McTevia analyzes Delphi's plight for Warren (OH) Tribune Chronicle

Delphi deal falls through
Analysts: Delphi saga could take varying paths

By LARRY RINGLER Tribune Chronicle
POSTED: April 5, 2008

WARREN — Liquidation or an opportunity for other investors, perhaps Indian or Chinese — reactions Friday to the departure of Delphi Corp.'s lead investor veered into areas seldom before discussed.

Speaking of the auto-parts maker that has yet to make money after 2 1/2 years in bankruptcy, veteran bankruptcy trustee and turnaround specialist James McTevia said ''it's only a matter of time before everyone is going to say this company is continuing to lose money, and it's losing money at such a rapid rate that it's probably best if the company liquidates before there's nothing left.''

The parent of locally based Delphi Packard Electric reported losing $3.75 billion in 2007 amid declining orders for auto parts and a weakening economy. The company, which filed for bankruptcy protection in October 2005, lost $5.12 billion in 2006.

Liquidation wouldn't mean lights out at Delphi plants, McTevia said. Instead, operations could continue as plants, equipment and other assets were auctioned off to other companies or investors.

But he said Delphi appears to be taking its third strike in a very risky game.

''The first strike is the economy. It's very, very bad in their industry,'' he said. ''Strike two is the financial markets, which are very weak. There's not a lot of equity funds out there looking for troubled companies. Strike three is they're losing money.''

Prominent auto industry analyst David Cole said he doesn't see any way Delphi is headed for liquidation but instead is facing a ''temporary setback.''

He said the company's lower cost structure and impressive array of automotive technology should be able to attract a new investor to replace Appaloosa Management, even one of the new Asian economic powers, India or China.

''I have no inside knowledge, but at the stage they're at and the fact they've trimmed down, I wouldn't be surprised to see another company step up — (India's) Tata or a large Chinese company,'' said Cole, chairman of Ann Arbor, Mich-based Center for Automotive Research. ‘‘This would be an opportunity to get some technology.’’

Tata last month bought Jaguar and Land Rover brands from Ford Motor Co. In 2007, Tata bought Anglo-Dutch steelmaker Corus, parent of Thomas Strip Steel in Warren Township.

Cole said an Indian or Chinese move into Delphi could create some public relations concerns but he noted, ‘‘This is a global business. Money moves freely around the world.’’

It’s unlikely that Japan’s auto power, Toyota, would try to pick off Delphi, unless it did it through one of its close partners such as Denso, Cole added.

The attorney for Dephi’s second largest union said Appaloosa’s departure wasn’t a surprise.

‘‘We’ve known for a while there was a problem with these investors,’’ said Tom Kennedy, the Manhattan lawyer for the International Union of Electrical Workers-Communications Workers of America, which represents workers at Delphi Packard and other factories. ‘‘We think other investors will step forward.’’

Kennedy said groups in the bankruptcy were ‘‘pleased to see Delphi had accumulated sufficient financing’’ to exit bankruptcy, referring to the $6.1 billion the company targeted to launch its new life.

The essential question, he continued, is whether Delphi has a valid business plan to succeed outside of bankruptcy court, which he said it does.

‘‘The company is still viable,’’ he said.

Kennedy urged workers at Delphi Packard and other plants to realize the problems aren’t of their making.

‘‘It’s a function of the turbulent credit markets and general economy. We’re confident Delphi will be able to ride it out,’’ he said.