

FORD LAYOFFS REQUIRE LAROCHE POLICY

U.S. Auto Capacity Is 'Excess' Until Congress Acts on Retooling

Two months after its chairman William Ford, III spoke in Washington on the need for an industrial revival in the United States, and diversification in the auto industry, Ford Motor Company announced on Jan. 23 that, effectively, one-quarter of its already-reduced North American industrial capacity is "excess." Some 30,000 hourly production workers' jobs are to be lost, and several U.S. communities devastated, as a result.

Without Congressional intervention to give credit and a new mission—economic infrastructure-building—to the U.S. auto industry—"retooling" auto as Lyndon LaRouche has proposed for the past year—Ford's action appeared inevitable. So far, despite many discussions of retooling policy and the formation of a manufacturing caucus in the Senate and an "auto caucus," Congress has not acted. Meanwhile, for five of the past six months North American auto sales have fallen from year-earlier levels, reducing U.S. GDP by a full percentage point in the fourth quarter of 2005. Again through January's first half, auto sales were down 11% overall from January 2005, which in turn was down from 2004. Ford's sales were down 25% from a year earlier; GM's, down 28%; and Chrysler's, down 13%.

Ford Motor Company's Jan. 23 announcement was of what one of its board members had earlier called its "mega-plan" of closures and layoffs; i.e., the maximum and most extreme shutdown under consideration. Fourteen North American plants are to close, including seven assembly plants, cutting Ford's North American auto capacity by 1.2 million units annually; and causing layoffs of 30,000 production workers, or one-third of Ford's remaining, shrunken North American productive workforce. Ford already employs more production workers overseas, than in the United States. Both in Ford's last "restructuring" in 2000, and in this one, all of the plants closed and jobs cut have been in its North American operations.

UAW President Ron Gettelfinger called the Ford announcement "devastating news for auto workers and their families," the more so because more than half of the 14 plants targeted for closure are still to be announced in the near future, effectively "targetting" the entire workforce with the possibility of layoff and unemployment.

The 14 manufacturing facilities will "be idled and cease production by 2012," but most of them will shut by 2008, said the Ford announcement. The assembly plants identified for closure so far, all of which are to be shut by 2008, are:

- St. Louis Assembly
- Atlanta Assembly
- Wixom (Michigan) Assembly
- Batavia (Ohio) Transmission
- Windsor (Ontario) Casting
- Two additional assembly plants to be named later in 2006.
- Production at St. Thomas Assembly (Ontario) will be cut to one shift.

These shutdowns—with, presumably, seven more engine, other production, or parts plants still to be named—also do not include any of the 14 stranded Visteon parts plants which Ford just bought back from Visteon, and placed into "Ford Automotive Holdings, LLC." Three of these plants have already been scrapped, and *EIR* has published maps identifying all of them as targeted for closure, or breakup after sale abroad.

Ford's announcement called for one innovative expansion in North America, a target to produce 100,000 hybrid diesel-electric cars annually by 2010.

Suppliers and Cities

Ford had also announced on Jan. 20 that it intends to reduce its global suppliers list, who now do an estimated \$70 billion work annually, from 2,500 today to 800 by 2008-09,

City of Detroit

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EIRNS/Gene Schenk

The closings and layoffs being announced by the Big Three automakers will turn whole cities and towns into “ghost towns,” as has already occurred in Detroit. The map shows Detroit’s vacant lots—four times as many as in other cities. The photo shows sections of Detroit that are reverting to grassland; only the line of telephone poles indicates where a street used to run.

a two-thirds elimination of suppliers. Some 27 suppliers have “preferred” status; these are large companies like Visteon, Dana Corp., Lear Corp., Collins and Aikman, and Federal Mogul. However, some of these companies are bankrupt, and all are, or are becoming, targets for takeover and possible breakup, by foreign auto suppliers, or by hedge funds and “equity fund” pirates like the notorious Kirk Kerkorian and Wilbur Ross.

The impact on towns and cities can be indicated by two examples from the short list of closures above. The city of Wixom, Michigan has only 14,500 residents, with 1,500 production workers employed at Ford Wixom. The auto plant represents 12% of the city’s tax base, according to city manager Mike Dornan: “Wixom wouldn’t be here without it.” And in Batavia, Ohio, east of Cincinnati, the Ford transmission plant to be closed, laying off another 1,500 workers, removes the largest employer in Batavia and in Clermont County; it will knock out 30% of the school budgets for both Batavia, and nearby Sharonville.

Additionally, 4,000 more salaried jobs are to be cut im-

mediately, and executive positions to be cut by 12%, in all claiming to “save” Ford \$6 billion through 2012.

