

GM-Chrysler merger: United Auto Workers union prepares another betrayal

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4 November 2008

Recent reports reveal that the United Auto Workers bureaucracy is preparing to further integrate itself within the business framework of the US auto industry at the expense of the livelihoods of the tens of thousands of autoworkers it nominally represents.

Industrial analysts believe that the Big Three US auto companies—General Motors, Ford Motor Co., and Chrysler Corp.—may all face bankruptcy within the next year. The financial crisis has been most acute for GM and Chrysler, and the largest and third-largest US automakers are now carrying on urgent merger negotiations that, if carried through, would lead to the rapid purging of 50,000 jobs.

According to insiders, the deal being pushed forward by GM and Cerberus Capital Management, the giant private equity firm that controls Chrysler, would result in the transfer to GM of Chrysler in exchange for turning over to Cerberus a larger share of GMAC, the financial wing of GM. Cerberus already owns 51 percent of GMAC. Chrysler has reportedly backed out of merger talks with the Franco-Japanese combination Renault-Nissan.

The Big Three, who have suffered through decades of declining market share, are now beset by a shortage of cash that may soon impinge upon day-to-day operations. Due to low incomes and layoffs, large numbers of Americans have stopped buying new cars, especially big and inefficient Sport Utility Vehicles (SUV) and trucks that have in recent years provided the main source of profit for the Big Three.

In October, auto sales plunged by 31 percent from a year ago, reaching their lowest level in 15 years. Michael DiGiovanni, sale analyst for GM, said that relative to the size of the US population, October was “the worst month in the post-World War II era. This is clearly a severe, severe recession.”

A GM-Chrysler merger will require the UAW to suppress rank-and-file opposition and to inflict a new round of concessions on autoworkers. An article published in Monday’s *Wall Street Journal*, “UAW Vies to be Central Player in GM-Chrysler Deal,” reveals that UAW President

Ron Gettelfinger has been holding meetings with GM Chief Operating Officer Fritz Henderson on a potential merger. “Mr. Gettelfinger’s approval,” the article states, “could sway banks and lawmakers considering pitching into the deal.”

In a related development, the *New York Times* reported Monday that the Treasury Department has turned down GM’s request for an additional \$10 billion to assist the merger with Chrysler. The money would have come from the \$700 billion Wall Street bailout pushed through in October. Treasury officials were said to fear being directly identified with mass layoffs in the auto industry as a result of the merger, and they opposed extending to industrial firms money from the vast allocation intended for financial concerns.

The \$10 billion is needed “to cover the cost of jobs cuts and plant closures that would result from a merger,” according to the *Journal*. If the federal government does not come through with the funds, the UAW may be asked to allow GM and Chrysler to get out of as much as \$14 billion in promised payments into the union-managed “Voluntary Employee Beneficiary Association” (VEBA), the retiree health care system now run by the UAW. Without cash, the two corporations could rapidly wind up in bankruptcy.

This threat to the business interests of the UAW will likely propel Gettelfinger and the UAW bureaucracy to pressure the next administration to give handouts to the auto industry as part of a merger agreement. Democratic Party presidential candidate Barack Obama has indicated he is favorably disposed toward handouts, although such utterances must be taken in the context of the current election cycle, where both candidates have sought advantage in Midwest “battleground” states such as Michigan, Ohio, Missouri, Indiana, and Wisconsin, where much of the US auto industry is located.

The UAW no doubt will publicly lament the mass layoffs that will inevitably result from the merger. Behind the scenes, however, they will work energetically to see that the merger goes through and that the federal government foots

the bill, so as to protect the multibillion-dollar VEBA fund the union oversees.

The setting up of the VEBA was the latest stage in the decades-long transformation of the UAW from a union into an out-and-out business. In exchange for tens of thousands of jobs cuts, billions of dollars in benefits reductions, and the suppression of rank-and-file resistance, the Big Three handed over to the UAW control of the auto industry's retiree health care system.

The VEBA fund was dependent for its survival on the continued profitability of the American auto industry, which put the UAW into an openly adversarial relationship with its own workers. But now that the very survival of the US auto industry has been thrown into doubt, so too has the UAW's VEBA scheme.

In an indication of its enthusiasm for the consolidation of the auto industry, the UAW has recently hired, as a personal adviser to Gettelfinger, business executive and industry analyst Stephen Girsky. Girsky was a former managing partner at the now defunct Wall Street investment bank Morgan Stanley. In 2006, GM head Richard Wagoner brought on Girsky where, according to the *Wall Street Journal*, he played a "pivotal" role in launching GM's buyout program, whereby experienced workers were encouraged to retire and were replaced by low-wage workers. The *Journal* concluded that Girsky "is expected to help ... Gettelfinger evaluate the deal and shape the union's strategy."

That the UAW feels no shame in bringing such an open opponent of the interests of its workers into a position of power within the union suggests not only that it is preparing to support the merger of GM and Chrysler. It also shows just how openly the UAW now presents itself as a business hostile to the workers it purports to represent.

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The *Journal* notes that the UAW "has so far said relatively little" about the proposed merger. The union's web site makes no mention of it, although it is replete with postings extolling the importance of electing Barack Obama. One would not gather from the UAW's web site that the US auto industry is on the verge of an historic collapse.

So far in 2008 there have been thousands of layoffs in the auto industry the world over. In the US, Chrysler recently announced that it would lay off one quarter of its white-collar employees. On October 16, GM announced that it would lay off 1,600 employees at three assembly plants in Michigan and Delaware by year's end. GM, Ford, and Chrysler have already scheduled major plant closings for 2009 in the US, Canada, and Mexico.

Even prior to the eruption of the financial crisis on Wall

Street in September, the position of the Big Three was considered dire. Talks had been under way for several months about the provision of a loan to the auto industry so it could "retool" its plants. Both major party presidential candidates, Barack Obama and John McCain, supported the bailout. A \$25 billion aid package to be administered through the Energy Department was eventually approved, although largely overshadowed by the gargantuan bailout of the financial industry. But in the face of the greatest economic crisis since the Great Depression, the aid package has been quickly proven insufficient.

In the event of a GM-Chrysler merger, the UAW will ritualistically claim that it will not necessarily result in the loss of many jobs, and that it is the only way to "save the industry." These are the same lies that the UAW deploys every time the auto industry calls it to heel, demanding it exact another pound of flesh from the working class.

Last year, the UAW overcame rank-and-file opposition to "save the industry" through massive layoffs and cuts to benefits. One year later, the auto industry is on the verge of total collapse. This story has repeated itself since the late 1970s, when the federal government bailed out Chrysler Corporation on the condition that the UAW would force major concessions on its workers. Since 1978, some three quarters of a million jobs have been lost in the auto industry.

While the number of autoworkers has declined precipitously, devastating whole states and regions, the salaries and expense accounts of the same UAW bureaucrats who have failed to defend their union members have continued to grow. This culminated with the launching of the VEBA program last year.

To defend their jobs and living standards, autoworkers must break out of the straitjacket of the UAW and build, in conjunction with workers employed in the auto industry around the world, a mass party of the working class that fights for political power and has as its aim the reorganization of the world economy to meet pressing social needs, not the profit drive of the big financiers.



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