Ford staves off bankruptcy, New York Times turns to McTevia for analysis

At Ford, a Sense of Survival Despite the Losses Piling Up

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DETROIT — The Ford Motor Company unleashed a torrent of dismal financial numbers Friday, saying that it lost $1.4 billion, sales fell 43 percent and it spent $3.7 billion of its cash during the first quarter.

But in the new math of the Detroit auto industry, this was good news.

Investors bid up Ford shares by 11 percent Friday to $5, and the stock has roughly tripled in value in the last two months. They appear taken with the notion that Ford is separating itself from its troubled crosstown rivals, General Motors and Chrysler, which are trying to stave off bankruptcy.

Ford — because of a decision more than two years ago under its new chief executive, Alan R. Mulally, to borrow as much as it could — still has more than $21 billion in the bank. Consequently, the company has not had to ask for help from the federal government.

"There are two big events in the history of Ford," said James V. McTevia, a corporate turnaround expert who runs the firm McTevia & Associates in Bingham Farms, Mich. "When Henry Ford figured out the assembly line and when Alan Mulally leveraged the assets so the company wasn't forced to go to Washington and beg for money."

Ford has enough money to last through at least 2010, said Patrick Archambault, an analyst with Goldman Sachs, who upgraded his rating on the company this week to buy.

"Unlike G.M., we do not foresee bankruptcy at Ford," Mr. Archambault wrote to his clients. "With G.M. and Chrysler likely to file for bankruptcy in coming weeks, in our view, we think the stage is set for a sea change in the structure of the U.S. auto industry."

But the seas remain treacherous for Ford. A bankruptcy by Chrysler or G.M. could damage their suppliers, many of whom also provide parts for Ford. Dealers for those two companies, in the event of a bankruptcy, might start a fire sale to clear their lots of unsold cars to pay off their own obligations. That, in turn, would drive down prices for the rest of the industry.

It is also unclear when the prolonged slump in new-car sales in the United States will end.

“Ford still has the problem that its competitors do, which is that the customer out there isn’t spending money,” Mr. McTevia said. “The danger is that Ford could run out of money before the consumer comes back.”

Of course, G.M. and Chrysler already have run out of money. They are managing to stay out of bankruptcy with the help of $19.4 billion in government loans, including an additional $2 billion that G.M. received Friday.

G.M. is expected to disclose a revised restructuring plan Monday, four weeks after the Obama administration rejected its original submission. The new plan will include more job cuts and could call for faster consolidation of its dealership network and the elimination of its Pontiac brand.

On Friday, G.M. played down speculation that it would close the Pontiac division, which was scheduled to become a niche brand. But the company also did not specifically deny widespread discussion that such a move was imminent.

Meanwhile, State Street Bank and Trust has sold the G.M. stock held in the company’s employee stock purchase plans because of concerns about the automaker’s financial outlook, G.M. disclosed in regulatory filing Friday.

Chrysler has less than a week to meet the administration’s deadline to reach a partnership deal with the Italian automaker Fiat and show that it is worthy of more aid.

Chrysler’s senior lenders on Friday made a new offer to the Treasury Department. The banks proposed taking about 54 cents on the dollar for their $6.9 billion in debt but still wanted a 40 percent equity stake in the reorganized carmaker.

While Ford consumed cash at a rate of $1.2 billion a month in the first quarter, that was about half the rate at which it depleted reserves late last year.

Mr. Mulally said Friday that the amount of cash it lost would gradually shrink as Ford brought out new products to stabilize revenue and inventory levels.

He reiterated that Ford had enough cash on hand to weather the economic crisis, while investing in new cars and technologies.

“When we say we have sufficient liquidity, it’s not just enough to skim by, but enough to complete the transformation of the company,” Mr. Mulally said in an interview.

Ford is acutely aware, however, that a bankruptcy filing by Chrysler or G.M. could put some of its own suppliers at risk.

Mr. Mulally said that his executives had increased contact with Ford’s most vulnerable suppliers, and had identified alternative sources for some parts. He expressed confidence that the Obama administration would do what was necessary to keep suppliers solvent during the restructurings of G.M. and Chrysler.

“They understand the supply base is absolutely the highest priority,” Mr. Mulally said.