

# Bankruptcy court seeks union backing for assault on Detroit workers

Lawrence Porter  
4 February 2014

*The following statement was issued by Lawrence Porter, the assistant national secretary of the Socialist Equality Party and chairman of the February 15 Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA & Pensions. For more information and to register for the Inquiry, visit [detroitinquiry.org](http://detroitinquiry.org).*

Behind the backs of the workers of Detroit, the bankruptcy courts are working with Emergency Manager Kevyn Orr and the city's unions to finalize a "grand bargain" that will enforce deep cuts in health care, pensions and other benefits. The plan will pave the way for an accelerated restructuring of the city in the interests of the rich.

The aim is to quickly end court proceedings and bring the main players behind Orr's "plan of adjustment," which was submitted to creditors last week and still remains hidden from the public. Among these players are the privileged executives that run the city's unions.

Concurrent with Orr's plans, federal mediator Gerald Rosen—who was handpicked by US federal bankruptcy court Judge Steven Rhodes—has been working with the unions to secure their support. This would include handing over to the unions a half-billion dollar health care investment fund (known as Voluntary Employees Beneficiary Association or VEBA), with the unions tasked with imposing benefit cuts on workers.

The discussions over the establishment of a VEBA come after an announcement last month from Michigan Governor Rick Snyder that the state would transfer to the city \$350 million from a tobacco settlement over ten years, along with a similar amount from wealthy private philanthropies. The deal would involve the privatization of the Detroit Institute of Arts, which would also be forced to find \$100 million on its own. Museum management has already signed on to the deal.

While the scheme is being presented as a means of

"saving" the DIA and pensions, it will do neither. The museum would be taken out of even nominal public ownership, while worker pensions and health care benefits will face huge cuts. Last week, the city announced it will slash 700 jobs at the Detroit Water and Sewerage Department—a first step in the assault on jobs throughout the city.

The proposal to establish a VEBA for retiree health care is intended as a direct pay-off to the unions, including the American Federation of State, County and Municipal Employees (AFSCME) and the United Auto Workers (UAW).

According to the *Detroit News*, the city would place \$524 million into a VEBA fund over the next 10 years. This is only a small fraction of the "unfunded liabilities" owed to the pension fund, according to estimates by the city.

The plan is explicitly modeled off of an agreement worked out between the UAW and the auto companies in 2007. At the time, the unions took over a program funded with \$40 billion in cash and corporate shares from GM and Chrysler. This gave the UAW a direct financial incentive to boost the exploitation of its own members—in order to drive up the value of its corporate shares—and to reduce the outlay for the health care benefits on the other.

Following the Obama administration's restructuring of the auto industry in 2009, the UAW also became the largest stockowner in Chrysler and one of the largest in GM. In exchange, the union executives signed on to cuts in benefits and new contracts that imposed a 50 percent wage cut on new hires.

The proposal for the Detroit VEBA was first floated in January 2012 by former Detroit Mayor Dennis Archer and former Detroit City Council President Pro Tem Gary Brown, both Democrats. The officials

contacted UAW President Bob King and auto executives to join in a plan to push all 48 Detroit unions onto the VEBA plan.

Brown, who was always one of the most right-wing, pro-business figures on the City Council, later joined Orr's team with a salary of \$225,000. He said at the time, "I made the suggestion right away. Let's look at VEBA. Let's do a VEBA-type situation so that the unions take over the cost of health care and negotiate with the insurance companies themselves."

King's chief legal counsel, Michael Nicholson, testified during the Detroit bankruptcy trial in November that the UAW had a long and friendly relationship with the Jones Day law firm and had worked with Orr's former law firm to establish a VEBA at Dana Corporation and other companies going through bankruptcy. Nicholson said King had authorized him to offer a proposal to Jones Day to help establish a VEBA in the Detroit bankruptcy that would be controlled by the unions. AFSCME officials confirmed they had offered such an arrangement but were rebuffed by Orr.

Even as the VEBA proposal is under discussion, the unions and affiliated retiree organizations dropped their nominal opposition to a plan to eliminate retiree health care benefits directly administered by the city.

A settlement of the union's lawsuits was announced on Friday. The agreement accepts a proposal from Orr to replace the city's health care program with a \$175 monthly stipend for the purchase of private insurance on the Obama administration's new health care exchanges. Those workers over 65 will be dumped onto the federal Medicare program.

These behind-the-scenes discussions make clear that the unions are not opposed to the bankruptcy but have, from the beginning, sought only to get their share from the looting of public assets, like the DIA, and the money owed to retirees. Far from representing the working class, the unions and the business executives who run them are co-conspirators, along with the two big business parties and the courts, in the social counter-revolution against the working class.

To mobilize the working class as an independent political force, the Socialist Equality Party is holding the Workers Inquiry into the Bankruptcy of Detroit and the Attack on the DIA & Pensions. We urge all workers in the Detroit area to make plans to attend by

registering at [detroitinquiry.org](http://detroitinquiry.org).



To contact the WSWs and the Socialist Equality Party visit:

**[wsws.org/contact](http://wsws.org/contact)**