

# *Likely Impact of Delphi Bankruptcy*

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## **INTRODUCTION**

On October 8, 2005, Delphi Corporation filed for bankruptcy protection in New York. Given the difficulties of the company, including unprofitable operations and repeatedly severe statements by the company's management about its uncompetitive cost structure, especially its "legacy costs," the action was not unexpected.

Delphi, the largest auto parts supplier in the U.S. (and number two worldwide), employs 50,600 workers in the United States and Canada. Headquartered in Troy, Michigan, Delphi is an integral component of Michigan's economy and the national auto industry. Given its size, Delphi's bankruptcy filing was widely expected to have far-reaching consequences for not only Delphi's workers, but also the state and national economy, automakers, and auto parts suppliers.

The purpose of this analysis is to provide an early indication of the likely consequences of the Delphi bankruptcy. Given our past analyses of work stoppages, interruptions, blackouts, and other events that have shut down production in the United States; and our extensive knowledge of the automobile industry; we have background knowledge from which to draw some preliminary conclusions. This is a preliminary assessment of likely events that will be played out over a two or three-year period, and useful for planning and the assessment of risks. However, we caution readers that the future is, of course, unknowable.

## **THREE POTENTIAL OUTCOMES**

The critical question is how the Chapter 11 filing, which allows the company to operate with protection from creditors during a limited time period, will change Delphi and affect its customers, employees, and suppliers. We identified three potential outcomes:

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1. Delphi reorganizes in a manner close to its announced plan to shrink 20% of its ongoing business.
  2. The company's planned reorganization fails, and some other plan adopted. This would, in our opinion, almost certainly involve a much larger reduction in operations.
  3. A third option is a Chapter 7 liquidation of the company, with selected portions of the firm sold to other auto suppliers or auto makers.

In this report we analyze the possible effects of each of these three potential outcomes.

## **BACKGROUND ON DELPHI**

Delphi was founded in 1995 as the consolidated parts division for General Motors (GM). Delphi Corporation was spun-off from its parent company in May of 1999. The move was designed to free GM of its costly parts division by requiring the independent Delphi to obtain contracts with other auto makers. The agreement between the two companies, however, left them intricately linked. Delphi adopted its parent's labor contracts, and GM retained pension and benefit obligations to many of Delphi's employees.

As a division of GM, Delphi's revenue was approximately \$31.7 billion in 1995. The first full year after it became an independent company, Delphi's revenue had fallen to \$29.1 billion. Last year, Delphi's revenue was slightly above \$28.6 billion. In 2004, Delphi's gross profit margin reached its lowest level since 1999 at 9.9%.

- For more information on Delphi's revenue and gross profit margins, please see Exhibit II. "Delphi Revenue and Gross Profit Margins," on page 15.

Delphi employs 185,000 workers worldwide. Of the 50,600 workers in the U.S. and Canada, 15,850 are salaried while the remaining 34,750 have hourly contracts. The spin-off agreement between Delphi and GM required Delphi to pay wages of \$27 an hour to most of its 24,000 UAW-represented workers, equivalent to wages and benefits under the GM agreement with the union. Once benefits are included, the average hourly wage rises to \$65/hour. Last year, Delphi's payroll for its U.S. salaried workers was \$1.3 billion. Its payroll for hourly workers was \$2 billion.

Delphi has over 16,000 retirees. Delphi's pension fund is underfunded by approximately \$4.3 billion. In addition to paying wages and benefits to current workers and retirees, Delphi pays wages to approximately 4,000 laid-off workers at an annual cost of \$400 million. This "job bank" program, part of past UAW contracts, also exists at GM and other automakers.

While Delphi has been successful in diversifying its customer base, General Motors is still its main account. GM relies on Delphi for about \$14 billion worth of auto parts. This is 16.3% of GM's annual component purchases. Likewise,

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Delphi relies heavily on GM for business. Over half of Delphi's revenue (54%) came from its contracts with GM. Delphi also supplies parts to other auto makers, but on a much smaller scale.

## METHODOLOGY

We followed the following methodology in our study:

1. We first gathered industry and company data on revenue, payroll, payments to suppliers, pension fund, and taxes paid. In order to obtain this information, we reviewed the company's annual report, 10-K, and industry publications. We also relied upon our extensive information sources on the automobile industry. In many cases, we filled in blanks in publicly-available information with educated guesses about Delphi's operations, payments, and agreements.
2. Second, we reviewed the company's proposed plan for reorganization.
3. Third, we developed three possible scenarios and estimated the likely impact on five separate groups: Delphi workers and retirees, other auto parts suppliers, auto manufacturers, U.S. taxpayers, and Michigan state and local taxes.

