

Chrysler's Project X

1,000 salaried jobs to go

7% cut in white-collar ranks to hit region hard

February 9, 2007-Bill Vlasic and Josee Valcourt / The Detroit News

The Chrysler Group expects to eliminate about 1,000 white-collar jobs -- primarily in Michigan -- as part of a major restructuring to be announced next week, according to people familiar with the plans.

The cuts will be in addition to more than 10,000 hourly jobs likely to be slashed in the top-to-bottom overhaul of the underperforming U.S. unit of German automaker DaimlerChrysler AG.

Sources familiar with the restructuring plan, code-named "Project X," said that 7 percent of Chrysler's 14,180 U.S. salaried workers -- or about 1,000 positions -- will be trimmed in the automaker's biggest downsizing since 2001.

A Chrysler spokesman declined to comment Thursday on how many white-collar workers will be impacted by the restructuring that will be unveiled Wednesday by Chrysler CEO Tom LaSorda.

"We're not going to comment on that," said Michael Aberlich of Chrysler.

"Tom will make the announcement as to what will be included in the restructuring plan on the 14th."

Managers at Chrysler headquarters in Auburn Hills told The Detroit News that their departmental budgets for this year have been recalled in anticipation of the downsizing.

Nearly all of Chrysler's 14,180 U.S. salaried employees work in Auburn Hills and other facilities in Michigan, said David Elshoff of Chrysler.

White-collar jobs have been steadily shrinking at Chrysler. Elshoff said Chrysler had nearly 19,000 white-collar workers at the end of 2000.

The latest white-collar cuts are part of a broader effort to return Chrysler to profitability after it lost a projected \$1.2 billion last year.

Analysts said salaried workers are often vulnerable in a corporate downsizing because of the size of their paychecks and their lack of protection by union contracts.

"The white-collar will go first," said Kenneth Dalto, an independent restructuring consultant in Farmington Hills. "It's what they call low-hanging fruit. You can pick them easy."

Select factories targeted

While German shareholders have called for DaimlerChrysler to sell all or part of Chrysler, the automaker's chairman, Dieter Zetsche, is seeking to transform Chrysler into a smaller, more-efficient competitor in the U.S. auto market.

Project X is said to call for unprecedented levels of cooperation in vehicle development between Chrysler and Mercedes-Benz, DaimlerChrysler's vaunted luxury brand.

But the guts of the restructuring will be across-the-board job reductions and plant closings, as well as elimination of factory shifts.

Unlike the sweeping cost cuts under way at General Motors Corp. and Ford Motor Co., Chrysler is not planning on offering buyouts and early retirements to its entire unionized work force.

Instead, Chrysler plans to offer retirement incentive packages to hourly workers at select assembly plants and other manufacturing locations in the United States and Canada, according to people familiar with the plan.

Sources said the internal goal is to trim about 10,000 hourly jobs from Chrysler's 60,000 unionized positions, and reduce production capacity to match Chrysler's shrinking market share.

Sources told The News that Chrysler plans to offer unionized workers a cash payment of \$50,000 or more, plus a voucher that can be put toward the purchase of a Chrysler vehicle.

Shifts will be reduced

The downsizing is expected to include the closure of an assembly plant in Newark, Del., and an engine plant in Detroit.

However, shift reductions -- which can affect as many as 1,000 workers in a plant -- will be more widespread.

Factories likely to have shifts reduced include the Jefferson North plant in Detroit, a pickup plant in St. Louis, Mo., and assembly plants in Windsor and Brampton, Ontario.

The president of the Canadian Auto Workers union said Thursday that Chrysler officials have told him privately to expect major cuts at its union facilities.

"The cuts are significant," CAW President Buzz Hargrove said. "We were shocked by their announcement."

Hargrove said he hopes to negotiate generous retirement incentive packages.

"We'll meet with the company to see if we can find a way to at least cut some of the layoffs," he said.

"And then if we can't, we'll talk about the packages."

Ford, GM cuts more drastic

The cutbacks at Chrysler follow massive restructurings in 2006 at GM and Ford.

The downsizings reflect the steady loss of sales and market share at each of the traditional Big Three automakers.

An auto analyst said Chrysler's downsizing won't be as dramatic as those at GM and Ford, but still painful.

"Ford and GM have been going through some gut-wrenching changes and we don't think that what happens at Chrysler will be nearly as drastic," said David Kudla of Mainstay Capital Management in Grand Blanc.

By cutting both white-collar and union jobs, Chrysler can reduce its overall structural costs and shrink the organization.

"It won't all happen in one place," he said.

"It will be spread across the organization. That's a natural part of the process."

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