

Ford to cut jobs as sales level off, stock price lags

May 17 2017, by Dee-Ann Durbin



In this Tuesday, May 16, 2017, photo, the logo for the Ford Motor Company appears above a post on the floor of the New York Stock Exchange. Ford Motor Co. said Wednesday, May 17, it plans to cut 10 percent of its salaried jobs in North America and Asia Pacific this year in an effort to boost profits. (AP Photo/Richard Drew)

Ford is getting leaner as it faces an onslaught of challenges, from slowing U.S. sales to high-tech challengers to its own disgruntled shareholders.

The 114-year-old automaker said Wednesday it is cutting 1,400 non-factory jobs in North America and Asia Pacific. The company will offer voluntary early retirement and separation packages to around 10 percent of its salaried workers in departments such as sales, marketing and human resources. It expects the actions to be complete by the end of September.

The cuts are the biggest to Ford's U.S. white collar staff since 2007, when 7,200 workers took voluntary buyout packages.

In an email to employees, Ford said it wants to strengthen its core business and invest aggressively in new opportunities. "Reducing costs and becoming as lean and efficient as possible also remain part of that work," the company wrote.

Ford isn't the only automaker looking to slim down. Last month, General Motors Co. Chief Financial Officer Chuck Stevens said GM was considering cuts to its white collar staff in order to rein in costs.

Ford's problems aren't entirely unique. After seven straight years of growth, U.S. sales are starting to slow down, which will hurt automakers' profits. Sales in Asia are volatile and not as profitable. Turbulence in other markets, like South America, hasn't helped.

Automakers are also investing heavily in self-driving cars and other new technology. Ford, which has promised an autonomous vehicle by 2021, bought a shuttle service and invested \$1 billion in Argo AI, an artificial intelligence startup. Such investments may not pay dividends for years, but automakers can't risk being left behind by non-traditional rivals like Google and Uber.

But some of Ford's problems are of its own making. Morgan Stanley analyst Adam Jonas says Ford should consider exiting unprofitable

vehicle lines, like small cars, or markets, like India.

Ford's U.S. sales are down in part because it doesn't have offerings in popular segments like subcompact SUVs and midsize pickups. And Ford hasn't kept up with rivals in the electric car market. GM's Chevrolet Bolt electric car, with 238 miles of range, went on sale last year; Ford is working on an electric SUV with 300 miles of range, but it's not due out until 2020.

Ford also recently embarked on an expensive, 10-year plan to remake its Dearborn campus.

Ford's offer will be open to around 15,300 workers, including 9,600 in the U.S., 1,000 in Mexico, 600 in Canada and 4,141 in Asia. The company says it will release more details to employees in June.

Certain areas of the business won't be targeted, including Ford's product development and credit divisions. Factory workers and white-collar employees in Ford's plants won't be affected. Ford also isn't likely to cut jobs in its emerging businesses, such as its research center in Palo Alto, California. Ford said last August it planned to double its Palo Alto staff, which would mean hiring more than 100 researchers and engineers.

Jonas said he was impressed with Ford's decisive action to cut jobs, but he still thinks Ford stock is overvalued. He has a \$10 price target on the shares.

Ford's shares dropped 2 percent to \$10.72 in afternoon trading.

Ford's stock price has fallen nearly 40 percent in the three years since Mark Fields became CEO. Ford Executive Chairman Bill Ford told investors at the company's annual meeting last week that he's as unhappy as they are about the decline.

"We're frustrated, but our business is performing well. We're making investments for both today and tomorrow, and I believe that's the right thing to do," he said.

Barclay's analyst Brian Johnson, who has a \$15 target on the shares, said Ford's stock has suffered because the company isn't making splashy moves, like GM's investment in Lyft or Fiat Chrysler's tie-up with Waymo, Google's self-driving car unit.

But Johnson said Ford has a solid strategy and is making quiet moves that could pay off, like introducing a plug-in hybrid commercial vehicle in Europe.

There was no immediate comment from President Donald Trump, who has needled Ford about taking jobs to Mexico but celebrated the company's U.S. investments.

Ford has been hiring steadily in the U.S. since the recession as vehicle sales roared back to reach record highs. Ford hired more than 15,000 factory workers between 2011 and 2015. In March, it hired 400 engineers from BlackBerry Ltd. to work on connected cars.

But in other regions, it has taken the same strong medicine it's now taking at home. Ford offered voluntary buyouts to hundreds of European salaried workers last year as it worked to get that region back to profitability.

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