White House weighs bankruptcy in attack on GM, Chrysler workers

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The White House is reviewing several scenarios, including a government supervised bankruptcy of General Motors and Chrysler, to carry out an unprecedented attack on autoworkers' jobs, wages and pensions.

A *Wall Street Journal* report Monday said outside advisers at the US Treasury were trying to arrange at least $40 billion in financing for bankruptcy loans for GM and Chrysler. While administration officials publicly claim they want to restructure the industry outside of the bankruptcy courts, the newspaper noted, "people involved in talks with senior Obama officials said the administration believes that the option of Chapter 11 filings by the two automakers needs to be seriously considered."

Within the administration there is a debate over how best to break the resistance of autoworkers to sweeping concessions. One faction believes it can achieve its aim by using the *threat* of bankruptcy and relying on the United Auto Workers union to impose management's demands. Another wants to use the bankruptcy courts to tear up labor agreements even if it means a confrontation with autoworkers.

In a sign of the ruthless character of the latter course, a New York bankruptcy judge on Tuesday ruled that auto parts giant Delphi—a former division of GM—could unilaterally cancel medical benefits for 15,000 salaried retired workers—a measure that will cost each retiree up to $800 a month to maintain coverage, while a family could see yearly premiums of $22,400.

The government bailout is being presented as a plan to "save" the auto industry. However, it has nothing to do with protecting the jobs and communities of autoworkers. On the contrary, GM has already announced plans to eliminate 47,000 jobs from its global workforce—including 21,000 hourly and salaried positions in the US—and close 14 plants in North America and Europe. Chrysler and Ford are soon to announce their own downsizing plans.

In reality, "saving" the auto industry means destroying the gains won by generations of autoworkers in order to make car manufacturing a profitable investment for the same financial speculators that have wreaked havoc throughout the economy. At the same time, the attack on autoworkers—long among the highest paid industrial workers in the US—will be used as an example to launch a campaign of wage- and benefit-cutting against the entire working class.

This is clear from the make-up of the so-called auto task force assembled by the Obama administration. Treasury Secretary Timothy Geithner—the architect of the Wall Street bailout—and White House economic adviser Lawrence Summers will lead the task force. Both men ferociously opposed restrictions on the banks receiving public funds, including caps on executive compensation. When it comes to autoworkers, however, they insist that wage and benefit cuts are essential for the "long-term viability" of the companies.

The task force will be advised by Steven Rattner, a merger and buyout specialist who worked at Lehman Brothers, Morgan Stanley and Lazard Freres before launching his own $6 billion private equity firm, Quandrangle. He will be joined by Ron Bloom, a former partner at Lazard, who worked with the steelworkers union in the series of bankruptcies and mergers that wiped out the jobs and pensions of tens of thousands of workers.

A similar plan for the auto industry is already being discussed. In an interview with Harvard Law Professor Mark Roe, the *Wall Street Journal* spelled out one possible plan in which GM would sell off its automotive operations to a big investor who would have no responsibility for the "legacy costs" the company had accrued, in other words, the financial obligations to pay health care and pension benefits. "GM could leave behind the legacy claims and a buyer wouldn't care what the value of those would be because that would be resolved in a bankruptcy," Roe said.

A section of the financial and political establishment has never reconciled itself to the gains that autoworkers won through generations of struggle and see the present crisis as an opportunity for class revenge. *Wall Street Journal* columnist Paul Ingrassia denounced GM's restructuring plan—saying it was typical of the auto company's failure to make "painful" decisions, including eliminating the 30 years-and-out retirement program—because "Detroit executives weren't about to take on the union and risk a strike that could cost them billions."

Comparing this to the lack of courage by Washington politicians who have failed to "reform" Social Security, Ingrassia said, "Without a bankruptcy filing, the issues with the UAW, dealers and bondholders are likely to remain unresolved. The same pain-avoidance motive that has kept these issues festering for years will continue."

The leading newspaper of the liberal establishment, the *New York Times*, joined the chorus against autoworkers, declaring in its February 23 editorial that Chrysler should be thrown into bankruptcy because, unlike GM, it had not decided to eliminate tens of thousands of jobs to restore its profitability.

Tossing aside reports that such a bankruptcy would lead to "huge job losses," the *Times* wrote, "The case for saving Chrysler is certainly the weakest," since it was the "smallest of the Big Three, employing just more than 40,000 hourly workers." It continued, "Still, there may be other arguments for saying no to Chrysler. It might finally shake GM, its creditors and the autoworkers' union out of their complacency, forcing them to reach an agreement to reduce the beleaguered automaker's liabilities."

