Business Briefs

Benefits

Pension Plans Going, After Boehner 'Reform'

Two of the largest U.S. private defined-benefit pension plans have been frozen in the month since the Boehner pension bill—largely modelled on the Bush White House "pension reform" proposals—passed the House of Representatives.

IBM froze its plan on Jan. 6, meaning that the retirement pension benefits of 120,000 employees will stop "accruing"—i.e., growing with additional years of work; and newly hired employees will not get pension benefits. IBM announced on Jan. 6 that it will "replace" further pension accruals by increasing its matching employee contributions to a 401(k) plan—up to a maximum of 6% of the employees' salary—but not until January 2008.

Two weeks before IBM's move, Verizon froze its pension plan for 50,000 employees whom it calls "managers"—i.e., supervisors—leaving them with a 401(k).

IBM's self-reported pension-plan deficit had been $7.4 billion at the end of 2004, and the new pension legislation, if reconciled between the Houses and made law, will give it just four years to eliminate that deficit, as well as raising its insurance premiums to the Pension Benefit Guaranty Corporation. By freezing the plan, IBM claims it's saving $3 billion by the end of 2007.

Regulation

Hearings Demanded After Sago Mine Disaster

Democratic Representatives George Miller (Calif.) and Major Owens (N.Y.) on the House Education and the Workforce Committee posted a letter Jan. 4 to Committee Chair John Boehner (R-Ohio), demanding hearings on the Sago Mine explosion which killed 12 Jan. 2. The four-page letter lays bare horrendous, Nazi-like willful neglect of safety that has been instituted by the Cheney-Bush Administration. They point out that Congress has held no hearings on mine worker safety, and only two "safety" hearings since 2001—and those were, the letter says, "to weaken the Occupational Safety and Health Administration's (OSHA) enforcement." Their letter pointed out that:

- From 2004 to 2005, Sago's citations jumped from 68 to over 200, of which 96 were considered "significant and substantial." Yet, "the 2005 violations by International Coal Group by the Department of Labor resulted in just a few thousand dollars of penalties. . . . The International Coal Group had revenues exceeding $136 million in 2004."
- ". . . next year's Mine Safety and Health Administration (MSHA) budget include[s] a $4.9 million cut. . . . Since 2001, MSHA staffing has been downsized by 170 positions."
- During the Cheney-Bush Administration, the officials appointed to MSHA come out of the coal companies. . . . "[I]n April 2004 procedures were changed, such that the draft report and conclusion of professional investigators regarding a serious or fatal accident are now apparently subject to re-review by the Department of Labor's political appointees to determine what action, if any, to take against the mining company."

On Jan. 9, Rep. George Miller (D-Calif.) renewed his call for Congressional hearings into the cause of the explosion, and additionally requested that the Department of Labor turn over all documents related to the accident, its safety violations, inspections, and fines.

Industry

Machine Tool Consumption Fell 2.5% in November

This drop, for the third month in a row, of this critical industrial indicator, points to the necessity of converting the auto industry to build large-scale infrastructure projects. According to a joint report by the American Machine Tool Distributors' Association and the Association for Manufacturing Technology, U.S. machine tool consumption fell in November to $245.04 million from $251.36 in October, and was down 6.9% from November 2004. For the first 11 months of 2005, total orders were $2.767 trillion, up 8.3% from January-November 2004—yet down some 30% from the level in 1997.

Auto

GM's VP Calls Wall Street Bankruptcy Talk 'a Crock'

There is no plan for GM to become bankrupt," GM Vice President Robert Lutz told reporters Jan. 9 at the North American International Auto Show, according to Reuters, echoing GM CEO Rick Wagoner's comments. Lutz attacked Standard & Poors analysts, and other Wall Streeters who are greedily attempting to force GM into bankruptcy. "I don't care which junior analyst on Wall Street or two years out of Harvard Business-School says—'Oh, well, General Motors is inevitably headed for bankruptcy'—Well you know, our view of that is, that's a crock. It's not going to happen."

Goldman Sachs's response was that it believed a GM bankruptcy was "very unlikely any time soon," raising its rating on GM to "in-line" from "underperform." GM's stock jumped almost 8%.

However, GM's new CFO Fritz Henderson said the automaker is "moving pretty fast" to sell a controlling stake in its more lucrative GMAC finance unit, under threat of debt downgrade. Moody's, copying S&P's threat issued in December, threatened to downgrade GMAC deeper into "junk" status if the GMAC sale doesn't go through. Wachovia Corp. is reportedly looking to join with private-equity firm Kohlberg Kravis Roberts & Co. to acquire a 51% stake in GMAC, as early as this month.