

Automotive News

As suppliers file Chapter 11, vehicle output proceeds (slowly)

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DETROIT — Three recent supplier bankruptcies have not threatened North American production.

So far, neither the Detroit 3 nor their Japanese counterparts have seen parts interruptions at their North American factories because of supplier troubles. But with more failures likely, automakers continue to monitor their suppliers closely.

One reason for less trouble is that Chrysler is not producing vehicles while it's in bankruptcy, and General Motors is closing its plants for extended summer shutdowns. But that lack of production also means scant revenues for suppliers until late July or early August.

That prospect has supplier trade groups and Michigan Gov. Jennifer Granholm calling for more federal aid for suppliers. A \$5 billion program has provided little relief to suppliers because of red tape and limitations on who can tap it.

Slide into bankruptcy

Three large North American suppliers filed for bankruptcy in May.

SUPPLIER	2008 GLOBAL SALES
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Visteon	\$9.10 billion
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Metaldyne	\$1.55 billion
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Hayes Lemmerz	\$1.3 billion*
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* Fiscal 2009 figure.

Source: Automotive News, bankruptcy filing

No output halts

On May 18, Hayes Lemmerz International Inc. filed for bankruptcy. Ten days later, Visteon Corp. and Metaldyne Corp. did, too. But their failures have not halted production of cars and trucks.

The shadow of Visteon's bankruptcy fell heaviest on former parent Ford Motor Co. But vehicle production didn't take a hit, says Ford spokesman Todd Nissen.

The Visteon filing, he says, was preceded by months of negotiations. Eleven of Ford's 12 North American plants were operating a day after the filing. The remaining plant was on a scheduled shutdown, Nissen says.

Nissan North America buys cockpit modules from Visteon for trucks built in Canton, Miss., as well as front-end modules for the Titan pickup and Quest minivan and other interior trim pieces.

Steve Parrett, a Nissan spokesman, says the bankruptcy has had no immediate effect on Nissan output. "We stand ready to assist Visteon in an appropriate manner," Parrett says. "We are being mindful of our business and supportive of theirs."

Metaldyne supplies chassis modules for the Toyota Tundra pickup, built in San Antonio, and engine parts for Camry engines made in Georgetown, Ky.

Victor Vanov, a spokesman for Toyota Motor Engineering & Manufacturing North America Inc. in Erlanger, Ky., says the Metaldyne bankruptcy has not interrupted production, and the automaker is closely monitoring the supplier.

Opportune time

The GM and Chrysler shutdowns limited the impact on those automakers, making this a particularly opportune time for suppliers to file for Chapter 11, says turnaround expert John Groustra, a partner with the firm Conway MacKenzie & Dunleavy in suburban Detroit.

To be sure, troubled companies rarely get to choose when they will file. Visteon, for example, was facing a possible breach of its loan covenants by Saturday, May 30.

Larry Denton, who as CEO steered Dura Automotive Systems Inc. out of bankruptcy last year before leaving the parts maker, says Visteon, Hayes Lemmerz and Metaldyne "hung on as long as they could, but they had come to the edge of the cliff."

Lindsay Chappell contributed to this report