How Many Shocks To Jolt Congressional Action on Auto?

by Paul Gallagher

LaRouche PAC and LaRouche Youth Movement forces, joined by state legislators and union leaders, met 30 Members of Congress or their staffs on June 8-9, pressing for Lyndon LaRouche's proposed emergency legislation to save closing auto plants and make them the center of a national infrastructure-building program. LaRouche PAC organizers then brought the same mobilization to the national convention of the United Auto Workers (UAW) June 11-15. By the week's end, hundreds of state and local elected officials and union representatives had signed the public call to Congress for the legislation, which appeared as paid ads in the Congressional publications *The Hill* and *Roll Call* during the lobbying drive.

The U.S. Congress and the UAW international leadership still share a common problem: They appear to think that nothing can be built in these auto plants except cars and trucks, which leaves them debating solely what kinds of fuel should be in the tank. This puts them at odds with the rich industrial history of repeated "retooling" of the auto industry. (See "The Development of American Machine Tools," in this section.) It has blocked them from acting thus far on the solution—Congressional intervention and credit for retooling of the auto industry's closing plants, and unused capacity, for infrastructure purposes. Without that Federal intervention, a globalized auto industry, ridden by crisis levels of debt, will keep taking those skilled jobs and machine tools out of the United States, at an accelerating pace.

More major American auto plants are closing and set to close over 2006-08, than in the previous three decades.

A series of shocks is being delivered to the Congress which may propel them into action, given the expanding national mobilization of pressure by LaRouche PAC epitomized by the Capitol Hill ads.

Rohatyn's Outsourcing Role Exposed

First is the growing perception that the world's financial system is careening toward collapse, accompanied by the sudden increase in general inflation and rise in interest rates; at the same time, new job creation has shrivelled up. Quickly, job-creation programs will start to be generally demanded. The alarming 0.7% drop in U.S. real wages in May alone, accelerating a sickening five-year trend, shows the potential for a crash. It also explains why in the teeth of rising inflation, average automobile prices are going down in a more desperate attempt to sell cars, worsening the auto sector's crisis.

The second shock was the revelation that the Delphi Corp. bankruptcy—the central and "driver event" of the auto collapse, with 25 plants of a single company being rapidly shut down—had been planned personally by Felix Rohatyn as investment bank advisor to Delphi from May 1 until Oct. 8, 2005. Rohatyn and LaRouche are direct opponents and enemies in the Democratic Party, and Rohatyn has exercised influence against LaRouche's infrastructure proposal to save auto, denouncing any return to "FDR's methods." Rohatyn's own "methods" in Democratic policy circles are to promote privatized infrastructure schemes, actually corporatist-fascist schemes in which infrastructure is to be paid for out of workers' pension funds, wages, and benefits.

So with this "Democratic" banker and moneybags exposed as strategic planner of the biggest and worst corporate outsourcing in U.S. industrial history, the shock is striking home. LaRouche PAC has circulated more than 100,000 copies of the white paper detailing this exposé, including saturating the Congress and the UAW convention with it (see *EIR,* June 16, 2006).

Further revelations filled out the picture of Rohatyn Associates' and Rohatyn's Lazard Frères bank's steering of the auto collapse process. LaRouche PAC released on June 12 (see box) the evidence that Lazard had repeatedly been retained by the UAW to analyze GM's, Ford's, and Delphi's books and advise the union on these corporations' demands for contract givebacks. The corporations had paid Lazard for its consultancies to the union! Lazard in November and December 2005 told the UAW that the health benefit cuts GM and Ford, respectively, were demanding, were absolutely necessary; agreeing to the cuts, the union cited this Lazard advice in a December 2005 letter to Ford employees.

But what, LaRouche asked, did Rohatyn and Lazard say about the huge executive salaries and bonuses being paid at the same time as the cuts, by GM, Ford, and especially Delphi? Did it also find them "absolutely necessary" for the company's survivable cost structure? And what about Delphi's overseas books and accounts, kept off limits in Rohatyn's "strategic bankruptcy" of only Delphi's U.S. operations? Did Lazard find it "absolutely necessary" that those books be hidden from the UAW, the court, and Congress?

