

General Motors accelerates job cuts as bankruptcy deadline approaches

Jerry White
21 April 2009

General Motors has begun to implement its plans to slash tens of thousands of jobs before the June 1 deadline the Obama administration has imposed for the company to drastically reduce its size and labor costs or face bankruptcy. The job cuts took place as GM's CEO Fritz Henderson told reporters that a government-supervised bankruptcy—which would lead to the abrogation of labor contracts and the carve-up of the century-old industrial giant—was now looking “more probable.”

Meanwhile, Chrysler LLC is continuing to demand sweeping wage and benefit concessions from auto workers in the US and Canada, facing an April 30 deadline from the White House to wrench such concessions and conclude a merger with Italian automaker Fiat. If this deal is not completed, the company will face the revoking of federal loans and a bankruptcy that would likely lead to liquidation.

In a letter to employees, Chrysler CEO Robert Nardelli said last week that more concessions from the United Auto Workers are needed. He added a threat to Canadian auto workers, saying, “Without labor concessions, Chrysler Canada's manufacturing operations will not survive long-term. Thousands of good-paying jobs are in jeopardy, as well as the economic health of communities such as Windsor and Brampton.”

On Monday, GM told 1,600 salaried workers—mostly in southeastern Michigan—that they were losing their jobs. The cuts—centered at GM's Renaissance Center headquarters in downtown Detroit, GM Tech Center in Warren, the Milford Proving Grounds, and offices in Pontiac and Grand Blanc, Michigan—are part of 3,400 white-collar jobs being cut in the US by the end of the year.

A GM spokesman told the *Detroit News*, “This is part of really restructuring the company to a smaller, leaner company, one that can, as the (Obama) administration requested, be profitable on an ongoing basis.” Last month, 7,631 hourly workers, including 4,100 in Michigan, accepted buyouts and left the company. Since 2006, GM has eliminated 60,500 hourly jobs through buyouts, or nearly

half its hourly workforce.

In February, President Obama rejected as inadequate plans to close 14 of GM's 47 plants in North America by 2012 and eliminate another 47,000 jobs worldwide, including 21,000 in the US, Canada and Mexico.

On Friday, Henderson said, “There will be further reductions in manpower ... that are going to affect communities and are going to affect plants and people—both on the hourly and the salaried side of the business.” The cuts would be implemented by June 1, he said.

The GM boss outlined a plan to eliminate several brands, including Hummer, Saturn and Swedish-based Saab and speed up shedding more than 1,700 dealers by 2012. In addition, Henderson said, GM was entertaining offers to spin off its Opel unit, which employs 55,000 workers in Germany and other European locations.

“We're taking the watch apart and putting it back together. We're looking at every aspect of our business,” he said, adding that GM was following the Obama administration's dictates to “go faster and go deeper.” The company's new restructuring plans, he said, would “allow us to be successful even in a tougher climate.”

In February, Obama's auto task force—which is made up chiefly of private equity investors and other Wall Street insiders—said GM would only be considered “viable” if it guaranteed an “adequate return on capital” under all conditions, including a severe economic downturn. This could only be achieved by reducing the workforce to poverty wages.

It is widely reported that the auto task force favors a so-called “363 sale”—named after Section 363 of the Bankruptcy Code—which would allow a judge to set up a “new” GM, made up of the most profitable assets that could quickly be sold to private investors. The undesirable assets, including “underperforming” brands and factories, and tens of billions in health care and pension obligations owed to GM retirees, would be left to languish in the bankruptcy courts for years before finally being wound down.

The *Detroit News* reported that the auto task force was

preparing to loan GM another \$5 billion in short term aid to continue operations through this quarter. Meanwhile, intense negotiations are taking place behind the scenes with the White House pressing major bondholders and the United Auto Workers to accept sharply reduced debt payments from GM in exchange for equity shares in the current company, or a “new” GM.

Although bondholders are unable to unload their debt for anything more than 15-16 cents on the dollar on the market, they are steadfastly opposing demands by the White House for a two-thirds reduction in the \$27 billion in unsecured debt GM owes them.

According to *New York Times* business columnist Andrew Ross Sorkin, “About 80 percent of the bonds are held by large investors and hedge funds, many of which play in distressed debt markets” and “would less politely be called ‘vultures.’” These included Capital Research & Management; Loomis, Sayles; and the Pacific Investment Management Company. “Indeed, GM bonds have been changing hands rapidly, suggesting that some hedge funds have been plowing into them, gambling that these investments soon will be worth even more,” Sorkin said.

The big investors are demanding even greater concessions from the UAW and have threatened to drive the company into bankruptcy, where they believe they could get a better deal from a judge, who would place the bulk of concessions on the workers. Moreover, given the record of the Obama administration in bailing out big bondholders, they no doubt believe they can hold out for more.

The UAW has already accepted further drastic reductions in the wages, benefits and working conditions of their members. This is in line with the union bureaucracy’s long record of betrayals, which culminated in the 2007 contracts that reduced the wages of newly hired auto workers to \$14 an hour while freeing the auto companies of their obligations to pay health care benefits to more than a million retirees and their dependents. In exchange, the auto companies set up a multi-billion dollar retiree health care trust fund, from which the union bureaucracy believed it could derive a steady stream of investment income.

The White House is demanding that the UAW accept more than half of the \$20 billion owed to its trust fund in virtually worthless shares. After remaining silent for more than three weeks, the UAW sent a public letter to Congress objecting to the bondholders’ demands.

“The UAW believes the retirees, surviving spouses and their dependents should not be required to make sacrifices beyond those called for” in the December loan agreements, the UAW wrote. The union also called on its members to write President Obama to “Tell him to insist that workers and retirees must be treated in a fair and equitable manner in

any restructuring plans!”

The UAW bureaucracy has no concern over the fate of the members it supposedly represents. Faced with demands from the bondholders that it accept even greater reductions, however, the union officials—who are being advised by Wall Street investment firm Lazard—are battling to secure the best deal for themselves from the carve-up of the industry.

Last week, sources inside of the negotiations told the *Detroit Free Press* that the Obama administration was indicating that the UAW would be given a significant “ownership stake” in a “new” GM after bankruptcy, in exchange for concessions, including accepting a reduction in the payments to the trust fund.

The treachery of the UAW is generating increasing opposition from rank-and-file workers. A young worker at a GM plant in Pontiac, Michigan, told the WSWs, “The union has its own set of goals. No one is looking out for the workers.

“The UAW is a joke. They made us sign an agreement in which we lost our cost-of-living and new hires are forced to work for \$14 an hour, next to a guy working for \$28 an hour. The contract doesn’t mean a thing because in the fine print it says anything can be changed at the discretion of management.

“The union said we had to vote for this because they would shut our plant if we didn’t. Well, regardless, they are still shutting our plants. Then they have us sign a ‘house agreement’ that gives up even more concessions.

“There are guys here who were hired in 2004. They worked until they got the top rate of \$28 an hour and then got laid off. They were rehired under the 2007 agreement that cut their wages in half. They top off at \$18 an hour and have virtually no benefits. The company gave them a \$600 debit card to pay for medical coverage and it takes five years before they get optical care and three for dental. One guy I know said his 401(k) lost 40 percent of its value.”

The worker added: “They want to hire nothing but temporary workers who have no job security and the union is going along with it. The workers here have no allegiance to the UAW.”



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact