

UAW beginning talks with GM on concessions

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Just days after the Bush administration approved federal loans totaling \$17.4 billion to stave off the collapse of General Motors and Chrysler, the United Autoworkers union is set to begin talks with the automakers to impose the wage and benefit concessions demanded by the government.

Under the terms of the bailout, an agreement for such concessions must be in hand by March 31, 2009 or the government can revoke the loans, throwing the automakers into bankruptcy.

The *Wall Street Journal* reported that GM will begin “brief and high level” talks with the UAW this week, along with bondholders, banks and suppliers, to put into place a plan for a drastic reduction in labor costs and debt obligations. The UAW has already agreed to reopen its four-year contracts with GM, Ford and Chrysler and negotiate further concessions for 139,000 workers at the companies.

According to the plan drawn up by the US Treasury Department, by December 31, 2009 the total compensation, including wages and benefits, of autoworkers at Detroit’s Big Three companies must be “competitive” with those of non-union workers at US plants operated by Nissan, Toyota and Honda.

A recent article in the *Automotive News* noted that wages at the so-called transplants are themselves “a moving target,” with each new plant offering lower wages. At Honda’s Greensburg, Indiana factory, which opened last month, starting wages are \$14.84 an hour compared with \$28.50 at the Detroit companies.

The bailout also requires that by the end of the 2009 work rules at the Big Three must be competitive with the transplants, where large numbers of workers are temporary employees, subject to being fired as a result of injury or a slowdown in sales.

The government is also demanding the “elimination of the payment of any compensation or benefits to workers who have been fired, laid off, furloughed or idled, other than customary severance pay.” This measure, which includes the elimination of the jobs bank program, already agreed to by the UAW, will deprive the tens of thousands of workers who lose their jobs in the downsizing of the industry of any significant income protection. The language suggests that, in addition to the jobs bank, UAW workers will be stripped of supplemental unemployment benefits.

company announced plans to eliminate 31,500 jobs and close two dozen factories.

Finally, the UAW will have to accept shares of stock as payment for half of what the auto companies owe to the \$50 billion retiree health care trust fund controlled by the union, known as the VEBA. Credit Suisse and Moody’s on Monday further downgraded GM stock, which has fallen from \$43 to \$3.52 a share over the last two years. A Credit Suisse analyst said in a report, “It will become increasingly clear that the enormous sacrifice of value on the part of the union (upwards of \$10 billion) and bondholders (about \$24 billion) will require the complete or near-complete elimination of the existing GM equity.”

This means that the UAW will accept worthless stock in lieu of cash—in effect, slashing in half the assets of its VEBA health care fund. The union will accordingly impose drastic reductions in health care coverage for 600,000 retired workers, spouses and dependents.

The UAW bureaucracy, which will be one of the biggest holders of GM stock, will have a financial incentive to further cut the wages of active workers and drive up their exploitation in order to boost the value of its investment.

The first installment of \$13.4 billion in government loans is to take effect this month. As a condition for the second installment of \$4 billion for GM, the UAW and other “stakeholders” have until February 17, 2009 to commit themselves to making the companies “viable” and “internationally competitive.”

On or before March 31, 2009, the companies must submit to a designee appointed by the president—the so-called “car czar”—a written certification detailing the progress made in implementing their restructuring plans. This must include: “Approval of the labor modifications by the members of the unions... Receipt of all necessary approvals of the VEBA modifications... The commencement of an exchange offer to implement the bond exchange.”

If the “car czar” is not satisfied that these goals are being met by April 30, 2009, he can recall the loans and force the companies into bankruptcy, where a judge can tear up existing labor agreements and annul pension obligations, or liquidate the companies.

In the restructuring plan GM submitted to Congress, the

The UAW is already putting into motion a campaign to

blackmail its members into accepting what amounts to a historical reversal of gains won over decades. As it has done repeatedly in the past, beginning with the 1980 Chrysler bailout, the union is using the threat of bankruptcy to intimidate rank-and-file workers and suppress opposition to the wage- and job-cutting demands of the government.

The *Wall Street Journal* reported on Monday, “Throughout the nation, UAW officials began bracing GM workers to make what they called ‘unpopular sacrifices.’ In a letter to assembly-line employees in Texas, the leaders of UAW Local 276 said that ‘strict conditions associated with the loans are non-negotiable and must be met by the stated deadline,’ which is March 31. The officials warned UAW workers that they may not hear any updates from the union’s leadership in Detroit until after the holidays.”

The UAW’s role as an instrument for imposing the demands of the auto companies and the government on the workers was underscored by statements from GM CEO Rick Wagoner. According to *CNNMoney.com*, “General Motors Corp. Chief Executive Rick Wagoner on Monday defended the United Autoworkers and said he remains hopeful the company and union can strike a deal to lower labor costs.

“Wagoner, in a radio interview in Detroit, said the union ‘took a lot of bullets’ in the midst of high-profile talks over an aid package for Detroit’s struggling automakers. ‘People were trying to score political points rather than fix the issues we were facing,’ Wagoner said,’ adding that the union and company were beginning negotiations on changes to the labor agreement reached in 2007.”

Last year, the UAW accepted what the auto companies called “transformational” concessions, including a reduction in the wages of new-hires from \$28 an hour to \$14. The union, moreover, relieved the auto companies of billions of dollars in retiree health care obligations through the establishment of a union-controlled trust fund, or VEBA.

Given the widespread opposition to its 2007 betrayal, the UAW bureaucracy is fearful that the even more drastic concessions required under the government bailout could be defeated by a vote of the membership. For that reason, it has criticized the condition that the reduction in the wages and benefits of union workers to those of non-union workers be implemented by the end of 2009. Instead, it offers to achieve this goal by 2011, after the expiration of the current contract. The additional time will also enable it to work with the company in forcing out higher-paid veteran workers, in part through early-retirement and other buyout packages.

The UAW is seeking to promote illusions that the Obama administration will demand less onerous terms when it takes over the restructuring of the industry next year. There is no reason, however, to believe that Obama will be any less ruthless in his attacks on autoworkers. His key adviser on the auto bailout is former Federal Reserve Chairman Paul Volcker, who is likely to

be appointed by the new president as the “car czar.”

As Federal Reserve chairman in the Carter and Reagan administrations, he played a central role in imposing wage cuts and other concessions as part of the 1980 Chrysler bailout. Upon becoming the head of the US central bank in 1979, he raised interest rates to 20 percent in order to precipitate a deep recession and use factory closings and mass unemployment to drive down wages. Volcker famously called President Reagan’s smashing of the 1981 PATCO strike and firing of 13,000 air traffic controllers “the most important” step in bringing down inflation.

Like the Chrysler bailout and the smashing of the PATCO strike, the current attack on autoworkers is being used to set a precedent for a drastic reduction in the wages and living standards of the entire working class.

“There’s going to be fewer factories, fewer salaried and hourly workers, lower compensation, fewer brands, fewer models, fewer dealers,” Dana Johnson, senior economist with Dallas-based Comerica Inc., told the *Detroit Free Press*. “Everything is going to continue to be rapidly downsized, just not in as chaotic a process if they had not gotten the financing,” Johnson said. He predicted that Michigan would lose another 30,000 auto jobs next year, along with 60,000 non-automotive jobs.

In order to defend their jobs and living standards, autoworkers must organize independently of the UAW and reject the blackmail being carried out by the government, the corporations and the union. A struggle must be waged to oppose wage and benefit cuts and to defend all jobs. This requires a new political strategy—a break with the two parties of big business and the building of a mass party of the working class, fighting for socialist policies including the nationalization of the auto industry under the democratic control of the working class.



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