

GM posts record operating profits from cost-cutting, corporate restructuring

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As the auto executives, the media and the United Auto Workers insist that autoworkers agree to another historic attack in new four-year contracts, General Motors on Wednesday announced a 40 percent increase in third quarter profits.

Beating Wall Street expectations, GM said it made \$1.36 billion in net income in the third quarter, chiefly through record high profit margins in North America. The world's third largest automaker reported a post-bankruptcy record of \$3.1 billion in operating profits. This excludes debt servicing costs and a \$1.5 billion deduction for legal settlements stemming from its cover-up of deadly ignition switch defects.

Ford and Fiat Chrysler (FCA) are expected to announce their profits for the third quarter sometime next week.

The results came as 40,000 FCA workers were voting on a second sellout deal being pushed by the UAW. The aim of the agreement is to create a permanently lower wage in the auto industry once older, higher paid workers are driven out through layoffs, speed up and forced retirements. The UAW essentially repackaged the deal after workers voted it down by a two-to-one margin earlier this month.

Warning of the widespread opposition and anger of autoworkers, Arthur Schwartz, a labor consultant and former GM negotiator, said "If [UAW members] don't vote for this, then their expectations are too unrealistic and I don't know if they can get a contract at Chrysler."

While an entire generation of autoworkers cannot afford to buy the cars they build, the auto bosses and their Wall Street backers have had no such limits on their "expectations."

Last year GM CEO Mary Barra raked in \$16.2 million, FCA CEO Sergio Marchionne took in \$72 million and former Ford boss Alan Mulally was given a retirement package of \$300 million in cash, stock and benefits.

Wall Street has done even better, particularly after

former Obama Auto Task Force member and current hedge fund manager Harry Wilson pressed GM to spend \$10 billion of its \$25 billion cash hoard on stock buybacks and dividends for the company's richest investors.

After the profits report Wednesday, GM share values closed nearly six percent higher. Credit Suisse analyst Dan Galves said in a note that GM could be on pace for a much stronger 2016 than expected, adding that the company is making meaningful headway on implementing cost cuts. Investors should expect "additional action" on that front, he said.

Over the course of the last decade, GM has slashed the number of hourly US workers at the company from 86,000 to 50,000. With the assistance of the UAW, it has implemented a savage cost-cutting program that includes: a decade-long wage freeze for older workers; paying workers hired after 2007 half the wages and inferior health benefits compared to older workers; and the expanded use of even lower-paid temporary and contract workers. In addition, GM dumped its health care obligations to hundreds of thousands of retirees and their dependents after handing cash and stocks to a UAW-run retiree trust.

GM's operating profit in North America was \$3.3 billion for the quarter and has reached \$8.3 billion so far this year, or nearly double the first nine months of 2014. With steady sales of highly profitable SUVs and pickup trucks, GM's North American profit margins exceeded a staggering 11 percent in the third quarter.

Like the rest of the global auto giants, GM has been hit by the impact of the global economic crisis, with poor results in Russia and Brazil leading to losses in Europe and South America. The slowdown in China has also led to a drop in sales. The auto companies are responding with plans for a new restructuring of the global auto industry and a new bloodletting of jobs. This has already

been initiated by VW, the world's largest carmaker, in the aftermath of the emissions scandal.

Due to relentless union-backed cost cutting, the "bright spot" for the world's carmakers has become the United States. Over the last eight years, the "blended" per vehicle labor costs for GM, Ford and Chrysler has fallen by half, from \$4,322 in 2007 to \$2,215 in 2014. Fiat-Chrysler's costs are the lowest at \$1,771 per vehicle.

This assault was accelerated by the Obama administration's forced bankruptcy and restructuring of GM and Chrysler in 2009. With the assistance of the UAW, the Wall Street financiers on the president's Auto Task Force expanded the two-tier wage and benefit system, abolished overtime pay after eight hours, and eliminated income security for laid off workers.

The UAW and the Obama administration claimed these were temporary measures and that there would be "shared prosperity" once the economy recovered. In fact, low-pay and precarious part-time and temporary employment have become the "new normal" not just for autoworkers, but for workers throughout the US economy.

Meanwhile, the Obama administration has ensured that not one of GM's top executives is held accountable for criminal decisions that led to the deaths of scores, if not hundreds, of unsuspecting drivers because of their refusal to replace faulty ignition switches, followed by a cover-up. The bankruptcy proceeding freed GM of responsibility for pre-2009 lawsuits, and the Justice Department's wrist-slap fine of \$900 million amounts to just two days of the company's 2014 revenue.

In a new stage of the class war against autoworkers, the American ruling class is seeking to complete its unfinished business of destroying whatever "middle class" living standards GM, Ford and Fiat Chrysler workers still have. GM and Ford executives denounced as "too rich" the first deal FCA reached with the UAW, according to the *Wall Street Journal*.

In addition to permanently lowering the wage rate throughout the industry, FCA and the other automakers are working to implement a plan that would hand the provision health benefits to a UAW-run "co-op," which would cut current workers' benefits like the UAW has done to retirees. This is fully supported by the Obama administration, which has made the shifting of health care and pension cost from employers to workers a centerpiece of its economic policy.

After the resounding defeat of its first sellout deal with Fiat Chrysler, the UAW is using economic blackmail, a lying propaganda campaign cooked up by its over-paid

PR firm, and slander against opponents to impose the dictates of the corporations and Wall Street. The UAW, which remains the largest shareholder of GM stocks, has a direct financial incentive to increase the exploitation of workers, boosting corporate profit and shortening the life expectancy of retired workers.

Last week, UAW Vice President Cindy Estrada, who is in charge of negotiations with GM, issued an ominous message to workers saying there was "a lot at stake with these negotiations and the ratification process: job security, product allocation and income security." These are all code words warning GM workers not to follow the pattern of their Fiat Chrysler brothers and sisters by asking for "too much."

Estrada, who gave her full-throated support for the \$10 billion diversion of GM money to Wall Street, then got down to business seeking to slander the *World Socialist Web Site Autoworker Newsletter*, which has provided a voice and a direction to the resistance of autoworkers to the betrayals of the UAW.

"I want to thank you for remaining level headed and not allowing outsiders like RTW [Right-to-Work] to hijack this negotiation process and divide us. Facebook and social media are amazing for groups like ours to communicate, we're grateful to have them, and we encourage the robust debate and discussion they provide...I have complete faith that our membership is mindful of those on the internet who are looking to use public member discussions to divide us. It is important that we stand together in solidarity against these anti-union forces posing as friends of working men and women."

These comments follow UAW President Dennis Williams' denunciation of "outside groups" for "stirring up" workers and a letter from the lead counsel for the Metro Detroit AFL-CIO singling out the WSWS as an "outside vulture."

The thousands of autoworkers who look to the *WSWS Autoworker Newsletter* know the effort to equate the newsletter with right-wing Republicans is nothing but vile slander. It is the UAW that functions as a company union and tool of management and the Obama administration, while "posing as friends of working men and women."



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