

WALL STREET JOURNAL

To Outfox the Chicken Tax, Ford Strips Its Own Vans Logic Takes a Back Seat -- and Windows, as Auto Maker Plays Tariff By MATTHEW DOLAN

BALTIMORE -- Several times a month, Transit Connect vans from a Ford Motor Co. factory in Turkey roll off a ship here shiny and new, rear side windows gleaming, back seats firmly bolted to the floor.

Their first stop in America is a low-slung, brick warehouse where those same windows, never squeegeed at a gas station, and seats, never touched by human backsides, are promptly ripped out.

The fabric is shredded, the steel parts are broken down, and everything is sent off along with the glass to be recycled.

Why all the fuss and feathers? Blame the "chicken tax."

The seats and windows are but dressing to help Ford navigate the wreckage of a 46-year-old trade spat. In the early 1960s, Europe put high tariffs on imported chicken, taking aim at rising U.S. sales to West Germany. President Johnson retaliated in 1963, in part by targeting German-made Volkswagens with a tax on imports of foreign-made trucks and commercial vans.

The 1960s went the way of love beads and sitar records, but the chicken tax never died. Europe still has a tariff on imports of U.S. chicken, and the U.S. still hits delivery vans imported from overseas with a 25% tariff. American companies have to pay, too, which puts Ford in the weird position of circumventing U.S. trade rules that for years have protected U.S. auto makers' market for trucks.

The company's wiggle room comes from the process of defining a delivery van. Customs officials check a bunch of features to determine whether a vehicle's primary purpose might be to move people instead. Since cargo doesn't need seats with seat belts or to look out the window, those items are on the list. So Ford ships all its Transit Connects with both, calls them "wagons" instead of "commercial vans." Installing and removing unneeded seats and windows costs the company hundreds of dollars per van, but the import tax falls dramatically, to 2.5 percent, saving thousands.

Ford designed its squat Transit Connect, seen here in New York, to haul goods through tight urban streets and use less fuel than large vans. Customs officials won't discuss individual company's strategies, but Stephen Biegun, Ford's vice president for international governmental affairs, says the practice complies with the letter of the law. "We are free-traders, full stop," he says.

Foreign auto makers have long crossed swords with the chicken tax. Toyota Motor Corp., Nissan Motor Co. and Honda Motor Co. took the straightforward route and built plants in the U.S.

Subaru, owned by Fuji Heavy Industries Ltd. of Japan, imported a small pickup in the 1980s called the Bi-drive Recreational All-terrain Transporter, or BRAT. But it wasn't a taxable truck, because it had two lawn-chair-like seats bolted to the open bed. (President Reagan owned a red one, according to Subaru.)

With the globalization of the auto industry, American companies have joined the game. Until recently, Chrysler Group LLC imported Dodge Sprinter vans made in Düsseldorf, Germany, by former owner Daimler AG. The engine, transmission, axles and wheels were removed, allowing the truck bodies to cross the border as auto components, which aren't subject to the tax. Daimler then reassembled the vehicles at a factory in Ladson, S.C.

Ford launched the Transit Connect in 2002. The compact commercial van with a distinctive raised roof was designed to haul goods through urban areas with tight streets. Since then, more than 600,000 of the vehicles have been sold.

When gas prices spiked, Ford saw a market among small-business owners in the U.S. Prices start at \$20,780, much lower than would have been possible if Ford had to cover the chicken tax. Sales are off to a fast start. In August, Ford sold more than 2,200 in the U.S.

"It's great for city driving," said Duff Goldman, owner of Charm City Cakes in Baltimore and star of *Ace of Cakes* on the Food Network. "It's shorter, smaller and has really good fuel economy." He bought a black Transit Connect last month. Since he doesn't carry passengers, his van has no windows or seats in the back.

The vans leave Turkey on cargo ships owned by Wallenius Wilhelmsen Logistics. Once they arrive in Baltimore, they are driven into a warehouse, where 65 workers from the shipping company's WWL Vehicle Services Americas Inc. convert them into commercial vehicles amid the blare of rock music and the whirring of industrial fans.

On a recent afternoon, a handful of vans passed through the warehouse unmolested as passenger wagons. But the vast majority were lined up to have windows pulled out, and they all had their rear seats removed.

In one lane, supervisor Robert Dowdy watched as two workers removed the rear side windows. They cut out the rubber seal with a special knife and popped out the glass using suction cups. The space is plugged with a metal panel that cures for 15 minutes before being tested outside for waterproofing.

At the start of that same lane, Mayso Lawrence unhooked a rear seat belt as easily as he would pop the top off a soda bottle. Using a drill, he quickly unscrewed six bolts to free the seats. Workers at the other end dump the seats into cardboard boxes, which are hoisted onto an open tractor-trailer and shipped to Ohio. Ford says the shredded seat fabric and foam become landfill cover, while the steel is processed for other uses.

"I never thought about why we take out the seats, but if that's what the customer wants, that's what we'll give them," Mr. Lawrence said.

With the seat removed, Mr. Lawrence puts in a new floor panel to cover the holes, toots the horn to signal he's finished, then gets to work on another van. The whole process takes him less than five minutes.

Rob Stevens, chief engineer for Ford's commercial vehicles, says the auto maker decided against shipping the seats back to Turkey for use in the next wave of vans for the U.S.

"We thought going through the recycling process was best," he said. "The steel is valuable