

# US auto companies announce big payout to stockholders

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**15 January 2016**

Ford and General Motors are responding to massive 2015 profits by showering cash on stockholders. Both automakers announced a boost in dividend payouts, while GM said it would expand its stock buyback program aimed at increasing the value of investor shares.

The Obama administration has also taken note. The president touted the “rebound” of the auto industry in his State of the Union speech Tuesday and plans to make a personal appearance at the Detroit Auto Show next week, the first such visit since he took office.

GM has increased its earnings forecast to between \$5.25 and \$5.75 a share, up from earlier estimates of \$5.00 to \$5.50 per share. At the same time, it announced a six percent increase in its quarterly dividend. On top of that, it is planning to up its stock repurchase program from \$5 billion to \$9 billion.

Meanwhile, Ford, which posted record 2015 profits, will pay out an extra 25 cents per share as part of a \$1 billion supplemental cash dividend. The automaker said it expected its 2015 profits to come in between \$10 billion and \$11 billion. It projected another record year for profits in 2016.

These huge payouts further expose the lying claims by the United Auto Workers used to push its sellout of autoworkers during the 2015 contract negotiations that there was no further money available. In fact, billions of dollars that could have gone to restore past concessions were earmarked instead for the pockets of wealthy investors, including GM’s largest stockholder, the UAW.

One of those pleased by the GM buyback was hedge fund spokesman Harry Wilson, who led the push earlier this year for the initial buyback. Wilson, a former member of Obama’s auto task force, had lobbied for an \$8 billion buyback. The \$9 billion now on the table

from GM thus exceeds his earlier demands.

The Obama administration has pointed to the record auto profits to support its claim of an economic recovery. In announcing Obama’s visit to the auto show, White House press spokesman Keith Maley said the president was coming to Detroit “to experience firsthand the remarkable progress made by the city, its people and neighborhoods.”

“Progress” indeed! The surge of auto company profits has been paid for by the sweat and blood of autoworkers. Since the signing of the recent contract agreements between the United Auto Workers and the Big Three, at least two workers have lost their lives in the auto plants due to industrial accidents. The current record profits of the auto companies are a product of ruthless wage cutting, speed-up and the gutting of benefits of autoworkers and retirees, attacks that the Obama administration helped spearhead during the forced bankruptcy and reorganization of the auto industry.

As for the supposed rebound of Detroit, the vast majority of residents remain mired in poverty. Public transportation and fire protection are in shambles, while the conditions in the public schools are a national scandal. Recent reports in the media reveal conditions of rat- and roach-infested school buildings with black mold growing in classrooms, inadequate heat and ventilation, and tiles falling from ceilings.

In nearby Flint, Michigan, another former center of the auto industry, tens of thousands of residents have been poisoned by lead in the water supply, a product of brutal cost cutting measures combined with the dilapidated and decayed condition of the city’s infrastructure. Once among the most prosperous communities in America, the abandonment of the city by the auto companies has left it in ruins. No sign of the

auto rebound can be found among its abandoned businesses and vacant homes.

The UAW has been at the center of the redistribution of wealth from autoworkers to the pockets of industry investors and executives. In the 2015 auto contract negotiations, the UAW betrayed the strivings of autoworkers, who under conditions of booming auto company sales and profits sought to regain a portion of the concessions surrendered by the union over the course of past decades.

After Fiat Chrysler workers voted down the first sellout agreement negotiated by the UAW, the union responded with a barrage of lies and threats. UAW executives insisted that the auto companies had made their maximum offer and there was no additional money. Any further demands on the part of autoworkers, the UAW claimed, would jeopardize the health of the auto companies and put jobs at risk.

Workers at Ford and General Motors were told the same, as the UAW forced through a series of sellout agreements that left in place the hated two-tier wage system imposing sharply lower pay for new hires while saddling senior workers with miniscule pay raises that didn't even match the rate of inflation.

The UAW claimed workers had to restrain their demands to preserve jobs. Yet in the wake of the contract settlements, the auto companies boasted of plans to continue the shift of production to low-wage producers such as Mexico and China.

In remarks this week, Fiat Chrysler CEO Sergio Marchionne said he is working on a "significant realignment" of the company's North American production, including the shift of production of the Chrysler 200 and the Jeep Compass and Patriot to Mexico.

At the same time, he reiterated his desire to consolidate Fiat Chrysler with another major automaker, a move that would likely lead to the elimination of thousands of jobs.

Ford has also said that, as permitted under terms of the contract agreement negotiated by the UAW, it will also shift production of lower margin passenger cars to Mexico.

The UAW is opposed to an international strategy to unite American and Mexican workers in a common struggle to defend jobs. Instead it promotes fratricidal competition between US and Mexican workers,

insisting US autoworkers should work harder for less in order to undercut their brothers south of the border.

The announcement of massive payouts by the auto companies to investors underscores the parasitic nature of capitalism. Dividends and stock buybacks come at the expense of investment capital needed for expanding production. According to a report in *Automotive News*, if GM carries out its share buyback plan, the automaker will have paid out 90 percent of its free cash flow between 2012 and 2017 to investors, a staggering \$23 billion.

This is more than the entire amount of money the state of Michigan spends on education in a single year, and indeed larger than the budget of many states. Invested in production, it could restore all past concessions and add thousands of new jobs. Instead it is being used to pile onto the obscene wealth of an already fabulously wealthy ruling elite.

This underscores the essential line-up against the working class of the auto companies, the Obama administration and the UAW. It argues for the development of an independent struggle by the working class against the decrepit and outmoded capitalist system and all its defenders.



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