

As global auto slump deepens

UAW opens concession talks with US automakers

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The United Auto Workers union began talks this week with General Motors and other Detroit automakers on a new round of wage and benefit concessions for nearly 140,000 autoworkers and hundreds of thousands of retirees.

According to terms of a Treasury Department loan put together by the White House, the incoming Obama administration and congressional Democrats last month, autoworkers must accept sweeping concessions or the government will cut off federal assistance, essentially throwing the auto companies into bankruptcy.

GM received a \$4 billion loan on December 31 and is scheduled to get another \$5.4 billion January 16 and \$4 billion more February 17, if Congress approves the use of the second half of the \$700 billion used for the Wall Street bailout. A \$4 billion loan for Chrysler LLC was finalized last Friday.

Ford did not receive any federal assistance but has asked for a \$9 billion line of credit. It is also carrying through a drastic cost-cutting plan and is expected to demand the same concessions the UAW grants GM and Chrysler.

The precarious state of the US automakers was underscored by reports earlier this week that car sales fell by more than 35 percent across the board in December, with Chrysler seeing sales plummet by 53 percent. All told, US vehicle sales in 2008 were 13.2 million, down 18 percent since 2007 and the worst drop-off since the 1970s. After several years of 16 million-plus sales, GM's chief market analyst said the automaker was predicting industry sales of 10.5 million to 12 million vehicles in 2009.

Under the terms of the loan agreement, GM and Chrysler have until February 17 to submit plans to return to profitability, which include measures to make the wages, benefits and work rules of UAW members equivalent to those of nonunion workers at the US plants operated by Toyota, Nissan and Honda. This could mean up to a 50 percent cut in wages for current autoworkers by the end of 2009.

In a January 2 opinion piece in the *Detroit News*, union president Ron Gettelfinger pledged to do "the hard work necessary to rebuild our industry," but complained that "the terms of the loans approved by President George W. Bush single out members of our union, by demanding steeper and faster concessions from the UAW than from any other part of the industry."

The UAW has already in principle accepted the wage cuts and other concessions. However, it is looking to the Obama administration to give it until 2011 to reduce wages to the level of nonunion workers. Last year, the UAW agreed to historic concessions, including cutting the wages of new hires from \$28 to \$14 an hour. Given the widespread opposition to that betrayal, UAW officials hope to use the additional time to help the auto companies purge the industry of higher paid senior workers and replace them with a low-wage workforce.

In his *News* comment, Gettelfinger argued that UAW work rules in no way inhibited the auto companies from speeding up production. He boasted that industry analysts had determined that "all 10 of the most efficient plants in North America are union plants."

A UAW member in Kansas City took just over 19 hours to assemble a pick-up truck, the UAW president boasted, while a nonunion worker at a Toyota plant in Indiana took 32 hours. "We're proud of what we've accomplished on the factory floor," Gettelfinger declared.

The UAW has already accepted the elimination of the Jobs Bank program, which provided temporary income security to laid-off workers, just as the companies begin slashing tens of thousands more jobs. GM, for example, has announced plans to eliminate 31,500 more jobs and close at least nine more plants.

In addition, the UAW has accepted the government and auto companies' demand that it accept equity shares as payment for more than half of the tens of billions of dollars owed to the union-controlled retiree health care trust fund. Given that GM stock has lost 90 percent of its value and sells for around \$4.00 a share, this measure will guarantee the insolvency of the trust and a severe reduction in medical coverage for retirees and their dependents.

The *Detroit Free Press* reported that union officials from throughout the country are presently in Detroit for three days of meetings on further concessions and that negotiations with GM had already begun. "Everything is expected to be on the table," a person "familiar with the union's planning," told the newspaper.

"We'll sit down and have discussions along the lines of things we could do in the contracts and have that ratified," Gettelfinger told the *Free Press* Tuesday.

While the UAW bureaucracy is more than willing to hand over the gains of generations of struggle, Gettelfinger & Co. are

negotiating to secure their own perks and privileges. According to the *Free Press*, "Leaders also have told local plant officials the union wants an ownership stake in GM and a seat on the automaker's board in exchange for further concessions."

Far from defending autoworkers, the incoming Obama administration intends to work with the UAW to make autoworkers pay for the collapse of the US auto industry. In the coming months the threat of bankruptcy will be used to tell autoworkers they "have no choice" but to accept a rollback in their living standards and working conditions to a level not seen since before the unions were built in the mass struggles of the 1930s.

