New GM Mass Layoffs Mean Auto Is Falling Fast

by Richard Freeman

General Motors CEO Rick Wagoner effectively announced on June 7 that GM senior management intend to liquidate GM as a functioning enterprise in the United States; Wagoner told a stockholders meeting that he will oversee the elimination of 25,000 additional hourly UAW production workers' jobs, accompanied by the closure of an unspecified number of production facilities—probably seven—all by 2008. Given the speed with which GM is being dismembered, many of these cuts in production and employment will occur in the immediate future. And Wagoner's June 7 announcement must be taken as the bare minimum GM intends to cut, on Wall Street demand.

Unless a mobilized U.S. Senate exercises its responsibility to superintend the re-tooling of GM's machine-tool capacity, for a new mission of producing capital goods for infrastructure, the disappearance of one of the most powerful corporations of the 20th Century is a certainty. With it will be lost a priceless, technologically advanced machine-tool capacity, which separates America from a third-rate power.

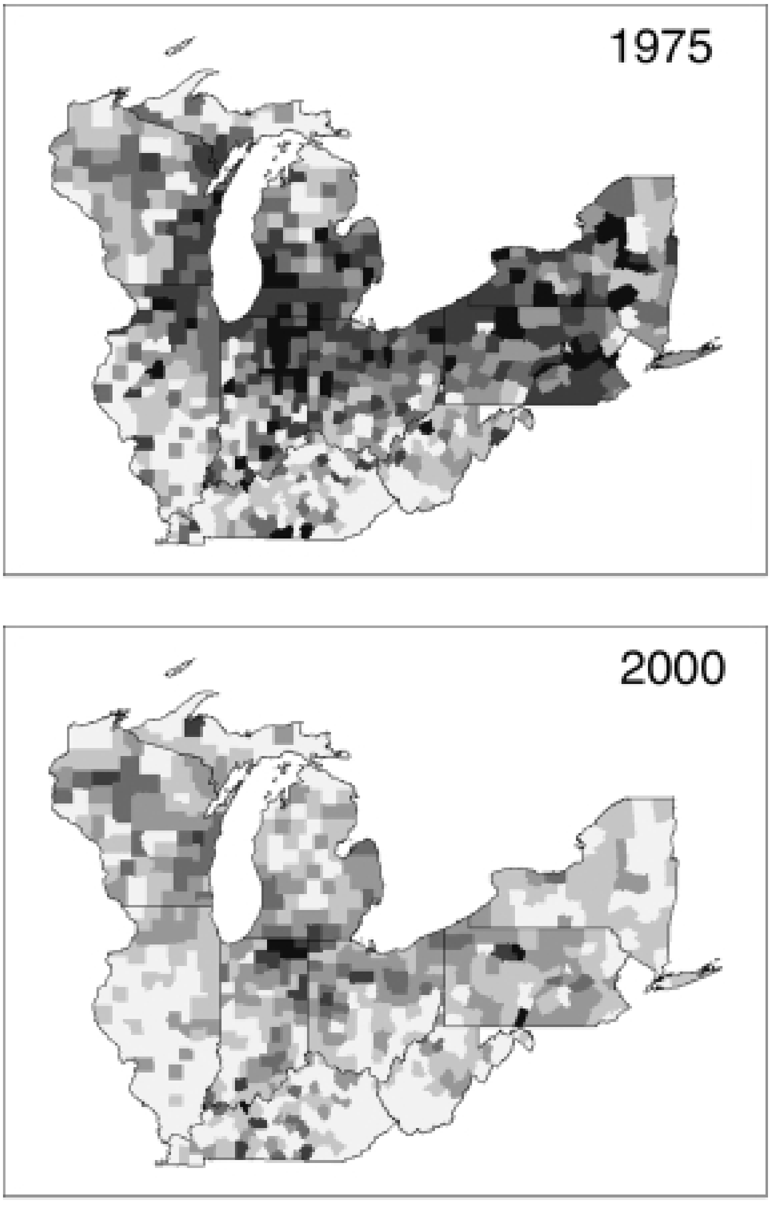
GM's rapid shedding of a quarter of its remaining production workforce, is spreading to cause production shutdowns in the auto parts supplier companies. Half a million people's incomes and pensions are threatened.

