

Peeling Apart

Facing falling sales and legal jeopardy, Ford splits with Firestone and orders a big tire change. BY KEITH NAUGHTON AND MARK HOSENBALL

THE CONFRONTATION BEGAN AS soon as the executives from both companies filed into the conference room at Firestone headquarters last Monday. Why, Firestone CEO John Lampe demanded, had Ford been leaking damaging information to the press about Firestone tires? And was the automaker about to go public with demands for another tire recall, one that would further tarnish Firestone's reputation? The Ford executives were circumspect, claiming they had not yet made such a decision. But for the next two hours, Ford's chief engineer presented page after page of data, arguing that millions of Firestone tires still on Ford Explorers were prone to shredding. Firestone fired back with its own carefully prepared documents that raised questions about the Explorer's stability. After four hours of tense finger-pointing, neither side would relent. Signaling an end to the meeting, Lampe pulled out a letter and handed it to Ford vice president Carlos Mazoni. "I'm sorry to have to do this," Lampe said. "But at this point we've got to break our relationship with you."

So ended a 96-year partnership that began with Harvey Firestone selling tires to Henry Ford for the new Model T. The rupture seemed inevitable since last year when both companies came under intense fire for their involvement in a series of deadly rollovers. And now they face mounting legal and financial pressures. More than 700 injuries and 174 deaths have been linked to Firestone tires' losing their tread at high speeds; most involved Ford Explorers, America's top-selling sport utility vehicle.



Last summer Ford and Bridgestone/Firestone jointly initiated a recall of 6.5 million tires that focused on two models of Firestone tires that had been implicated in the

rollovers. At the time Ford said its other Firestone tires were safe. Now Ford says it has new evidence that there are problems on other Firestone tires still used on its SUVs and pickup trucks. The day after the breakup at Firestone's Nashville headquarters, Ford announced it would spend a staggering \$3 billion to replace all 13 million Firestone Wilderness AT tires on its Explorer and Expedition SUVs and its F-150 and Ranger pickups. "This decision is a painful one for me personally," Ford chairman William Clay Ford Jr., great-grandson of both Henry Ford and Harvey Firestone,

told a room packed with reporters at his company's Dearborn, Mich., headquarters.

Painful, but necessary. Since the Firestone crisis began, Explorer sales are down more than 20 percent. That's a big problem for Ford, since the Explorer is the company's most important model, accounting for about two thirds of profits. Ford's decision to expand the recall is part of an attempt to jump-start sales on the struggling brand. Ford officials acknowledge that the redesigned 2002 Explorer is not meeting its sales goals. As a result, Wall Street is turning gloomy on Ford, cutting forecasts for the company's profits. What's more, Venezuelan authorities are considering banning Explorers because the SUV continued to suffer fatal rollovers after replacing its Firestone tires with other brands. And looming on the horizon, Ford is facing hundreds of wrongful-death lawsuits, including a huge class-

In the Ditch



Ranger pickups. "This decision is a painful one for me personally," Ford chairman William Clay Ford Jr., great-grandson of both Henry Ford and Harvey Firestone,



Repair job: Chairman Ford and CEO Nasser (left) huddle

'We simply do not have enough confidence in the future performance of these tires.'

—JACQUES NASSER

action suit. By initiating this latest recall, lawyers say, Ford is hoping to impress future juries and head off hundreds of millions of dollars in punitive damages in court. Says Texas lawyer **Randy Roberts**: "They will face much less jury anger if they can say: 'We tried to do something.'"

For Firestone, the stakes are even higher. The butt of jokes for months, the company was dubbed "Tombstone" last week by Jay Leno. Indeed, some plaintiffs' lawyers say Firestone has been urging settlements by warning darkly that its U.S. operations could go bankrupt. A Firestone spokeswoman says that "the company has a sound financial base that's sufficient to weather the current situation." But other automakers are already avoiding the company. GM says it is dropping Firestone tires from several of its SUV and car models over the next year, in part to allay consumers' fears. Nissan will no longer feature Firestone tires on its Altima sedan when a redesigned version launches this fall. In addition, NEWSWEEK has learned that Ford CEO Jacques Nasser

is considering asking Firestone to help pay for the cost of the latest recall. Nasser floated this notion to several congressmen, according to Capitol Hill sources. A Ford spokesman said reimbursement by Firestone "is not on our agenda at this time." Nasser did, however, send a letter to Lampe last Tuesday, asking that the companies "work cooperatively" on the recall. But Lampe dismisses the recall as "a fruitless exercise." "Why replace good tires with good tires?" he told NEWSWEEK.

The notion that the former partners could work "cooperatively" evaporated last week as both companies came out swinging. Ford told congressional investigators of its new analysis that found that Firestone tires still on the road fail at a rate three times greater than other brands. That's not as bad as the tires recalled last year, which were up to 40 times as likely to have their tread unravel on the highway. "We simply do not have enough confidence in the future performance of these tires keeping our customers safe," Ford's Nasser said. Firestone quickly returned fire by making public its data from the Nashville meeting that showed Explorers were more likely to roll over after a tire failure than other SUVs. (Ford contends the opposite is true.) And Firestone executives attacked the motives of its former No. 1 customer. "They are trying to divert attention away from the Explorer and trying to convince people this is only a tire issue," Lampe said. "Rollovers are a vehicle issue, and that's got to be addressed."

The public bickering between Ford and Firestone is a source of glee to the lawyers who are suing the companies. "They're shooting at each other instead of shooting at me," crowed **Roberts**.



Blowup: Firestone's Lampe, calling things off

'Rollovers are a vehicle issue, and that's got to be addressed.' —JOHN LAMPE

who has settled six cases with the companies and is pursuing three more. "They tried to stay united over the past year, but now it looks like outright war. This will make a world of difference in the courtroom."

But whether Ford's drastic action was necessary is far from certain. Congressional sources tell NEWSWEEK that Ford's recall does not appear justified by preliminary findings from a yearlong federal probe into Firestone tires. The evidence of tire flaws provided to federal investigators by Ford and Firestone is not serious enough to trigger a government-ordered recall, the sources say. "Ford's motivation is to get this all behind them," says consumer advocate Joan Claybrook, U.S. auto-safety chief in the late 1970s, at the time of the biggest tire recall ever. "They ran the numbers and figured this would have a great P/R effect by sending the message that they're concerned about safety." Ford contends its only motivation is to safeguard its customers.

Christy Sagrista isn't buying the spin. Her 2-year-old son Alex died in an Explorer that rolled over after its Firestone tires blew apart along Florida's Turnpike two days before Thanksgiving in 1999. Injured in the accident herself, Sagrista couldn't attend her son's funeral. Her grief turned to anger when she learned last summer that the tire in her accident was not among those recalled. Now that all Firestone tires are coming off Explorers, Sagrista is relieved, but she doesn't forgive the companies she is suing. "Ford and Firestone are like two chemicals that are unsafe alone," she says, "but put them together and they explode."

By divorcing, Ford and Firestone hope to diffuse such sentiments. But traveling the road to recovery alone is not likely to be much easier for either one.