## CONSERVATIVE "IMPACT" ASSESSMENT

AEG has completed a number of other impact assessments, which often are recognized afterwards as the most reliable and timely available.<sup>1</sup> The basis for this methodology is stated in the book *Business Economics and Finance* written by one of this report's authors, Patrick Anderson.<sup>2</sup>

Our analysis uses a consistent, conservative methodology that avoids double-counting of costs or benefits, properly accounts for the shifting and substitution of economic activity, and does not unnecessarily inflate the impact by using excessive "multipliers." Unfortunately, many "economic impact" reports do not follow a consistent methodology nor a conservative approach, and we caution against comparing the results from this analysis with "impact" assessments pro-

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1. Previous AEG reports on similar topics include:

*Critical Review: Northeast Blackout Likely to Reduce US Earnings by \$6.4 Billion*, East Lansing, MI: Anderson Economic Group, August 19, 2003; the estimated impact included in this report was later corroborated by a completely independent analysis produced several months later, and the estimate has been included in numerous DoE and US Government publications.

*Lost Earnings Due to the West Coast Port Shutdown - Preliminary Estimate*, Lansing, MI: Anderson Economic Working Paper, October 7, 2002; this analysis, which produced an estimate of economic impact many times smaller than that commonly cited in news media reports at the time, was later corroborated by academic research in the US, and was also used by the Australian government in assessing risks of disruptions of maritime ports.

*Economic Benefits of Wayne State University*, Wayne State University, October 2004. This report uses a much more conservative method for calculating economic impact than that commonly used for colleges, and directly considers the likely substitution effects should university-owned property be converted to private sector use.

These are available on the Anderson Economic Group web site at: <http://www.andersoneconomicgroup.com>.

2. Patrick L. Anderson, *Business Economics and Finance*, CRC Press, 2004.

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duced largely for public relations purposes, or to gain support for taxpayer assistance or government designations.

#### **CALCULATION OF “NET” IMPACT**

We estimated the *net* impact on persons in the US and Canada, which include workers, retirees, investors, and taxpayers. In considering losses that flow initially from companies, we counted those losses as absorbed by its workers and investors.<sup>3</sup>

We assumed that about two-thirds of lost Delphi production will be picked up by other firms’ operations in the US and Canada, without a substantial difference in price or quality. About one-third of the lost production would not be substituted within the US or Canada, or would be substituted at a significantly higher price. The total impact figures are measured net of these substitution effects.

Similarly, the gross reductions in earnings of workers at Delphi and its customers and suppliers would be substantially higher than the net impact we calculate, but would be offset by increases in earnings of workers at other firms that won contracts producing products formerly produced by Delphi. The net impact on workers includes both the gains and losses.

We accounted conservatively for the indirect effects of reductions in auto manufacturing operations, including the related purchases from other businesses, by assuming that about 30% of the *net* direct change in operations would occur outside the specific automotive firm.<sup>4</sup>

#### **LIKELY ECONOMIC IMPACTS OF DELPHI BANKRUPTCY**

For each of the three possible scenarios we estimated the likely effect on five groups: Delphi workers and retirees, other auto parts suppliers, auto manufacturers, U.S. taxpayers, and the State of Michigan.

##### *Scenario I: Delphi Emerging from Chapter 11, 20% Smaller*

The first scenario, and the one we optimistically believe is the most likely, is a successful reorganization and emergence from bankruptcy in mid-2007. Unfortunately, the scale of the job and income losses involved in even this “optimistic” scenario are very large.

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3. Of course, we used simplifying assumptions about ownership and management to make these gross adjustments. However, counting the gross losses to the revenue of companies, as well as the related losses to the earnings of their employees, would be double counting.

4. This, again, is quite conservative; we assume that the indirect effect is calculated only on the *net* change, and use a factor of 30% rather than the 100% that is common in naive “impact” analyses.

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The net cost, in terms of lost earnings to persons in the US and Canada, will be about \$10.0 billion in 2007 alone. We estimate that the number of Delphi workers in the U.S. will fall by approximately 12,500. The average wage per worker will likely drop from its current level of \$27 per hour to about \$14 per hour. This wage figure excludes benefit costs, which will also fall proportionately.