The Democrats are reportedly pushing for Obama to appoint Paul Volcker—an inveterate enemy of the working class—as the Car Czar to oversee the terms of the federal bailout and restructuring of the auto industry. As the former Federal Reserve chairman under the Carter and Reagan administrations, Volcker raised interest rates to record levels in the early 1980s to provoke a deep recession in order to use mass unemployment as a hammer to slash workers' wages and living standards.

If workers do not accept concessions by the end of March, the Car Czar will have the power to revoke the loans, essentially throwing the companies into the bankruptcy courts, where union contracts will be torn up or the companies simply liquidated.

The concessions imposed on American autoworkers will be used as a new benchmark for an assault on the wages, health benefits, pensions and working conditions of workers throughout the US and, in fact, internationally.

Global auto slump

Behind the near collapse of 100-year-old GM—once the icon of American industrial might—is the financial breakdown of American capitalism. The liquidation of trillions of dollars of accumulated debt will result in a sharp reduction in consumption by ordinary people.

A *New York Times* article entitled, "Automakers Fear a New Normal of Low Sales" noted that car companies were adjusting to the "new reality" of a permanently smaller demand for cars in the US, the world's largest automobile market. Like the housing boom, the auto industry had "thrived on cheap credit that allowed automakers to offer low-interest loans and rock-bottom lease payments to encourage consumers to regularly trade in and upgrade their vehicles," the newspaper noted.

"After an era of excess indulgence," John A. Casesa of the consulting firm Casesa Shapiro Group told the *Times*, "we're now entering a prolonged period of conservation. Trading in a car every three years is a luxury that the average American can no longer afford."

Further suppressing demand is the fact that consumers are holding on to cars longer, with the typical vehicle on the road nine years old, compared to six in 1988, according to federal statistics.

With US sales not expected to reach 14.5 million to 15 million until 2012 or later and other major markets, including Japan and

Western Europe, also saturated, a shakeout in the global auto industry is under way. Each multinational corporation is ruthlessly fighting to increase its share of the shrinking market by slashing the jobs, wages and benefits of their workers.

On Tuesday, Toyota, Japan's largest automaker, said it would halt production for 11 days in February and March at its 12 Japanese plants. The company, which saw a 37 percent decline in US sales, is also cutting back production at its North American plants, where it has put many workers on unpaid holidays.

Toyota, which had been expected to become the first carmaker to hit the 10 million sales mark globally—cut its sales estimate for the year to 7.54 million units, or 15 percent below last year's volume. Last month it forecast its first-ever operating loss—down 150 billion yen (\$1.61 billion) compared with a profit of 2.27 trillion yen in the previous fiscal year.

The company has been hard hit by the global auto slump, a recession in Japan and the impact of a high yen, which has surged against the dollar, making their exports more expensive and slashing the profits they make in the US.

Auto sales in Japan, the world's second largest economy, have fallen to a 34-year low. Sales of new cars, trucks and buses fell for the fifth straight year, to 3.212 million last year, down 6.5 percent from 2007, according to the Japan Automobile Dealers' Association.

The slump in exports, particularly to the US, has led the automakers to cut earnings and production forecasts and speculation is rife that one or more of the country's seven auto companies will not survive the downturn. Last month the automakers laid off temporary and contract workers, including Toyota (6,000), Nissan (1,500), Mazda (1,300), Mitsubishi (1,100), Subaru (800), Honda (760) and Suzuki (600).

Legislation passed several years ago—and accepted by the unions—allowed Japanese manufacturers to hire part-time workers for the first time, enabling them to quickly reduce or expand the workforce depending on demand. At the start of the fiscal year, *Automotive News* reported that Japan's auto industry had 30,000 contract workers and 250,000 full-timers. But by April, the part-time ranks will be cut to 15,000, including jobs at truck makers, the Japan Automobile Manufacturers Association reports.

The US industry publication called the employment of temporary and casual workers "Japan's labor edge," clearly suggesting that the US automakers move to increase the number of these perpetually insecure workers in the US.

The global character of the auto slump underscores the need for US autoworkers to reject the nationalist policies of the UAW and Democratic Party and forge an international response to the crisis, based on the unity of workers throughout the world and a struggle for a socialist alternative to the profit system.



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