Wagoner said his sole aim is to fortify shareholders' value. Already, during the first months of 2005, he had sliced up five GM production facilities, after earlier closing down Saginaw, Michigan malleable iron production. In an April-May flurry, GM closed its Linden, New Jersey assembly plant, its Baltimore, Maryland assembly plant, and both a body plant and a chassis assembly plant in Lansing, Michigan. These are either permanently closed or "indefinitely idled." In either event, they likely will never be reopened. All told, 7,900 workers were laid off.

In his June 7 speech, Wagoner did not specify which further plants will be closed, but seven production facilities are at the top of GM's clo-

FIGURE 1

U.S. Industrial Belt, Decline in Manufacturing Workers as Percent of Workforce, by County, 1975-2000



Source: Bureau of Labor Statistics. Map produced by MapInfo.

Darker tones show greater percentages of manufacturing workers.

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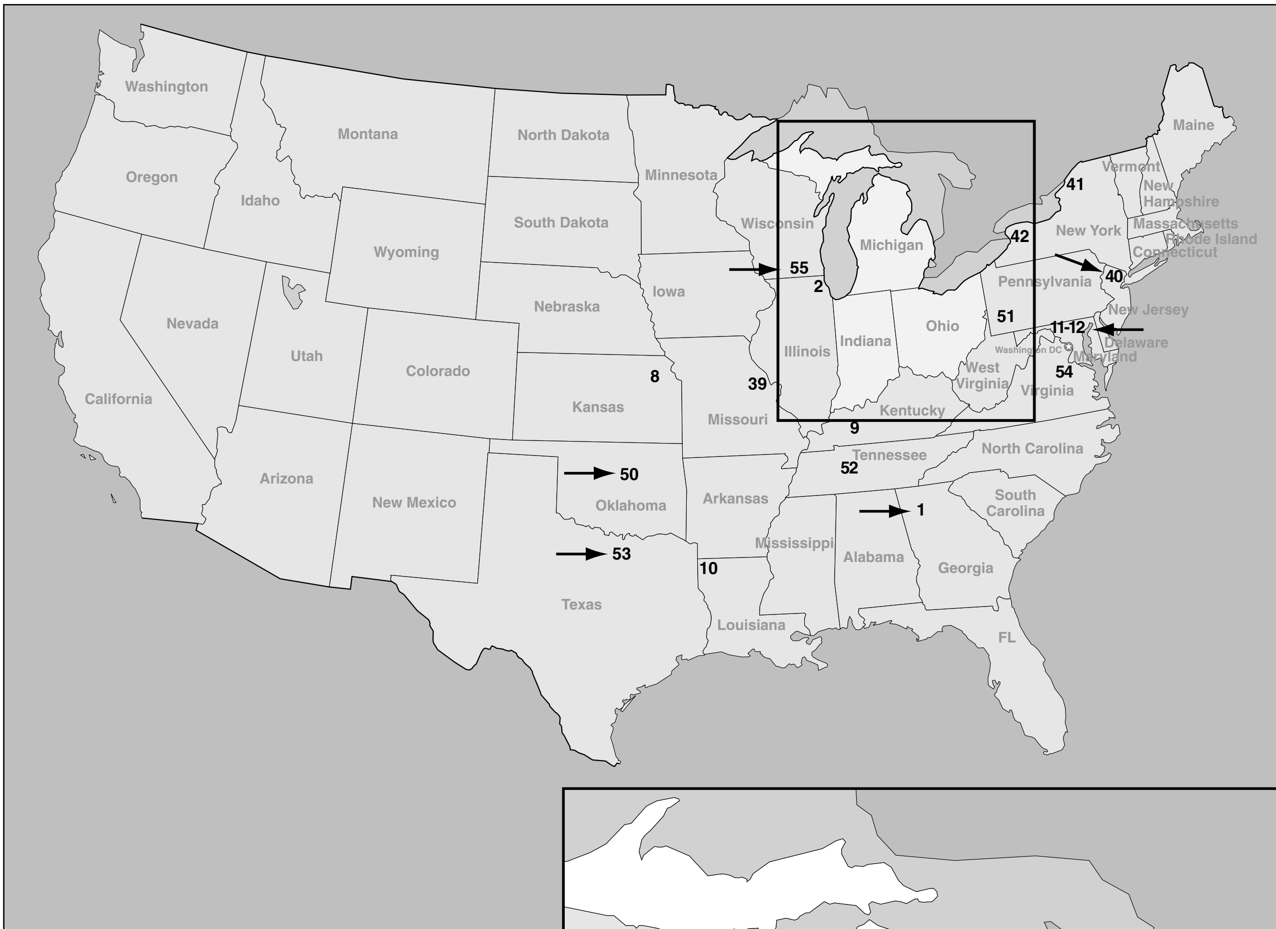
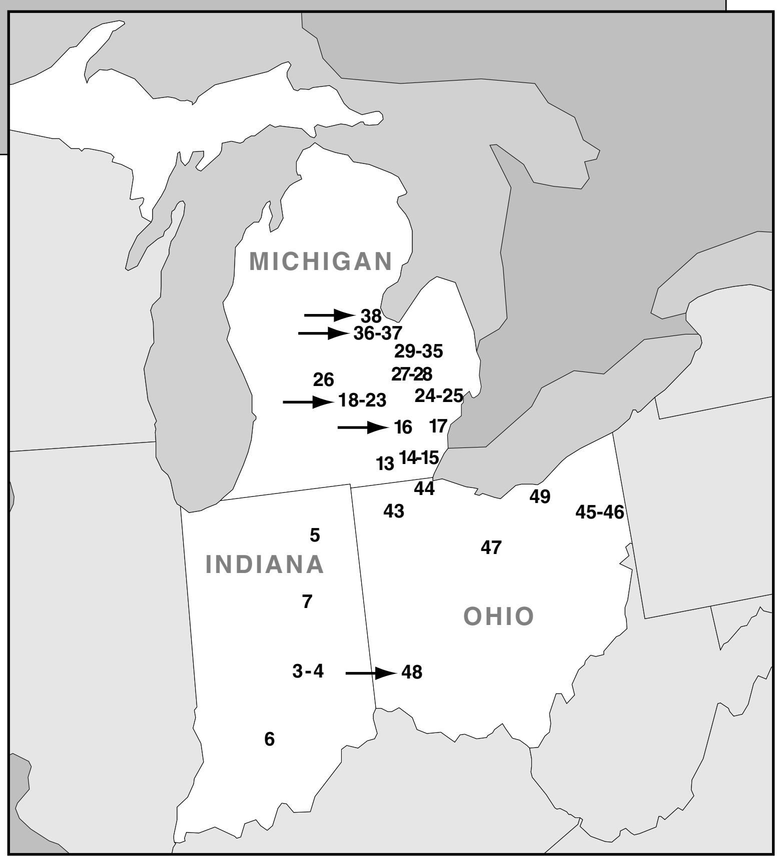
FIGURE 2

LaRouche Says: GM's Critical Capacity Must Be Saved From Shutdown





sure list: assembly plants in Doraville, Georgia, Moraine, Ohio, Oklahoma City, Oklahoma, Arlington, Texas, and Janesville, Wisconsin; a power train plant in Bay City, Michigan; and an engine plant in Livonia, Michigan. In all, GM is shutting down 12 of its 58 U.S. production facilities. (The 12 are marked with arrows in **Figure 2** and are in boldface in **Table 1.**) It has told its workers that their plants will have to compete against one another to determine which will stay open. But the reality is that GM is disassembling its operations in the United States, and globalizing them. John Dohner, shop chairman for UAW Local 95 at the Janesville, Wisconsin plant, told the June 8 *Detroit News:* "It's not so much us against [the plant in] Arlington [Texas,] but us against the Silao plant in Mexico. They've got people there working for peanuts."

Wall Street signalled that it wants much more blood than Wagoner has announced. Scott

TABLE 1
GM Production Facilities, 2005

No.	State	City	Type of Facility	Hourly Workers	Salaried Workers	Plant Square Feet (Millions)
1	**Georgia**	Doraville	Assembly	2,856	220	3.6
2	**Illinois**	LaGrange	Electro-Motive	823	769	1.3
3	**Indiana**	Indianapolis	Transmission	2,500	1,300	3.5
4		Indianapolis	Metal Center	1,473	159	2.1
5		Fort Wayne	Assembly	2,716	184	2.5
6		Bedford	Foundry (PT)**	747	133	0.9
7		Marion	Metal Center	1,442	172	2.1
8	**Kansas**	Fairfax	Assembly	2,650	200	2.5
9	**Kentucky**	Bowling Green	Assembly	1,014	116	1.0
10	**Louisiana**	Shreveport	Assembly	3,000	200	3.1
11	**Maryland**	Baltimore *	Assembly	883	120	3.0
12		Baltimore	Transmission (PT)	376	68	0.4
13	**Michigan**	Ypsilanti—Willow Run	Transmission(PT)	3,419	338	4.8
14		Romulus	Engine (PT)	1,800	225	2.1
15		Romulus	Transmission (PT)	390	30	0.4
16		*Livonia*	*Engine (PT)*	*344*	*88*	*1.0*
17		*Detroit/Hamtramck*	*Assembly*	*2,500*	*220*	*3.5*
18		Lansing	Car Assembly—Body	2,170	349	2.6
19		Lansing	Car Assembly—Chassis	2,442	0	4.1
20		Lansing	Assembly	336	62	1.0
21		Lansing—Delta Twnshp	Assembly	130	16	0.6
22		Lansing—Grand River	Assembly	1,303	185	2.0
23		Lansing	Metal Center	1,514	144	1.7
24		Warren	Technical Center—Engineering	2,400	16,000	10.0
25		Warren	Transmission (PT)	1,200	200	2.1
26		Grand Rapids	Metal Center	2,199	245	2.0
27		Pontiac	Assembly	5,200	257	2.9
28		Pontiac	Metal Center	1,945	228	3.7
29		Orion	Assembly	2,078	179	4.0
30		Grand Blanc	Metal Center	1,330	80	1.7
31		Flint	Metal Center	2,000	215	1.9
32		Flint	Tool & Die Metal Fabricating	334	31	0.3
33		Flint	Truck Assembly	3,320	294	3.7
34		Flint—South	Engine (PT)	608	93	0.7
35		Flint—North	Power Train	2,262	360	n/a
36		Saginaw	Malleable Iron (PT)	292	41	0.3
37		Saginaw	Metal Casting (PT)	1,728	227	1.9
38		Bay City	Power Train	837	120	1.0
39	**Missouri**	Wentzville	Assembly	2,101	188	3.7
40	**New Jersey**	Linden	Assembly	1,654	88	2.6
41	**New York**	Massena	Power Train	462	91	0.9
42		Tonawanda	Engine	2,415	343	3.1
43	**Ohio**	Defiance	Foundry (PT)	2,174	296	2.0
44		Toledo	Transmission (PT)	3,185	273	1.8
45		Lordstown	Assembly	3,408	273	3.6
46		Lordstown	Metal Center	1,661	191	2.2
47		Mansfield	Metal Center	2,300	230	2.1
48		Moraine	Assembly	3,821	344	4.1
49		Parma	Metal Center	2,130	222	2.3
50	**Oklahoma**	Oklahoma City	Assembly	2,534	200	3.9
51	**Pennsylvania**	Pittsburgh	Metal Fabricating	541	72	0.8
52	**Tennessee**	Spring Hill	Assembly	5,067	709	5.2
53	**Texas**	Arlington	Assembly	2,634	195	3.8
54	**Virginia**	Fredericksburg	Power Train	219	29	0.3
55	**Wisconsin**	Janesville	Assembly	3,600	300	4.8

*This Baltimore facility was closed as of April 2005. **Power Train
Sources: General Motors, Inc. data; *EIR.*

Sprinzen, Standard and Poor's chief auto analyst and the point man for S&P's credit downgrade of GM bonds to "junk" status on May 5, said on June 7, "25,000 [lay-offs] seems like a big number, but when you consider what the natural attrition might be in any case, it really is unclear just how much is new here, apart from the figure of $2.5 billion of annual savings." He continued, "It's not clear if this is the new round of restructuring that many have been anticipating." This threat, is that GM would not have its investment rating restored, or could be subject to further downgrades, unless it produces the "restructuring"—including employee health care and pension cuts—that the financial sector demands. The *Detroit News* reported June 8, "Analyst Stephen Girsky at Morgan Stanley recently estimated that 45% of GM's North American production capacity—the equivalent of 15 plants—is unused or produces models that generate little or no profit," a clear demand for more closings.

There are strong indications that GM is maneuvering to foist its current workers' and retirees' pensions, with a $45 billion estimated deficit, onto the Federal Pension Benefit Guaranty Corporation, which would mean steep cuts in the benefits of 1.2 million GM pensioners. Meanwhile, GM's financial instability—with $270 billion in junk bonds—puts the world's $400 trillion derivatives market on the verge of *systemic collapse.*

Auto Parts Suppliers Failures

The shake-out at GM and Ford Motor Company, has intensified the damage at the auto parts supplier industry.

Delphi: On June 9, 100 UAW officials from Delphi and GM gathered to discuss the dire situation at Delphi. Twelve of its 23 plants in the United States are losing money, and have been rounded up into a special holding company. The financially troubled Delphi, whose credit rating has sunk five levels below "junk bonds," is considering selling or closing these 12 plants. The world's largest auto parts supplier, Delphi laid off 1,500 workers during the first three months of 2005, and announced another 7,000 layoffs for this year.

Visteon: Recently, Ford and Visteon (which spun off from Ford in 2000) announced that 15 of Visteon's 24 U.S. plants would be placed in a special "limited liability holding company." A few of these plants are being reintegrated back into Ford; the rest, put up for sale or closing. Late last year, Visteon, America's second-largest auto parts supplier, announced that it would slash 8,300 workers' jobs during 2005.

Arvinmeritor, with more than 30,000 workers around the world, announced that over the next two years, it would close 11 plants, most in the United States, and cut its workers' health benefits.

Metaldyne announced that it was ending retiree medical coverage effective Jan. 1, 2006.

Since January 2005, auto parts suppliers *Collins & Aikman; Meridian Automotive; Tower Automotive;* and *Intermet Corp* have filed for bankruptcy.

'Enron Accounting' and Dereg Kill Pensions

by Paul Gallagher

The ugly face of the U.S. corporate pensions collapse was exposed in the United States Senate on June 7: The head of the retired airline pilots' association explained why he's getting a pension of $205/month after 26 years flying for TWA; and the flight attendants' union leader, Patricia Freund, testified that most of her members will receive less than half of their contracted pension benefits, because of bankrupt United Airlines' dumping of its pensions on the Federal Pension Benefit Guaranty Corporation (PBGC). Many of those employees, having already "given back" large chunks of their wages, will have to stay in airline work to age 65 or older. The spectacle of life-long skilled employees retiring on the equivalent of a welfare check (plus their Social Security benefits, fortunately), shows the severity of the rapidly worsening pensions crisis.

Globalization, deindustrialization, and "free trade" have shrunk the number of industrial pension plans by 75% since 1978—but by one-quarter just since 1999. More than 1 million—about 5%—of the remaining covered workers are, in fact, "covered" only by the PBGC, their employers having failed or abandoned their plans to the government insurance agency. And that percentage is now rising rapidly. At the Senate Finance Committee hearings on June 7, the CEOs of both Delta and Northwest Airlines—Gerald Grinstein and Douglas Steenland, respectively—threatened to go bankrupt soon in order to dump their "unmanageable" employee pension plans (which cover 150,000 workers and retirees combined), as bankrupt United and US Airways have already done. Under deregulation, the airlines are losing billions each per year, and putting nothing into their pension plans: What Delta and Northwest were demanding, was a law to allow them to continue putting nothing into the plans for years to come! This kind of "Enron accounting" has deepened the pensions collapse caused by the *drastic shrinkage of employment* in virtually all the industries in which stable retirement plans used to be widespread.

At the hearing, PBGC head Bradley Belt indicated what was expected next, by estimating the *auto sector*'s pension-plan unfunded liabilities at approximately $60 billion. Belt testified that for the whole national economy, corporate pension plans' underfunding hole had worsened by about $75 billion during the 2003-04 year (of Bush's "recovery"). That hole grew to well above the $450 billion estimated late last year (see **Figure 1**). The PBGC itself, under Belt, has devel-