The likely impact on workers from a loss of wages and benefits is approximately \$2.1 billion.

The effect on auto manufacturers and other auto parts suppliers is likely to be large. We estimate the effect on auto manufacturers to be \$4.7 billion, while the impact on Delphi's suppliers to be \$3.3 billion. The impact on these two groups is the result of Delphi supplying less products (to the auto manufacturers) and purchasing less inputs (from its suppliers).

By mid-2007, it is unlikely that Delphi's suppliers will have found other customers that fully replace Delphi's purchases from them at the 2004 volume. Likewise, OEMs will likely have to reduce output of some products because they have not found replacement suppliers producing the same goods at the same price. We do not believe that these groups will be affected by the full reduction in Delphi output. Rather, we assume that the equivalent of about two-thirds of the reduction in Delphi's sales or purchases are substituted by other customers or suppliers.<sup>5</sup>

We estimate that the impact on Delphi's current workers and retirees is \$2.1 billion. The direct impact is from the lost wages and benefits to Delphi workers, as well as a portion of Delphi's underfunded pension plan burden that is now placed on their workers and retirees. Workers will also be indirectly affected by Delphi's bankruptcy.

We estimate that Delphi's bankruptcy will directly cost U.S. taxpayers \$4.8 billion, due to the lost income tax and other tax revenue,<sup>6</sup> and the company's shifting of a portion of its underfunded pension plans to the federal government.<sup>7</sup> The indirect cost to US taxpayers, including lost income taxes and other taxes

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5. Of course, the actual results would involve some share substituted at the same price, some at a slightly higher price, some at a much higher price, and some available at such a high price that production ceases. We used a simple substitution ratio for each class of purchases to adjust for all these effects.

6. We did not estimate lost tax revenue to governments in Canada, but both the provincial and federal governments would lose, among other revenue, value-added tax revenue.

7. We assume a fraction of the underfunded pension balance is absorbed by the Pension Benefit Guaranty Corporation, an entity created by the US Government with the 1974 ERISA law. We note that the PBGC does not guarantee the full pension plan benefits, and that it is also grossly underfunded.

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from workers in supplier and customer firms, are likely to be at least \$950 million.

Under scenario I, we assume the company closes at least 10 plants in the U.S. and Canada in 2006.

- These plants are listed in Table 1, “Automotive Holding Group Plants Likely to Close in 2006,” on page 6.
- Further detail of plant locations is provided in Exhibit I. “OEM Assembly and Delphi Plants, U.S. & Canada, 2005,” on page 14.

**TABLE 1. Automotive Holding Group Plants Likely to Close in 2006**

<b>Plant Location</b>	<b>Number of Employees</b>
Flint, Michigan	3,160
Athens, Georgia	2,191
Dayton, Ohio	1,632
Moraine, Ohio	1,256
Kettering, Ohio	1,256
Anderson, Indiana	880
Vandalia, Ohio	642
Fitzgerald, Georgia	385
New Brunswick, New Jersey	319
Laurel, Mississippi	82

Source: Delphi Corp.

*Scenario II: Still in Chapter 11 in 2007*

Under scenario II, Delphi will still be in Chapter 11 in 2007. The effects of this are likely to be more severe than under scenario I, requiring more dramatic cuts in Delphi’s business operations. Wage rates, and the number of employees retained at Delphi, would fall even further.

We estimate that the total impact of Delphi’s bankruptcy, in terms of reduced earnings to persons in the US and Canada, if they have failed to emerge from Chapter 11 by mid-2007 will \$16.8 billion.

We estimate the impact on Delphi’s current workers and retirees is estimated to be \$3.4 billion. The effect on auto manufacturers and other auto parts suppliers is likely to be \$7.7 billion and \$5.7 billion, respectively. Under scenario II, Delphi’s bankruptcy will likely cost taxpayers \$7.0 billion.

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### *Scenario III: Partial Liquidation*

Under scenario III, Delphi closes many of its plants and consolidates its business in order to increase its financial stability. The total impact under this scenario is much higher than the previous two at \$29.3 billion.

Under scenario III, Delphi's bankruptcy will directly and indirectly cost taxpayers \$10.7 billion. The effect on auto manufacturers and other auto parts suppliers is likely to be much larger than under the previous two scenarios. We estimate the effect on auto manufacturers to be \$13.4 billion, while the impact on auto suppliers to be \$10 billion. The impact on Delphi's current workers and retirees is estimated to be \$5.8 billion.

