

Global rental car giant Hertz added to growing list of US corporations filing for Chapter 11 bankruptcy

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American car rental giant Hertz Corporation filed for Chapter 11 bankruptcy Friday, adding to a growing list of major US corporations that have filed bankruptcy claims in recent weeks as the COVID-19 pandemic continues to spread throughout the country and the world.

The company made the decision based on declining revenues and expected sharp declines in future car rental bookings. Hertz's stock traded at just \$2.84 per share on Friday, down significantly from its latest high at \$20.25 per share on February 20, before sweeping domestic travel restrictions were implemented for the US.

Hertz intends to use the bankruptcy filing as a way to restructure its mountain of debt and business operations. The restructuring has already begun with Hertz laying off or furloughing about one fourth of its workforce, or 16,000 workers, since March.

Many more layoffs, job cuts, wage reductions and other attacks on workers are coming as the company and its global investors seek to shift the responsibility for its losses onto the working class. In stark contrast, former CEO of Hertz Kathryn Marinello, who resigned May 18, accumulated \$9,138,362 in total compensation in 2019, according to Forbes.com.

Hertz's filing is significant when compared to other large corporations in the wave of Chapter 11 bankruptcy filings since the pandemic broke out in the US, such as JCPenney and Nieman Marcus, because it controls a very large share of the car rental market with only two main competitors in the US, Avis Budget Group and the privately held Enterprise.

The rental car industry has suffered a similar fate to the retail industry due to the immediate impact of the

pandemic and state mandates enacted to slow the spread of the virus in the US. Sales and profits nosedived after many states banned nonessential travel, families and individuals canceled vacations and other events out of caution for their safety, and workers who usually traveled for business began to telecommute. The American Car Rental Association reported in late March that car rentals in the US had declined "between 50 percent and 80 percent month over month from February into March."

Hertz's domestic competitor Avis has also announced restructuring plans as an immediate response to lost revenue, with plans to cut more than \$400 million in costs. This includes cutting back its vehicles and staff, pausing capital spending and slashing compensation for senior employees, according to the website Business Travel News.

The grinding to a halt of the global airline industry has severely impacted the car rental industry in recent months. Globally, the car rental industry has strong links to the airline industry, with nearly two-thirds the number of car rental bookings worldwide occurring at airports where travelers fulfill immediate needs for securing transportation after arrival at their destination. CNN reported that, since the beginning of April, the number of passengers passing through Transportation Security Administration (TSA) airport checkpoints in the US had fallen by an unprecedented 94 percent compared to the same time last year.

The bankruptcy and restructuring of Hertz and other major car rental corporations will have an impact on the global auto manufacturing industry, where workers are currently being filed back into plants under unsafe conditions to produce profit for the corporations. Hertz

bought and leased vehicles from General Motors and other automakers to fill its fleets, and these automakers will likely see lost sales from the fallout, resulting in their corporate shareholders likely seeking to restructure and implement further spending and job cuts as well.

Hertz Corporation is a subsidiary of Hertz Global Holdings, Inc. Based in Estero, Florida, it operates 10,200 corporate and franchise car rental locations in 150 countries on six continents. Its parent company ranked 335th on Forbes' 500 list in 2018. That year it reported \$9.5 billion in revenues and \$21.3 billion in assets and had 38,000 employees.

Hertz began in 1918 in Chicago, Illinois as Rent-a-Car, Inc. John D. Hertz, owner of Yellow Truck and Coach Manufacturing Company, bought the company from founder Walter L. Jacobs in 1923, renaming it Hertz Drive-ur-Self System. Three years later the brand was sold to the General Motors Company and began global expansion into Canada 1938 and later to France. Hertz repurchased the brand from General Motors in 1953, renamed it the Hertz Corporation and started trading shares of the company's stock publicly on the New York Stock Exchange in 1954.

Soon after the company's Wall Street debut it went through a series of acquisitions and expansion. In 1967, Hertz became a subsidiary of Radio Corporation of America and in the 1980s went through a series of ownership changes through acquisitions, including a \$1.3 billion acquisition in 1987 by the Park Ridge Corporation, which was owned and operated by the Ford Motor Company.

Although Hertz produced about 10 percent of Ford's pretax profit in 2005, it finalized the sale of the car rental service to a group of private equity firms led by the firm Clayton Dubilier & Rice in early 2006, after announcing that it would be selling the company in order to focus on building its highly profitable trucks and cars.

The Hertz buyout in 2006 was the second largest ever recorded at the time. Clayton Dubilier & Rice, together with the Carlyle Group and Merrill Lynch Global Private Equity, finalized the purchase for \$15 billion. As a result of the deal, Hertz took on \$5.6 billion of corporate debt, \$4.8 billion of financing of its US vehicle fleet and \$2.1 billion of debt leveraged against its international fleet.

In addition to Merrill Lynch, other major global investors involved in the 2006 buyout included Deutsche Bank AG, which led the debt syndicate, and the now-defunct Lehman Brothers was charged with the asset-backed securities tranche.

To pay for the private equity buyout aimed at enriching its top executives and shareholders, then-CEO Mark Frissora eliminated 32 percent of the company's workers over the course of several years since taking the position in August 2006. In 2009, a year after the 2008 Wall Street crash and subsequent bailout by the US Federal Reserve, Hertz laid off an additional 4,000 employees, citing a drop in bookings as workers lost their jobs and incomes and travel declined.

In recent years, Hertz and other major car rental companies based in the US have cited expanding competition from ridesharing services Uber and Lyft as major challenges to their ability to maintain profit levels that satisfied investors' demands. Uber has also announced mass layoffs in the weeks and months since lockdowns have been implemented in countries around the world.

The Hertz bankruptcy filing is one example of the restructurings that will unfold as the world confronts an economic crisis on a level not seen since the Great Depression of the 1930s, which is now only in its beginning stages, with banks and corporations, with the full support of capitalist political parties throughout the world, seeking to unload the consequences of their crimes onto the shoulders of the international working class.



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