

# Fiat's \$4.35 billion payoff to UAW, Inc.

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On New Year's Day, Italian automaker Fiat agreed to pay \$4.35 billion to a United Auto Workers (UAW) trust fund to buy its shares in Chrysler. The deal is a massive payoff to the UAW for the services it has rendered in slashing the wages and benefits of Chrysler workers and boosting the company's profitability.

Carried out behind the backs of Chrysler workers, in the course of closed-door meetings between Wall Street lawyers and consultants, the agreement illustrates the unbridgeable chasm separating the UAW and the rest of the official unions from the working class.

Under the terms of the agreement, Fiat will pay the UAW-controlled retiree health care trust fund—known as a Voluntary Employees Beneficiary Association, or VEBA—\$1.75 billion in cash and Chrysler will make a \$1.9 billion contribution. Chrysler also agreed to pay the trust \$700 million in four annual installments once the sale closes on or around January 20.

The UAW-controlled fund was given a partial ownership stake in Chrysler as a result of the Obama administration's forced bankruptcy and restructuring of the Detroit automaker in 2009. In exchange for the multi-billion-dollar payment announced Wednesday, the UAW will relinquish its 41.5 percent share in Chrysler (Fiat owns the other 58.5 percent) and drop a lawsuit demanding a higher price for its shares. As a result, an Initial Public Offering (IPO) that UAW executives had hoped would drive up the value of its shares has been cancelled.

According to the *Detroit Free Press*, the deal was sealed at a Florida resort during a December 28 meeting between Fiat CEO Sergio Marchionne and Alain Lebec, a senior managing director at Brock Capital Group LLC, which represented the UAW fund.

The payoff to the UAW is being financed out of the sweat and blood of Chrysler workers, who have been subjected to savage wage cuts and speedup over the last four years. It is certain to bring big dividends to the

businessmen like UAW President Bob King who control the union, and to the army of Wall Street advisors and legal consultants the UAW hired to engineer the deal.

Fiat shares on the Milan stock exchange jumped 16 percent on news of the stock sale, which was seen as a coup for Fiat CEO Marchionne, who paid far less than analysts had predicted. The merging of the two companies—which will create the seventh largest auto corporation in the world—is expected to unleash a new wave of layoffs, plant closings and wage and benefit attacks in Italy and other countries, and lead to further assaults on American workers.

“Averting an IPO,” the *Wall Street Journal* wrote, “gives Mr. Marchionne the freedom he needs to further consolidate the companies’ engineering and manufacturing operations... The agreement also will allow him to spend more time on reworking Fiat’s operations in Europe, where it has suffered from a long slump in sales... In return, Fiat said the UAW agreed to support efforts to make Chrysler’s operations more efficient.”

The UAW has already overseen huge attacks on Chrysler workers, reducing the company's labor costs by nearly a third over the last six years. This has enabled Chrysler—which was bankrupt in 2009—to report nine consecutive profitable quarters. In the first three quarters of 2013, Chrysler made \$1.14 billion in profit and reportedly had \$11.5 billion cash on hand.

The UAW imposed an estimated \$1.3 billion in annual wage and benefit concessions on workers under the terms of the Obama administration's restructuring of Chrysler and General Motors in 2009. This included a two-tier wage system, which has reduced the pay and benefits of new-hires to the level, in real terms, of the earnings of US autoworkers in the 1930s.

In addition, the UAW has enforced the company's so-called Alternative Work Schedule, which compels

workers to labor for ten hours without overtime pay, enabling Chrysler and other automakers to squeeze the equivalent of 49 more workdays out of its factories.

In exchange for these concessions, the Obama administration handed a sizeable equity stake in Chrysler to the VEBA, which the UAW initially set up in 2007 to relieve the Detroit automakers of their retiree health care obligations. This gave the UAW control of one of the largest private investment funds in the world, estimated by the trust fund's web site to be valued at \$54 billion.

This was not done for the benefit of Chrysler's 117,000 retirees and their surviving spouses. On the contrary, with its control of the VEBA, the UAW has a direct financial incentive to cut retiree health care benefits. It has already done so by increasing deductibles and co-payments and eliminating coverage of some prescriptions. More is sure to come with the elimination of supposedly "gold-plated" benefits under Obamacare, which the UAW fully supports.

Their Wall Street consultants have no doubt advised the UAW executives that they will have far more money to draw on if current workers die before they can claim too many benefits from the VEBA fund. This gives the UAW a further motivation to impose longer workdays and backbreaking speedup.

One of the key figures paving the way for the final deal with the UAW was Ron Bloom, a former Wall Street investment banker and close financial advisor to the UAW and other unions. Bloom, whom Marchionne hired to negotiate the stock sale with the UAW, epitomizes the marriage of financial parasitism, the trade union apparatus and the Democratic Party.

In the 1990s, Bloom advised the United Steelworkers (USW) union as it helped Wall Street restructure the steel industry, protecting the assets of the USW while leaving hundreds of thousands of steelworkers without jobs or pensions. After advising the UAW on the creation of the VEBA, he served on Obama's Auto Task Force, which in 2009 restructured the US auto industry in the interests of Wall Street.

The multi-billion-dollar payoff underscores the fact that the UAW is organically hostile to the interests of the workers it claims to represent. After decades of labor-management collaboration and betrayals, the union has completed its transformation into a business enterprise, which shares in the profits derived from the

exploitation of the working class. The UAW and the rest of the official unions are controlled by corrupt, upper-middle class elements who are determined to become millionaires by serving as labor contractors and industrial police, working deliberately to provide ever cheaper labor for capitalist exploitation.

While the UAW functions to lower US labor costs for General Motors, Ford and Chrysler, it plays a growing role in helping the US transnational auto companies impose plant closings in Europe, Australia and other countries. It is presently colluding with Volkswagen to obtain union recognition—over the heads of the workers—in order to suppress opposition to near-poverty wages at VW's factory in Tennessee.

An array of pseudo-left organizations, including Labor Notes and the International Socialist Organization, insist that the UAW and other unions are "working class organizations" that can be reformed by pressure from below or by electing new leaders. They lie! These anti-working class, anti-democratic, bureaucratic organizations can no more be made to serve the interests of workers than can the corporations whose interests the unions really serve.

The *World Socialist Web Site* has long advocated that workers break free of the grip of these right-wing organizations and create new forms of industrial and political struggle, guided by a completely new perspective. This means rejecting the nationalist and pro-capitalist program of the unions, and their alliance with the Democratic Party, and fighting to create a genuine labor movement based on socialism and the international unity of the working class.



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