Obama, automakers step up blackmail of GM and Chrysler workers

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In an interview published Wednesday, the top executive at Italian carmaker Fiat said the company was "prepared to walk" away from a planned merger with Chrysler LLC if American and Canadian auto workers did not agree to severe wage and benefit cuts over the next two weeks.

The Obama administration has set an April 30 deadline for Chrysler to impose the concessions and conclude a deal with Fiat or face the cut off of federal loans, a move that would throw the 85-year-old Detroit automaker into bankruptcy and most likely liquidation.

In the interview at his Rome office, Sergio Marchionne told the Toronto *Globe and Mail* that US and Canadian workers would have to reduce their wages to the level of non-union workers at Japanese and German-owned factories in North America. "We cannot commit to this organization unless we see the light at the end of the tunnel," he said.

Marchionne—who was educated in Canada and began his automotive career there—denounced the sense of "entitlement," which, he said, Chrysler workers harbored on both sides of the border. "The minute you talk to me about historical entitlement in an organization that is technically bankrupt, it's a nonsensical discussion," he said. "There is no wealth to be distributed."

Last month, President Obama singled out Marchionne for praise and described Fiat as a company where "the current management team has executed an impressive turnaround." According to the industry publication *AutoWeek*, the president's auto task force is considering asking the Fiat CEO to run Chrysler, a proposal Marchionne said he would accept.

Fiat's "turnaround" was accomplished through a vicious attack on workers in Italy, shutting plants and carrying out mass layoffs, which provoked repeated strikes and demonstrations. In a recent interview, the Fiat boss signaled his support for the destruction of hundreds of thousands more jobs in the global auto industry, saying the biggest obstacle to returning to profitability was "overproduction."

Even if a merger were successful, it would only lead to far more downsizing at Chrysler, which has reduced its worldwide workforce from 123,000 to 54,000 over the last ten years. The White House is demanding more aggressive cost-cutting than the plans already laid out by the company, which includes the closure of six of Chrysler's 30 North American plants and the elimination of thousands more hourly and salaried jobs.

President Obama has called for far more "painful concessions" from workers, which are likely to include immediate wage and benefit cuts for current workers. Chrysler previously threatened to pull all of its operations out of Canada if workers did not accept a US$16 an hour cut in hourly labor costs to match what the company pays workers at its US plants.

According to the *Globe and Mail*, the Canadian Auto Workers union has so far balked at this demand, offering Chrysler the same US$6 an hour reduction it has already given General Motors of Canada, "plus agreeing to reduce break times at Chrysler plants in Brampton, Ont., and Windsor, Ont., which would reduce hourly costs by what the union says is several more dollars an hour."

The Treasury Department also reportedly wants the banks and investors who control Chrysler's debt to give up about 85 percent of the $6.9 billion they are owed. The Bloomberg news service said the four largest lenders are JPMorgan Chase & Co., Citigroup, Goldman Sachs Group and Morgan Stanley—all recipients of Wall Street bailout money. The banks are reportedly holding out, believing they can get most of their money back if Chrysler is forced to file for bankruptcy.

General Motors

An even more brutal downsizing is being planned for General Motors, along with the gutting of living standards and working conditions of its 62,400 remaining hourly workers. The White House has given GM until May 31 to impose sweeping concessions and implement downsizing plans that would go well beyond the 47,000 worldwide job cuts, including 21,000 in North America, the company has already proposed.

Last month the administration removed GM CEO Richard Wagoner—who reportedly had resisted plans to take the company into bankruptcy—and moved to install a board of

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directors prepared to carve up the company on behalf of the most powerful sections of the financial elite.

The White House appointed Kent Kresa as the non-executive chairman of the board. An advisor to the Carlyle Group private equity firm, Kresa was the CEO of the giant defense contractor Northrop Grumman for 13 years, during which time he acquired 16 companies and led the consolidation of the aerospace and defense industry, which saw the destruction of 600,000 jobs between 1990 and 2004.

This week Kresa told the *Detroit News* it looked increasingly unlikely that a deal could be reached outside of the bankruptcy courts. He said GM has been planning for weeks for a possible bankruptcy filing if it can't meet the June 1 deadline set by the Obama administration's auto task force, members of which are operating out of GM's headquarters in Detroit's Renaissance Center.

The task force, which is stacked with former Wall Street investors, has made it known that it favors a so-called "363 sale" in which a bankruptcy court breaks up GM into two entities—a "good" GM, which includes the company's most profitable brands, dealerships and factories, and a "bad" one, where its undesirable assets, including dozens of factories and tens of billions in pension and retiree health care obligations, would be dumped.

The "new" company, which would benefit from an entirely re-written UAW contract guaranteeing poverty wages and sweatshop conditions, would be sold off to private investors who would no doubt benefit from all sorts of federal loans and guarantees against losses. The old company would languish in the bankruptcy courts for years before being wound down, leaving pensions in the hands of the government.

In his remarks at Georgetown University Tuesday, President Obama reiterated that GM and Chrysler would have to make "unpopular choices" in order to put themselves on the "path to profitability." He cynically feigned concern about the "hundreds of thousands of workers whose livelihoods hang in the balance" when, in fact, it is their jobs and living standards which he is destroying.

In the face of this unprecedented attack, the UAW has continued to maintain its silence. There is little doubt that the union bureaucracy has already agreed to all of the concessions demands involving the wages, benefits and working conditions of the almost 90,000 UAW members at GM and Chrysler. This would be in line with its decades-long policy of labor-management "partnership," in which the UAW has given up most of the gains won in generations of struggle. The only real concern of the UAW is the tens of billions owed by GM and Chrysler to its retiree health care trust fund, which the union bureaucracy had counted on as a lucrative source of investment revenue to offset the income losses resulting from the loss of two-thirds of its dues-paying membership.

The *Detroit Free Press* Wednesday cited a person close to the talks who said the Obama administration was expressing its willingness to protect the retiree trust fund—and therefore the financial interests of the UAW—to a greater extent than the banks and bondholders, even if the companies went into bankruptcy.

"That means that while bondholders are being pushed to take pennies on the dollar for their debt, the union remains on track to receive a substantial ownership stake in the automakers if deals can be hammered out," the *Free Press* reported. "In return, the UAW would forgive the automakers part of the $30.6 billion they owe the union to start a retiree health care fund that takes huge liabilities off the automakers' books."

Behind the scenes the union bureaucracy is in intense negotiations with the White House over what it can gain from the carve-up of the auto industry and its collaboration in the brutal exploitation of auto workers. This includes a major ownership stake in the "new" auto companies, whose share values would presumably rise sharply after they dispensed with their pension obligations and other debts and had secured a sweetheart contract from the UAW.

Among those included on Obama's auto task force is Ron Bloom, a former partner at the Wall Street investment firm Lazard Freres & Co. Bloom has worked for the United Steelworkers bureaucracy since 1996, advising the union as it collaborated with various billionaire asset strippers during the dismantling of the steel industry.

The complicity of the UAW in this corporate-government conspiracy only underscores its thoroughly rotten character and the need for auto workers to break free from it and form new organizations of struggle.

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