Levin Speaks of ‘Apollo Program’

The immediate response of Michigan Democratic Sen. Carl Levin to the shock of the Ford announcement, showed that Congressional discussion is taking place along the lines LaRouche has pointed to. However, such words have to pass to detailed action by Congress now; and that action requires acknowledging, clearly, that “innovation in producing automobiles” does *not* meet the challenge of the collapse of the productive economy which the auto crisis represents.

Levin said, on Jan. 24, “Ford’s announcement further highlights the need to turn around the drain of manufacturing jobs in the United States. We must be aggressive in leveling the playing field for domestic manufacturers in areas such as health care and trade, including efforts to fight currency manipulation by other countries. We need an Apollo-type Federal program that includes Federal R&D and tax incen-

tives to encourage manufacturers to continue doing business here and to expand and re-equip existing facilities to meet today's challenges.

"Although I am pleased to see Ford's announcement that it plans to expand its use of advanced technology, which will help to increase its competitiveness, we need to do much more as a country to encourage advanced technology to help all of our domestic manufacturers."

LaRouche's brief Nov. 26, 2005 memo (published below), one of several circulated to Congress since March 2005, made clear in detail the "retooling" action Congress must take and fund, to save the United States from "Third World" destruction of its former industrial capabilities.

Bill Ford's Message On Auto

by Lyndon H. LaRouche, Jr.

This memo was written on Nov. 26, 2005. It is republished from the Dec. 9, 2005 EIR.

If we allow the U.S. auto-manufacturing industry to be destroyed, the U.S.A. becomes a virtual "Third World" nation overnight.

1. The nation's machine-tool-design capability, most of which is tied up in the U.S. auto-manufacturing firms, is lost.

2. The loss of employment of that machine-tool design segment of that part of the labor-force, means many times that number of employees out of jobs, with no other place to go.

3. The loss of auto plants means an economic disaster, approaching ghost-town proportions, for what are already highly vulnerable entire towns, counties, and cities, even states of the union throughout many parts of the country. This could set off a chain-reaction collapse much, much worse than President Herbert Hoover's foolish reaction to the 1929 crash, a Hoover program which cut the U.S. economy in half over the 1930-March 1933 interval.

Cutting back on automobile manufacturers' plants and payrolls is not a sane alternative. As Ford Chairman Bill Ford emphasized in his recent statement, the answer is to diversify the product line. The key to any sane approach is to accept the reduction in the number of automobiles produced by U.S. auto-makers, but to replace that work immediately with a switch to other categories of technologically very high-grade

products which the auto industry's machine-tool capacity is uniquely qualified to design and produce. Members of the U.S. Congress are already focussing attention on urgently needed mass-transit systems, power-generation and distribution systems, and other urgent needs of the nation. These would not be make-work projects, but are the new production needed to prevent the United States from continuing to collapse physically into third-world conditions throughout most of the nation.

Action, by the U.S. Federal government and others, is urgently needed, to prevent an across-the-board collapse of not only the U.S. auto industry, but the counties, towns, cities, and states, and their people, which would be pulled under by failing to act now with the reforms needed to save the industry by switching to a new combination of high-technology machine-tool-design products. But, the problems do not end there.

Right now, the threat from the new Federal Reserve Chairman, is to unleash an orgy of hyperinflationary electronic printing-press money, which is already causing sane bankers and others around the world to think about what happened with hyperinflation in Germany in 1923. We are on the edge of what could easily become the biggest global financial collapse in history, unless our government changes its ways very soon. Bernanke does not seem to have any clue to the answers for that rather immediate danger.

We must keep the doors of the banks open, even some very big banks with very big financial-derivatives problems. The Federal government could do what is necessary on that account; but it could not do that successfully for very long without some very big investment in physical production of basic economic infrastructure including the public power and mass transportation fields, which will stimulate the new lines of machine-tool-designed products which will revive the high-grade manufacturing sector of the economy to true better-than-breakeven levels of employment and output once more.

There is much more to this problem than preventing a collapse of U.S. automakers' manufacturing from kicking the U.S. economy downstairs toward becoming a Third World society. Many of us, inside the U.S. Congress and in other relevant positions, are more and more aware of the need for early large-scale action to halt the collapse and turn the nation's economy back in an upward direction. The case of the effects of Katrina, as on Louisiana, is just one large example of the need for a new, upward-looking turn in our nation's economic policy-shaping.

During the coming weeks and months, *EIR* will be doing its part in backing up the efforts of mass education and economic policy-shaping which are urgently needed now to save the nation, and much more, from a looming catastrophe which threatens to be bigger than almost any man in the street might imagine. We can win; but, to win, we must think again, as we used to think in times past.