GM posts record profits, prepares more cuts

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General Motors reported a record $7.6 billion profit for 2011 Thursday, but the largest US automaker made clear that it would continue to pursue cuts in jobs, wages and benefits for its worldwide workforce, with the direct assistance of the United Auto Workers.

It was the eighth consecutive quarterly profit for the company since its forced bankruptcy in 2009, but the smallest during that period, a signal that further cost-cutting measures will be demanded by the financial markets. Worldwide revenues rose 11 percent to $150.3 billion, but profits soared 62 percent compared to 2010.

GM was fueled by record pretax profits of $7.2 billion in North America. Asian operations also posted a significant profit, about $1.8 billion, but GM lost money in South America and particularly Europe, where its subsidiaries have accumulated losses of $14 billion since 1999.

Global sales rose 7 percent to 9.03 million vehicles, putting GM once again in first place, surpassing Toyota. But fourth quarter revenue was only $500 million, or 28 cents a share, significantly below analyst expectations, which averaged 42 cents a share.

Chairman and CEO Dan Akerson—whose own salary and bonus approach $10 million—hailed the results of 2011, which included cost-cutting measures that had the effect of “reducing our break-even level in Europe and South America and driving higher revenues around the world.”

The record profits owe largely to the cuts imposed on auto workers in the United States and Canada, under the auspices of the United Auto Workers and Canadian Auto Workers unions, including a new US starting wage of barely $14 an hour, half the basic wage for longtime workers, and cuts in health benefits, pensions and health care for retirees.

While the company made a $7.2 billion profit in North America, nearly $150,000 for every one of its 47,500 US production workers, these workers will receive a derisory $7,000 in profit-sharing checks in March.

No sooner than it broke its previous record for profits, than the company announced a new attack on white-collar workers. GM said Wednesday it would freeze its pension plan for 19,000 US workers hired before 2001, shifting them to a 401(k) plan with a defined contribution and no guaranteed benefit. Salaried workers hired after 2001 are already denied a pension. The company will also institute annual bonuses rather than pay increases for all 26,000 salaried employees.

GM spokesmen emphasized the company’s focus on improving margins in its European operations, which lost $727 million last year. Last month Akerson placed Vice Chairman Steve Girsky in charge of the European management board, and shifted a group of US-based executives across the Atlantic.

Particularly critical will be the role of United Auto Workers President Bob King, who is to be named to the supervisory board of GM’s German subsidiary, Adam Opel AG, according to a report Monday in the German publication *Handelsblatt*. The supervisory board has 20 seats divided equally between GM management and the IG Metall union, which will nominate King as one of its representatives.

Press coverage of the King nomination suggested that his selection was “another sign of how serious the Detroit automaker is about restructuring Opel,” the *Detroit News* observed. “The company is reportedly working on a major restructuring of Opel and its broader European business that will likely entail plant closings and significant concessions from unions—the same sort of concessions that GM won from the UAW during the economic crisis in the United States.”

The *Detroit Free Press* headlined the same decision: “GM putting new team in charge of Europe; UAW President Bob King to join Opel board.” As the title demonstrates, King is regarded as an integral part of the

GM "team" that will spearhead the company's cost-cutting drive at its German subsidiary.

Reuters news agency put it even more bluntly, reporting the selection of King under the headline, "As Opel losses mount, GM seeks union-backed cuts." The article noted that an IG Metall leader visited King in Detroit before his appointment, confirming that the German trade union executives are joining forces with their American counterparts and the corporate bosses to gang up against the workers on both continents.

The most likely outcome of these backroom consultations is a decision to close several GM plants in Europe, most likely the Opel plant at Bochum in the Ruhr, with 3,100 workers, and the Vauxhall plant at Ellesmere Port near Liverpool in Britain's blighted industrial northwest, with 2,100 workers.

The collaboration of the unions is essential to GM to strangle resistance from the workers. An analyst for IHS Global Insight wrote Wednesday, in a research note, that the shakeup in GM's European leadership "would indicate that the company is foreseeing some major industrial unrest as a result of the expected restructuring plan."

Under the impact of the global financial collapse and the crisis in the euro zone, car sales have fallen 15 percent in 2011 compared with 2007 and are projected to decline another 6 percent this year.

"There is increasing frustration with Opel and a feeling that the cuts two years ago did not go nearly deep enough," one company official told the *Wall Street Journal*. "If Opel is going to get fixed, it is going to get fixed now and cuts are going to be deep."