The full dimension of the outsourcing of the entire basis of U.S. economic recovery and security, is clear in the following picture of successive waves of capacity lost.

From 1990-97, following the end of the Cold War, according to industry sources, some 60 million square feet of industrial capacity of defense/aerospace contractors and companies was shut down, and its machine-tool content completely auctioned off. In late 2004, under changes made in Defense Authorization legislation, the "national defense reserve" of machine-tool packages for industry—maintained for 60 years by the U.S. military as an industrial "surge capacity" for a crisis, was similarly auctioned off from Defense Logistics Agency bases. And in 2006-07, some 80 million square feet of auto capacity, the last leg of U.S. machine-tool pre-eminence, is shut or scheduled to shut in just two years' time.

Ford's 'Way Forward' To Mexico

The debt crisis of the major automakers is continuing to deepen while Congress holds back, and auto plants close across the country. Total auto sales in the United States are steadily falling, month by month, as American households' real income drops (in May, real wages fell by another 0.7%; the drop is accelerating). Since the drop in auto sales is most pronounced in the Midwest region, home to hundreds of thousands of auto unionists who have strong loyalty to American car brands, "Big Three" sales are dropping faster than

Rohatyn's Looters 'Advise' UAW To Dismantle Industry

On June 12, the Lyndon LaRouche Political Action Committee put out the following press release.

Continuing investigations by the Lyndon LaRouche Political Action Committee now clearly demonstrate that the Lazard Frères banking group has controlled the Delphi Corporation bankruptcy from all sides. Former Lazard lead partner Felix Rohatyn and his associates at Rothschild Inc., acted as the financial advisors to Delphi from May of 2005 up to the week before Delphi's bankruptcy filing. Beginning no later than November 1, 2005, Delphi and the leadership of United Automobile Workers of America, agreed to hire Lazard as financial advisors to the UAW. Delphi paid the fees for Lazard's UAW consultancy.

Delphi's abuse of U.S. bankruptcy laws was succinctly described by *Business Week* as "globalization by bankruptcy." It is viewed by most informed observers as the first stage of an all-out assault by the same financial predators on General Motors, Ford, and Chrysler. The UAW membership, whose living standards are the primary target of the Delphi bankruptcy action, will be told by President Ron Gettelfinger in Las Vegas at the annual Convention which began today, that there are no alternatives to the forced retirements and cheap buyouts of 30,000 production workers, and the shutdown and outsourcing of almost all of Delphi's U.S. productive capacity. Presumably his selling points to a formerly militant membership have been choreographed by "consultant" Lazard, which has put enormous pressure on the union leadership.

