

Ford and GM announce huge quarterly profits

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US-based automakers Ford and General Motors posted huge profits in the second quarter of the year. Ford announced Tuesday morning that it made \$1.9 billion, up 44 percent compared to the same quarter last year. The *Business Insider* noted that the profits had “crushed” Wall Street expectations.

GM, which announced its profits last Thursday, reported an astounding 113 percent increase over the same quarter last year, up to \$1.35 billion in pretax profits, excluding one-time items. The company claims this is the best measurement of gauging its fundamentals.

These immense profits are based on the increased exploitation of autoworkers throughout the world and in particular in the United States. With the assistance of the United Auto Workers (UAW), Ford and GM have slashed labor costs by hiring tens of thousands of lower-paid tier-two workers and offloading retirees’ health care costs to the UAW-run Voluntary Employees’ Beneficiary Association (VEBA) trust. Tier-two workers make up 19 percent of UAW workers at GM and 28 percent at Ford.

The incestuous relationship between the UAW bureaucracy and the automakers, which dates back to the late 1970s, was escalated dramatically with the 2007 contract betrayal, which introduced the hated two-tier wage system and handed billions of dollars to the VEBA fund. This was later expanded in the Obama administration’s 2009 bailout of the auto industry, in which the UAW agreed to lift the cap on tier-two workers for GM and Chrysler.

UAW-GM Vice President Cindy Estrada boasted after GM’s announcement, “Today’s higher than forecasted earnings announcement once again shows the hard work and sacrifices of UAW members during the tough economic times have led to a much brighter future for General Motors. This once again demonstrates that when we work together, we win together.”

Estrada has certainly prospered from the sacrifices of

autoworkers. She makes \$200,000 from her position in the UAW and as a trustee of the UAW Retiree Health and Welfare Benefits Trust (VEBA), plus an unknown amount as an officer of the UAW-GM Human Resource Center.

Estrada’s corporatist statement reveals that, notwithstanding claims of apologists for the union bureaucracy, the UAW has antagonistic relations not with the automakers, but with the workers it claims to represent. The profits extracted from workers are not providing a brighter future for anyone except the auto executives, Wall Street speculators and the UAW apparatus.

Rather than being reinvested for productive purposes, let alone to raise the living standards of autoworkers, tens of billions of dollars are being siphoned off by the financial aristocracy. Ford is engaging in a \$1.8 billion stock buyback program, and GM is engaging in an even more ambitious \$5 billion buyback, along with issuing another \$5 billion in dividends.

Tellingly, the UAW, through its possession of more than \$5 billion in GM stock in the VEBA trust, is the company’s largest stockholder. Its books went up by \$200 million thanks to the announcement of GM’s buyback program.

The reactionary role of the Obama administration and the UAW is illustrated in the fact that the buyback deal came about through the work of Harry Wilson, a former member of Obama’s Auto Task Force. Wilson represents a group of hedge funds that pressured GM to funnel nearly half of its \$25 billion cash hoard to wealthy investors.

In essence, Obama handed the auto industry to Wall Street, which was unsatisfied with relatively low profit margins and implemented a savage restructuring plan to lower the break even point of the automakers and guarantee high returns almost regardless of market conditions. The measures implemented in the 2009

bailout—including tens of thousands of job cuts, the elimination of income subsidies for laid off workers, the abolishing of the eight-hour day, and the expansion of two-tier wages--enabled both GM and Ford to increase their profit margins to above 10 percent this quarter.

According to the *Wall Street Journal*, domestic automakers made \$9 billion in profits over the first half of the year in North America alone. This is being cited to justify the plans by both the automakers and the UAW to further tie workers' income to so-called profit-sharing schemes instead of base pay increases and cost-of-living adjustments. In addition to whipping workers into producing more, this holds the livelihoods of workers hostage to the destructive decisions of auto execs and Wall Street investors, which, as the deadly defect cases at GM and Chrysler showed, are often criminal.

Fiat Chrysler will announce its second-quarter profits tomorrow; analysts at FactSet expect it to report pretax profits of \$1.1 billion, up 4.1 percent from the same quarter last year. This is despite a wrist-slap fine for delaying the recalls of unsafe vehicles, which potentially led to at least 20 deaths. Approximately 45 percent of Chrysler workers are paid second-tier wages.

Despite the huge profits sweated from the working class, there are storm clouds on the horizon. Europe remains mired in economic crisis, car sales and production have dropped precipitously in Brazil, and the once hopeful Chinese car market, the largest in the world, is starting to collapse. Japan Automobile Manufacturers Association Chairman Fumihiko Ike warned that the Chinese market may be approaching a “downward spiral” that could affect the Japanese auto industry. Concerns over the Chinese car market extend across the global industry. According to the *Wall Street Journal*, Ford “is counting on the region to drive most of its growth through the end of the decade.”



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