

UPDATE 2-Half of US auto suppliers face bankruptcy-study

By David Bailey

* More than 50 pct of top suppliers may go bankrupt in '09

* At least 1 million jobs could be lost - study

* 35 pct of supply base bankrupt in 'soft-landing' - study

* 70 pct plus in bankruptcy under 'pessimistic scenario' (Adds details on study, quotes, background)

DETROIT, March 19 (Reuters) - More than half of the top U.S. auto parts suppliers could file for bankruptcy protection in 2009 with at least one million job losses, according to a study by global consultants A.T. Kearney.

Those suppliers, which ship parts directly to automakers, are pressured from above by production cuts by the automakers and from below by increasingly fragile companies that supply them with components, the study found.

The survey encompassed 60 top North American auto parts suppliers, but did not name any of the suppliers. It was compiled through interviews with senior executives at suppliers in the United States.

The U.S. government has pledged up to \$5 billion to aid financially stressed auto parts makers that are crucial to General Motors Corp and Chrysler.

Chrysler, about 80 percent controlled by Cerberus Capital Management, and GM have accepted \$17.4 billion of emergency government loans and are looking for an additional \$22 billion.

Ford Motor Co, which has not sought emergency government assistance, said on Thursday that it was not participating in the supplier relief program at this time.

"Absent significant financial assistance from the government, we are headed toward a scenario that is going to be 50 percent or more of the supply base going through bankruptcy," Doug Harvey, an A.T. Kearney partner in its automotive practice in Detroit, told Reuters in an interview.

A.T. Kearney looked at three scenarios for the supply base. The other two scenarios include a "soft landing" resulting in 35 percent of the companies restructuring in bankruptcy and a "pessimistic" reading pushing that to 70 percent or more with many liquidations.

The "soft-landing scenario" looks more like "wishful thinking" at this point, with the industry heading more toward the middle ground and leaning toward pessimistic, Harvey said.

"To whatever extent the government provides relief to prevent them from going into bankruptcy, that number goes down," Harvey said.

In each scenario, the study found that suppliers faced increased risk of bankruptcy through 2010.

U.S. auto parts makers have come under increasing financial pressure in recent months with steep production cuts by their customers starting toward the end of 2008 that have severely constrained revenue from the beginning of the year.

Auto sales have slumped for more than three years, but the declines accelerated as the recession deepened last year and monthly rates have plunged to the lowest levels in 27 years.

The study found that the larger suppliers expect up to 23 percent of the smaller companies that supply them with parts to face financial distress within a year.

Most of those smaller companies are privately held and do not disclose their finances publicly, making it difficult to probe the depths of the stresses in the vast supply base.

However, data from Sageworks, which compiles information on private companies, highlighted the stress on these smaller suppliers. Double-digit sales growth in the 2004 to 2005 period had all but disappeared by 2008, and a \$15,600 profit per employee in 2005 turned to a \$13,600 loss, according to Sageworks.

Harvey sees the administration's announcement of support for suppliers, coming even before it makes recommendations on GM and Chrysler, as reinforcing the immediate needs of the supply sector to avoid mass bankruptcies.

"This is the lifeline to keep that from happening until a broader solution can emerge," Harvey said. "I don't expect we would see that until the complete analysis of the GM and Chrysler applications are complete." (Reporting by David Bailey; Editing by Toni Reinhold and Carol Bishopric)