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Ford, GM face another restructuring, but this time they are profitable

By Jamie L. LaReau (excerpt)
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Ten years ago, Detroit was facing dark days. With the economy in the throes of the Great Recession, General Motors and Chrysler were on life support under the guidance of President Barack Obama's auto rescue task force, both headed to bankruptcy. Ford had previously mortgaged everything, including its iconic Blue Oval logo, to survive.

Today, the traditional Detroit 3 are strongly profitable but face declining sales and uncertainty about how to remain dominant players as transportation technology and preferences change. The UAW contract expires in September, and production workers have said they expect their new deal to reflect recent successes.

To illustrate the challenge, Ford last week reported a \$3.7 billion profit for 2018 — half the 2017 level and acknowledged by company leadership as a weak year. Ford and GM are in the midst of restructuring, while Fiat Chrysler Automobiles says it's good where it is.

Here's a look at the landscape:

General Motors has taken dings to its image in recent weeks for its restructuring plan that calls for idling five North American plants, affecting 6,000 jobs, and trimming about 8,000 white-collar jobs.

Meanwhile, Ford has kept most details of its \$11 billion restructuring plan close to the vest, saying it is prioritizing sharing first with its "key stakeholders" such as employees, suppliers and dealers before satiating Wall Street. It's unclear how many jobs will be lost, though Ford earlier this month announced a massive restructuring in its money-losing Europe division that is expected to shed thousands of jobs. U.S. cuts are expected, though numbers are unclear.

Then there's Fiat Chrysler. CEO Mike Manley told reporters at the Detroit auto show that it restructured three years ago to emphasize SUVs and trucks over sedans, so it has no plans to further restructure or cut jobs. In fact, FCA will add U.S. production capacity to accommodate a new three-row SUV and three-row Jeep Grand Wagoneer.

Each Detroit carmaker has taken a different approach to transformation. Analysts say Ford's approach may help it internally, but GM's decisive action may serve it better long-term.

"Ford is playing catch-up to GM and Fiat Chrysler in implementing their restructuring plans," David Kudla, chief investment strategist for Mainstay Capital Management, said in an investor note. "We do not believe Ford will have as rosy an outlook as GM for the year." ...

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