

“It’s going to be an absolute bloodbath”

Obama, Harper force bankruptcy on auto parts industry

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President Barack Obama’s Auto Task Force this week rejected a request from two national organizations of auto-parts suppliers for up to \$10 billion in loan guarantees. Task Force member Ron Bloom told industry representatives that Obama favors bankruptcies and the “contraction” of the industry—that is, tens of thousands of layoffs. “Consolidation for the industry needs to take place,” Bloom is reported to have said.

The Canadian government has also rejected assistance to the industry. Currently there are about 400,000 auto parts jobs in the US, and another 100,000 in Canada. At least a third of these workers will confront layoffs within the next year or two.

“The carnage will be occurring in the next 60 to 120 days,” said Craig Wiggins of the auto consultation firm Tooling & Capital Solutions of Tecumseh, Ontario. “It’s still going to be an absolute bloodbath.” Wiggins was involved with the loan negotiations taking place in both Washington and Ottawa.

Neil De Koker, president of the Original Equipment Suppliers Association, said the US Treasury’s decision would likely result in “disorderly chaos in the industry.” The Motor & Equipment Manufacturers Association (MEMA) joined in the appeal for the loans. The Treasury had earlier extended \$5 billion in loans and guarantees to firms in the industry that supplied General Motors and Chrysler Group LLC.

The auto parts industry has been hammered by the national collapse in auto sales, which have declined by more than one third from last year, and the bankruptcies of GM and Chrysler, which have disrupted long-established supply chains.

Twenty-one auto parts manufacturers have filed for bankruptcy so far this year. Among these are major concerns such as Visteon Corp., Metaldyne Corp., Noble International Ltd. and Cooper-Standard Automotive Inc., all headquartered in Michigan. An industry executive anticipates that these will now be a “rush of failures.” The manufacturers’ associations pleaded with the Obama administration, warning that without further assistance 49 major suppliers would collapse in 2009, followed by 60 more in 2010.

“There are a number of parts manufacturers that are virtually on the edge of being pushed into a Chapter 11 situation,” MEMA President Bob McKenna warned. “And, on the other hand, when business picks up, you’ve got to have money to invest in building those products to satisfy the market. But in an environment where nobody is lending money, particularly to the automotive industry, it’s pretty tough.”

Particularly hard-hit by the destruction of much of the auto parts industry will be the states of Michigan, Ohio, Indiana and Kentucky. The collapse of the parts suppliers will accelerate next week, ironically, when Chrysler resumes production. As the *Windsor* (Ontario) *Star* notes, “in order to drive down parts prices, the Detroit Three have been feeding [suppliers] just enough business for the past three years to keep them staggering along in a near-death state. The zombies will start to die in larger numbers next week when Chrysler reopens its plants for production and elects not to keep some of them alive. More will disappear when GM does the same in a few weeks.”

Canadian workers, especially in Ontario, will also suffer disproportionately. About one third of the 1,700 “tier one” large-scale parts producers have operations

in Canada. The Conference Board of Canada reported this week that it anticipates the destruction of 37,000 of the country's 100,000 parts jobs in 2009, a decline in auto parts production by 39 percent, a staggering 48 percent decline in parts exports, and the disappearance of many small and medium-sized producers. Only five years ago, there were almost 140,000 parts jobs in Canada. Next year there will be slightly more than 60,000.

It is expected, however, that two large Canadian parts firms, Magna International Inc. and Linamar Corp., will benefit disproportionately from the industry's collapse, assuming market share from the wreckage of their US and Canadian counterparts.

Much of the parts industry is located in the small towns and medium-sized cities of the American Midwest and southwestern Ontario. In one example, the collapse of Noble International will result in the closure of a plant in Archbold, Ohio, a small town in rural northwest Ohio. There are just over 4,000 residents in Archbold. Noble was among the town's largest employers. It will lay off 75 workers. The plant had operated in the town since 1967.

Obama's decision to allow the auto parts suppliers to collapse demonstrates, once again, that its intervention in the auto industry has never had as its aim "saving jobs." On the contrary. Washington and Ottawa have deliberately set about to destroy the jobs and living standards of auto workers as a first stage for a broader assault on the entire working class. At the same time, the Bush and Obama administrations have handed over trillions of dollars to the finance industry, in the form of guarantees on their debts, loans and direct cash infusions.

The UAW has been an indispensable co-conspirator in the assault on American auto workers. This pro-business enterprise has sought to stamp out all resistance among workers to layoffs, going so far as to conclude a six-year "no strike pledge" with GM and Chrysler.

Now Ford Motor Co. has requested the same treatment from the UAW. Ford CEO Alan Mulally told reporters at Detroit's National Summit on the economic crisis this week that conversations with the UAW over the no-strike pledge were already under way. Outlawing the strike is "one piece of the conversation we're having with them," Mulally said.

"We continue to talk with them on improving our competitiveness."

UAW executives have helped impose a vast array of concessions on GM and Chrysler workers, including wage and benefits cuts, and changes to workplace rules. The UAW blackmailed workers, telling them that giving up concessions was the only way they could save their jobs. But after forcing the give-backs, Chrysler and GM announced plant closures and tens of thousands of layoffs. With its no-strike pledge, the UAW hopes to snuff out worker resistance for years to come.

For itself, the UAW officialdom secured a majority stake in Chrysler and will be a major shareholder in GM as well.

Ford is the only one of the "Big Three" US automakers that did not enter bankruptcy this year. In the name of "competitiveness," as Mulally put it, the UAW is now negotiating similar terms with Ford.



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