#### **DATA TABLES AND EXHIBITS**

This report includes detailed data tables summarizing our assumptions, and the results of our calculations:

- For details of the baseline data used for Delphi's operations, and the changes we expect under each scenario, see Table A, "Likely Scenarios for Delphi Bankruptcy in the U.S. and Canada," on page 12.
- To see the summary table of the likely impacts under each scenario, see Table B, "Summary of Economic Effects by Group," on page 13.
- A map of OEM Assembly and Delphi Plants is shown at Exhibit I. "OEM Assembly and Delphi Plants, U.S. & Canada, 2005," on page 14.
- Delphi's revenue and gross profit margins from 1995 to 2004 are shown in Exhibit II. "Delphi Revenue and Gross Profit Margins," on page 15.

#### **EFFECT ON STATES AND THE POSSIBLE DOMINO EFFECT**

The effect on individual states is not dependent solely on the outcome for Delphi. We believe Delphi will close some operations under any likely scenario, and Delphi's contraction will affect the operations of suppliers and automakers in the US and Canada.

A large part of the effect on individual states will be determined by the decisions to be made by Delphi and other companies on *which* plants to close. Because the auto industry in the US and Canada are now interconnected by "just in time" logistics, as well as quality standards and purchasing contracts, the closure of a Delphi plant will likely encourage the closure of both assembly and supplier plants in the same region. In addition, administrative offices and technical centers, which help design and engineer parts, as well as work closely with suppliers and customers, are dependent on continued production at Delphi.<sup>8</sup> Thus, there is a real danger of a "domino effect" in one or more states where Delphi chooses to close down operations.

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We believe the most vulnerable states are Michigan, New York, Ohio, and Alabama. The province of Ontario, Canada; and Indiana and Mississippi could also suffer significant losses. The particular case of Michigan is discussed further below.

- See Exhibit I. “OEM Assembly and Delphi Plants, U.S. & Canada, 2005,” on page 14, which shows the locations of the major plants in these and other states.

We believe these decisions have largely not yet been made. When they are made, local and state condition—including taxes, relationships with other business and civic leaders, local wages and other costs, relationships with labor unions, and the perceived strength of the work ethic—will enter into the decision. Thus, action by states, local unions, and other businesses could affect the decision by Delphi and other auto industry employers about which plants to close, which to sell, and which to keep operating.

## **FISCAL IMPACT IN MICHIGAN**

Delphi is headquartered in Michigan, along with General Motors, Ford, Chrysler Group, and most of the domestic automobile industry in the US. Given the importance of the company and the industry in the state, we completed an additional fiscal impact analysis for the State of Michigan, using our analysis of the likely outcome of the Delphi bankruptcy as the basis.

This fiscal impact analysis is narrowly focused on state and local business taxes, which include personal income taxes (paid by Delphi workers and investors in the state), the state’s Single Business Tax (the only VAT in the United States), and the state’s personal property tax (paid partially to local governments and partially to the state). The state’s business taxes are among the most expensive in the United States, while the taxes on individuals are close to the US average.<sup>9</sup> We have not considered the effect on the state’s expenditures, nor on the likely indirect but substantial effects on the efforts underway in the private sector to diversify the industrial and technological base of the economy.<sup>10</sup> Furthermore,

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8. Delphi reports 33 technical centers in the US and Canada, with the largest in Kokomo Indiana. Other Midwestern technical centers are at Brighton and Troy (MI); Vandalia and Dayton (OH), and Lockport (NY). In addition, Delphi’s headquarters and related administrative offices in and around Troy, Michigan employ a substantial number of salaried workers.

9. AEG has analyzed the comparative tax costs for businesses in Michigan and other states in the US and Canada in a number of reports, including the publicly-available *Business Climate Benchmarking* study done in 2000 for the Michigan Economic Development Corporation.

As of 2005, Michigan’s business taxes rank as about the 15th most expensive in the country, using Census data on total business taxes and personal income, in separate calculations done by AEG and by the Tax Foundation. AEG does not consider the frequently-cited calculation of Michigan’s SBT as the most expensive in the nation to be reliable, attributed to the Tax Foundation, as reliable because it involves a transformation from the VAT rate in the SBT to an income tax rate.

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we have included only the clear direct and indirect impact on the economy, ignoring the many induced and other indirect effects.

