

GM to sell off parts unit

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4 August 1998

Less than a week after its defeat of the United Auto Workers 54-day strike, General Motors announced a plan to spin off its Delphi Automotive Systems parts division in a move aimed at trimming 53,000 UAW employees from its payroll. GM's board of directors announced Monday that Delphi, the largest supplier of automotive parts in the world with some \$26 billion in sales, will be incorporated as an independent company by the first quarter of 1999.

In what may be the largest public stock sale in history, GM will sell 20 percent of the division early next year, and distribute the remaining shares in Delphi to holders of GM's common stock later in 1999. The announcement was expected, as Wall Street has long demanded that GM follow the example of Chrysler and Ford, which spun off their parts units in the 1980s.

The sale will mean that scores of plants, including the two Flint, Michigan plants at the center of the recent strikes, will be sold off, resulting in the loss of thousands of jobs and the worsening of conditions for employees. In previous cases where the US Big Three auto companies have sold their factories, the UAW has signed substandard contracts allowing for wage and benefit reductions and the tearing up of protections included in the national agreement.

Announcing the sale, JT Battenberg III, president of Delphi and a GM vice president, said, 'An independent Delphi would become even more competitive than Delphi is today.' The demands by the Big Three auto makers for continuous price reductions have already led to a frenzied cost-cutting drive by parts suppliers. This has resulted in a wave of bankruptcies, consolidations, plant closings and layoffs.

GM has been discussing a plan to spin off Delphi since 1997. The move will further reduce the size of the parent company, which has wiped out some 70,000 jobs since 1992, and allow it to concentrate on its core assembly operations.

In addition to the Delphi sale, GM directors were also expected to approve plans for a major reorganization of the company's North American operations, according to the trade weekly *Automotive News*. The reorganization would affect marketing, sales and services at Chevrolet, Pontiac-GMC, Buick and Oldsmobile. GM's goal, the magazine said, is to make it easier for GM to discontinue slow-selling models and to facilitate the future consolidation of these divisions, opening the way to eliminate tens of thousands of more manufacturing and white-collar jobs. One proposal would lead to the replacement of hundreds of customer service professionals in Detroit with lower-paid high school students and graduates at new call centers in Atlanta and Phoenix.

Analysts said GM's directors delayed announcing assembly plant shutdowns and other layoffs included in their sweeping restructuring plans because the company did not want to further discredit UAW officials so soon after GM prevailed in the strikes. These announcements, which include the possible closures of plants in Baltimore, Maryland and St. Therese, Quebec, are expected later in the year.

See Also:

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