CONGRESS WILL HAVE TO ACT

# Ford Is Repeating Delphi's Destruction As Auto Sales Fall

by Paul Gallagher

With the announcement by the United Auto Workers to its locals on Sept. 14, of a massive retirement buyout by Ford Motor Co. across its entire North American production workforce, and with a late-August plunge in U.S. auto sales across the board, the auto industry's collapse in the United States is picking up speed. If Ford's buyout washes out of the industry the now-targetted 30,000-35,000 of the company's 80,000 production employees, along with additional mass firings and plant closings announced Sept. 15, Ford will have done a "second Delphi Corp.," shrinking and globalizing itself to the point where it is a U.S.-headquartered firm with 85% of its workforce overseas. And the overall U.S. auto industrial sector would be shrinking by close to 15% a year by the end of 2006.

Up against elections with most of remaining U.S. industry "getting killed" by globalization, and with the auto industry and housing sector forming the leading edge of a rapidly sinking economy, Congress must be forced to act. This is an issue of the entire lower- and middle-income 80% of the U.S. population; as Lyndon LaRouche set out the Democrats' situation in his Sept. 6 broadcast, if they do not act in September and October on behalf of this "lower 80%," they will forfeit the economy and the elections. LaRouche's Economic Recovery Act of 2006, to retool the closed and closing auto plants for an economic infrastructure mission, is the effective Congressional intervention in the crisis.

## Globalization In Extremis

Delphi, General Motors, and Ford—including its largely re-absorbed Visteon Corp. supplier—alone had already marked 60 plants in North America for closure or sell-off before the mid-September announcements, and their retirement buyouts had already removed over 60,000 production workers from the industry this year. Ford may eliminate another 35,000 by this workforce-wide buyout, and is also going to fire 10,000 more salaried employees, including engineers and designers. It is triggering lay-off announcements and production cuts by Visteon and other suppliers, by its own announced production cuts of 11% in the third quarter and 21% in the forth. GM has announced a 12% fourth-quarter production cut. Chrysler is next into the tank: It has a huge 93 days-worth national inventory of unsold cars and trucks.

The immediate cause of the drastic auto shrinkage—and the one which cuts off any way out *other than* the "new production mission" LaRouche proposes—is the global phenomenon of sinking sales. Although developing-country markets have rising sales, they do not begin to overcome the auto industry's international predicament: Japan auto sales down 9% so far in 2006; Europe auto sales down 3% for the year to date; United States auto sales down nearly 5% for the first eight months of the year. This is the marker of globalization in its extreme: falling real wages worldwide. And the fall is accelerating. In the United States, as even sharp-eyed industry predator Wilbur Ross has recently noted, the housing bubble collapse is directly cutting auto sales as well, taking the illusion of disposable income out of the household budget, cutting construction activity and therefore truck sales, etc.

The industrial analysis firm Global Insight, Inc., in an auto industry report and webcast on Sept. 7, said that the "U.S. auto sales market has downshifted in August," reaching a very poor and unexpected SAAR (annual sales rate) of 16 million, and bringing the SAAR for the year to date down to just over 16 million. Furthermore, the firm's analysts reported in worried tones, "the pace of sales weakened considerably in the closing weeks of August," and "all [makers'] production schedules are in jeopardy."

Global Insight now estimates/forecasts a total production cut, by *all* automakers combined in North America, of 4.6% in the third quarter, and 6.5% in the fourth quarter. Total auto production (assembly and engine) in North America has fallen from 16 million units in 2003, in steps, down to 15.44 million projected this year, and that could fall further; of that falling North American production, assembly in Mexico and by foreign automakers in the United States, has risen from 4.1 million in 2003 to 5.1 million in 2006. Capacity utilization by the Big Three automakers has fallen in 2006 to 77% (in the third quarter, to 74%) despite closures of seven assembly, engine, and transmission plants in 2005 and 2006; that is, one-quarter of the remaining total capacity is still unused.

These analysts blame all this on oil/gas prices and "higher interest rates," and simply assume that production will start rising again *after* 2007. But their surprise at the rate of fall was palpable. And in fact, while auto sales were taking their nosedive in August, interest rates and gas prices were falling; they have continued to fall during September, but industry analysts and parts-industry sources now see total auto sales falling again in September. The fundamental problem is falling household real incomes, against huge burdens of household debt, as the housing and other bubbles collapse.

## Ford's Shrinkage Planners

The sales plunge and the potential prospect of GM's linkup with Nissan and Renault in an international auto cartel, seemed to drive Ford's management into panic—although the much-touted GM/Nissan supercompany would, in fact, bring together three firms, all of whose sales are sliding.

As in the Delphi case of industrial self-destruction, an investment bank appears to be at the center of planning the rapid shrinkage of Ford in North America. With Delphi, it was synarchist banker Felix Rohatyn who designed the "globalization by bankruptcy" plan. With Ford, it is Treasury Secretary Henry Paulson's Goldman Sachs, which has had a powerful position on Ford's board ever since the death of founder Henry Ford.

As soon as it announced big second-quarter losses, Ford hired Goldman Sachs banker Kenneth Leet to work directly with Chairman and CEO Henry Ford III, to design a "restructuring." Then, according to several accounts, one of Goldman's two representatives on the Ford board, John Thornton, hooked up with former Congressman Dick Gephardt (who now consults for Goldman Sachs, among other things), to replace Bill Ford with a new CEO, Alan Mulally from Boeing—where he was no stranger to large-scale layoffs and outsourcing over the past five years.

It was Mulally who announced the firings, shutdowns and mass buyout offer on Sept. 15. Ford had already announced in January 2006, the shutdown of seven plants by 2008, and has since named six of them, two of which have been shut down during this year. Now seven more plant closings, which were supposed to be out in the 2012 time-frame, have been made immediate. But only two of the new shutdowns were identified: the Ford metal-stamping plant in Maumee, Ohio, and the engine plant in Essex, Ontario. The shutdown of the Norfolk, Virginia truck plant, already announced, was moved up from 2008 to 2007.

Ford appears to be holding back naming the additional five shut-down plants—Ford truck assembly plants in Kentucky, Michigan, and Ontario, stamping plants in Michigan and elsewhere are rumored—to "whip-saw" the union locals at those plants into renegotiating their contracts to attempt to keep work. Two locals in Michigan have already done so during September.

For the UAW locals, seeing clearly that these plants are on the chopping block, the mass buyout plan became a desperation objective, an alternative to more than 30,000 layoffs. The buyouts provide workers near retirement with $35,000 bonuses to quit now, and offer up to $140,000 to less senior workers to leave the industry—losing retirement health benefits and giving up part of their pensions—just as in the Delphi case.

But the buyout plan just as surely means drastic shrinkage and shutdown. The only actual alternative, is the one LaRouche has put before Congress in the Economic Recovery Act of 2006. Before the U.S. auto collapse becomes irreversible, Congress will have to act.

## Chrysler Lays Off 6,000 In Detroit—'Temporarily'

The layoff of nearly 6,000 United Auto Workers at Chrysler plants in metro Detroit is being billed as "temporary." Some layoffs will last through at least Oct. 19. Whether the workers are brought back, purportedly depends on demand for the vehicles.

Nearly 2,800 workers who produce the Jeep Grand Cherokee and Jeep Commander at Chrysler's Jefferson North Assembly Plant received layoff notices Sept. 14. "Whether it lasts longer [than Oct. 19] would depend on whether there is demand for more of the Jeeps made at the Conner Avenue plant," the *Detroit Free Press* reported Sept. 15.

The same day AP reported that DCX forecasts a $1.52 billion loss for Chrysler Group in the third quarter.