DaimlerChrysler unveils downsizing plan

Naomi Spencer
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On Tuesday, DaimlerChrysler Chairman Dieter Zetsche announced a large reduction in US vehicle shipments set to take effect this fall. The cuts are the latest in an ongoing restructuring scheme that also includes medical coverage cuts for hourly workers, layoffs and plant closures.

Shipment of 135,000 trucks, SUVs, and minivans will be halted under the decision, with 90,000 vehicles to be cut by September 30. The plan will reduce by nearly half the number of vehicles shipped to Chrysler, Jeep, and Dodge dealerships in the third quarter from the same period last year. This follows an announcement last week that Chrysler third-quarter losses may be $1.5 billion, more than double the company's previous forecast. For the year, the North American division is projected to lose $1.2 billion.

Demand for large vehicles in the US dropped over the past year due to sharply higher gasoline prices and a generally slower economy. The automakers formerly known as the Big Three—General Motors, Ford, and the now number-fourth-ranked Chrysler—have responded to slower sales by downsizing operations, especially in Michigan.

Chrysler's inventory reduction translates into a 16 percent production cut. GM cut its third- and fourth-quarter production by 20 percent; Ford is initiating second-half production cuts of 21 percent.

Last week, Ford announced that it intended to cut approximately 44,000 employees over the next few years, close 16 factories, and extend buyout options to all 75,000 hourly workers. Earlier this year, 113,000 GM workers were offered similar buyouts. So far, 35,000 have accepted.

In both restructuring plans, the United Auto Workers (UAW) union bureaucracy has proved itself instrumental in crafting and implementing cuts, as well as in extracting concessions from workers on pension and health care costs.

Nearly 15,000 white-collar Chrysler employees and 17,600 retirees were subject to a ninefold increase in their health insurance premiums earlier in the year in the name of restructuring. The lower-paid union members have been the target of concession demands since then.

Earlier in the month, the UAW rejected a proposal to reduce company healthcare coverage for 50,000 unionized Chrysler employees and 80,000 hourly retirees. The deal, reportedly similar to those imposed on GM and Ford workers, is devised to cut compensation by $340 million a year. Although UAW leadership conceded on medical coverage at Ford and GM under the pretense of staving off more extreme downsizing, the union had refused to consider Chrysler's plan because the company was not in financial crisis.

After announcing the third-quarter losses, Chrysler executives made clear they would use the news as justification and leverage for the healthcare cuts. On Friday, Chairman Zetsche told an analysts' meeting the company was "extremely dissatisfied by the position the union has taken" on concessions. "It's a very strange position that we should first lose $10 billion before we have the same as Ford and GM," he said, referring to the $10.6 billion lost by GM last year. "We will re-engage in this discussion and we will not stop before we get the results we need."

In the face of such corporate aggression, the union has not even issued a response in defense of workers' living standards. This is an indication that Chrysler will get its concessions, with the complicity of UAW officials. In fact, UAW President Ron Gettelfinger recently accepted a seat on the DaimlerChrysler supervisory board, effectively putting him in the role of corporate decision-maker rather than worker representative.

While Chrysler executives have not announced

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specific plant closures or mass layoffs in the US, Zetsche indicated that the company was pursuing outsourcing deals with companies located in low-wage Asian countries in order to cut production costs for smaller vehicles it insists cannot be manufactured competitively in the US.

When he became CEO over Chrysler in 2000, Zetsche made his reputation by immediately slashing 26,000 jobs and closing several plants. Talk of restructuring again has been muted, partly because such a gutting is an admission of the complete bankruptcy and cannibalism of corporate strategy over the last six years.

Nevertheless, on Tuesday, Chrysler CEO Tom LaSorda told reporters that all options were on the table. "We're going to look at the total business," he said, speaking to a telephone press conference. "We're going to turn over all the rocks and determine where the cost structure sits and do things that are right from a financial prudence perspective." From a millionaire executive, words such as "financial prudence" not only ring hollow but carry ominous implications for the workforce.

Without going into details, LaSorda implied that Chrysler was certain to shut down some factories, saying "the majority will need to stay open." He said the company intended to cut output mainly with one-week shutdowns at truck and SUV plants and impose "temporary layoffs" on the US workforce. Out of the 14 North American plants, Chrysler currently has three in the US and one in Mexico closed.

The cumulative effects of job slashing and plant closures have been devastating in southeast Michigan, already the hardest-hit region in the country. The official unemployment rate statewide stands at 7.1 percent, the highest in the nation, and median household incomes have declined nearly 12 percent since 2000. The unemployment rates for former auto industry strongholds such as Detroit, Flint and Dearborn are much higher.

Last week, economists at the University of Michigan projected that the state's unemployment rate would continue to rise through at least 2008. From 2003 to 2005, the state's manufacturing sector lost 73,000 jobs. In July alone, 20,000 Michigan auto industry workers were laid off. In all this year, 29,700 manufacturing jobs have been cut, and economists estimate another 85,800 will be eliminated by 2008.

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