

General Motors to close 9 plants, slash 30,000 North American jobs

The Editorial Board
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General Motors announced plans Monday to close or eliminate shifts at nine assembly, stamping and powertrain plants and cut 30,000 hourly workers' jobs in the US and Canada by the end of 2008. The cost-cutting measures by the world's largest auto maker will have a devastating impact on workers, their families and communities across North America.

The elimination of 22 percent of the North American workforce is part of a major restructuring plan designed to boost profits and raise share values for the company's stockholders. In recent months, Wall Street investors have driven GM share values to the lowest point in 18 years, and the company's credit rating dropped to junk status. With losses of \$5 billion this year, analysts have predicted the company could slide into bankruptcy within the next two years. Last week, CEO Rick Wagoner was forced to reassure employees that GM had no intention of filing for bankruptcy.

Announcing the massive job-cutting program at the company's Detroit headquarters Monday morning, Wagoner said the moves would reduce structural costs by \$6 billion and bring the company's expenditures "in line with our major global competitors." He continued: "In short, they are an essential part of our plan to return our North American operations to profitability as soon as possible."

GM's stock opened higher on the news, but turned lower in afternoon trading as a growing number of investors and analysts said the plan didn't go far enough. "The plan is essentially as expected, meaning not terribly aggressive," UBS analyst Rob Hinchliffe wrote in a note to clients, adding that the company's market share, which has been sliding, may fall further. He maintained a sell rating on the stock and a price target of \$20, below the current price.

The following facilities are being targeted for closure or mass layoffs:

- * The Oklahoma City assembly plant will cease production in early 2006

- * The Lansing, Michigan Craft Centre and Metal Center stamping plant will cease production in 2006

- * The Spring Hill, Tennessee Plant/Line No. 1 will see production end by late 2006

- * The Doraville, Georgia, assembly plant will cease production at the end of its current products' life cycle in 2008

- * The Third shift will be eliminated at the Oshawa, Ontario plant in the second half of 2006. Oshawa Car Plant No. 2 will end production after the current product runs out in 2008

- * The St. Catharines Ontario Street West powertrain components facility will end production in 2008

- * The Flint, Michigan North 3800 engine plant will cease production in 2008

- * The Third shift will be ended at Moraine, Ohio during 2006

- * The Pittsburgh, Pennsylvania Metal Center will end production in 2007

- * Parts distribution centers in Portland, Oregon; St. Louis, Missouri; Ypsilanti, Michigan and one other not-yet-named city will be closed

All told, GM will reduce output by some 1 million units. Wagoner also said more white-collar job cuts were planned for next year. Since 2000, GM has cut its salaried work force by 32 percent—to 36,000. By the end of next year, Wagoner said, the reduction will reach 40 percent—or another 2,500 jobs.

The downsizing measures are the most extensive since GM announced in the early 1990s that it would close 21 assembly plants and manufacturing operations, and cut 74,000 hourly and salaried jobs by the middle of the decade. With the new round of cuts, GM will reduce its blue-collar workforce to 86,000 US workers by the end of 2008, roughly the number of people it employed in Flint, Michigan alone in the 1970s. At its peak, GM employed more than 600,000 American workers.

The virtual collapse of GM highlights the general decline in the position of US industry in the world market. Founded in 1908, GM grew to become the world's largest industrial concern, dominating the global auto market in the 1950s and 1960s. By the 1970s, however, more efficient and higher-quality Asian and European competitors challenged GM and other US auto makers, not only on the world market but within the US market itself.

GM, which once sold one in two vehicles bought in America, now controls less than 25 percent of the US market. On a world scale, GM's market share has fallen to 15 percent and the Japanese carmaker Toyota—which is boosting output—is expected to surpass it as the world's biggest auto maker next year.

This crisis has been exacerbated by rising fuel and

commodity prices, as well as falling demand for gas-guzzling light trucks and SUVs. At the same time, there has been a rise in the cost of health care for the company's 750,000 active and retired workers and their dependents.

