

McTevia: Delphi Cruise Shows "Lack of Judgment"

Delphi cruise makes waves with UAW

Lavish trip came on same day as workforce reduction

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On the same day that bankrupt Delphi Corp. announced a landmark deal to trim its workforce last month, the auto-parts supplier was entertaining hundreds of people on a weeklong trip to three Caribbean islands aboard the lavish Caribbean Princess cruise ship.

Delphi officials say the trip was part of a company rewards program for car dealers and their salespeople to bring in much-needed business as it seeks to emerge from bankruptcy. But the ire of Delphi's employees and union leaders was raised when learning of the trip from the Free Press.

"It is grossly inappropriate and insensitive for Delphi to spend money on expensive Caribbean cruises at the same time it's in bankruptcy court seeking approval of a restructuring plan that would eliminate thousands of jobs in communities across America," UAW spokesman Paul Krell said. "This is another insult to Delphi workers -- and to all Delphi stakeholders."

Since filing for bankruptcy Oct. 8, Delphi has sponsored two cruises as a reward for more than 400 auto dealers and salespeople selling Delphi's line of auto accessories. The company said only two Delphi managers were onboard.

Delphi would not say how much it spent for the cruises, but one business travel expert estimated the cost at \$800,000 to \$1.2 million. Bill Boyd, immediate past president of the Society of Incentive & Travel Executives, said incentive cruises for large groups typically include rooms facing the ocean, which can cost \$2,000 to \$3,000 a person.

The most recent cruise from March 18 to March 25, conducted by Carnival Corp., left Ft. Lauderdale, Fla., with more than 200 dealers and salespeople and visited St. Thomas, St. Maarten and the Princess Cays islands.

The trip aboard the 3,100-passenger vessel -- featuring four swimming pools, a nine-hole putting course with golf simulator, one of the largest casinos afloat and a wide variety of bars and lounges, including a wine-and-caviar bar -- underscores Delphi's dilemma as a tale of two companies: While Delphi's traditional car-parts business making items such as brake hoses and batteries loses millions, another division sells highly profitable technology products, such as satellite radios and navigation systems -- sales of which paid for the cruises.

Those onboard wine and dined at sea while Delphi, on March 22, announced a sweeping workforce reduction deal with General Motors Corp. and the UAW to provide early retirement and buyouts for 113,000 hourly GM workers and 13,000 hourly Delphi employees.

Plans for even more job cuts were announced a week later when Delphi unveiled a restructuring plan calling for the elimination of 31,000 hourly and salary jobs.

Jim McTevia, a company turnaround specialist with more than 40 years of bankruptcy experience, said Delphi's timing for the cruises could not have been worse.

"It makes the reorganization more difficult, and, in my opinion, it shows a very poor lack of judgment as far as the management of Delphi is concerned," said McTevia, managing member of McTevia & Associates LLC in Bingham Farms. "They should be trying to avoid even the appearance of an impropriety."

McTevia said there are no laws forbidding Delphi's cruises, and it is unlikely Delphi's bankruptcy judge, Robert Drain, would speak out against the excursions.

"All it does is aggravate the situation," McTevia said. "It flies in the face of judgment and serves to antagonize people even more."

Just doing business

"It's absolutely the right thing for us to do," Delphi spokesman Lindsey Williams said regarding the cruise incentive. "We're in the business of generating revenue and this program effectively and quickly does that."

Delphi relies on auto dealers and salespeople to drive sales of vehicles equipped with Delphi aftermarket products.

Based on the sales volume generated, dealers and salespeople are rewarded with trips and cruises, which Williams said cost the company a fraction of whatever revenue is created. Delphi declined to provide numbers supporting how much money the salespeople brought in to the company.

Williams said that Delphi's cruise incentive likely was planned more than a year in advance, well before the company's bankruptcy filing. Williams said often years can pass between when a cruise incentive is offered and when people can redeem it, mainly because the products can take years before they appear on a vehicle.

A call to the cruise line's Santa Clarita, Calif., headquarters confirmed that Delphi's travel agency, Buy the Sea, based in Plantation, Fla., corporately booked rooms that week on the ship. Carol and Jim (Sparky) Biggs of Battle Creek -- who saved all year and didn't buy Christmas gifts for each other in order to afford the cruise -- were shocked to find Delphi reserved large parts of the ship for private parties.

"From an appearance standpoint, it just doesn't look real good considering that people are going to be losing positions as Delphi closes plants," said Jim Biggs, an insurance adjustor with no connection to the auto industry.

Bad PR

Delphi, the nation's largest auto supplier, has never been consistently profitable. GM spun off Delphi in 1999. Delphi lost \$4.8 billion in 2004, and after losing another \$741 million in the first six months of last year, it filed for Chapter 11 bankruptcy protection on Oct. 8.

From then through Feb. 28, Delphi has lost another \$1.5 billion.

In the past, the public has been unforgiving when bankrupt companies give perks to some employees and not others. During Kmart Corp.'s 2002 bankruptcy, for example, there was public uproar when executives continued to fly around in jets.

And Delphi Chief Executive Steve Miller faced criticism over seeking approval for multimillion-dollar executive-compensation packages as an incentive to keep key employees from leaving the company while in bankruptcy.

Shirley Lipko of Naples, Fla., who traveled on the same cruise as the Delphi guests with her husband, Roger, is upset with Delphi for a different reason.

"We tried to book our massages online, and because of those Delphi people, it wasn't until 7:30 p.m. that we could finally get an appointment," Lipko said.

"They had these spa packages valued at more than \$100. I disagree if they're in bankruptcy."