltdown last November, Ford put its factories, headquarters and other assets, including its blue oval trademark, up as collateral to secure $25 billion in loans to fund its restructuring. The company's stock price is hovering around $8 a share, roughly the same as Chrysler's when the company faced bankruptcy in 1979-80.

Last year, Ford announced plans to close 16 plants and eliminate 30,000 hourly workers represented by the United Auto Workers union as part of its "Way Forward" plan to return to profitability by 2009. With no confidence that the UAW would resist the destruction of jobs, 38,000 workers, or nearly half of Ford's factory workers, took the buyout. In addition, Ford announced plans to eliminate 15,000 salaried jobs and said it would abolish merit-pay raises, require bigger payments for health care and reduce health-care payouts for white-collar retirees.

This week, Ford announced the closing of seven-day care centers that service 900 children of Ford employees. The facilities, jointly run with the UAW, which joined in the decision to close them, are located in southeastern Michigan, Louisville, Kentucky and Kansas City. Workers at the centers were told their last day would be June 29 and were warned not to talk about the shutdowns, according to the *Detroit News*.

Elizabeth Drotar, a salaried worker at Ford in Dearborn, Michigan, and a mother of a small infant, told the *Detroit Free Press* the closings would be devastating, adding that one of the reasons she decided not to take a company buyout was because she did not think she would find another daycare center that was as good. The newspaper noted that the child-care centers were one of the reasons Ford was known as "family-friendly."

"The business realities in the current restructuring initiatives . . . forced us to make the difficult decision to discontinue the child care services," said Tom Hoyt, a spokesman for Ford, told the *News*. "Day care isn't our business, he added, "We're in the auto business."

While slashing the jobs and benefits of working people, Ford's CEO Alan Mulally said the company's board of directors is considering handing out tens of millions of dollars in bonuses for its top executives. Defending this decision—even as the company is hemorrhaging financially—Mulally said the bonuses were needed "to make sure we are paying competitive wages and benefits." He told the *New York Times*, "With executives, more of their pay is at risk. If we don't pay them at the market rate and what their colleagues are making, we're going to lose them."

Mulally, who was recruited last fall from Boeing to lead Ford, reportedly is being paid $2 million in a base salary this year, along with another $18.5 million, which includes a $7.5 million signing bonus and $11 million to offset performance and stock-option awards forfeited at Boeing. The size of the new bonuses for Ford's 6,000 top managers will vary, reports say, but the bulk will go to its highest executives. Mulally's 2007 "target bonus," for example, is equal to 175 percent of his base salary of $2 million, according to a regulatory filing.

Before they left the company in ruins, former CEO William Clay Ford Jr. made $13 million in 2005—the last date available from proxy reports—while Ford's former president and chief operating officer Jim Padilla brought home total compensation of $6.7 million.

The new bonus plan has generated concern among industry analysts worried it will make it more difficult for the UAW bureaucracy to force its members to accept concessions in the upcoming talks for a new four-year labor agreement. "Ford may be making a tactical mistake,' 'said Dan Luria, an analyst at the Michigan Manufacturing Technology Center in Plymouth, Michigan. "How does [UAW president] Ron Gettelfinger sell a story that the company is in deep trouble and needs relief when it can afford to pay these bonuses?" Luria asked.

Already confronting widespread anger from their members UAW officials have urged Ford to postpone the bonuses. "Yes, we have discussed the fact that we would be making concessions and the others would be getting bonuses," acknowledged Gettelfinger. Asked to comment further about the executive payouts, Gettelfinger scoffed, "There's no value in talking about the bonuses publicly."

As far back as the early 1980s, the union abandoned any serious shop floor representation of its members and instead embraced labor-management partnership at what was referred to as the new "UAW-Ford." The union acted to suppress opposition to job cuts, unsafe working conditions and speed up. This led to a sharp increase in the exploitation of factory workers, a rise in industrial accidents—highlighted by the death of six workers in the power plant explosion at the Rouge factory in Dearborn in 1999—and a massive reduction of jobs. In 1979, Ford employed 240,000 workers in the US. It is expected to have fewer than 60,000 US employees after the current round of job cuts.

In a January 3 meeting with reporters, Mulally said he plans to ask the union's help in reducing wages and benefits and improving "flexibility" in the plants in the upcoming negotiations for a new four-year labor agreement. "It's all about the competitiveness of Ford," Mulally said, adding that Gettelfinger "absolutely understands the situation we're in." For its part the UAW bureaucracy has told its members to "expect sacrifices."

After pushing through an unprecedented reduction in health care benefits—which imposes for the first time ever co-payments for former Ford and General Motors workers—the UAW pushed through new local labor agreements at more than 30 factories that allow Ford to further rip up job protections and work rules. Facing growing opposition from rank-and-file workers, the union abruptly called off a January 21 vote at Ford's truck factory in Wayne, Michigan on a deal that would have allowed the company to save money by operating four 10-hour days per week instead of the traditional five days with eight hours of work.

While the American auto industry announced a record 159,000 layoffs last year, the downfall of Ford and number one US automaker General Motors is part of a broader crisis of the global auto industry. Auto producers are competing in a shrinking market, and every company is slashing jobs and labor costs. In addition, to the job cuts announced by Ford and GM—and those expected by Chrysler when it announces its US restructuring plan in mid-February—global giants like Volkswagen are slashing thousands of jobs. More such announcements are expected in 2007, which analysts say will see a slowdown in vehicle sales in Western Europe and Japan, as well as Canada and the US.