

AP: McTevia Provides Insight on Ford Buyouts

38,000 to take early retirement, Ford buyout
46% of union employees to leave troubled firm

By Sven Gustafson
Associated Press

DETROIT - Ford Motor Co.'s hourly work force is shrinking to half its current size, following the announcement Wednesday that 38,000 hourly workers have agreed to accept early retirement or buyout packages.

But that still might not be enough to revive the nation's second-largest automaker, which is downsizing in the face of multibillion-dollar losses and fierce competition from Asian carmakers.

The new reduction figure would amount to nearly 46 percent of the 83,000 unionized employees that Ford had at the start of the year. It had expected 25,000 to 30,000 workers to sign up during an open enrollment period that expired Monday.

Now, say analysts, Ford needs to rekindle interest in its cars and reclaim market share lost to Asian competitors.

Ford lost \$7 billion in the first nine months of the year, and the company on Monday announced that it plans to get about \$18 billion in financing due to negative operating cash flow and to pay for its restructuring. Ford's share of the market has declined from about 26 percent in the early 1990s to 17.6 percent in October.

The Dearborn-based automaker said Wednesday it expects to post cumulative cash outflows of about \$17 billion during the 2007 to 2009 period.

Turnaround specialist Jim McTevia, of McTevia & Associates in Bingham Farms, said the buyout figures coupled with the mortgaging of assets to secure financing signals that the automaker believes it will be able to operate profitably in the future. Ford has said it expects to return to profitability by 2009. But McTevia said Ford faces a tough road amid competition from companies on much stronger financial footing.

"They've got to learn how to build a product that is acceptable in the market at a good price," McTevia said. "They've got to build it economically, and they've got to sell it economically."

Those who accepted the buyout packages will begin to leave the company in January, with the window open until Sept. 1, 2007, the company said.