Ford reports a record $14.6 billion loss for 2008

Bill Vlasic

After closing the books on a $14.6 billion loss in 2008 — the worst annual result in its 105-year history — Ford Motor Company said Thursday that it would draw the last $10.1 billion from its lines of credit to add to its cash hoard so that it could survive the increasingly bleak vehicle market.

Ford vehicles await buyers on a dealer's lot in Omaha.

Ford's chief executive, Alan R. Mulally, said the company, which tapped credit markets to build its cash reserves well before the economy soured, remained determined to finance its operations without the federal aid that was extended to its crosstown rivals, General Motors and Chrysler.

"I think there's more awareness than ever that Ford is on a very different path," Mr. Mulally said in an interview.

He added that it had become a marketing advantage for Ford with consumers shopping for an American car. "Our dealers have told us that people know that Ford is in a better place," Mr. Mulally said.

Ford joined G.M. and Chrysler in December in asking Washington for a combined $34 billion in loans, but has since backed away from seeking its portion of the request. G.M. and Chrysler, however, needed $17.4 billion in emergency loans from the Treasury Department to avoid filing for bankruptcy.

Both G.M. and Chrysler must deliver plans to government officials by Feb. 17 to show they are pursuing the drastic restructuring actions that were required of them as a condition of receiving the federal loans.

Ford's miserable sales in 2008 worsened sharply in the fourth quarter, with nearly $6 billion of the total $14.6 billion loss coming in the fourth quarter. It was a year in which Ford's revenue declined almost 20 percent, and its cash reserves declined by $21 billion.

The automaker ended 2008 with $13.4 billion in available cash, which it will augment by tapping into its credit lines for another $10.1 billion.

Ford's financial health owes considerably to its decision in late 2006 to mortgage its assets and arrange long-term borrowing before the credit markets dried up.

Now, with more than $23 billion in hand, Ford can keep spending billions of dollars on new products during what promises to be another tough year for vehicle sales around the world.

Ford said Thursday that it expects the United States market to total 11.5 million to 12.5 million vehicles in 2009. Last year, industry sales fell 18 percent, to 13.2 million vehicles.

The company is also forecasting lower sales in the already depressed regions of Europe and South America, and little if any growth in Asia.

Still, Mr. Mulally reiterated his pledge that Ford would break even or become profitable by 2011.

To achieve that, Ford will continue its cost-cutting efforts, which have reduced its global employment by more than 40,000 workers in the last three years.

The company said it would reduce its structural costs by $4 billion in the coming year, primarily through cutting salaried personnel and streamlining its global manufacturing and engineering operations.

By 2010, Ford expects that 40 percent of its vehicles sold in North America will have platforms shared with its European operations. “And we expect there will be complete alignment by 2013,” Mr. Mulally said.

More of Ford’s future products will be smaller, more fuel-efficient cars. The company will introduce several important products this year, including a redesigned Taurus sedan and a new hybrid gas-electric version of the Fusion midsize car.

Yet, by most accounts, Ford will be introducing its newest models in a market that appears to be getting worse by the month.

Auto sales plummeted 35 percent in the fourth quarter of last year, and analysts are predicting another sizable drop for January.

Industry sales in January could fall to as low as 730,000 vehicles — an 18 percent decrease from December and a 30 percent decline from the same month last year, according to the auto-buying Web site Edmunds.com.

Ford and other automakers have cut their production substantially in recent months to match the drop in demand.

Scaling back production until the economy recovers is critical to Ford’s overall goals of conserving cash and avoiding the need to seek government assistance.

“Nothing is more important than matching our production to the real demand,” Mr. Mulally said.

Although Ford is not facing a government directive to cut its labor costs and reorganize its long-term debt load, the company is working toward that end in the same manner as G.M. and Chrysler.

Mr. Mulally said Ford expected to match any concessions that G.M. and Chrysler were able to negotiate from the United Automobile Workers union and their lenders.

“We are having ongoing conversations with all our stakeholders,” he said. “We will not be disadvantaged.”

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