Under any scenario, the impact of Delphi's bankruptcy in Michigan is likely to be substantial. Delphi is headquartered in Michigan, has five plants in the state, and also numerous technical and support staff. We considered the following possibilities:

- Delphi follows the “optimistic” scenario I, and the state emerges with only one major plant shut down, but with job losses and wage reductions for many workers. The approximate loss in state taxes would be \$390 million in 2007. Although serious, we consider this the best-case scenario.
- If Delphi fails to reorganize quickly, and has to move into partial liquidation; or if the Delphi reorganization plan requires the company to close 3 or 4 plants, then the fiscal impact on the State of Michigan could be \$596 million.
- In the worst-case scenario, Delphi shuts down its plants in Michigan and moves its headquarters elsewhere. This results in a loss of state taxes of approximately \$945 million. Losses of this magnitude to the state government would be associated with depression-magnitude losses in the private sector. This is a doomsday scenario for the state.

As noted above, Michigan business, union, and civic leaders have considerable ability to affect the outcome.

## **ABOUT ANDERSON ECONOMIC GROUP**

Anderson Economic Group LLC specializes in regional economics, business consulting, and market studies.

AEG's past clients include:

- Governments, such as the states of Michigan, North Carolina, and Wisconsin; the cities of Detroit, MI, Cincinnati, OH, Norfolk, VA, and Fort Wayne, IN; counties such as Oakland County, Michigan, and Collier County, Florida; and authorities such as the Detroit-Wayne County Port Authority;
- Corporations such as GM, Ford, Delphi, Honda, Metaldyne, Taubman Centers, The Detroit Lions, PG&E Generating; SBC, Gambrinus, Labatt USA, and InBev USA; automobile dealers and dealership groups representing Toyota, Honda, Chrysler, Mercedes-Benz, and other brands; and
- Nonprofit organizations, such as Michigan State University, Wayne State University, Van Andel Institute, the Michigan Manufacturers Association,

10. See, in particular, *Automation Alley's First Annual Technology Report* (2005), authored by two members of the project team for this report. It is available at: <http://www.autoomationalley.com> and at the AEG web site.

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International Mass Retailers Association, American Automobile Manufacturers Association, Automation Alley, and the Michigan Chamber of Commerce.

For additional information, see the AEG web site at: <http://www.andersoneconomicgroup.com>.

## **ABOUT THE AUTHORS**

**Patrick L. Anderson.** Mr. Anderson founded Anderson Economic Group in 1996, and serves as a Principal in the company. In this role he has successfully directed projects for state governments, cities, counties, nonprofit organizations, and corporations in over half of the United States.

Mr. Anderson has written over ninety articles published in periodicals such as *The Wall Street Journal*, *The Detroit News*, *The Detroit Free Press*, *American Outlook*, *Crain's Detroit Business*; and monographs published by the Mackinac Center for Public Policy, The Economic Enterprise Foundation of Detroit, the Ethan Allen Institute in Vermont, and the Heartland Institute of Chicago. His book *Business Economics and Finance* was published by CRC Press in August 2004. His paper "Pocketbook Issues and Presidency," co-authored with Mr. Geckil, was awarded the 2004 Mennis award for the best submitted paper to *Business Economics* by the National Association of Business Economics.

Mr. Anderson is a graduate of the University of Michigan, where he earned a Masters degree in Public Policy and a Bachelors degree in Political Science. He has been a member of the National Association for Business Economics since 1983.

**Ilhan K. Geckil.** Mr. Geckil is an Economist with Anderson Economic Group with a background in applied economics, finance, industrial organization, statistics, and public finance. He has contributed to projects for clients in automotive and beer industries; retailers; and local and state governments. Additionally, he provides economic forecasts for Bloomberg's monthly economic survey. His paper "Pocketbook Issues and Presidency," co-authored with Mr. Anderson, was awarded the 2004 Mennis award for the best submitted paper to *Business Economics* by the National Association of Business Economics.

Prior to joining Anderson Economic Group, Mr. Geckil worked as an Analyst for PDF Corporation in Istanbul, Turkey. He holds a Masters degree in Economics from the Eli Broad Graduate School of Management at Michigan State University, and a Bachelor degree in Economics from KOC University in Istanbul, Turkey.

Caroline Sallee, Senior Analyst for AEG, also contributed to this report. Mrs. Sallee is a recent graduate of the Ford School of Public Policy at the University of Michigan.

