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## Ford will cut 25,000 to 30,000 jobs, close 14 plants

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By Chris Woodyard, USA TODAY

Ford Motor ([F](#)) announced a massive restructuring plan Monday that will not only shrink the company, but also overhaul both the product mix and the sticker prices that customers see in Ford, Mercury and Lincoln showrooms.



Ford Motor CEO Bill Ford discusses plans for the car giant that include plant closings and layoffs.

Rashaun Rucker, Detroit Free Press

A downsized Ford, shedding up to 30,000 jobs and 14 factories by 2012, will become more innovative, add more in-demand small and gas-electric hybrid vehicles and adjust prices to reflect what customers have actually been paying, CEO Bill Ford vowed.

### Ford's restructuring plan

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The cuts represent 20% to 25% of Ford's North American workforce of 122,000 people. Ford has approximately 87,000 hourly workers and 35,000 salaried workers in North America.

In all, the cuts will reduce Ford's manufacturing capacity 26%.

Ford CEO Bill Ford promised fundamental change. He derided the company's love of building gas-guzzling SUVs as "business as usual" and said "today, we're moving from a culture that discourages innovation back to a company that celebrates it."

Ford plans to spend \$250 million this year to cover the cost of shedding unionized workers and \$220 million to close plants.

### FORD CLOSINGS and CUTS

Assembly capacity will be reduced by 1.2 million units or 26% by the end of 2008. A new low-cost manufacturing site is planned for the future. Ford will idle the following facilities through 2008:

- St. Louis Assembly

- Atlanta Assembly
- Wixom (Mich.) Assembly
- Batavia (Ohio) Transmission
- Windsor Casting (announced following CAW contract negotiations in 2005)
- Two additional assembly plants, which will be determined later this year.
- In addition, production at St. Thomas Assembly will be reduced to one shift.

Even as it shutter plants, Ford is thinking of building a new one: "a low-cost manufacturing site." No details were given.

To engineer a turnaround, Ford North American chief Mark Fields promised:

•**More hybrids.** Ford will add gas-electric hybrid versions of the Ford Five Hundred and Mercury Montego sedans, and Ford Edge and Lincoln MKX crossovers — car-based SUVs — by 2010. Fuel-efficient hybrids, pioneered by Japanese automakers, have become more popular as gas prices have climbed.

•**Imaginative small cars.** In the Ford brand, only sporty Mustang and midsize Fusion are selling well. With its "change or die" philosophy, Ford says it will speed up development of new small cars and crossovers.

•**Realistic pricing.** Ford plans to reduce sticker prices on many vehicles to reflect what customers are actually paying after current rebates and other incentives.

After the announcement, Ford shares rose 8% on the New York Stock Exchange.

A statement released by United Auto Workers said: "The restructuring plan announced this morning by Ford is extremely disappointing and devastating news for the many thousands of hardworking men and women who have devoted their working lives to Ford. The impacted hourly and salaried workers find themselves facing uncertain futures because of senior management's failure to halt Ford's sliding market share." (**Related:** [Full statement](#)).

Citigroup analyst Jon Rogers said in a note to investors that Ford's plan matched expectations but is risky because of the difficulty of UAW acceptance.

In its statement, the UAW said the announcement "will only make the 2007 negotiations all the more difficult and all the more important."

Ford also said it will reduce the company's officer ranks 12% by the end of the first quarter. The company previously said it was cutting the equivalent of 4,000 salaried positions by the end of the quarter.

Ford said in its earnings statement earlier Monday that it reduced employment in 2005 by 10,000 people due to layoffs, buyouts and attrition. Ford has around 300,000 employees worldwide.

The company projected it will return to profitability in its North American automotive business no later than 2008.

Earlier in the day, Ford reported fourth-quarter earnings that were better than expected, even though the automaker sold fewer vehicles and lost market share in the critical U.S. market. (**Audio:** [Bill Ford on the restructuring](#))

In the fourth quarter, Ford said it earned 8 cents a share, compared with \$104.6 million for the quarter in 2004 thanks to cost reductions and improved profits in its luxury division.

Revenue was \$47.6 billion for the quarter, up from \$44.9 billion a year ago.

Analysts surveyed by Thomson Financial were looking for earnings of a penny per share.

In announcing the job cuts and plant moves, Ford said Monday that it would no longer provide earnings guidance.

"We must be guided by our long-term goals of building our brands, satisfying customers, developing strong products, accelerating innovation, and, most importantly, producing a sustainable profit from our automotive business," Bill Ford said.

