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Ford is preparing for a possible strike by the UAW. Here's how

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Published 3:02 p.m. ET Sept. 7, 2023 | Updated 1:24 p.m. ET Sept. 8, 2023

The United Auto Workers isn't the only one girding for a strike come Sept. 15.

Ford Motor Co. is taking steps to prepare for a possible walkout. They include securing a new \$4 billion line of credit to bolster working capital, training roughly 1,200 salaried employees to staff 23 parts depots in 15 states around the country — including Michigan, stockpiling parts to meet dealer orders amid a strike, and working with suppliers to ensure parts flow once production restarts, two Ford sources familiar with the situation told The Detroit News on Thursday.

The moves come even as negotiators for the Dearborn automaker work to reach a tentative agreement by the current contract's expiration at 11:59 p.m. Sept. 14. UAW President Shawn Fain has repeatedly called the day and time "a deadline, not a reference point," indicating the union is unlikely to extend the deadline and is willing to strike any of the Detroit automakers if agreements haven't been reached by that time — adding a dose of urgency to already-heated negotiations.

The Ford sources say company negotiators believe there are avenues to reaching a deal by the deadline, even as the company takes steps to shore up its finances and operations ahead of a possible strike. Fain, too, has said an agreement is still possible and that some progress is being made at the bargaining table.

"Our focus is on reaching a deal that rewards our employees, allows for the continuation of Ford's unique position as the most American automaker, and enables Ford to invest and grow," company spokesperson Jess Enoch said in a statement. "We are developing responsible contingency plans in the case of a work stoppage. When it comes to our parts depots, we have a responsibility to our customers and dealers to ship the parts that keep Ford

vehicles on the road — especially to keep first responders and other essential services running. Safety and customer service are top priorities for us.”

The UAW has proposed a 46% wage increase over four years. It also is seeking a 32-hour work week for 40 hours' pay, rolling over all current supplemental employees to full-time, reviving cost-of-living adjustments abandoned during the global financial meltdown 15 years ago, extending defined benefit pensions and retiree health care for all, increasing retiree benefits, ensuring the right to strike over plant closures, and winning more paid time off.

All told, the automakers and outside analysts estimate the demands could increase total labor costs, including wages and benefits, to more than \$100 per hour per worker, far above the labor costs carried by startups and foreign rivals operating in the United States. The Detroit automakers' current all-in labor costs are around \$65 per hour compared to \$55 at foreign automakers and \$45 at Tesla Inc.

Ford has proposed a 9% wage increase over four years, a reduction of the time it takes workers to reach the top of the wage scale from eight years to six years, a 20% starting wage increase for temporary workers to \$20 per hour, \$5,500 ratification bonuses, and \$12,000 over four years in what the company calls a "cost-of-living adjustment bonus." Fain has publicly criticized that proposal, but the two sides continue to negotiate over economic issues.

Stellantis NV is set to make another offer by week's end, even as crosstown rival General Motors Co. on Thursday presented the UAW with its economic offer that includes a 10% wage hike. In response, Fain said: "After refusing to bargain in good faith for the past six weeks, only after having federal labor board charges filed against them, GM has come to the table with an insulting proposal that doesn't come close to an equitable agreement for America's autoworkers."

To bolster its financial flexibility ahead of a potential strike, Ford last month secured a \$4 billion line of revolving credit. As of the end of the second quarter, the company reported \$47 billion in total liquidity, including \$30 billion in cash, according to its latest earnings report. Ford's finance team has forecasted that the company can withstand a strike until the first quarter of 2024, according to sources.

Meanwhile, Ford is preparing salaried employees to work in parts depots in the event of a strike. That effort involves temporarily reassigning more than 1,200 employees in

departments like manufacturing and customer service to work in 23 warehouses in 15 states, including Michigan, to ensure that the company can continue delivering parts to dealers.

“It’s just sound business, and it’s prudent under any circumstances to have a plan in place to address a contingency, particularly one that is going to result in lost profits and disrupted business,” said Alex Calderone, president of Calderone Advisory Group, a Birmingham-based operational and financial consultant to automotive suppliers. “So I think what they’re doing is smart, but I think it’s business as usual, and it’s what any sound management team would be pursuing under the circumstances.”

Ford is also working to stockpile parts and keep its supply base active in an effort to ensure that production at plants that aren't targeted by a strike, if there is one, can continue running — for example, facilities in Mexico. Stockpiling parts inventory, Calderone said, is “contingency planning playbook 101.”

“Anytime that they find themselves in distress and any time that their existence is jeopardized by severe business distress, it’s a common strategy for the (automakers) to ask for a parts bank build,” he said. “It is a recognized way to attenuate risk of any business interruption that could result in lost profits.”

Suppliers, too, are preparing for a possible strike by conserving cash, postponing capital investments, and strategizing with their banks and their own suppliers, he said. Such preparations by automakers and suppliers have been in the works well before next week's deadline: “Sept. 14 is a date that has been on everyone’s radar screen for a very long period of time.”

At UAW-represented plants in the United States, the company is conducting typical strike preparation, such as briefing salaried employees on what type of work they would be doing in the event of a strike. The company also has been working to move finished product out of plants as quickly as possible, even as some supply-chain issues linger, according to the sources. Ford had 383,000 units of gross vehicle stock in the United States as of the end of August, according to its latest sales report.

Management also has been communicating to hourly workers some of the possible financial impacts of a strike, including losses in profit-sharing if the company's earnings in North America were to take a hit. Striking UAW members would receive \$500 per week in strike pay from the union.

Ford in July raised its full-year financial guidance to between \$11 billion and \$12 billion in adjusted earnings before interest and taxes. Based on last year's earnings, the Ford sources said, the automaker estimates \$8,000 average profit-sharing payouts to hourly workers would be cut to \$5,000 on average should a strike last four weeks.

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