

State feels Detroit's pain (The News Journal)

Troubles spread to auto dealers, suppliers, retailers

By ANDREW EDER

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To measure the impact of the auto industry in Delaware, watch the number of cars rolling off the assembly line at the General Motors plant near Newport. Or watch the number of sandwiches on their way in.

That's where Jon Dobrowolski feels the industry's pain. The co-owner of Goodfellas Steak Subs and Deli has watched weekly sales at his Prices Corner shop fall as much as 25 percent during the plant's recent temporary shutdowns.

Now that the automaker has cut 410 workers and scaled back production to one shift, Dobrowolski is cutting costs and looking for new ways to market his business.

"As soon as GM mentioned possible layoffs, my business dropped," he said.

The auto industry in Delaware will take a crushing hit this month, with at least 1,750 jobs lost as the Chrysler plant in Newark closes on Friday, GM cuts a shift and parts companies Mopar and Lear close their Delaware facilities.

The aftershocks will be felt well into next year as autoworkers' severance packages and benefits begin to run out, taking spending away from the state's economy.

John Stapleford, a senior economist with Moody's Economy.com, said the auto-related job losses would make an already gloomy economic picture look even starker, with higher unemployment rates and an added strain on unemployment benefits. Delaware's unemployment rate was 5.4 percent in October, up from 3.5 percent a year ago.

According to the Delaware Economic Development Office, the two auto plants accounted for a combined economic impact of more than \$680 million as recently as June, when their total employment was more than 2,200.

Stapleford said the biggest economic impact in Delaware would come from the loss of spending by workers who live in the state, including health-care spending when their benefits expire.

"It's like a hole in the backyard that's going to have to be filled in by something else eventually," Stapleford said.

Auto dealers -- who make up two-thirds of auto-related employment in Delaware -- could continue to thin in numbers as the Big Three struggle to survive.

Industry suppliers like DuPont Co. plan to cut jobs in response to slower auto production across the globe.

And the outlook could become much uglier if any of the Big Three, which are seeking a lifeline from the government, files for bankruptcy. Under a worst-case scenario calculated by the Center for Automotive Research, a collapse of the domestic auto industry could lead to nearly 3 million lost jobs across the country in 2009.

"We're all gonna feel this thing," said Steve Quindlen, who worked 41 years at the GM plant on Boxwood Road and is now executive director of the Delaware Manufacturing Extension Partnership. When Quindlen was hired at the plant, it employed 5,200.

"They were the best of the best within General Motors," he said. "They were a model, highly productive, low-cost facility."

After last week's cuts, the plant was down to 578 hourly workers and operating well below its capacity.

On Friday, GM said production cutbacks were planned at most North American plants early next year. The Boxwood Road plant, which makes the sporty Pontiac Solstice and Saturn Sky, will be idled through January and most of February, part of the company's efforts to trim production by 250,000 vehicles.

Beyond that, the future of the local plant -- which will be the last operating auto assembly plant on the East Coast -- is in doubt.

In a business plan submitted to Congress, GM said it was committed to culling its network of brands and models. The company said it would make Pontiac a "specialty/niche" brand and explore alternatives for Saturn, including a potential

sale. GM has said it will move production of the Solstice and Sky to a plant in Kentucky in 2012, with no plans yet to replace their production in Delaware.

Rep. Mike Castle, R-Del., said he was "very concerned" about the fate of the Boxwood Road plant. As GM examines whether it should close plants, "I would be surprised if Delaware wasn't at least on a list for discussion," Castle said.

At the Chrysler plant in Newark, the last day of production is expected to come Friday, although the company said there was a chance the plant would run the first few days of the following week. Chrysler announced in October that it would shut the facility a year ahead of schedule, putting about 1,100 out of work.

That announcement triggered the planned closing of Lear Corp.'s Newark factory, which makes seats for the Newark-built Dodge Durango and Chrysler Aspen. Chrysler also plans to shutter its Mopar parts-distribution center in Newark on Dec. 31. Those suppliers will cut more than 250 jobs in total.

Beyond those losses, observers said, there would be limited effects on the supplier base in Delaware, which began to dwindle when Chrysler cut back to one shift last year. One notable exception: DuPont Co., which earned about 25 percent of its total 2007 sales in the auto industry.

Earlier this month, DuPont announced plans to cut production and trim at least 4,000 contract jobs and 2,500 full-time positions, mainly in businesses that sell to the auto and housing industries. The plans are likely to mean job cuts in Delaware, although DuPont said the impact will be minimal.

In a conference call, DuPont's incoming CEO, Ellen Kullman, said the problem is not just in the United States -- auto production is also down in Asia and Europe.

"The restructuring is to get us in line with the new reality for that industry," said Kullman, who resigned her seat on the GM board last week.

Auto dealers are also facing a new reality, especially those that sell cars from the Big Three, which have a far greater network of dealerships in the U.S. than foreign automakers.

Star Chrysler Jeep in Wilmington and Advantage Dodge in Elkton have recently closed shop. Gambacorta Chrysler Jeep, one of Delaware's oldest dealerships, sold to Carman Auto Group earlier this year and will focus on used cars.

Larry Giacchino, president of Carman Auto Group, said more closings and consolidations are likely on a national level,

although he wasn't sure what would happen among regional dealers.

He said Carman's Ford and Lincoln-Mercury dealerships are doing relatively well, but sales at the company's Chrysler, Dodge and Jeep dealer are down sharply.

"One thing that's hurt is the closing of the plant," Giacchino said. "We sell to a lot of employees."

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