

German auto union head suggests GM cut US costs

Dietmar Henning
17 November 2004

In an interview with the German newspaper *Frankfurter Rundschau* on October 28, the chairman of the Opel works committee and a leading trade union figure, Klaus Franz, suggested that Opel's parent company, General Motors, cut costs in the United States.

In response to a question from the newspaper about his stance regarding the argument "that the problems don't lie with GM Europe or Opel, but rather with GM in the United States," Franz replied: "General Motors is also taking the axe to Europe in order to avoid problems at home—including its relations with analysts and the stock exchange. The costs for health insurance for General Motors in the US have increased 15 percent this year, and the company had to pay nearly \$10 billion into pension funds. Therefore, those who say Germany is too expensive a location for General Motors should really first look at their own front door."

Government health and pension insurance schemes such as those that still exist in Germany do not exist in the United States. Forty-seven million people in the US—one in seven—are without any kind of health insurance, and are also not covered by the government health care programs Medicare and Medicaid.

In addition, the 40 million people qualifying for Medicare, which covers the disabled and those over 65 years of age, must still pay—if they can afford it—large amounts for medical care out of their own pockets. Medicaid, which covers around 47 million people, is similarly structured and applies only to the "needy," as means-tested by the government. The Bush administration has carried out deep cuts to both of these programs.

The US has no other public health system. The working population is either insured through employer-funded private insurance, are forced to pay exorbitant

fees for individual coverage, or go without. Companies that do fund health insurance premiums also generally require employees to contribute to the cost of health care, and the majority of workers must fork out steep amounts to maintain their coverage. When employers contribute to health insurance costs, this benefit is directly connected to employment, and the loss of one's job means the loss of health coverage.

In September 2003, the UAW reached a four-year contract for its 307,000 members working for the "Big Three" auto makers—General Motors, DaimlerChrysler and Ford—and their biggest suppliers, Delphi and Visteon. The contract included a clause that the salaries for new employees at both suppliers would be up for "discussion" at a later time.

Subsequently, in April of this year it was agreed that working conditions for new employees at Delphi, a former GM subsidiary, and Visteon, a spin-off from Ford, would decline considerably. Workers will now receive between \$14 and \$18 per hour, around \$10 an hour less than that of current assembly-line workers. Further, the contract's appendix stipulates that workers must pay huge sums for their own health insurance and that fixed pensions will be abolished. The introduction of the so-called two-tier system means that workers will in future pay two thirds of employee benefits themselves. The result is a drastic reduction in take-home pay.

As in Germany, collective agreements introduced in the US auto industry have a knock-on effect, and numerous other companies and industries have followed suit. This development will exacerbate the already enormous level of social inequality in the US. The beneficiaries and supporters of these cuts are company executives and large shareholders. For the last two-and-a-half years, these forces have been hankering

for drastic cuts, especially to pensions.

During the stock market boom of the 1990s, companies and shareholders alike were content that pension payments for workers could be met through increased stock values. Fund managers everywhere recorded double-digit growth figures that not only satisfied company pension payments but also contributed to companies' record profits.

With the decline of the stock market in 2001-2002, a huge "funding gap" arose. This year General Motors covered this deficit with a \$10 billion payment (the sum cited by Klaus Franz in the interview cited above). Reserves in pension funds are no longer sufficient to meet future pension payment demands. Companies—not only GM—gambled the pensions of their workers on the stock market. When the money of the working population no longer suffices for personal enrichment, they must be squeezed for more.

Two years ago, the German business monthly *Manager Magazin* bemoaned: "The most blatant example is General Motors. The automaker has 460,000 hungry pension mouths to feed—that's 2.5 retirees per employee." A "billion-dollar hole" has opened up in the pension funds. It went on: "The billion-dollar hole is forcing GM to direct valuable resources from the company kitty to the pension funds. For each vehicle sold this year, \$900 will flow into these funds. According to UBS Warburg, unexpected expenses in the next five years could even top the company's cash flow—a nightmare scenario for GM stockholders."

It is this "nightmare scenario" that is behind the demand of GM stockholders for huge cuts to incomes of both current and former employees. A comment in September 2004 by Bill Bonner, the US correspondent for the *Investor's Daily* newsletter, is typical of numerous commentaries on finance web sites: "General Motors owes so much money to its employees through their pension and health funds that it is almost impossible for this company to ever make a profit again. For Honda, every vehicle sold costs the company \$107 in pension and health payments. But for General Motors, the cost is \$1,360. You can just imagine how high the same costs are for a Chinese manufacturer. How can General Motors be competitive there? How can this company remain in business?"

The German weekly newspaper *Die Zeit* reported in

October: "The profit margin for GM without its pension and health contributions would rise from a poor 0.5 percent to 5.5 percent, according to analysts at the investment bank Morgan Stanley.... According to analysts' estimates, these contributions cost the company \$1,784 for every US-made vehicle."

For Klaus Franz to now assume a leading role and take up the concerns of GM shareholders and stock market speculators regarding GM's pension funds is the logical outcome of his politics. Whether Franz possesses a considerable amount of GM shares is beyond our knowledge. However, his perspective is shared by the entire union works committee, of which Franz is only its most outspoken representative. At the same time, it is a warning to Opel workers in Germany when Franz—after his already declared readiness to accept wage cuts and increased working hours in Germany—now suggests cuts to company-financed pensions and health insurance in the US.



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact