A new business model emerges

Why the United Auto Workers supports Cerberus' take-over of Chrysler

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The United Auto Workers' backing for the sale of Chrysler to the Wall Street private equity firm Cerberus Capital Management has far-reaching and dire implications not only for Chrysler workers, but for all US auto workers.

Behind the union's embrace of a firm notorious for realizing huge profits by slashing jobs and wages and selling off corporate assets are moves to offload the US auto makers' retiree health care liabilities to a new UAW-controlled company. The union officials are looking to go into the health care business and enrich themselves by directly imposing massive cuts in benefits on their own members.

According to an article published in Tuesday's *Wall Street Journal*, plans currently under discussion at the highest levels of the Big Three US auto companies and the UAW "would make the UAW one of the largest private-sector providers of health care in the US."

This would mark a qualitatively new stage in the degeneration and transformation of the unions. Auto workers could very well find themselves in the position of paying dues to the very institution that is making a profit by gutting their health care.

One of the most extraordinary aspects of Monday's announcement of the sale of Chrysler to Cerberus was the response of the union. Only last month, UAW President Ron Gettelfinger had denounced any such deal, saying speculative investment firms such as Cerberus were only out to "increase their wealth by stripping and flipping companies."

No one who has followed the US auto industry would accept Gettelfinger's declaration as good coin and anticipate a serious struggle by the union to oppose the sell-off of Chrysler to Wall Street speculators. Ever since the UAW's acceptance of plant closures and wage cuts as part of the government bailout of Chrysler in 1979-80, the union has functioned essentially as an ancillary arm of corporate management, suppressing workers' resistance and helping to impose one round of layoffs and concessions after another.

Nevertheless, the abject and immediate character of the union's capitulation took auto and financial analysts by surprise. Gettelfinger had already issued a statement endorsing DaimlerChrysler's offloading of its Chrysler Group to Cerberus in the early morning hours of May 14, even before DaimlerChrysler had officially announced the deal at a press conference in its Stuttgart headquarters.

In a Monday afternoon union news conference and an interview on a local Detroit radio station the same day, Gettelfinger promoted the deal and cited unspecified assurances he had been given in the course of a four-hour private meeting held last Saturday in Stuttgart between himself and the chief UAW negotiator at Chrysler, UAW Vice President General Holiefield, and DaimlerChrysler CEO Dieter Zetsche and Chrysler Group President Tom LaSorda. The exact nature of the assurances was privileged information, the union leader said.

"That conversation," the *Detroit News* remarked in an article published Tuesday, "led to one of the biggest surprises in the deal to sell Chrysler: The decision by one of the most powerful labor organizations in the United States to ultimately back the very option it had vocally opposed for months."

Tuesday's *Wall Street Journal* article provides insight into the considerations that underlie the union's enthusiastic embrace of the Cerberus take-over, and may very well shed light on the discussion that occurred over the weekend between the UAW leaders and DaimlerChrysler bosses. The article, entitled "Chrysler Deal Heralds New Direction for Detroit," begins by stressing the far-reaching implications of the Chrysler deal for all of the US auto companies and the North American auto industry as a whole.

"The New York investment firm and the German auto company," the *Journal* writes, "have set an ambitious goal: To work with the powerful United Auto Workers union to restructure the $18 billion that Detroit's No. 3 auto maker estimates it will eventually owe for UAW retiree health-care benefits ...

"If Cerberus can devise a formula for doing so outside of bankruptcy court, Ford Motor Co. and General Motors Corp. would almost certainly try to follow suit, potentially affecting some $95 billion in total retiree health-care obligations. Discussions among Big Three executives are underway 'at the highest levels,' one person familiar with the situation says."

Cerberus's acquisition of Chrysler, the newspaper continues, could foreshadow similar takeovers of GM and Ford by Wall Street speculators. "With stock market valuations of $15.7 billion and $16.7 billion respectively, Ford and GM are potential targets for private equity buyers, especially if their retiree health-care liabilities can be engineered to more manageable size."

The role of the UAW in this process of slashing health care and pension costs is critical, the newspaper explains. "For Cerberus, the key to making the deal work will be the UAW. Chrysler has estimated internally that Japanese auto makers like Toyota Motor Corp. enjoy a labor-cost advantage of as much as $30 an hour, once all benefits and job-security provisions are taken into account. More than half of that gap is from benefits related to retirees, such as health care, pensions and group life insurance.

"Chrysler estimates that without a fundamental change in its UAW contract, that gap will rise to $45 an hour by 2009...

"Chrysler, GM and Ford hope to persuade the UAW this summer to agree to a potentially revolutionary retiree health care plan similar to one reached at Goodyear Tire & Rubber Co., say three people familiar with auto maker plans."

The Goodyear deal, the *Journal* says, involved the agreement of the United Steelworkers union to let the company shift $1.2 billion in future health care liabilities to a fund managed by the union. Goodyear contributed $1 billion in cash and Goodyear stock to the fund, in return for which the union took on the job directly of imposing benefits cuts on its own members.

"The three auto makers," the newspaper continues, "with about $95 billion in combined future and current union health-care liabilities on their corporate balance sheets, have been 'in talks at the highest levels on doing something like the Goodyear deal,' says one person familiar with the matter...

"GM is said to be pushing the hardest to create what is being called a 'Big Three VEBA (Voluntary Employee Benefit Association),' which would set up a separate union-managed fund, which the auto makers would back with billions of dollars. JP Morgan & Chase Co. has estimated such a fund could be set up with $55 billion to $65 billion from the auto makers."

In fact, GM has already launched such a VEBA as part of the concessionary deal it reached in 2005 with the UAW. Under the GM plan, UAW members at the company are forced to defer two cents an hour in cost-of-living raises every quarter, with the money going into a union-controlled fund to help pay retiree health care costs.

By assuming control of a health care company with tens of billions of dollars in assets the UAW bureaucracy would have at its disposal vast resources. There can be no doubt that in short order the salaries of top union officials would soar into the hundreds of thousands and millions.

That the union would be directly responsible for gutting health care and pension benefits for hundreds of thousands of workers—social gains wrenched from the ruling elite through the struggles of generations of workers—would not faze Gettelfinger and company in the slightest. The union bureaucracy sees in these machinations the prospect of solving its own social problem: How to maintain and expand the lucrative salaries and expense accounts of the bloated union hierarchy while collaborating in the destruction of the jobs and living standards of union members—and consequently eroding ever more rapidly the organization's dues base.

In the light of this analysis, it is clear why at the union press conference Monday, UAW Vice President Holiefield declared that the UAW membership was "elated" over the deal with Cerberus, and "welcomed" it as an "opportunity." He was, of course, speaking not for the union members—who rightly suspect that the deal means an unprecedented assault on their jobs and conditions and are disgusted by the union's capitulation—but rather for the union bureaucracy.

The striving of the UAW to transform itself into a capitalist enterprise is the outcome of a long process. For three decades, in tandem with the decline of the global market position of the US auto makers, the UAW bureaucracy has been seeking ways and means to distance its own fate from that of the auto workers it nominally represents. Wedded to capitalism, the American two-party system and a nationalist perspective, the UAW could advance no independent perspective to defend the social interests of auto workers. Inevitably, the size and industrial power of the union underwent a precipitous decline—which continues unabated today.

The more the union leadership betrayed the interests of the rank-and-file, in order to "defend American jobs"—i.e., the profits of the Big Three US auto firms—the more closely it sought to integrate itself with corporate management. The Chrysler bailout of 1979-80 was a turning point, in which the union openly embraced the policy of corporatism, symbolized by the entry of then-UAW President Douglas Fraser onto the Chrysler board of directors.

There followed tacit union support for outright union-busting at UAW parts plants, the proliferation of joint union-management committees and joint slush funds of various kinds, and a policy of offering supplier companies low-wage contracts in return for their agreement to let the UAW "represent" the workers—that is, collect dues automatically deducted from the workers' pay checks.

The strike fund remained flush to the tune of hundreds of millions of dollars because the union virtually abandoned the strike weapon. There has not been a national strike against a Big Three company for decades. But that is woefully inadequate to sustain a bureaucracy numbering in the thousands under conditions of ever-declining membership rolls.

Now, however, the disaster engulfing rank-and-file auto workers—who face reduction to the status of low-paid, semi-casual labor with few or no benefits—provides the bureaucracy with the opportunity to control vast resources and secure its own financial future.

The Cerberus deal, and the union's complicity, bring to the fore the essential character of the UAW: It is the instrument of a corrupt, parasitic and privileged social layer that has nothing in common with the working class. It is a social layer deeply hostile to the interests of workers.

An understanding of the nature of the UAW is a precondition for the development of the type of independent industrial and political struggle—based on socialist and internationalist policies—that is required to defeat the conspiracy of the auto bosses, the banks and Wall Street asset-strippers, and the union itself, and to defend the jobs, working conditions and living standards of auto workers.