As in much of corporate America, an underlying crisis of profitability at GM has coincided with accounting "irregularities" and the subordination of any long-term business strategy to the most immediate demands of wealthy investors and corporate executives. Downsizing, wage-cutting and speedup have gone hand in hand with the plundering of corporate resources by top executives, who routinely hand themselves millions in annual salaries and bonuses. The entire US corporate elite has become immersed in naked greed and criminality. GM is currently under investigation by the US Securities and Exchange Commission and recently acknowledged that it overstated its 2001 earnings by \$400 million.

Financial speculation and swindling have grown apace, with the most destructive consequences for the social and industrial infrastructure of the country. With shares at the lowest level since 1987, GM has a market capitalization of \$12 billion. By comparison, the stock market values Wal-Mart at \$204 billion and Google at \$112 billion.

There is widespread speculation that Las Vegas casino mogul Kirk Kerkorian—who built up a ten percent stake in GM over the summer—plans to take advantage of this situation to buy the auto maker at a fire sale price. Analysts say he would then sell off the company's most profitable assets—such as the GMAC financing arm—and push the car company—along with its pension and health care obligations—into bankruptcy, allowing him to walk away with billions.

The response of GM's executives has been to intensify the attack on workers' jobs and living standards. Last month GM imposed unprecedented cutbacks in health care benefits, which will add hundreds of dollars in out-of-pocket expenses for workers, retirees and their families. Included in the agreement with the United Auto Workers union is the setting up of a "defined contribution" medical plan for retirees, the first step in the elimination of guaranteed "defined benefit" health care and pension plans for auto workers.

GM's announcement comes on the heels of last week's news that Delphi Automotive—the parts company that was spun off by GM in 1999 and has now declared bankruptcy—will eliminate two-thirds of its workforce, or 24,000 workers. The company is also seeking to impose a 60 percent wage cut on its workers and abandon its pension obligations.

Ford Motor Company is expected to release its own plant closing and job-cutting plans by the end of the year. Last week, the number two US auto maker told employees it plans to eliminate 4,000 white collar jobs in North America early next year as part of its restructuring plan. The cuts will be in addition to 2,750 North American salaried jobs that Ford earlier announced it wanted to cut by the end of 2005. Ford's former

parts maker, Visteon Corporation, recently announced 1,500 job cuts.

Last year, 90,000 automotive jobs were wiped out in the US. This is part of an international trend as corporations grapple with a crisis of global overcapacity in the auto industry and seek to shift production to countries with far lower wages. Volkswagen, for example, is expected to announce plans to wipe out 14,000 jobs, the majority in Germany.

The United Auto Workers union made clear that it will not oppose the destruction of jobs at GM. In a statement Monday, the UAW described the catastrophe facing auto workers as "disappointing, unfair and unfortunate" and said that the plant closings and mass layoffs would be part of the negotiations for a new contract with GM in 2007. Under the terms of the current agreement, GM is supposedly prohibited from closing plants, so the auto maker "ceases production" at targeted facilities and then negotiates with the union to close them.

The UAW has long collaborated with the auto bosses in cutting the jobs and living standards of auto workers in order to boost the competitiveness of the US auto companies against their Japanese and European rivals. Monday's announcement coincided with news reports that the UAW was in negotiations with Ford and Chrysler to impose health care concessions similar to those ceded to General Motors.

GM's announcement underscores the utter failure of the United Auto Workers and the rest of the official unions. The crisis facing the working class, and the increasingly ruthless attacks by big business, cannot be answered through bureaucratic organizations that uphold the profit system, are based on a nationalist perspective, and oppose an independent political movement of the working class.

Auto workers must be united and mobilized on an international scale to fight the assault on jobs, wages and working conditions which is being mounted by transnational corporations that scour the globe for the cheapest possible labor. This is above all a political struggle. It requires the building of a party of the working class, completely independent of the Democratic and Republican parties, that fights for a socialist program, including the nationalization of the auto companies and their transformation into publicly-owned and democratically controlled enterprises. The satisfaction of human and social needs, not the accumulation of personal wealth, must become the driving principle of economic life.



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