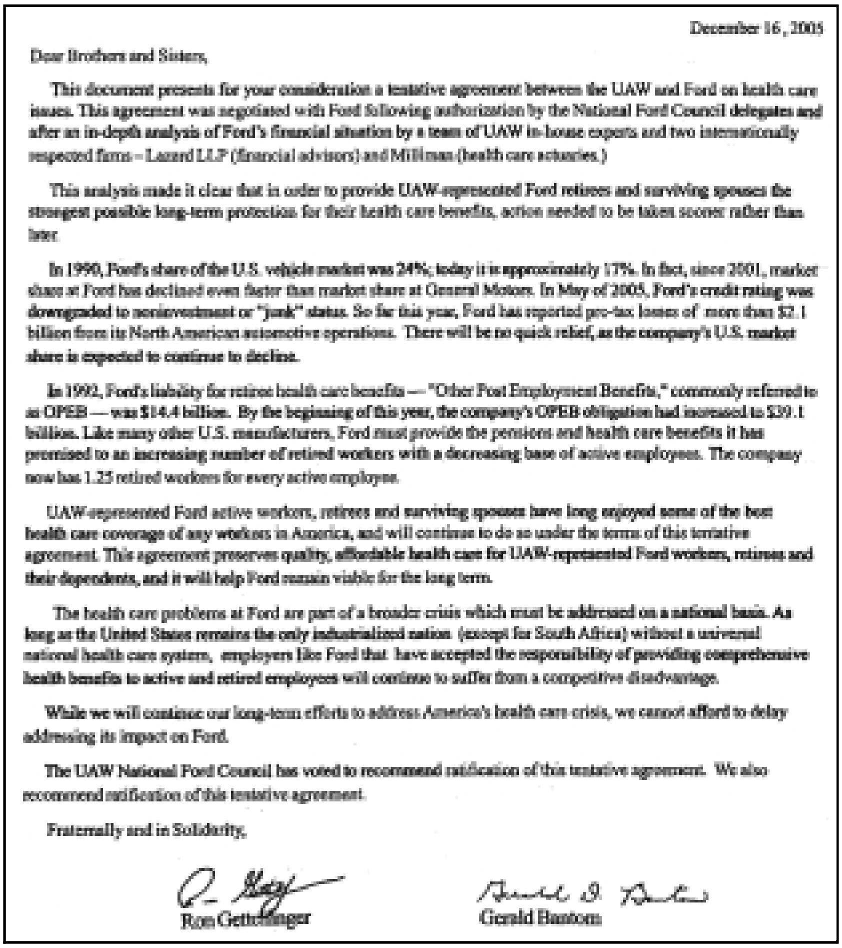
LaRouche PAC is presently circulating a mass pamphlet titled, "Rohatyn, the French-Nazi Connection." The pamphlet emphasizes that, in his assault on America's industrial base, Rohatyn is acting on behalf of Europe's synarchist bankers. Rohatyn has revived the World War II relationship between Lazard and The Banque Worms Group. U.S. war-time intelligence and the U.S. diplomatic corps identified this grouping as central to the synarchist banking operations which brought Adolf Hitler to power in Germany and arranged for his conquest of France.

In the same pamphlet, LaRouche PAC presents detailed documentation showing Rohatyn's control of the Delphi dismantlement through bankruptcy, and Rohatyn's personal actions against Lyndon LaRouche and his plan to save the auto industry and its strategically vital machine-tool capacity through re-tooling. At a webcast on June 9th, LaRouche called for an all-out mobilization against Rohatyn and his influence in the Democratic Party, stating that "we have got to kick ass like ass has not been kicked before," if the auto industry and the U.S. economy are to be saved.

the total. Despite GM's use of its cash hoard to buy tens of thousands of auto workers into retiring from the industry—this is supposed to be good news on Wall Street!—its debt is still rated by the credit agencies as likely to fall further into junk. Ford's debt crisis is now ranked as even worse than GM's.

The level of tension even within Ford Motor management ranks, at the destruction of America's first and once-premier automobile company, was dramatized on June 14, delivering still another major political shock. A Ford management employee leaked to the press, the top Ford management's secret plans for a massive move of auto assembly to Mexico. The leak to the *Oakland Press,* and the following day to the *Detroit Free Press,* exposed the lying of Ford executive vice president Mark Fields, who was speaking that very day, June 14, to the U.S. Chamber of Commerce in Washington, D.C. about "keeping American content" in cars sold in America.

Fields' and Ford's actual plan—apparently presented to the Mexican government in April to line up subsidies—was revealed as: building a new assembly plant and expanding two others in Mexico; reaching production of nearly 1 million cars a year there; "saving" nearly $2 billion a year from far lower wages, benefits, and other costs; quadrupling its purchases of parts in Mexico. In the United States and Canada, meanwhile, Ford is in the process of shutting down seven of the 18 assembly plants it ran as of Jan. 1, 2006.


December 16, 2005

Dear Brothers and Sisters,

This document presents for your consideration a tentative agreement between the UAW and Ford on health care issues. This agreement was negotiated with Ford following authorization by the National Ford Council delegates and after an in-depth analysis of Ford's financial situation by a team of UAW in-house experts and two internationally respected firms – Lazard LLP (financial advisors) and Milliman (health care actuaries.)

