

US auto executives grant themselves millions in bonuses

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American auto manufacturers are rewarding executives with fat payouts following a year of massive job cuts and attacks on the wages, working conditions and benefits of autoworkers. In a particularly provocative manner, the multimillion-dollar packages were announced just days before the United Auto Workers (UAW) union opened its bargaining convention in Detroit to discuss upcoming contract negotiations with the Big Three automakers, which are demanding an unprecedented rollback in the wages, benefits and working conditions of UAW members.

General Motors will award CEO Rick Wagoner and other top executives stock bonuses despite the fact that the auto company has lost \$12.4 billion over the last two fiscal years and is in the process of eliminating 30,000 production jobs. According to a filing with the Securities and Exchange Commission, Wagoner got restricted stock valued at \$2.8 million and 500,000 options worth \$1.4 million.

GM Vice Chairman Bob Lutz, head of GM's global products operations, got 60,000 restricted shares and 250,000 options. Chief Financial Officer Frederick Henderson got 60,000 restricted shares worth \$1.8 million and 250,000 options. Altogether, 18 executives received stock awards. Full details of the bonuses will not be released until next month.

Earlier in the week, Chrysler Group announced that 1,300 top-level executives would receive bonuses based on the company's performance in 2006. DaimlerChrysler refused to reveal the amounts of the payouts, but filings with the US Securities and Exchange Commission showed that Chrysler CEO Tom LaSorda received \$3 million in compensation, including a \$1.1 million annual bonus. He also received \$2 million worth of so-called phantom shares that can be redeemed in 2010. The amount of the final payout can vary, depending on whether certain performance and profit goals are reached.

The Chrysler Group lost \$1.5 billion in 2006 and has announced plans to eliminate 13,000 jobs over the next three years and slash annual vehicle capacity by 400,000 units. Speculation is mounting that DaimlerChrysler will sell its North American Chrysler division, which could lead to the dismantling of what remains of its operations.

The other US Big Three auto manufacturer, Ford, has also announced executive bonuses, despite losing a record \$12.7 billion in 2006. Ford has not revealed the amounts of the executive bonuses, which it says are in recognition of efforts to "significantly" reduce costs. The company is in the process of slashing its workforce by one third—or 34,000 jobs—and shutting 16 plants. Ford has mortgaged all of its plants and equipment in order to raise cash to avoid bankruptcy.

Following the lead of the car manufacturers, bankrupt auto parts maker Delphi has also announced big executive payouts. Last week the bankruptcy judge granted the company permission to pay up to \$37.4 million in bonuses to executives for the first half of 2007. About 440 executives are in line to receive the handouts, which could range from a total of \$20 million to \$37.4 million, depending on performance—i.e., success in slashing jobs, wages and benefits.

Seventeen months since filing for bankruptcy, Delphi has yet to sign a contract with the UAW while continuing to demand wage and benefit cuts of more than 60 percent. The company is planning to eliminate 24,000 of its 33,650 US hourly workers and slash thousands of salaried positions.

The fact that the auto bosses feel free to indulge in this shameless pig-out at a time when auto workers are undergoing historic attacks—and on the eve of the UAW bargaining convention—is further testament to the collapse of the unions in the United States. The contrast between the reaction of auto workers to the executive payouts and that of the moribund United Auto Workers could hardly

be sharper.

The report of executive bonuses at Ford generated especially intense outrage among workers, who are in the process of being blackmailed into accepting huge concessions in work rules on a plant-by-plant basis. The announcement even forced the UAW to delay a vote on concessions at the Ford truck assembly plant in Wayne, Michigan. Union officials, however, denied the postponement was a protest over the bonuses, saying they needed more time to “explain” the proposal.

Predictably, the United Auto Workers wasted little time in defusing the uproar, accepting the company’s offer to dole out a miserly \$500 each to production workers.

In his remarks opening the UAW bargaining convention, union president Ron Gettelfinger said nothing about the bonuses being handed to GM, Ford and Chrysler executives. Instead, he focused solely on the bonuses for the Delphi executives, who have yet to sign an agreement with the UAW.

For the privileged bureaucrats in the UAW apparatus, huge payouts for the auto executives are not a principled issue. Rather, they fear that the spectacle of auto bosses rewarding themselves while demanding continuing sacrifice from autoworkers will make it more difficult for the UAW to push through the sweeping concessions being demanded by the auto companies.

UAW lawyers told the Delphi bankruptcy judge that bonuses handed to the Delphi chiefs were a “distraction” and “impediment” to ongoing contract negotiations and should be postponed until a better time.

The *Wall Street Journal* echoed the concerns of the UAW. A piece on the GM bonuses in the March 23 edition is headlined, “GM Bonuses May Complicate Labor Talks.” The article noted that GM is seeking huge cuts in healthcare from the UAW when the current contract expires in September.



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