As General Motors contract vote proceeds, UAW prepares deeper concessions at Chrysler

Jerry White
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Negotiations between the United Auto Workers union and Chrysler LLC continued Tuesday on a new four-year labor agreement. The UAW set an 11 a.m. Wednesday deadline to strike the number three US automaker if no progress towards reaching a deal was achieved.

The discussions at Chrysler are proceeding as the UAW bureaucracy is pushing General Motors workers to accept a contract containing enormous concessions, including a two-tier wage system, the setting up of an underfunded union-run health care fund for retirees, and a wage freeze.

The union chose GM as the lead negotiating company. Traditionally Detroit's Big Three automakers—General Motors, Ford and Chrysler—have accepted the general outlines of the deal reached with the lead company. However, Chrysler, which was bought by the private equity firm Cerberus Capital Management in August, has made clear that it expects deeper concessions from its 49,000 unionized workers than those granted by the UAW to GM.

According to people close to the talks who spoke with the *Detroit News*, Chrysler is opposed to making the slightest commitments to retain jobs at its factories. "Specifically," the newspaper reported, "Chrysler is refusing to promise future products for its US plants because the new private automaker wants flexibility to downsize US operations and expand internationally." The UAW has used fraudulent job guarantees as one of the main selling points for the GM contract.

The *Wall Street Journal* reported that the company is also resisting language that would prevent it from outsourcing jobs to non-UAW workers at its US factories.

In February, Chrysler announced it would eliminate 13,000 jobs, including 11,000 hourly and 2,000 white-collar positions by 2009, as part of a plan to return to profitability. Earlier this week the company made it known that it intended to increase the number of job cuts, by eliminating an additional 5 percent of its nonunion salaried workforce, or more than 500 positions, and about a third of its contract workers, or about 1,100 jobs.

Most of the job cuts will occur at the company's Auburn Hills, Michigan headquarters. Some analysts speculated that the announcement of additional white-collar job cuts was a concession to the UAW—so that the union bureaucracy could sell the agreement by telling its members the company was also forcing salaried workers to sacrifice.

The job cuts are only a prelude for the massive downsizing of both union and salaried positions that is being prepared. With the two-tier wage system accepted by the UAW in hand, Chrysler will accelerate efforts to push out tens of thousands of older, higher-paid workers in order to replace them with new hires making half the traditional wages and receiving no employer-paid pension.

The company also wants sweeping health-care cuts for its 78,000 hourly retirees and surviving spouses, in line with the concessions made by the UAW to GM and Ford in 2005. These givebacks, which included imposing first-time ever out-of-pocket expenses on retired workers and their dependents, would save the company an estimated $300 million a year.

The UAW intended to grant these health-care cuts to Chrysler in 2005. However, after the deal was nearly defeated by Ford workers and local union officials reported widespread opposition from Chrysler workers, UAW President Ron Gettelfinger decided to drop the effort, fearing a rejection by the rank and file.

The two sides have apparently agreed to the setting up a union-controlled trust fund—or Voluntary Employees' Beneficiary Association (VEBA)—similar to the one in the GM contract. This will relieve Chrysler of an estimated $18 billion in obligations for retiree health-care benefits.

Chrysler, however, is demanding an even larger discount on its contribution to the fund than GM, which was allowed to pay 60 percent of the $50 billion it owes its 400,000 retirees and their dependents. The cash contribution by GM is actually only 50 percent, as nearly 10 percent will come in the form of a security tied to GM stock.

If Chrysler cannot get more favorable terms, the *Detroit News* reported, Chrysler has told the union that it will forgo a VEBA and continue paying for retiree health care, according to insiders familiar with the company's strategy.

"Cerberus probably doesn't want to put too much cash into the trust fund because it wants to turn Chrysler around and sell

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it," Aaron Bragman, an industry analyst for the consulting firm Global Insight told the *News*. "They don't necessarily want to contribute a large amount of money to a long-term solution when Cerberus is more than likely a short-term owner," Bragman said.

