A historic betrayal of auto workers

United Auto Workers capitulates to carve-up of Chrysler

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German automaker DaimlerChrysler announced yesterday that it had agreed to sell majority ownership of its North American Chrysler Group to the private investment firm Cerberus Capital Management for $7.4 billion. The sale paves the way for the carve-up of the 80-year-old auto company and a massive attack on the jobs, wages and health and retirement benefits of Chrysler's 80,000 employees in the US and Canada.

Even before DaimlerChrysler officially announced the sell-off at a press conference in Germany, the United Auto Workers (UAW) issued a statement endorsing the sale of the company to Wall Street speculators, saying it was "in the best interests of our UAW members, the Chrysler Group and Daimler."

DaimlerChrysler Chief Executive Dieter Zetsche praised the UAW for its support in the opening sentences of his remarks to the press. The surrender of the auto union was so immediate and abject it evidently took some auto and financial analysts by surprise.

Chrysler is being sold to a group of financial speculators who have no experience and, in fact, little interest in the production of cars. The $24 billion investment firm specializes in buying money-losing companies for a pittance, "restructuring" them, i.e., slashing jobs and benefits and stripping assets, in order to re-sell them at an enormous markup. It has a long record of such operations, from airlines to auto supply companies and retail firms in the US.

Operating largely outside the purview of regulators, Cerberus is a highly secretive firm headed by former US paratrooper and hedge-fund financier Stephan Feinberg. Cerberus scours the globe for companies that it can buy on the cheap and either ruthlessly downsize or sell off piecemeal in order to maintain a reported return on investment of 22 percent. It has partial or controlling interests in a series of companies—including Albertson's supermarkets, auto supplier GDX and Air Canada, to name a few. In every case, Cerberus has installed managers who have attacked the wages and pensions of their employees.

The private investment firm is politically well-connected, counting among its top officials leading figures in the Republican Party such as former Bush administration Treasury Secretary John Snow and former Vice President Dan Quayle. One of Cerberus' companies, military contractor IAP Worldwide Services, has been implicated in the scandal involving filthy living conditions for wounded soldiers at Walter Reed Hospital in Washington, DC. Two of IAP's top executives are former high officials at Halliburton, the energy giant headed by Dick Cheney prior to his becoming vice president.

While such corporate raiders and asset strippers have been active in the steel, airline and mining industries for decades, the Cerberus takeover marks the first time that one of the world's largest automotive companies has been acquired by a private equity firm. The purchase of an American "Big Three" auto company by such an outfit sets the stage for an unprecedented rollback in the conditions of workers throughout the US auto industry.

US carmakers have shed nearly 700,000 jobs over the last three decades, but Wall Street investors, who have been able to achieve huge returns through various forms of financial manipulation, have been clamoring for the elimination of even more jobs, the slashing of the still relatively high wages in the industry, and the dumping of billions of dollars in pension and health care obligations owed to workers and their families.

Cerberus' takeover of Chrysler will formally take effect later this year—at the same time that talks begin for a new labor agreement with the United Auto Workers. While details have not yet been reported, there can be little doubt that a condition for the sale of Chrysler was assurances from the UAW that it would grant the new company sweeping concessions. At the same, time General Motors and Ford will use the looming carve-up of Chrysler as a bludgeon to impose their own concessions on their workers. Significantly, the Ford family has hinted it may follow DaimlerChrysler's lead and sell off portions of its stake in that money-losing automaker.

Over the last several years Cerberus—appropriately named after a mythological three-headed monster that guards the gates of Hell—has quietly been buying up automotive assets and has emerged as a major player, capable of using its weight to reshape the industry. Last year, the company paid $7.4 billion for a majority interest in GMAC, the finance arm of General Motors, which it is expected to merge with Chrysler's lending company.

Cerberus recently withdrew a bid to take over Delphi, the world's second largest auto parts manufacturer, currently in Chapter 11 bankruptcy, after failing to win sufficiently brutal cuts in wages from the UAW. Its first venture into the auto industry, the purchase of auto supplier GDX, was followed by what the company's web site calls "an aggressive restructuring of operations in North America and Europe." Drastic cutbacks at a plant in Quebec, Canada last year prompted protests by members of the United Steelworkers union.

