Billions in handouts to Canadian auto companies yet to be repaid

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Of $13.7 billion handed over by Canadian governments to auto manufacturing giants General Motors and Chrysler in 2009, only $5.4 billion have thus far been recovered. So stated a report last week from Michael Ferguson, Canada's auditor-general, which purportedly examined the results of the government bailout of the two auto companies.

Coming in the wake of the 2008 global financial meltdown, the corporate bailout was provided by the federal Conservative government of Stephen Harper and various departments of the Ontario Liberal provincial government of then-premier Dalton McGuinty.

The report also noted the dearth of information contained in government files on the efficacy of the bailout, including how the money was used by the automakers. "Overall," said Ferguson's report, "we found that (government departments) reported individually on the restructuring assistance they provided, but there was no comprehensive reporting of the information to Parliament. … As the information is scattered across a number of separate reports, it was impossible for us to gain a complete picture of the assistance provided, the difference the assistance made to the viability of the companies, and the amounts recovered and lost."

Despite this, the auditor-general's report lauded the bailout as an initiative that "contributed to the viability of the companies and the competitiveness of the (auto) sector in Canada over the short and medium terms."

There is, however, enough information in the public domain to offer a very different picture than the one painted by the auditor-general. That picture provides a telling glimpse of the arrogance and utter rapaciousness of big business and their hand-in-glove relationships with both government and the trade unions.

Chrysler, which has reported substantial profits in 14 consecutive quarters, has point-blank refused to repay $1.5 billion of the $2.9 billion in Canadian government aid money it received. It has justified this theft with the claim that it is now an altogether new legal entity and therefore not responsible for the public monies it previously received.

As Fiat-Chrysler CEO Sergio Marchionne wrote last year, "While it is true that there were loans made to the Old Chrysler company, pre-bankruptcy, it is equally true that the new stakeholders in Chrysler Group LLC and its management did not have any direct say in the amount or the purpose of these pre-bankruptcy loans, and it would thus be inequitable to hold them liable or responsible for their repayment."

For its part, General Motors received $10.8 billion in Canadian public funds. Of that, the federal government earlier had estimated that $6.6 billion would have to be written off. The shortfall is currently held in stocks issued by the company. Currently trading at about $32 per share, it is estimated that GM stock would need to rise to $55 per share for the remaining debt to be retired.

A portion of the bailout monies doled out to GM remains entirely unaccounted for. There is no record of what the company did with $2.8 billion set aside for capital expenditures and warranty claims. There is similarly no documentation on how the company used a further $528 million given it for "general purposes."

The auditor-general's report also notes that of $4 billion provided to GM Canada to be placed in the pension funds of company workers to restore the health of the fund, $1 billion was instead transferred to the parent company. The report states, "Neither Industry Canada nor Export Development Canada (the two funding departments) had documents related to the use of these funds." At last report, the pension fund for GM Canada workers had a $3.7 billion deficit.

What is clear, however, is the devastating impact that the federal and Ontario governments' "auto bailout" has had on the livelihoods of tens of thousands of current and former auto workers.

Amongst all the commentary, there has been an almost pathological avoidance of any discussion of the true purpose of the 2009 bailout, which was conditional on the Canadian Auto Workers union (since renamed Unifor) imposing massive contract concessions.

The aim of the "bailout", which was carried out in close conjunction with Washington, was to once again make the Detroit Three a lucrative source of profits for the wealthiest sections of society, by gutting auto workers' jobs, rights and living standards. A second aim was to deliver a historic defeat to auto workers, long resented by big business because of their militant traditions and association with contract gains that helped raise wages and benefits across the industry.

The Canadian Auto Workers (CAW) —acting in concert with the bosses of Chrysler and General Motors, the Canadian and Ontario governments and the Obama administration in the United States—reopened the three-year concessions contracts the union had negotiated in spring 2008 and forced through sweeping new cuts in benefits and paid time-off, work-rule changes, and other concessions.

The collective agreements struck in 2009 with the Canadian Auto Workers union reduced new-hire wages by $4 per hour (to $20 from $24) and extended their time on the lower second-tier from six years to ten years. Veteran workers had their wages and cost-of-living allowances frozen. Retirees lost their cost-of-living allowance (COLA). The total amount of cuts to workers' wages and benefits amounted to more than $20 per hour per worker. The CAW, in "fairness," then imposed similar cuts on Ford workers (Ford had previously turned down the opportunity to participate in the bailout package).

The union granted still further concessions in the contracts it negotiated in the fall of 2012. These included enrolling newly hired workers in a hybrid pension scheme that guarantees them no fixed pension amount and forcing them, for the first-time ever in an auto workers' contract with the Detroit Three, to pay large pension premiums.

For decades the CAW/Unifor has collaborated in the destruction of jobs and living standards in the name of making the corporations more competitive. The auto workers' union has overseen an almost 50 percent reduction in the number of hourly workers at Detroit's Big Three automakers in Canada since 2001. Since the bailout money was dispensed in 2009, another 3,000 auto workers have lost their jobs at GM and Chrysler. The loose domestic production targets agreed to by GM and Chrysler in 2009 expire in 2016, giving rise to the specter of further layoffs in the industry.

From the moment of its founding in a split from the United Auto Workers (UAW) in 1985, the CAW/Unifor has sought to pit workers in Canada against their class sisters and brothers in other countries in a fratricidal struggle for the favour of this or that auto company. The dead end of their nationalist nostrums have been clear for all to see, as the auto companies ruthlessly streamline their productive capacity based on a global division of labour.

At the same time, in keeping with their pro-big business perspective, the CAW/Unifor has developed intimate ties with the Liberal Party, for most of the 20th century the Canadian ruling class's preferred party of government. In the 2006 federal election, then CAW President Buzz Hargrove campaigned for Paul Martin, who as finance minister had imposed the greatest social spending cuts in Canadian history. In 2011, then CAW President Ken Lewenza campaigned alongside the Ontario Liberals, extolling their role in the 2009 bailout of the auto bosses.

Hargrove and Lewenza's successor, current Unifor President Jerry Dias, has taken up where his former colleagues left off. He stumped for last June's reelection of an Ontario Liberal government that has imposed sweeping social spending cuts and announced in September that Unifor will support the election of a Liberal-led government in the 2015 federal election.

Dias, who is predictably silent on the failure of the auto companies to repay their debts to the public purse, is also looking for still more subsidies to be given to the automakers to bolster their profits. The Unifor president, who sits with the CEOs of the five leading auto manufacturers in Canada, on the Canadian Automotive Partnership Council, called last week on the federal and Ontario governments to provide the auto companies a full 50 percent of any new investment they make in their Canadian car plants.