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This report is based on publicly available information; and regional, industry, and other information known to us that we deem, in our professional judgement, to be reliable or indicative at the current time. No confidential information has been obtained from Delphi for use in this report.

This report does not constitute investment or tax advice. Readers are advised that this report, like all reports analyzing the likely course of future events, contains analyses, projections, and conjectures based on limited and imperfect information. Therefore, the actual future course of events are certain to deviate in some manner from those anticipated in this report. We may revise this report without notice to past readers.

At the current time, Anderson Economic Group is not a party to the Delphi bankruptcy proceedings, nor been retained as a consultant for work related to the bankruptcy proceedings. However, AEG has been a consultant to Delphi and numerous participants in the automobile industry in the past, is engaging in consulting work in the industry unrelated to the Delphi bankruptcy at this time, and is likely to be a consultant again in the future.

**Table A. Likely Scenarios for Delphi Bankruptcy in the U.S. and Canada**

	Pre-bankruptcy	Post-bankruptcy Scenarios		
	2004 Data	Mid-2007		
		Success: Emerged from Ch. 11	Failure: Not emerged from Ch. 11	Partial Liquidation
<b>Delphi Data</b>				
Total Employment	185,000	148,000	118,400	59,200
Employment, U.S. & Canada	50,600	37,950	28,463	11,385
<i>Salaried</i>	15,850	11,888	8,916	3,566
<i>Hourly</i>	34,750	26,063	19,547	7,819
Total Payroll (in millions) -- AEG Estimate	\$ 8,535	\$ 6,828	\$ 5,463	\$ 2,731
Total Payroll, U.S. & Canada (in millions)	\$ 3,334	\$ 2,501	\$ 1,875	\$ 750
<i>Salaried</i>	\$ 1,318	\$ 989	\$ 741	\$ 297
<i>Hourly</i>	\$ 2,016	\$ 1,512	\$ 1,134	\$ 454
Underfunded Balance, Delphi Pension Fund (in millions)	\$ 4,300	\$ -	\$ -	\$ -
Average Hourly Wage Rate, U.S. & Canada	\$ 27	\$ 14	\$ 10	\$ 10
Average Hourly Wage & Benefits Rate, U.S. & Canada	\$ 65	\$ 30	\$ 20	\$ 20
Total Revenue (in millions)	\$ 28,622	\$ 22,065	\$ 17,027	\$ 7,576
Total OEM Automotive Parts Sales (in millions)	\$ 24,104	\$ 19,283	\$ 15,427	\$ 7,713
Revenue by Customer (in millions)	%			
GM	54%	\$ 15,456		
Ford	4%	\$ 1,205		
Renault Nissan	3%	\$ 942		
VW	3%	\$ 883		
DaimlerChrysler	3%	\$ 872		
PSA	3%	\$ 726		
BMW	2%	\$ 473		
Toyota/NUMMI	2%	\$ 439		
Fiat	1%	\$ 419		
Hyundai	1%	\$ 346		
Suzuki	1%	\$ 211		
Other	23%	\$ 6,650		
Total OEM Automotive Parts Sales, U.S., Canada & Mexico (in millions)	\$ 17,596	\$ 13,197	\$ 9,898	\$ 3,959
Total Revenue U.S. & Canada (in millions)	\$ 11,180	\$ 8,385	\$ 6,289	\$ 2,516
Number of Manufacturing Plants	167	134	107	53
Number of Plants, U.S. & Canada	38	27	16	8
Total Payments to Auto Suppliers, U.S. & Canada (in millions)	\$ 15,600	\$ 11,700	\$ 8,775	\$ 3,510
<b>Economic Data</b>				
Inflation Rate (Producer Price Index)	1.4%	3.0%	3.0%	3.0%
Inflation Rate (Employment Cost Index)	3.8%	3.2%	3.2%	3.2%
<b>Michigan State Fiscal Data</b>				
SBT and Personal Property Tax Paid by Delphi to the State of Michigan (in millions)	\$ 39	\$ 29	\$ 22	\$ 9

