# McTevia Comments on Ford Recovery Plan

Critics question Ford's recovery plan as higher losses reported
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Ford Motor Co. lost $123 million in the second quarter, more than expected, leaving some critics questioning Ford's recovery plan. The loss also appears to have prompted Ford to accelerate its restructuring efforts. "We've seen an improvement in North America results in the second quarter, but the external factors we face aren't going to get any easier," said Chairman and CEO Bill Ford. "Mark Fields (executive vice president and president - The Americas) and his team have been working on plans to accelerate their efforts. Within the next 60 days, we'll be in a position to discuss the additional actions we will be taking."



Once again, the Americas auto group was the big loser, posting a $702 million loss compared to $819 million last year, while Ford Motor Credit reported net income of $441 million from earnings of $740 million a year earlier. Ford lost $1.2 billion in the fi rst quarter.

"North America remained the primary culprit contributing to the weakness," Goldman Sachs analyst Robert Barry said. "Pressures from volume, pricing and (product) mix remain severe, and we do not see much improvement anytime soon."

International operations took a hit, reporting a loss of $21 million compared with a profit of $176 million last year in addition to a loss for Ford Europe and Premier Auto Group of $57 million, compared with a profit of $83 million in the same period a year ago.

Total revenues were down $2.5 billion from a year ago to $42 billion. The loss of 7 cents per share compares with net income of 47 cents per share, or $946 million, in the second quarter of 2005.

"I think, No. 1, they were behind the (turnaround) curve, always behind," said Lawrence Gardner, principal of Lawrence Gardner Associates in Troy. "Second thing is, their most popular product, the SUV, has the highest margin and that's not going so well, so I think they had to accelerate to be in the running."

Ford also announced it would curtail production 5.6 percent to 670,000 units, down 58,000 units from a year ago and 40,000 units less than what was previously announced, mostly because of the dropoff in SUV sales.

"Although we've made progress on a number of fronts, clearly we have more to do," said Don Leclair, executive vice president and CFO. "This includes maintaining our focus on improving our quality, reducing our costs and maintaining our strong liquidity as we respond to the tougher operating environment we face."

Ford's restructuring program already includes closing 14 plants and cutting up to 30,000 factory jobs in North America.

In a conference call following the results, Ford said the company is on track to reduce capacity by 15 percent this year and is committed to achieving profitability in its key North American operations by 2008.

"We remain committed to this goal, we have seen improvement," Ford said on a conference call with analysts. "I am encouraged by what has been going on behind the scenes. But the external factors I have outlined are not going to get any easier, which means we need to go farther and faster."

The problem with that discussion, said Jim McTevia, principal of McTevia & Associates, a financial and management consulting firm in Bingham Farms, is that Ford's plans have been too vague thus far. That makes judging how far they've come or how much more aggressive they are going to be very problematic.

"I would suspect nobody knows too much what Ford's doing. A company that's publicly traded, and in a sector in trouble, they are usually outspoken, but I don't know what they're doing. It's being played very close to the vest, unlike GM, which is coming out and telling what their plan is," said McTevia. "It could mean less rounds of golf for all I know.

"The problems are obvious, but they may be very good at running an auto company, but they may be poor in crisis management," added McTevia. "I would say that Ford has some real serious problems that need some very sharp corrective action."

Ford did have a favorable adjustment of $146 million relating to the expected layoff and jobs bank benefits and voluntary termination packages, as well as a gain of $148 million related to Mazda.

However, there was a charge of $171 million associated with additional personnel reduction programs at facilities other than those being idled, as well as a related charge of $315 million associated with pension curtailments.

Total cash, including cash equivalents, marketable securities and loaned securities was $23.6 billion, down from $23.7 billion at the end of the first quarter. Ford shares were down slightly at 14 cents or 2.21 percent to close at $6.19 on the New York Stock Exchange.