

UAW and Fiat battle over union's multi-billion dollar stake in Chrysler

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The ongoing bitter dispute between the United Auto Workers and Fiat over the value of the union's stake in Chrysler sheds light on the reactionary character of this anti-labor organization. After imposing massive concessions on Chrysler workers, the UAW is now preparing to cash in, seeking billions of dollars for its holdings in the car company.

The UAW became part-owner of Chrysler under terms of the 2009 forced bankruptcy and restructuring of the US carmaker by the Obama administration. The Voluntary Employee Beneficiary Association, or VEBA, set up to oversee retiree health benefits and controlled by the UAW, received a sizable equity stake in Chrysler, currently 41.5 percent, as part of the reorganization. The establishment of the VEBA, funded by billions in auto company stock, gave the UAW a direct incentive to slash the pay and benefits of auto workers.

Now, Fiat CEO Sergio Marchionne wants to buy out the balance of the UAW's holding in Chrysler as part of preparations to merge the two companies. The Italian-based automaker is seeking additional production facilities and cash flow to help it weather the protracted slump in Europe. Fiat is currently prevented from accessing Chrysler's cash by covenants in Chrysler's debt agreements.

However, Marchionne and the UAW are sharply divided over the value of Chrysler's total equity, which the union estimates at \$11.493 billion and Fiat says is worth less than \$4.68 billion.

Fiat has meanwhile sued the VEBA in a court in Delaware to force it to accept a "realistic price" for its stake in Chrysler. The court ruling, which is expected this summer, will help determine how much Fiat will have to pay.

According to a report in *Reuters Legal*, in court

testimony last month, attorneys for the VEBA appeared to sway the judge that Fiat was improperly accounting Chrysler's debt, which was depressing the value of the company. However, later in the hearing, the judge appeared dismissive of the UAW-run trust's argument that Fiat's proposed purchase price was below fair market values and therefore barred by federal laws governing retirement benefits.

If Chrysler, bankrupt in 2009, is now worth billions of dollars, it is largely due to the efforts of the UAW, which has helped to drive down labor costs while brutally increasing the rate of exploitation of workers in the factories. Last year, Chrysler reported net profits of \$1.7 billion, a 20 percent increase over the previous year. The automaker recorded another \$166 million in profits in the first quarter of 2013, despite the cost of product launches.

The other US-based automakers—Ford and General Motors—have seen their profits soar as well, with Ford posting a \$20.2 billion profit in 2012 and GM recording \$4.9 billion in earnings. GM reported profits of \$865 million in the first quarter of 2013 while Ford posted pre-tax earnings of \$2.1 billion. The UAW has smaller ownership stakes in both companies too.

The total value of the concessions surrendered by the UAW amount to some \$1.3 billion annually. These include a two-tier wage system, paying new hires sharply reduced pay and benefits, the elimination of cost of living payments, annual wage increases and protection against layoffs and speedup. The UAW has agreed to the implementation of the so called Alternative Work Schedule (AWS) at many Ford and Chrysler factories which eliminates overtime after eight hours and paid lunch breaks, and imposes mandatory Saturday work without overtime pay.

The implementation of the AWS has led to a vast

increase in productivity and profits for the auto companies by allowing them to operate an additional 49 days per year without the payment of overtime. The cost has been borne by auto workers, who must adjust to killer 10-hour work schedules and weekend work, with the attendant disruption of family and personal lives.

The concessions imposed by the UAW have led to an enormous regression in the conditions of auto workers. New-hires at the US automakers now earn less in real terms than before the establishment of the UAW in the 1930s.

The UAW agreed to the establishment of the VEBA, which relieved the auto companies of their obligation to provide retiree health benefits, with the understanding that it would thus gain control one of the largest private investment funds in the world. However, the VEBA was grossly underfunded from the start, making it necessary for the UAW to impose cuts in retiree health benefits.

In 2012, the VEBA imposed increased deductibles for retirees. In 2010, the first year of its operation, VEBA eliminated coverage of some prescriptions and boosted co-payments.

However, the bloated six-figure incomes of the executives like UAW President Bob King and vice president General Holiefield who staff the UAW apparatus have not been negatively affected. Now, with the anticipated sale of its VEBA holdings in Chrysler, the UAW fund managers stand to profit handsomely for their part in destroying the hard-won gains of auto workers.

This serves to underscore the fact that the UAW is not a workers organization, but essentially a business that operates as a form of labor contractor, selling its services to the auto companies for keeping wages low and profits and productivity high.

Auto workers are rightly repulsed by the spectacle of well-heeled UAW executives bitterly fighting with Marchionne over the size of their payout from Fiat while the organization does nothing but assist in workers' impoverishment. However, anger and disgust are not enough. What are needed are new forms of organization and a new perspective to guide the struggles of the working class.

The working class confronts a global system—capitalism—which is attacking the jobs and

living standards of workers all over the world in a race to the bottom. American workers must reject the “Buy American” chauvinism of the UAW and forge the closest international ties with their brother workers in other countries through the building of new, independent, forms of organization.

This is a political struggle. To wage a successful struggle against the multinational corporations, workers must break with the Democrats and Republicans and build a political party of their own, advancing a socialist program. The giant industrial corporations like Fiat and Chrysler must be placed under the democratic public ownership and control of the working class. Economic life must be based on a new and higher principle, production for human needs, not private profit.



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