This analysis made it clear that in order to provide UAW-represented Ford retirees and surviving spouses the strongest possible long-term protection for their health care benefits, action needed to be taken sooner rather than later.

In 1990, Ford's share of the U.S. vehicle market was 24%; today it is approximately 17%. In fact, since 2001, market share at Ford has declined even faster than market share at General Motors. In May of 2005, Ford's credit rating was downgraded to noninvestment or "junk" status. So far this year, Ford has reported pre-tax losses of more than $2.1 billion from its North American automotive operations. There will be no quick relief, as the company's U.S. market share is expected to continue to decline.

In 1992, Ford's liability for retiree health care benefits — "Other Post Employment Benefits," commonly referred to as OPEB — was $14.4 billion. By the beginning of this year, the company's OPEB obligation had increased to $39.1 billion. Like many other U.S. manufacturers, Ford must provide the pensions and health care benefits it has promised to an increasing number of retired workers with a decreasing base of active employees. The company now has 1.25 retired workers for every active employee.

UAW-represented Ford active workers, retirees and surviving spouses have long enjoyed some of the best health care coverage of any workers in America, and will continue to do so under the terms of this tentative agreement. This agreement preserves quality, affordable health care for UAW-represented Ford workers, retirees and their dependents, and it will help Ford remain viable for the long term.

The health care problems at Ford are part of a broader crisis which must be addressed on a national basis. As long as the United States remains the only industrialized nation (except for South Africa) without a universal national health care system, employers like Ford that have accepted the responsibility of providing comprehensive health benefits to active and retired employees will continue to suffer from a competitive disadvantage.

While we will continue our long-term efforts to address America's health care crisis, we cannot afford to delay addressing its impact on Ford.

The UAW National Ford Council has voted to recommend ratification of this tentative agreement. We also recommend ratification of this tentative agreement.

Fraternally and in Solidarity,

Ron Gettelfinger

Gerald Bantom

This letter from UAW President Ron Gettelfinger to Ford UAW workers recommends that they agree to health-care cuts, since Ford is in trouble, according to the "internationally respected Lazard" financial analysts.

Delphi's plants are also winding down at an extremely fast pace. Since April, 10,000 of its employees have been ushered out of the industry through retirement buyouts, or moved back into vacated jobs at GM where 23,000 additional workers have been drummed into early retirement in the same two months. And on June 8, Delphi and GM announced a second offer, aimed at buying out a further 10,000 Delphi employees by the end of July. At that pace, Delphi would be down to a mere 12-13,000 production workers by August, and the 25 plants CEO Steve Miller has marked for shutdown, would be closing rapidly from lack of a sufficient skilled workforce.

Miller asked and received a postponement of the next bankruptcy hearing until August, hoping that by then, he can "fine-tune" wage and benefit cuts with the few U.S. unionized workers who remain, and end the bankruptcy-globalization battle over Delphi with a whimper, rather than the bang of a national strike.

Hedge funds associated with predator "industrialist" Wilbur Ross, particularly Appaloosa Partners and WL Ross & Co., are positioning themselves to take control of the stripped down, globalized Delphi and squeeze all the "shareholder value" out of it. Appaloosa has put out a call for $1.8 billion in new capital for the purpose of buying Delphi debt and stock; Appaloosa already heads an informal "creditors committee" with 21% control of Delphi. And on June 13, Delphi appointed as a new director, John P. Englar, the executive of Burlington Industries who, in 2003, sold Burlington out of bankruptcy to Wilbur Ross's private equity fund, at a concessionary price. Ross and Delphi CEO Steve Miller have also done this same predatory dance before, with Bethlehem and LTV steel companies.

Only Federal action is capable of stopping this final stage of outsourcing of the machine-tool core of the U.S. industrial economy, and reversing its collapse with a policy of infrastructure project and jobs creation.