

Brutal budget cutting, privatization planned for Detroit

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On March 1, Michigan's governor, Republican Rick Snyder, declared Detroit to be in a state of financial emergency, paving the way for the appointment of an emergency manager who would have dictatorial powers to abrogate labor agreements, gut city services and sell off public assets.

In justifying his decision, the multi-millionaire former venture capitalist and computer mogul said city officials had refused to seriously address the financial crisis.

In fact, Detroit's Democratic mayor and City Council have been engaged in non-stop budget cutting. But clearly this is not enough for the banks and wealthy bondholders seeking to loot the city, channel public resources to private companies and strip workers of their jobs, wages and pensions.

Snyder cited the findings of the Finance Review Team, a bi-partisan body set up in April to oversee the city's finances, which concluded that Detroit was unable to meet its debt obligations of \$327 million and long-term liabilities of \$15 billion.

"The Consent agreement"—the measure established in April 2012 in which the city agreed to partner with a state appointed Financial Review Team to carry out cuts, "did not work," said Snyder, who added, "They did not bring the urgency to the problem."

In a foretaste of what is being planned, the *Detroit Free Press* reported Sunday that Andy Dillon, the Democratic state treasurer who heads the Finance Review Team, has already singled out four areas to be removed from city control. He called for them to be either privatized or sold in what would be a fire sale for wealthy asset strippers.

Plans are already underway to place the lighting system under private control, but Dillon would like to see it sold entirely to a private company. Dillon also

called for the Detroit Department of Transportation (DDOT), the public bus system, to be privatized. This would mean that hundreds of workers would lose their jobs, wages and benefits. DDOT is presently under supervision by a private company that has carried out massive cuts in routes.

Another area being proposed for privatization is trash collection, a division of the Department of Public Works (DPW). Again, long-term rights of workers will be destroyed. The article hails the trend of cities turning to private contractors who pay workers low wages.

Dillon has also called for the sale of the Detroit City Airport, an aging structure that has not been maintained for decades. The article did not mention the fact that the city plans to implement the restructuring and downsizing at the wastewater treatment plant, the largest single site treatment plant in the US.

The water department plans to start combining job classifications at the facility this month, as part of a five-year plan to eliminate 81 percent of all jobs. Sewerage workers carried out a strike last fall that was isolated and betrayed by the American Federation of State, County and Municipal Employees.

Republican state officials and many of Detroit's Democratic politicians have tactical disagreements, including over whether to appoint an Emergency Financial Manager. But these are chiefly disputes over a division of the spoils.

Detroit officials, almost all of whom are part of the black corporate and political elite, are complaining about "outside control" of the city's finances because they want to benefit from the carve up of the city and profits that will be made through privatization.

All agree Detroit workers should be made to pay for a crisis they did not create. In his remarks, Snyder said Detroit "was the most successful city in the United

States for many years” and placed the “world on wheels.” It inexplicably “went from the top to the bottom over the last 50 or 60 years.”

In fact, the destruction of Detroit was a deliberate policy bound up with the ruling class’ offensive launched against workers in the 1970s and 1980s, and the transformation of the US economy from the leading manufacturing power to the center of financial speculation and parasitism.

The financial collapse of Detroit is the result of decades of plant closings and corporate downsizing by the auto companies, huge corporate tax giveaways and the diversion of vast resources to pay off the billionaire holders of the city’s tax-free municipal bonds. This was overseen by a corrupt Democratic Party political establishment, which enjoyed the full cooperation of unions, such as the United Auto Workers and AFSCME.

Contrary to Snyder’s claims that Detroit city officials failed to carry out cuts between April and September of 2012, Detroit Mayor Dave Bing and the Detroit City Council imposed hundreds of millions of dollars in cuts in July and December in some of the most vicious cuts workers in Detroit have ever experienced.

In July, Bing imposed 10 percent wage cuts, major reductions in health benefits, hundreds of layoffs and the closure of 15 fire stations. These cuts were in addition to concessions the unions gave in 2011.

In January and February, the mayor and city council carried out another round of cuts, including the imposition of 26 unpaid furlough days on non-union city workers, amounting to one workday every two weeks. In February, the same decision was imposed on unionized employees. This is in a city where the typical unionized worker earns between \$22,000 and \$31,000 a year.

In his state of the city address in January, Bing boasted that he had reduced overall spending by \$1.4 billion in 2009 to \$1.1 billion today and had reduced the city payroll more than 25 percent, from 13,420 to 9,696.

While these cuts were not deep or fast enough for the financial elite they have been devastating for city workers and Detroit resident whose lives have been placed in jeopardy due the reduction in fire and ambulance service.

To win the support of the unions, the *Free Press* has

urged city officials to establish a union-controlled retiree healthcare fund called a voluntary employee benefit association or VEBA, similar to one is run by the UAW at GM, Ford and Chrysler.

Under such an agreement the union would be handed control of millions of dollars and would oversee the provision of retiree health care benefits. This allows the city to dump its underfunded health care obligations—referred to as “legacy” costs—and has the added benefit of contracting out to the union the responsibility for slashing retiree health care benefits.



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