

Delphi Loss Up But McTevia Remains Optimistic

Buyout expenses drive up Delphi loss

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Delphi Corp., the nation's largest auto-parts supplier, reported Monday a \$1.86-billion loss in June. The bulk of the loss was related to its attrition program.

An estimated 12,900 hourly workers -- 12,500 from the UAW and 400 from the International Union of Electrical Workers -- have agreed to leave the company under the buyout and early-retirement plan.

Delphi is taking charges worth a total of \$1.74 billion in June related to the plan, which was negotiated by Delphi, former owner General Motors Corp. and the unions.

"It's based on several complicated assumptions on when employees will retire and their life expectancy," Delphi spokeswoman Claudia Piccinin said.

Excluding the cost of the attrition plan, Delphi lost \$120 million -- an amount more in line with the monthly results seen by the Troy-based company since it filed for Chapter 11 bankruptcy Oct. 8.

"Our U.S. operations continue to experience significant losses, but we are continuing our focus on reaching a resolution," Piccinin said.

Delphi's decision to take the attrition-related charge last month was a sound business decision, said Jim McTevia, a managing member of turnaround consulting firm McTevia & Associates LLC in Bingham Farms.

"It's not unusual at all," McTevia said. "That is probably one of the major components of the restructuring plan, which I'm sure the court will approve."

McTevia said he's more optimistic about Delphi's chances for a healthy turnaround than when the company first filed for bankruptcy.

He said his optimism is based on GM's improved financial status.

Last week, GM reported a second-quarter operating profit of \$1.15 billion. GM Chief Executive Rick Wagoner said it was proof that his turnaround is working.

Including onetime items -- primarily to pay for its own attrition package -- GM lost \$3.2 billion.

GM is paying for all of Delphi's early-retirement offers, which cost \$35,000 each.

But GM and Delphi are splitting the costs of the buyouts, which range from \$40,000 to \$140,000, depending on seniority.

Delphi once was GM's parts-making subsidiary. They separated in 1999.

Since then, Delphi has never been consistently profitable. It lost \$4.8 billion in 2004.

After losing another \$741 million in the first six months of 2005, the company filed for bankruptcy protection.

The maker of everything from radiators to radios says it was burdened with restrictive labor contracts that required it to pay far more than its competitors.

Delphi is scheduled to appear before U.S. Bankruptcy Judge Robert Drain Aug. 11 to get authorization to cancel union contracts and eliminate retiree medical benefits.

In the meantime, Delphi is working with its unions and GM to reach a deal that will avoid the cancellation of contracts and the strike that would likely result.