

Auto parts maker Visteon files for bankruptcy

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30 May 2009

Visteon, the auto parts supplier, filed for Chapter 11 bankruptcy protection Thursday. The company, which was spun off from Ford in 1997, is one among dozens of auto parts suppliers facing bankruptcy amid the economic crisis and the downturn in the auto industry.

The company employs 31,000 people in 27 countries, and provides parts for Ford, Hyundai, Nissan, Chrysler and General Motors. Visteon is similar to Delphi, which was spun off from General Motors in order to differentiate the wages of the Big Three assembly workers and parts manufacturers.

Only Visteon's US operations are included in the filing, and the company said it will continue operating after securing a loan from Ford, its former parent. The filing is the second biggest in the industry since Delphi entered bankruptcy in 2005, which has yet to emerge from the proceedings.

Visteon has been subject to the crisis facing the entire auto industry, continuously cutting operations in search of profitability since its inception. In 2004, the company had 70,000 employees and 200 facilities worldwide. While its operations have been more than halved over the last five years, it has never posted a profit since its formation.

Visteon's workers have borne the full brunt of the company's dramatic scale-back. This year the company stopped matching contributions to workers' retirement funds, and announced 800 salaried job cuts. The company has closed or sold off 30 plants over the past three years.

Although Ford said it would offer emergency financing to keep Visteon in operation during the latter's bankruptcy, it said it had no plans for further aid. According to a company statement, Ford said it would not be "buying back businesses or manufacturing operations," or taking other measures.

Visteon was joined in bankruptcy the same day by

chassis manufacturer Metaldyne Corp. Metaldyne is a subsidiary of Japan's Asahi Tec Corp., with its US operations based in Plymouth, Michigan. Metaldyne is about a seventh of Visteon's size, with \$1.5 billion in revenues last year, compared to Visteon's \$9.54 billion. Metaldyne has 4,400 employees, Visteon 31,000.

Both firms are headquartered in Wayne County, Michigan, near Detroit. The county has a 14.2 percent unemployment rate, up by more than 5 percent over the past year. Michigan has the highest unemployment rate in the US—12.7 percent.

Visteon opened up new headquarters in Van Buren Township in 2004. The location once employed 3,000 people, but that number has been halved over five years. The headquarters of Metaldyne are only 18 miles away, in Plymouth Township. Both areas expect to see their tax revenues significantly cut by the bankruptcies, and have already begun cutting local programs.

"There's no line item (in the township budget) that hasn't been examined," Township Supervisor Richard Reaume told the *Detroit News*.

Immediately following the bankruptcy announcements, buy-up firms began putting in offers for the companies' assets. Carlyle Group and RHJ offered bids for Metaldyne's assets, including plants in the US, Spain and Mexico. The firms intend to buy up distressed plants, reorganize the workforce, then sell off whatever assets they can at higher prices.

The bankruptcies are part of a systemic crisis in the auto industry coinciding with the global economic downturn. US auto sales have fallen by 37 percent in the year to April. Chrysler filed for bankruptcy late last month, and General Motors is likely to do the same this weekend.

All of these firms are using the downturn to carry out systematic restructuring projects, closing down factories and cutting workers' pay.

“We will seek to address our capital structure and legacy costs that are not sustainable given the current economic environment,” Visteon CEO Donald J. Stebbins said in a statement. This will mean more job cuts and more concessions. The UAW has fully collaborated in all of this, seeking to convince workers that the closures are inevitable.

Over 51 major auto parts makers have filed for bankruptcy protection in the past year and a half, according to an industry trade group. But the present shutdowns are only the beginning of a huge crisis in the auto parts sector. A third or more of the 4,000 US auto parts suppliers are in “imminent financial distress,” according to a statement by the Original Equipment Suppliers Association.

The Visteon bankruptcy is part of a larger trend throughout manufacturing. General Motors and Chrysler plan to use bankruptcy as a lever to more easily shut down plants and shed obligations to workers, paving the way for a general restructuring of the auto industry. The auto parts makers are following suit.



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