

Ontario auto sector report warns of catastrophic job losses

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In a report commissioned by the Ontario Manufacturing Council for the Ontario Ministry of Economic Development, the spectre is raised of a catastrophic failure of the provincial and, indeed, national economies in the event the Detroit Three auto companies collapse.

The council, co-chaired by Canadian Auto Workers (CAW) economist Jim Stanford and Jayson Myers, the president of Canadian Manufacturers and Exporters, had an independent consulting firm prepare the report.

On Wednesday, a grim-faced Michael Bryant, the minister for economic development in Liberal Premier Dalton McGuinty's Ontario government, released the report's findings, couching his comments in the most apocalyptic of terms.

Emphasizing the urgency of a bailout for the auto industry, Bryant remarked, "The demise of auto in Canada is the economic equivalent of a nuclear freeze, with catastrophic effects that would knock us into a deep recession. ... There is no private capital available to step in and provide that CPR, and eventually that life support to allow the intensive-care to these businesses that will allow them to transform.... If the auto industry is somehow allowed to part from our economy, it's the equivalent of a nuclear winter with lasting effects and would require enormous cuts to public services plus massive deficits every year."

Only last week, in the wake of the defeat of auto bailout measures in the US Senate, the Ontario and Canadian governments prepared an auto bailout plan that would see about \$3.4 billion (Can.) in bridge loans extended to the Canadian divisions of General Motors, Chrysler, and Ford. But that plan is contingent on Washington now bypassing Congress and finding the ways and means to

finalize its own bailout package for the industry. As Canada's share of auto production is almost 20 percent of the North American market, bailout dollars in Canada will be geared to reflect that same percentage of the final American package.

Whether or not the Bush administration provides money, any final rescue package will aim to create bankruptcy-like conditions in which factories will be shuttered, workers laid off, and wages and benefits slashed on both sides of the border. To be sure, Canadian Auto Workers President Ken Lewenza has already bowed to government demands that he come to the bailout table prepared to discuss further concessions and permanent plant closures.

Federal Industry Minister Tony Clement warmly praised the CAW for its readiness to make further contract concessions after meeting with Lewenza and other top CAW officials last week. Speaking of the CAW leaders, Clement said, "They understand that Canada, in order to be a destination for assembly, has to continue to be competitive, has to continue to be increasing productivity, and that they are prepared to work with us and the assembler to ensure that is the case."

This week Moody's Investors Services put the probability for what it calls a "prepackaged bankruptcy" contingent upon US federal funding at 70 percent. Indeed, news out of Detroit Thursday pointed to a new merger initiative between Chrysler-Cerberus and General Motors that would push forward the drastic restructuring of the industry that the ruling class demands. Chrysler has already announced that it will shutter all 30 of its North American plants for at least one month beginning today. Many of the plants may never reopen.

But even as the White House, with a certain modicum of confusion and indifference, worked to float a new rescue package, Ontario Premier McGuinty openly speculated that the Canada's \$3.4 billion share of the

bailout may already be woefully inadequate. “This is a bit of a lifeline to sustain the industry,” said McGuinty on Wednesday. “We don’t know (how high the aid might go) right now, because we haven’t completed our due diligence and neither has Washington.” At least one report suggests that the Ontario and Canadian governments could eventually be called upon to provide up to US\$15 billion to proportionately match the \$125 billion from Washington that may be required to prevent the collapse of the Detroit Three.

Indeed, the Ontario Manufacturing Council’s report supports those higher-end prognostications. In the event that all three Detroit-based auto companies ceased production—the “doomsday scenario”—323,100 jobs would be immediately lost in Canada (281,800 of those in Ontario). By 2014, 582,000 jobs would be lost across the country with 517,000 of those located in Ontario. The very fact that a government minister openly discusses “auto Armageddon” at a pre-planned news conference to discuss the economic future should give working people extreme pause.

But even under a scenario where only one of the auto giants fails (or is taken over in a merger), resulting in a 50 percent reduction in Canadian auto production, a 45 percent reduction in parts manufacture and a 30 percent reduction in dealership employment, the figures portend a social disaster of immense proportions. In this circumstance, 300,000 jobs would be lost nationally with 270,000 of those disappearing in Ontario. Currently, 155,000 workers are directly employed in vehicle and parts production in Canada with almost 900,000 others dependent on the sector in ancillary industries, including sales and after-market services. Proportionately speaking, almost twice as many workers are employed in the auto sector in Canada than the United States (1.1 percent of the Canadian labour market as opposed to 0.6 percent in the U.S).

The recently announced layoffs at Detroit Three plants in Canada already extend far beyond normal Christmas shutdown traditions. As mentioned above, all Chrysler facilities will be closed until further notice. General Motors is extending the typical holiday season shutdown of its Oshawa, Ontario car plant and the Ingersol, Ontario CAMI Automotive plant it shares with Suzuki Motor through January. The automaker has also shuttered its Oshawa pickup plant, which makes the Chevrolet

Silverado and GMC Sierra trucks, for at least four weeks. That plant’s final closure has already been moved up from July 2009 to this coming May. Ford’s assembly plant in Oakville, Ontario has been idled for four weeks to adjust inventory whilst Ford’s St. Thomas factory will suspend production for at least four weeks

The crisis extends beyond the Detroit-based auto companies. Even the relatively better capitalized non-union Honda and Toyota assembly plants in Ontario have slowed production and extended holiday hiatuses. The Japanese automakers have encouraged McGuinty to pursue a bailout package for their Detroit Three competitors because they fear that the demise of Ford, GM or Chrysler would force some auto parts manufactures into insolvency, thereby creating a parts supply crisis for their own plants.

The crisis in the auto industry is an expression of the collapse of the entire profit system. It is not possible to reverse this catastrophe—and the devastating social consequences it entails—outside of a fundamental restructuring of the Canadian and world economy on socialist principles of social ownership and democratic control of the major levers of economic life, including basic industry and the banks.

The working class is not responsible for this crisis. Autoworkers have absolutely no say in the financial, investment and production decisions of the firms for which they work. On the contrary, the root cause of the crisis is private ownership of the auto industry and the means of production as a whole, the subordination of social needs to private profit, and the economic dictatorship exercised by the corporate and financial elite. Their incompetence, greed and single-minded drive to increase the “shareholder value” of the big investors and banks have played a major role in driving the auto industry and the entire economy into the ground. Now they turn on the workers, blame them for the crisis and demand that they pay the cost through the destruction of their jobs, wages, pensions, and health benefits.



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