

# American Axle CEO's reward for slashing wages—\$8.5 million bonus

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American Axle CEO Richard Dauch was awarded an \$8.5 million bonus for defeating the three-month strike by 3,650 auto workers and successfully imposing deep wage and benefit cuts on the company's hourly workforce, according to a Securities and Exchange Commission filing last Friday.

In addition to the bonus Dauch received \$1.5 million salary, stock awards and other compensation, which brought his total to \$18.7 million in 2007, more than double his compensation in 2006. Dauch, one of the highest paid auto industry executives, has pocketed over \$300 million since leading a group of private investors who took over several auto parts factories from General Motors in 1994.

Auto workers in Michigan and New York went on strike last February to oppose wage cuts of up to 50 percent. The bitter 87-day walkout was isolated and betrayed by the United Auto Workers bureaucracy, which had agreed to substantial rollbacks even before the strike began.

The new contract cut wages from \$28 an hour to \$14.50 and to as low as \$10 an hour at the company's Three Rivers, Michigan plant. In addition, the company is closing two plants and eliminating 2,000 of 3,650 jobs, including 1,100 in Detroit.

In its SEC filing, the company noted that its board of directors had delayed its decision on bonuses pending the outcome of the strike. It boasted that the new agreement had achieved "numerous changes that will structurally and permanently reduce AAM's U.S. labor cost structure, improve AAM's operating flexibility and increase capacity utilization."

The board's compensation committee—made up of fellow millionaires, including auto executives and Wall Street investors—decided to award higher bonus payments to "reward AAM's leadership team for their

accomplishments and commitment during a period of significant change in our industry and to motivate them."

Due to the "successful resolution of our negotiations with the UAW," the statement read, the compensation committee had scrapped its plans to give executives a 4 percent increase based on the company's posting of a \$37 million profit last year. Instead the top executives were given increases of from 44 to 200 percent.

These included Vice Chairman & Chief Technology Officer Yogendra N. Rahangdale, who received \$1.58 million in compensation; Dauch's son and newly appointed president and chief operating officer, David Dauch, who was paid \$1.27 million; and Vice President, Chief Administrative Officer & Secretary Patrick S. Lancaster, who got \$1.03 million.

During the course of the strike Dauch repeatedly insisted the company could not afford to pay wages of \$28 an hour. He insisted that such wages were not "market competitive" and that it was necessary to eliminate "the Detroit entitlement mentality," by which he meant the belief that workers should be able to make a decent wage and have certain benefits.

Under the terms of his compensation package Dauch earned approximately \$9,000 an hour or \$360,000 a week last year, between 500 and 900 times more than American Axle workers will make under the new contract.

There is no question that there exists an entitlement mentality within the top echelons of Detroit's auto executives, who are reaping vast rewards even as their companies teeter on the brink of financial ruin and are wiping out tens of thousands of jobs. In large measure the payoffs are the direct result of the massive cost savings achieved by the historic concession contracts signed by the UAW and the further downsizing of the

industry, which continued with Monday's announcement that Chrysler will shut one of its St. Louis plants, eliminating another 1,500 jobs.

GM, which recently announced the closing of four North American plants at a cost of 8,000 jobs and has seen its stock value plunge to record lows, almost doubled Chairman and CEO Rick Wagoner's compensation package, from \$5.5 million last year to \$10.2 million this year.

Alan Mulally, Ford president and chief executive officer, was paid a total 2007 compensation of \$21.67 million. Visteon's CEO Michael Johnston, who oversaw the company going from a \$163 million loss in 2006 to a \$372 million loss in 2007, earned \$10,783,136, according to the company's latest SEC filing.

The announcement of Dauch's bonus was met with disgust and anger among American Axle workers, who suffered devastating economic consequences due to the strike.

John, a skilled worker at the Detroit plant, said, "This is an insult. It demonstrates that the person who owns the big toys makes the rules. Dauch can whipsaw workers against each other, seeing who will work for less, in order to benefit himself.

"The company is now going to be closing additional facilities in Detroit, in addition to the shutdown of the Detroit Forge plant accepted in the contract. Operations have already been halted in plants three and six, which produce truck and automotive axles. We think they plan to re-tool those plants and open them up under another name and pay even less.

"The production has been shifting to the Three Rivers, Michigan plant. The workers at that plant—which was originally going to be closed—saw their wages beaten down to keep it open.

"The protections we enjoyed in the past with union rules don't exist anymore. There is no representation. The reps walk through the plants with their tails tied behind their legs.

"Dauch played a good game and paid good money to their financial advisors on how to do this to us. They were successful and now they expect to be rewarded.

"What's my reward? I probably have to take a buyout because if I stay they will abuse me until they get me and other higher-paid workers to leave. The market is not very good to find another job, but I have

no choice."



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