Corporate asset strippers vie for Chrysler

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Talks are continuing between DaimlerChrysler and potential buyers of the Chrysler Group, with the finalists in the bidding competition expected to be announced soon.

DaimlerChrysler, facing sagging sales and mounting losses at its North American operations, is following the lead of American carmakers Ford and General Motors in seeking massive concessions from autoworkers. It has already announced plans to eliminate 13,000 jobs over the next three years and is seeking to free itself from Chrysler's unfunded health and pension obligations, which amount to some $18 billion.

Since DaimlerChrysler is a highly profitable business, unlike its US-based rivals, it is not in a position to demand concessions by threatening to declare bankruptcy. Instead, it is using the threatened sale of the Chrysler unit as a means of exerting pressure on its North American workforce. The imposition of massive concessions on the Chrysler workers will also make the company more attractive to a potential buyer.

Underscoring the determination of DaimlerChrysler to carry out a wholesale assault on Chrysler workers, it is conducting negotiations with corporate sharks, notorious for taking over companies, drastically cutting jobs, wages and benefits, and reselling the downsized entities for an enormous profit.

Among the leading candidates for a Chrysler purchase are private equity firms Blackstone Group, Cerberus Capital Management, as well as the Canadian nonunion auto parts giant Magna International.

A comment on Bloomberg.com noted, "Private equity firms have invaded the Motor City, bringing with them piles of cash and gales of controversy. The buyout firms say they'll rescue companies like Chrysler from years of bloat and mismanagement. Their opponents say that Wall Street financial operators will dice up and sell off automakers and suppliers, after loading them up with debt, destroying jobs and hastening the demise of a once-great American industry."

The latter conclusion is fully supported by the facts.

A report in the January 19 issue of *USA* described Cerberus as follows, "Created in 1992, Cerberus is a hedge fund, a type of private investment group that's not regulated by the Securities and Exchange Commission. It's named after the mythical, three-headed dog guarding the gates of Hades.

"Often called a 'vulture fund,' Cerberus invests mainly in companies in or on the verge of bankruptcy, buying those firms' bonds in the hopes of converting them into cash or stock in a revived company. In 2000, the company hired former vice president Dan Quayle as a top executive."

Cerberus is considered to be seriously interested in Chrysler and has even hired former Chrysler Chief Operating Officer Wolfgang Bernhard as an advisor on the deal. The company has enormous resources and a substantial presence in the auto industry. Last year, for example, it bought 51 percent of General Motors' financing arm GMAC.

In the case of the Blackstone Group, it is one of the world's largest private equity funds and has been heavily involved in restructuring and downsizing the auto parts industry. It purchased American Axle & Manufacturing from General Motors in 1997. Blackstone then renegotiated contact terms with the United Auto Workers that reduced pay and benefits, afterwards selling its shares in the company at an enormous profit.

One of Blackstone's founders, former Reagan budget director David Stockman, is currently facing indictment on fraud charges in relation to the management of an auto parts manufacturer, Collins and Aikman, that he purchased and drove into bankruptcy.

As for Magna International, the Canadian-based auto parts manufacturer is currently considered to be the leading contender for the purchase of Chrysler, which is its largest customer. Magna, the world's third largest auto parts manufacturer, is an employer notorious for paying low wages and benefits.

Magna has reportedly offered around $5 billion for Chrysler in partnership with Onex Corp., a Canadian investment firm. Onex has specialized in buying undervalued companies, restructuring them through massive downsizing and wage cuts, then reselling them at a profit. In 2005 it purchased Boeing's aircraft manufacturing facilities in Kansas and Oklahoma, where it demanded machinists accept a 20 percent cut in jobs and a 10 percent wage reduction.

According to a profile in the May 3 *Detroit News*, Magna chairman Frank Stronach "extracted close to $20 million last year in consulting fees from Magna, and has earned as much as $50 million annually from the various companies.

"When pressed on the size of his paycheck, Stronach is unapologetic.

"'Is it bothering you that I make too much money?' he said at one Magna shareholders meeting. 'Well, if you don't like it, you can sell your shares.'"

Despite this, the Magna-Onex partnership appears to be favored by both the US-based UAW and the Canadian Auto Workers union for the purchase of Chrysler. Reports are circulating that the UAW has already discussed the framework of a concessions deal with Magna.

According to a note sent to investors by an official of KeyBanc Capital Markets, the UAW is open "to all topics of interest including the possibility of wage, job classification and pension and healthcare concession." For its part, the CAW has indicated support for a Magna takeover.

One of the reasons the UAW and CAW are turning to Magna is that the company has indicated a willingness to work with the unions; that is, a willingness to hand payouts to the trade union apparatus in exchange for assistance in imposing concessions. For example, some time back Magna agreed to make union organizing easier at its facilities, opening up a new potential source of dues income for the shrinking UAW and CAW.

As for Magna's partner Onex, while it has earned a well-deserved reputation as a corporate raider, it has likewise shown a certain savvy in dealing with the labor bureaucracy.

In extracting $200 million in concessions from Boeing workers, Onex agreed to an arrangement that gave a section of the workforce a partial ownership stake in the new company.

The UAW has already expressed interest in an employee stock ownership plan included by billionaire Kirk Kerkorian's Tracinda Group as part of its bid for Chrysler. It is also considering an independent proposal that would trade concessions for a 70 percent ownership stake in Chrysler.

A plan to shift future healthcare liabilities over to the UAW in exchange for cash and stock is also under study. A similar proposal, modeled on a deal between the United Steelworkers and Goodyear, is being weighed by Ford and General Motors.

None of these schemes has anything to do with defending the interests of workers. Employee stock ownership plans, or so-called worker buyouts, are aimed at enriching the investors, not helping the workers.

In one of the largest stock ownership schemes, the employee buyout of United Airlines, workers handed over $5 billion in concessions in exchange for stock that became worthless when the company eventually filed for bankruptcy.

However, buyouts have proven lucrative for the trade union bureaucracy. At United, for example, the participating unions were each granted a seat on the corporate board of directors.

A takeover by the UAW of healthcare funds could also prove profitable for the union apparatus. It would supply a new source of income for union officials, who would take charge of managing billions in assets while accepting responsibility for making the huge cuts in benefits needed to keep these under-funded trusts solvent.

In considering their situation, Chrysler workers must adopt an independent and critical position. They should reject all calls for sacrifice to help the multinational company reduce costs and increase profits. The claim that jobs can be saved through concessions has been proven false time and again.

The supposed representatives of the Chrysler workers, the UAW and CAW, have made it clear they support efforts to "restructure" the company at the expense of the workers. No confidence can be given to these organizations to stop the destruction of jobs and living standards.

What is required is the mounting of a united struggle by Chrysler workers in the US and Canada independent of the union apparatus. At the heart of this fight must be the demand for the public ownership of Chrysler under workers' control.