Ford's earnings marked the third straight year of profitability. But the \$2 billion, or \$1.04 per share, in net income was still down 42% from \$3.5 billion, or \$1.73 a share, in 2004. Sales were up slightly last year to \$178.1 billion, compared with \$171.7 billion a year earlier.

The company said one-time charges sapped earnings by 6 cents a share. They included \$1.3 billion for idling Land Rover and Jaguar "fixed assets" and labor reduction actions totaling \$962 million. They were offset by Ford's sale of Hertz, the rental car operation, for a profit of \$1.5 billion and a tax change that saves \$250 million a year.

The biggest dark spot in the earnings was losses in North American auto operations. The company lost \$1.6 billion pre-tax for the year, compared with a profit of \$1.4 billion last year. The company blamed higher costs, lower market share and dealer inventories for the loss.

### GM'S PLAN

General Motors announced its own turnaround plan on Nov. 21. GM said it will:

- Cut 30,000 jobs, 17% of the 178,000 employees that it had in North America at the end of the third quarter.
- Close nine factories and two other facilities, which will bring the automaker's manufacturing capacity down 1 million vehicles to 4.2 million by the end of 2008. The closing plants:
  - Lansing, Mich., Craft Centre, 2006
  - Lansing, Mich., Metal Center, 2006
  - Oklahoma City, 2006
  - Spring Hill, Tenn., Plant/Line No. 1, 2006
  - Pittsburgh Metal Center, 2007
  - Doraville, Ga., 2008
  - Flint, Mich., North 3800 engine facility, 2008
  - Ontario, Oshawa Car Plant No. 2, 2008
  - Ontario powertrain operations facility, 2008

This followed an announcement in October when, after reporting a \$1.6 billion net loss for the third quarter, GM said it will:

- Cut what it spends on health care for union retirees by 25%, which would be about \$1 billion in cash savings a year. The plan, since approved by the UAW, increases the amount retirees and active workers must pay for their health care
- Sell a majority stake in GMAC, its money-making financing arm. GMAC has outearned GM's auto business for the last 11 quarters.

In the fourth quarter, North American automotive operations had a pre-tax loss of \$143 million, down from a pre-tax loss of \$470 million in the quarter a year earlier. While pricing improved during the quarter, it still faces losses from operations at parts supplier Visteon, which it used to own.

Ford isn't the only automaker that's struggling. General Motors announced last year that it will lay off up to 30,000 workers as it closes nine plants in the U.S. and Canada (see box).

The UAW's contracts with Ford, GM and Chrysler Group end next year.

"Our industry is beginning a dramatic restructuring, which is sorely needed," Bill Ford said in October.

Ford Motor sold 4.7% fewer cars and trucks last year than it did in 2004, Autodata reports. Even GM saw a lower loss, 4.4%, and DaimlerChrysler's Chrysler Group saw an increase of 4.5%.

Ford's share of sales among all automakers was 17.4%, down almost 1 percentage point in a year, Autodata says. In 1998, when Ford was riding high on the SUV popularity wave, its market share was 25%. Most of the gains have gone to import brands like Toyota and Honda, especially as gasoline prices spiked last summer.

It's not just selling fewer vehicles that's hit hard at Ford. Making matters worse, the automaker is selling fewer of the big, high profit vehicles that have long driven profits. Sales of its Explorer SUV and its permutations fell 29% last year from the year before. Even sales of its full-size F-series pickups, the best selling vehicles in the USA, were off 4%, Autodata says.

For the future, Ford is having to pin its hopes on smaller — and at least compared to SUVs, less profitable — vehicles. Ford Fusion, returning the automaker to the midsize segment, is off to a promising sales start. And Ford has a new crossover vehicle, the Edge, that made its debut two weeks ago at the North American International Auto Show in Detroit.

Indeed, Ford cited strong launches of some of those smaller vehicles in announcing Monday's earnings.

"We accomplished many things in 2005, including the successful launch of the new Ford Fusion, Mercury Milan and Lincoln Zephyr, " Ford said, adding that worldwide, Ford remains strong in vehicle sales. "Excluding North

America, our automotive operations made great progress in 2005."

Also on the plus side, Ford struck a deal with the United Auto Workers late last year to lower health care costs, one of its biggest challenges. The move was expected to shave \$850 million annually off a health tab of \$3.1 billion.


Fields said the goal is to emulate the turnaround that Ford saw in Mazda, which slashed costs and took a bold, performance-oriented position in the market to regain profitability. Ford owns a controlling stake in Mazda.

*Contributing: Wire reports*

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