

# Ford Scraps Plans for New Assembly Plant

By NICK BUNKLEY

DETROIT, Nov. 15 — The car factory of the future is becoming a thing of the past.

The Ford Motor Company said Thursday that it scrapped plans to build one such factory, a “low cost” assembly plant that it had promised to put somewhere in North America.

Ford, which last year said the plant would be an important part of its revamping effort, now says it is not needed, because the company’s newly ratified contract with the United Automobile Workers union allows it to save money by paying lower wages to many workers at existing plants.

The low-cost plant is also unnecessary because Ford agreed in the contract not to close assembly plants in Wayne, Mich., and Louisville, Ky., and still has more production capacity than it is expected to use in the near future.

“A lot of the flexibility that you would achieve in a greenfield site is pretty much available to them under the terms of the new U.A.W. contract,” said Greg Gardner, an analyst with Harbour Consulting in Troy, Mich.; “greenfield site” is an industry term for a new plant.

Ford had promoted the plant, which it called “a new low-cost manufacturing site for the future,” as part of its strategy to become “America’s car company,” as William Clay Ford Jr., then its chief executive and now executive chairman, said when he announced the company’s revamping plan in January 2006. (The restructuring plan, known as the Way Forward, was expanded later that year.)

Ford never identified where it planned to build the plant, but experts said the most probable location was Mexico, where the carmaker already has several factories and can pay workers less.

The Canadian Automobile Workers union also lobbied Ford to build the plant in Canada, using empty space inside one of the company’s factories. But the strong Canadian dollar, as well as Ford’s falling American market share, worked against that idea.

The factory would have built small cars, which automakers generally import from countries with low labor costs so that they can sell them in the United States at a profit.

General Motors had a similar concept in mind for its Saturn Corporation factory in Spring

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*The new contract with the union makes the factory unnecessary, the automaker says.*

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Hill, Tenn., which was intended to compete with low-cost factories run by Japanese automakers when it opened in 1990.

The plant narrowly avoided being closed as part of G.M.’s restructuring plan and today operates no differently than any of G.M.’s 18 other car factories. After an \$800 million overhaul, Spring Hill will build Chevrolet crossover vehicles and, eventually, sport utility vehicles.

In 1992, G.M. closed another plant the company had hailed as its “factory of the future”: one in Saginaw, Mich., where robots could build vehicles in the dark because it needed no human workers. The plant, called Saginaw Vanguard, opened a decade earlier as part of a campaign by G.M.’s former chairman, Roger B. Smith, to increase productivity through automation.

When Ford announced plans for the low-cost plant, assemblers made an average of about \$28 an

hour. Now, as part of its new four-year contract with the U.A.W., it can pay newly hired workers — up to 20 percent of its work force — as little as \$14.20 an hour.

Ford said its costs for each new hire would be \$26 to \$31 an hour, including benefits, about 68 percent less than for current workers. Retirement costs for the new hires, who will have 401(k) plans rather than the traditional pension plans that current workers have, will also be much less.

Ford’s vice president for labor affairs, Martin J. Mulloy, said the contract comes “very close” to eliminating what Ford had said was a \$30-per-hour labor cost gap between itself and nonunion foreign-based competitors but does not go “all the way” toward doing so. The company expects to save \$1.2 billion a year in cash from the deal, which shifts \$23.7 billion in retiree health care liabilities to an independent trust.

“The contract terms significantly improve Ford’s competitiveness and provide the flexibility for the company to continue to pursue its restructuring efforts,” Ford’s chief executive, Alan R. Mulally, said on a conference call with reporters and analysts Thursday.

To make room for new hires, Ford plans to offer another round of buyouts to hourly workers, although it gave no details of the program. Besides keeping open the two previously doomed assembly plants in Michigan and Kentucky, Ford said it would not close component plants in Dearborn, Wayne and Ypsilanti, Mich. By replacing many workers at those plants with new hires at the lower wage rate, Ford said building more parts at its own factories became cheaper than buying them from suppliers.

“It makes sense to keep that work in-house and not send it outside,” said Joseph R. Hinrichs, Ford’s vice president for manufacturing in North America.