**Table B. Summary of Economic Effects by Group**

(in millions)	Post-bankruptcy Scenarios Mid 2007		
	Success: Emerged from Ch. 11	Failure: Not emerged from Ch. 11	Partial Liquidation
<b>Impact on:</b>			
<b>Workers &amp; Retirees</b>			
Direct (Delphi) (a) (b)	\$ 1,628	\$ 2,613	\$ 4,480
Indirect	\$ 488	\$ 784	\$ 1,344
<b>Total</b>	<b>\$ 2,116</b>	<b>\$ 3,397</b>	<b>\$ 5,824</b>
<b>Other Auto Suppliers</b>			
Direct (b)	\$ 2,032	\$ 3,556	\$ 6,299
Indirect	\$ 1,219	\$ 2,133	\$ 3,779
<b>Total</b>	<b>\$ 3,251</b>	<b>\$ 5,689</b>	<b>\$ 10,078</b>
<b>Auto Manufacturers</b>			
Direct (b)	\$ 1,513	\$ 2,647	\$ 4,689
Indirect (a)	\$ 3,167	\$ 5,095	\$ 8,743
<b>Total</b>	<b>\$ 4,680</b>	<b>\$ 7,742</b>	<b>\$ 13,433</b>
<i>Memo: Total Impact on GM (a)</i>	\$ 2,527	\$ 4,181	\$ 7,254
<b>TOTAL INCOME TO U.S. &amp; CANADA</b>	<b>\$ 10,047</b>	<b>\$ 16,828</b>	<b>\$ 29,335</b>
<i>Memo: Portion to U.S.</i>	<i>\$ 9,243</i>	<i>\$ 15,482</i>	<i>\$ 26,988</i>
<b>U.S. Taxpayers</b>			
Direct (a)	\$ 3,802	\$ 5,606	\$ 8,555
Indirect (c)	\$ 950	\$ 1,401	\$ 2,139
<b>Total</b>	<b>\$ 4,752</b>	<b>\$ 7,007</b>	<b>\$ 10,694</b>
<b>Michigan State and Local Tax</b>			
Direct (d)	\$ 248	\$ 369	\$ 568
Indirect (e)	\$ 141	\$ 227	\$ 377
<b>Total</b>	<b>\$ 390</b>	<b>\$ 596</b>	<b>\$ 945</b>