Last February, in a move largely designed to improve its North American unit's asking price**,** DaimlerChrysler announced plans to eliminate 13,000 jobs and shut at least one Chrysler plant.

The new company—renamed Chrysler Holding Company—will retain the services of Chrysler CEO Tom LaSorda, who is overseeing the current downsizing measures, and has reportedly hired Wolfgang Bernhard, who as Chrysler's chief operating officer from 2000 to 2004 played the role of key cost-cutter when the company eliminated 26,000 jobs and shut six factories. Cerberus' top automotive executive, David Thursfield, Ford's former head of global purchasing, is leading the restructuring of GDX.

"They're not in it for their health. They're in it for the money," Gerald Meyers, former American Motors Corp. CEO and now a University of Michigan professor of business management, told the *Detroit Free Press*. Dramatic cost-cutting and big layoffs were on the agenda, he said, adding, "It's going to be wicked in southeast Michigan and Indiana" and other communities where the Chrysler Group has factories.

In addition, Meyers said, retirees could expect that the new owners would try to cut their health coverage and pension costs. "There's going to be a bloodbath there," Meyers predicted. "The more they can get the hourly UAW to absorb, the more profitable they're going to be."

In the face of these attacks, the United Auto Workers union has once again demonstrated its utter worthlessness when it comes to defending the jobs, wages, working conditions and living standards of auto workers. As the union's endorsement of this historic attack on auto workers demonstrates, the UAW serves as an adjunct of the auto bosses and Wall Street, seeking in return guarantees for the fat salaries and expense accounts of the bureaucrats who control the organization.

Only last month UAW President Ron Gettelfinger declared the union's opposition to the sale of Chrysler to a private equity firm, saying such investment companies were only out to "increase their wealth by stripping and flipping companies."

At a press conference Monday afternoon, Gettelfinger repeatedly defended the union's capitulation by saying it had to contend with "the cards we were dealt." By his own admission, however, he endorsed the deal without ever having met with Cerberus management.

Instead, the UAW president said he met Sunday night with DaimlerChrysler officials, who informed him of the impending sale. Gettelfinger said he endorsed the deal because the DaimlerChrysler executives gave him assurances that Cerberus would not dismantle the company.

The UAW president said that when union officials met with Cerberus officials on Tuesday, "We expect that we will hear the commitments echoed that have been given us through DaimlerChrysler." Praising the deal again, he added, "There will be an infusion of cash put into this company, and a lot of things are going to happen that are in the best interests of moving forward. We have to believe they are very concerned about the future of the US auto industry."

The prostration and cowardice of the UAW officialdom was summed up by Robert Denison, a former UAW international representative for Chrysler, who told the *Detroit Free Press*, "Big business controls us. We don't control them."

Speaking at the union press conference, UAW Vice President in charge of Chrysler General Holiefield claimed that the UAW membership was "elated" over the deal with Cerberus. "The overall feeling of the membership," he said, "is that they welcome the opportunity," he asserted. Like everything else said by the UAW officials at the press conference, this was a lie.

Chrysler workers are well aware that the corporate raiders taking over the company are out to cash in by driving tens of thousands of workers and their families into destitution. A worker at a Chrysler plant in Warren, Michigan where more than 1,000 jobs are being cut told the *World Socialist Web Site*, "Workers know this new company means doom to us. What surprised me were Gettelfinger's comments. He doesn't speak in our interests. The union has completely sold us out and you can't rely on it for anything. But something has to be done to fight for our jobs and lives."

Gettelfinger's instant support appears to have been motivated by a desire to calm investors and boost the company's share values.

Concern for the interests of the corporate owners—not the jobs and livelihoods of union members—has long been a hallmark of the UAW bureaucracy, which has collaborated with the auto bosses in the destruction of hundreds of thousands of jobs since the Chrysler bailout and attendant wage concessions of 1979. One can only assume that the UAW was given assurances by DaimlerChrysler management that the perks and privileges of the labor bureaucracy would be secured in the new company.

One possible scenario that has been floated in recent months in such publications as the *Wall Street Journal* is that the auto companies turn over their multi-billion-dollar retiree health care funds to the UAW. This would provide a stream of income to the union bureaucracy, while giving the auto companies a chance to get rid of their under-funded liabilities and leave it up to the union to cut the health care benefits of its retired members and their families.