The automakers have until March 31 to demonstrate progress in slashing labor costs and reducing debt or the administration can recall the $17.4 billion in loans and throw the companies into bankruptcy.

On Monday, the United Auto Workers union announced it had reached a concessions deal with Ford that GM and Chrysler were expected to follow. Under the terms of the agreement Ford will pay half of the $13.6 billion it owes for retiree health care benefits in company stock, rather than cash.

In 2007, the UAW allowed the automakers to dump their retiree health care obligations into a union-controlled trust known as a Voluntary Employees' Beneficiary Association, or VEBA, which is due to begin administering benefits in January 2010. The abandonment of employer-paid benefits—a gain won by autoworkers in the 1950s and 1960s—provoked widespread opposition from workers and legal action from retirees.

In response the UAW joined GM to strip its retired members of any legal right to protect their benefits. At the same time the union assured workers that the under-funded VEBA trust would gain value on the stock market and, in the words of UAW President Ron Gettelfinger, remain solvent for 80 years. That was before GM stock plunged from $43 a share to around $2 today.

The funding of the VEBA with virtually worthless stock ensures that the UAW will slash the health care benefits to 800,000 retirees and their spouses and dependents.

Ford could issue 808 million new shares in 2010 to fund half of its obligations, Barclays Capital auto analyst Brian Johnson told the *Detroit News*—the equivalent to about 25 percent of Ford's common stock. This would make the UAW one of the largest shareholders in the company, giving the union bureaucracy a direct financial incentive to drive up the exploitation of its own members.

In addition, the UAW has reportedly accepted other concessions, including a pay freeze and the elimination of lump-sum bonuses, a reduction in supplemental unemployment benefits, restrictions in overtime and the elimination of higher-paid skilled trades positions. These and other givebacks—including the previous reduction of new hires' wages to $14 an hour—are designed to meet the government's demands that will reduce labor costs to the level of non-union workers at US plants operated by Toyota, Honda and other international carmakers.

Announcing the Ford deal, UAW President Ron Gettelfinger said, "The modifications will protect jobs for UAW members by ensuring the long-term viability of the company." This is no more true than for the countless "job-saving" concessions the UAW has handed over during the last three decades, starting with the 1980 Chrysler bailout, during which time more than 700,000 autoworkers have lost their jobs.

The proposed changes will be presented to the union's local leadership at a council meeting this week. Proposed changes to the VEBA will require court approval. In addition, the changes in the 2007 contract will require approval from the rank and file, where there is widespread opposition to the betrayals of the UAW bureaucracy.

A reporting team from the *World Socialist Web Site* spoke with workers at the GM Willow Run Transmission plant in Ypsilanti, Michigan, which supplies equipment for the Silverado truck, Corvettes and SUVs, all of which are not selling.

An older worker, noting that only 1,400 workers were left in the plant, pointed to the virtually empty parking lot and said, "There were more than 14,000 workers here in the late '70s, early '80s. We had so many people they had to leave the plant in 20-minute intervals to exit."

The only young workers were contract workers walking into the plant for the evening shift. They said they were part of the clean-up crew, working for an outside contractor who pays $12.95 an hour. UAW members making more than twice the wages would have previously performed such work.

Another older worker who had been laid off in January 2009 said everyone was being hit by the economic downturn. "Even the Japanese companies are cutting back. But did you notice what they did when the company heads screwed up? They got rid of the bosses. Look at Wagoner. Here they do nothing to these people. Frankly, I think they should all be gone. "

Barbara Vance, the wife of an autoworker, said her husband's income "is the only thing that is keeping us going, so we are kind of scared about it." Barbara said her husband has been working at GM for 42 years, "But with the economy the way it is, we are afraid of not being able to pay our bills."

Rick Rokita, with 32 years, said he was tired of workers being blamed for the crisis. "When something goes wrong we are the ones who are blamed. What are they asking for the big heads? A 10 percent cut? That's not taking a lot. It doesn't affect them nearly as much as it affects us with the kind of money they make."

When asked about the impact of a bankruptcy, Rick said it would be devastating for the entire country. "The trickle down will affect everybody. This has been going on for years and years. It looks like we have waited too long to do something about this.

"I'm just tired of these executives getting away with what they get away with. If we did things like that they would put us in jail. They say they can't live off of $500,000. You know it all comes down to corporate greed."

As for the union, Rick said, "They give you the highlights of a contract that you will get this or that, but once you vote on it you find out it's not what you thought it was going to be. It's like things in fine print. I never know exactly what I am voting on.

"When you look at it, the union is very weak. You can't shut the corporation down like we used to be able to do. In fact, all of the workers and the unions should stand together. We don't do that."