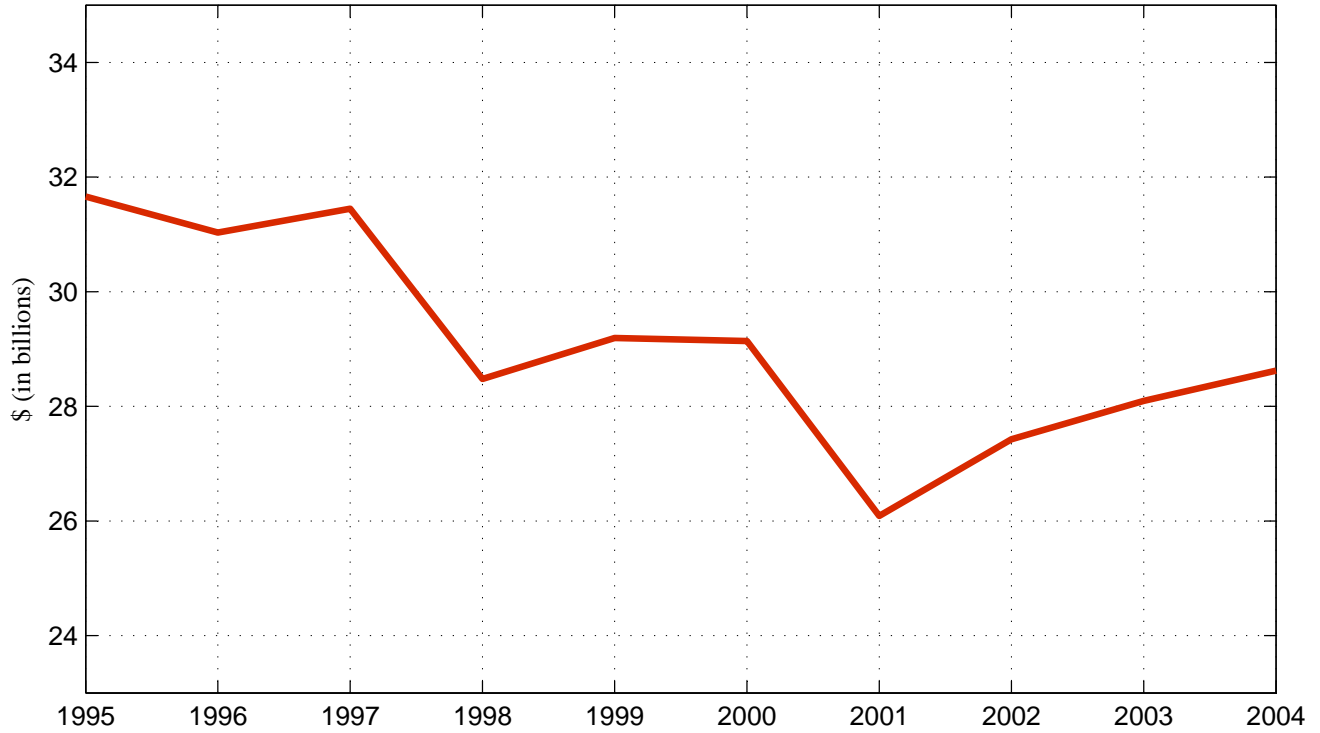
**Notes:**

- (a) Includes pension obligations assumed.  
(b) Direct impact includes substitution effect.  
(c) Includes income tax.  
(d) Includes Single Business Tax and Personal Property Tax.  
(e) Includes income and sales taxes

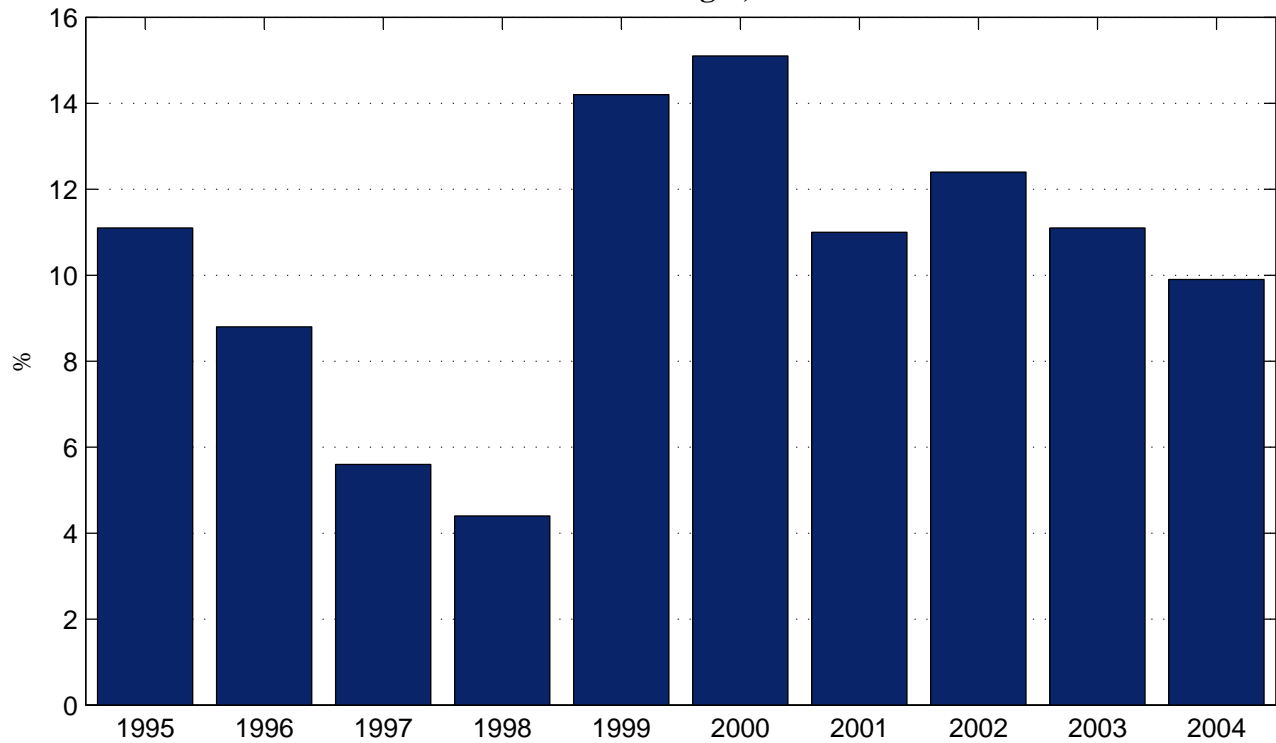


## EXHIBIT II

### Delphi Revenue, 1995-2004



### Gross Profit Margin, 1995-2004



Analysis: Anderson Economic Group, LLC

Updated: 21-Oct-05

Data Source: Delphi Corp.; Hoovers