Delphi Files for Bankruptcy

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The nation's largest auto parts supplier, Delphi Corp., along with 38 of its domestic U.S. subsidiaries, filed for Chapter 11 bankruptcy protection on October 8. A company statement said that non-U.S. subsidiaries were not included in the restructuring, which is expected to be completed mid-2007.

The bankruptcy is expected to result in closures and layoffs at a number of Delphi's 31 U.S. plants.

"Our global operations, both U.S. and non-U.S., will continue without interruption," said Robert S. "Steve" Miller, Delphi's chairman and CEO, who took the helm of the operation in July. "Our customers all over the world can be assured that we will continue to meet their scheduling, delivery and production needs in a timely manner."

The action came as no surprise after Delphi failed to make a voluntary loan repayment on September 30 in order to keep cash levels up.

Delphi, which lost $750 million in the first half of 2005, has struggled to make a profit since it was spun off from General Motors six years ago. High labor costs and retiree benefits associated with the spin-off, along with the high cost of raw materials such as steel, contributed to the financial problems.

"We took this action because we are determined to achieve competitiveness for Delphi's core U.S. operations, and the key to accomplishing that goal is reducing these costs as soon as possible," Miller said. "We simply cannot afford to continue to be encumbered by high legacy issues and burdensome restrictions under current labor agreements that impair our ability to compete."

Troy, Mich.-based Delphi employs 185,000 people worldwide, including 30,000 hourly workers and 12,000 hourly retirees in the U.S. The company said it will continue to pay wages and benefits, including "certain retiree benefits" without disruption.

Delphi also noted that its non-U.S. subsidiaries are "generally competitive, cash flow positive and experiencing high growth opportunities."