After workers defeat concessions demand

Ford reports $1 billion in third quarter profits

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Ford Motor Co. announced third quarter profits of nearly $1 billion Monday, the day after 41,000 Ford workers concluded voting on wage and benefit concessions that the company and the United Auto Workers claimed were essential to keep the automaker afloat.

Ford workers rejected the givebacks by a 70 percent margin in first defeat of a national auto contract recommended by the UAW since 1982 and at Ford since 1976.

The Dearborn, Michigan-based auto giant reported net income of $997 million, a $1.2 billion improvement over the third quarter of last year. In the US, Canada and Mexico, Ford reported its first operating profit in four years—$357 million compared to a $2.6 billion loss in North America during the same period last year. Profits in Europe nearly tripled to $193 million.

Company officials, who had previously told investors Ford would only break even by 2011, announced that the company would be "solidly profitable" within two years. Shares rose 7 percent to $7.58 Monday, continuing a trend that has seen the value of Ford shares rise nearly sevenfold in the last year.

"Our third quarter results clearly show that Ford is making tremendous progress despite the prolonged slump in the global economy," said Ford CEO Alan Mulally. "While we still face a challenging road ahead, our 'One Ford' transformation plan is working and our underlying business continues to grow stronger."

While Ford has benefited from the government's "cash for clunkers" program and expanded market share, chiefly at the expense of General Motors and Chrysler, third quarter results are mainly attributable to drastic downsizing and cost cutting, which have enabled the automaker to sharply lower its breakeven point as worldwide vehicle sales plummeted.

In the US—the world's largest market—the economic crisis has led to a fall in sales from 17 million earlier this decade to an estimated 10.6 million this year.

Since 2005, Ford has wiped out more than 50,000 jobs, mostly in the US and Europe. The company has shut 17 plants, drastically reducing the number of vehicles it produces. It has sold off luxury brands, including Land Rover and Jaguar, and is currently in negotiations to sell its last remaining European brand Volvo.

Third quarter revenue—$30.9 billion—was actually down $800 million from a year ago. However, the *Detroit News* reported, "The automaker managed to reduce its structural costs by $1 billion in the quarter, thanks to lower manufacturing and engineering expenses due to productivity gains and personnel reduction in North American and Europe. In the first nine months of the year, Ford cut its automotive structural costs by $4.6 billion, putting it well ahead of its $4 billion goal."

In other words, the profits come largely from a massive attack on Ford auto workers. Included in these "structural cost reductions" were the $500 million in concessions wrung out of workers in the US last March, which eliminated cost-of-living increases and bonuses, gutted work rules and income protection for laid off workers and sharply reduced health care obligations to hundreds of thousands of retirees and their dependents.

These concessions set a benchmark, which was used by the Obama administration, along with the threat of imminent liquidation, to extract even greater givebacks from GM and Chrysler workers. This included a freeze on wages for so-called Entry Level workers and unlimited use of these workers, who make half the wages of current workers and have little or no benefits.

The White House also included a ban on strikes by GM and Chrysler workers until 2015. According to the *Detroit News*, "the Obama administration worried the union might demand the restoration of lost pay and benefits if GM and Chrysler returned to profitability, jeopardizing the gains, sources said. To ensure that the billions taxpayers invested would not be wasted, the government demanded that the UAW accept limits on its right to strike over pay and benefit increases in 2011 talks, sources said."

As part of a deal with Ford—which handed over billions in company stock to the UAW's retiree health care trust fund—the UAW agreed to give Ford the same concessions it gave GM and Chrysler. UAW officials attempted to sell the agreement—the third concessions contract in two years—by claiming Ford would be put at a "competitive disadvantage" if it didn't achieve the same labor cost reductions as GM and Chrysler.

At the same time, Ford delayed reporting its third quarter profits and relied on the UAW apparatus to push through the concessions. Instead, the rank-and-file delivered a stinging rebuke to the UAW and the company. Ford workers were well aware that the automaker had become highly profitable off their backs—having posted a $2.3 billion profit in the second quarter and handing Mulally $17.7 million last year—and gave a resounding "no" vote to the demands for further sacrifices.

According to the UAW, 70 percent of production workers and 75 percent of skilled trades workers opposed the contract nationally. The rejection was across all geographical areas and involved workers at big assembly plants, stamping and accessory factories. At least 16 locals rejected the contract. Workers at several plants—including Kansas City Assembly, Dearborn Truck, and Woodhaven Stamping—voted it down by 90 percent or more.

The contract was roundly defeated at UAW President Ron Gettelfinger's former local in Louisville, Kentucky (84 percent) and by 93 percent at Local 600, the former local of Vice President Bob King, the chief negotiator with Ford who was in line to take over the UAW when Gettelfinger retires.

The UAW and Ford are presently seeking ways to impose more cost-cutting against the stated will of the workers. The defeated contract was met with increasing discussion in the media that Ford would expand outsourcing to other countries, including Canada and Germany, and implement other measures to "correct" the labor cost differential. The Canadian Auto Workers pushed through concessions this weekend, in order to offer up Ford workers in that country as a lower cost alternative.

"The auto maker will continue talks with the union to find ways to cut costs, and may look at moving some production to lower-cost locations if it can't remain competitive in the U.S.," the *Wall Street Journal* wrote, noting that Ford may cancel plans to produce a commercial van in the US, which is currently made in Turkey.

"We'll continue to work with the UAW on all the elements of our competitiveness," Ford CEO Alan Mulally said today on Bloomberg TV. "The last thing we were talking about was the two or three things GM and Chrysler had coming through the bankruptcy. So we'll continue to work on these because everybody knows that our future is based on being competitive with the very best in the world."

Various auto industry analysts denounced the rank-and-file rebellion against the UAW. "The labor harmony that we had achieved seems to be falling apart," David Cole, chairman of the Center for Automotive Research, told the *Detroit News.* "This really reinforces that negative image of Michigan, and that impacts more than just the auto industry. It really reflects poorly on the whole industrial Midwest."

In a joint statement on the contract rejection, Gettelfinger and King made it clear that they would collaborate with Ford to impose further concessions, while cynically claiming, "The ratification process proves once again that the membership is the highest authority in our union and we are respectful of the final outcome."

While saying the UAW would not return to the bargaining table before the contract expires in 2011, they reiterated the lie that the defeated concessions contract would have "insured long-term job security for Ford workers," concluding with a pledge to "continue to work with Ford on a daily basis in an effort to keep new products coming into our plants" and "insure they maintain the highest ratings in quality and productivity and insure that they remain competitive."

This can only mean that the UAW apparatus will intensify its efforts with management to blackmail auto workers to accept wage and benefit reductions by pitting factory against factory and local and against local.