# Ford Australia sackings signal a wave of auto job losses

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Ford Australia is preparing a series of job cuts that are just the beginning of downsizing and restructuring throughout the industry amid a global economic downturn and collapsing new car sales internationally.

On October 16, Ford issued a shock announcement it would slash a further 450 jobs from its operations in the state of Victoria on top of plans in August to cut 350 jobs and reduce annual output of its V6 cars by 25 percent. Earlier in the year, Ford said it intended to close its six cylinder engine plant in Geelong, Victoria at the cost of another 600 jobs.

The total number of planned job cuts now stands at 1,400. Ford employs around 2,300 factory floor workers in its Victorian production plants and another 2,400 in areas such as administration, marketing and product design.

The latest decision rocked the auto industry and left workers angry and dismayed. Just weeks before, Marin Burela, the new Ford Australia president, had told the media he was confident that the workforce would be "the right size" after the August job cuts came into effect.

More job losses could be on the way. The Federal Chamber of Automotive Industries released figures earlier this month showing decreasing vehicle sales, particularly of large, locally-made cars. Overall, just 80,938 cars, trucks and buses were sold in Australia in September—down 3.1 percent or 2,551 vehicles compared with the same month last year.

Large car sales dropped 11.8 percent for the month, or 1,310 units. Sales of Ford's large Falcon sedans have fallen 5.9 percent since January, while GM Holden's large Commodore sedan was down a massive 16 percent. Plunging sales saw Ford's share value drop to its lowest price since 1983 at the beginning of this month, while GM's shares slumped to a 56-year low.

Both companies are now moving to aggressively cut back production to rein in costs, including extra down days and possibly a longer closure over the Christmas holiday period. ANZ senior economist Julie Toth warned this month of worse to come and ruled out any assistance from the US parent companies. "Ford and GM are struggling in the US and are not in the position to bail out the local operations," she said.

Already component manufacturers are being hit. Bruce Griffiths, executive chairman of Futuris Automotives, commented earlier this month: "Truthfully, the components sector is struggling enormously. Particularly with the meltdown we've seen in the last three or four weeks, vehicle sales have plummeted markedly." He warned that about 15 percent of 43,000 employed in the sector were at "high risk" of losing their jobs by the middle of next year.

Analyst Clive Matthew-Wilson forecast that the ongoing crisis of the US car giants could spell the end of large sections of car production in Australia. Predicting that the US government would eventually be forced to bail out Ford and General Motors, he concluded: "[W]hen that happens, it [the government] will also insist the companies close their unprofitable overseas assembly plants, including those in Australia".

In the US, Ford was hit by a 35 percent drop in sales last month. For the first nine months of the year, sales were down 18 percent compared to the same period last year. Kevin Tynan, auto analyst with Argus Research, warned: "I don't know if Ford's North American operations are even going to be profitable by 2010. Add to that we're looking at global automaker weakness into 2010, there's not much hope you're even breaking even on an investment in Ford any time soon."

On Monday, the ratings agency Moody's downgraded its credit rating for GM to Caa2—eight grades below investment grade. "In the face of weakening business conditions and rapidly depleting liquidity, GM's overall credit rating is eroding more rapidly than expected," Moody's said. The rating agency also cut Chrysler LLC, which is in merger talks with GM to Caa2, and foreshadowed cuts to GM's financing arm GMAC and to Ford.

Also facing bleak economic prospects, European and Asian automakers are slashing production and restructuring their operations to reduce surplus capacity. New cars sales in Europe fell in September by 8 percent compared to the previous year, to approximately 1.3 million vehicles.

German automaker Volkswagen is preparing to cut back shifts and Daimler again lowered its profit forecast after disastrous returns for the last quarter. French auto manufacturer Peugot has revised its profits down by a half and last week announced plans for "massive" cuts in production.

Japan's biggest car maker Toyota posted a fall of 16 percent in sales for August—the sharpest decline since May 1998. Toyota is one of the three major car producers in Australia and currently commands 22.4 percent of the market as against Ford's 11 percent and Holden's 13.1 percent.

Global overcapacity is placing a question mark over the long-term viability of the relatively small Australian industry. According to a recent automotive industry review headed by former Victorian Premier Steve Bracks, global production of passenger motor vehicles and commercial vehicles, reached around 70 million units in 2006. Global sales, however, were only 65.2 million.

Annual international production capacity now stands at around 80 million units. China, the world's second biggest automotive market, produced nine million vehicles last year, up 23 percent from 2006. To take advantage of economies of scale, new auto plants now have an annual capacity of at least 300,000 units. The capacity of the entire Australian industry is only 388,985 units per year.

To prop up the industry, the Labor government in Canberra is due to announce a new car plan incorporating some of the recommendations from the Bracks review. Prime Minister Kevin Rudd and Industry Minister Kim Carr have held a series of meetings over the past month with auto company executives.

The government's package is tipped to include a tax-payer funded increase in assistance to the auto industry of between $2 billion and $2.5 billion over 10 years, taking total federal government assistance to between $3.5 billion and $4 billion. However, there is no certainty that the package will do anything to entice long-term investment in the Australian industry or protect jobs.

Reportedly Rudd insisted that the chief executives of the major carmakers obtain confirmation from parent companies that investment commitments made during negotiations would eventuate despite the unfolding global financial crisis. But such "guarantees" can quickly evaporate in the highly unstable global conditions that are undermining the stability of the parent companies.

Car maker Mitsubishi repeatedly declared that it intended to keep manufacturing in Australia, even as it pocketted hundreds of millions of dollars in government assistance and implemented layoffs and plant closures. The company continued the strategy right up to the last minute when it closed its last remaining plant in South Australia in March at the cost of nearly 1,000 jobs.

The trade unions have been an integral component of the process of restructuring, plant closures and job shedding over the past three decades. As in every previous major layoff, union leaders are seeking to block any struggle to defend jobs at Ford plants, by pushing workers to take voluntary redundancies and promoting illusions in the government's car plan. It is a sure sign that the unions will collaborate with the companies and government in overseeing future job losses and plant closures.