This sums up the essence of the Chrysler takeover by Cerberus, a firm that is notorious for buying up companies, wiping out jobs and slashing wages in order to resell the companies at an enormous profit. As Peter Pestillo, the former CEO of auto parts maker Visteon and for a time the Ford executive in charge of UAW talks, told the *Wall Street Journal* at the time of the acquisition, Cerberus doesn't "soldier on with bad contracts. They shine things up and sell."

The UAW enthusiastically supported the Cerberus takeover. Union president Ron Gettelfinger—who just weeks before had denounced any such deal, saying speculative investment firms such as Cerberus were only out to "increase their wealth by stripping and flipping companies"—made a 180-degree turn and suddenly announced that the deal was in the "best interests of our members."

Negotiations between the UAW and Cerberus over setting up a union-controlled VEBA were central for the union's turnaround. (See "Why the United Auto Workers supports Cerberus' take-over of Chrysler") The establishment of the trust fund—which will be worth an estimated $70 billion if agreements are reached with all three Detroit automakers—will give the UAW control over one of the largest private investment funds in the US, turning it into a profit-making business that will guarantee a massive stream of income to the labor bureaucracy, even as it cuts benefits for its own members.

If the union calls a strike at Chrysler it will not do so from the standpoint of defending the jobs and living standards of autoworkers. The UAW bureaucracy is pursuing its own interests, which are separate from and hostile to those of the workers it claims to represent.

There is little doubt that the UAW has already agreed to even greater concessions than those contained in the GM contract. It appears, however, that the two parties are haggling, like two corporate entities, over the terms of the VEBA agreement. The private investors behind Chrysler also may have had second thoughts about funding the VEBA at all.

The UAW bureaucracy is also concerned that it would not be able to sell a GM-type agreement to Chrysler workers, particularly after the substantial opposition from GM workers.

A walkout called by the UAW at Chrysler would be nothing more than a cynical maneuver aimed at allowing the union to posture as a defender of autoworkers, while it prepares another historic betrayal of its membership.

A short strike, moreover, would have virtually no impact on the company and might very well be welcomed by Chrysler in order to trim the number of unsold vehicles in its inventory. The company has already scheduled the temporary closure this week of five of its nine US assembly plants—in Detroit and Warren, Michigan; Toledo, Ohio; Newark, Delaware; and Belvedere, Illinois—due to slow sales.

If a strike is called, workers must take the struggle out of the hands of the UAW bureaucracy through the election of rank-and-file committees that will join with GM, Ford and other autoworkers in a common fight against the auto companies.

Meanwhile the UAW is preparing to hand over even greater concessions to Ford. Given the company's financial instability and close relations with the union (UAW President Gettelfinger started out as a local official at Ford's Louisville, Kentucky plant and later led the union's Ford department), the number two automaker is expected to receive a contract that is most suited to its needs.

According to both company and union officials Ford will seek further cuts in the number of UAW workers and plant closings when it returns to the bargaining table with the UAW. Ford will likely seek another round of early retirement and buyout offers, in addition to the 27,000 hourly workers who left the company under similar programs designed by the UAW last year.

Voting on the UAW-GM contract concludes Wednesday. While it appears the deal will pass, there are reports that at least eight locals—including in Romulus, Michigan; Massena, New York; Wentzville, Missouri; and Defiance and Marion, Ohio—rejected the pact. Several other locals opposed the deal by 40 percent or more.

Nearly all 2,000 members of UAW Local 2250 at the Wentzville plant outside of St. Louis voted, with 69 percent voting to reject the contract. Workers were concerned that the agreement would pave the way for the closing of the plant after the contract expired in 2011, despite union claims that it had achieved "job security" in the deal.

This widespread opposition—despite the huge propaganda campaign by the union and the news media—is an expression of the enormous chasm that exists between autoworkers and the corrupt bureaucrats who control the UAW.

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