

Ford 1Q Earns Fall On Europe Slump, Tax Rate

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DEARBORN, Mich. (AP) — North America propped up Ford Motor Co.'s profits in the first quarter, which otherwise took a beating from plummeting European sales and higher taxes.

Ford said Friday its net income fell 45 percent from a year earlier. The first quarter of 2011 was the company's best first quarter since 1998.

But Ford beat Wall Street's expectations, and the company's outlook was upbeat. Ford expects improvement in the second half of the year as more plant capacity opens. It's also hoping a new plan to offer lump-sum pension payments to retirees will wipe millions of dollars in liabilities off its books.

Ford will offer the payments to about 90,000 U.S. white-collar retirees and former employees. Ford said it's the largest such offer in U.S. history. Payouts will start later this year. Ford doesn't yet know how much the plan will cost.

Ford earned \$1.4 billion, or 35 cents per share, in the first quarter. That was down from \$2.5 billion, or 61 cents, a year earlier.

Ford said nearly half the decrease was due to paying a higher tax rate. At the end of last year, the company moved tax credits and other assets back onto its books, after moving them off in 2006 when it wasn't making a profit. Ford is now paying a 32.5-percent tax rate, compared with 8 percent a year ago.

Revenue fell 2 percent to \$32.4 billion.

Without one-time items, including buyouts of 1,700 U.S. factory workers, Ford earned 39 cents. Analysts polled by FactSet had forecast earnings of 35 cents per share on revenue of \$32.3 billion.

Ford's shares fell 18 cents, or nearly 2 percent, to \$11.69 in morning trading.

Ford lost money in Europe, where sales fell by 60,000 vehicles, and Asia, where sales fell by 25,000 as China's appetite for new cars slowed.

But in North America, Ford recorded the highest quarterly profit since 2000. Pretax profit for the region rose 17 percent to \$2.1 billion.

That performance came even as Ford's U.S. market share fell to 15.2 percent, from 16 percent in the year-ago quarter. The company has cut production costs and is making more money on each vehicle because buyers are choosing more expensive options, like its MyFord Touch touch-screen dashboard system. Auto pricing site TrueCar.com said U.S. buyers paid an average of \$31,723 for Ford cars and trucks

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in the first quarter, up more than \$1,200 from the year before.

Ford said it doesn't know how many retirees or former workers will take the pension payments. The payments will vary depending on a worker's salary and years with the company. Money for the payments will come from the global pension plan, which was \$15.4 billion short of its \$74 billion in liabilities at the end of last year.

Chief Financial Officer Bob Shanks said the pension payments will help the company by reducing its obligations. Ford also would no longer have to shoulder the risk of low asset returns for people who take the lump sums.

"There's no exposure to the volatility of the obligations," he said. "They're just gone. They're just not anything we have to deal with."

Shanks also said Ford doesn't expect to lose any car or truck production due to a global shortage of a nylon resin used to make fuel lines, brake lines and other auto parts. Automakers have been scrambling to find more resin after a March explosion and fire damaged a German chemical factory that was a major producer of the resin.

The resin, called PA-12, is critical to fuel and brake lines because it can carry liquids without deteriorating. Few other plastics can do that. But Shanks said Ford has alternate materials it can use to carry fuel. Those materials either have been tested already or are in the process of being tested.

"We kind of lucked out ... on that because the work had been done," he said.

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