

Economic Mission for Congress: To Save Auto, Build Rail

by Richard Freeman

“Every GM plant in the United States is capable of retooling for whatever is needed to be produced,” said a United Auto Workers (UAW) official at General Motors’ Mansfield, Ohio plant, discussing Lyndon LaRouche’s call for emergency government action to re-tool the American auto sector—which is being dismantled at break-neck speed. Discussion with half a dozen skilled auto workers and engineers during the past month indicates that they understand the necessity of preserving the auto sector’s advanced machine-tool capability, and provide an unique insight into how the retooling process actually functions. They also reflected the spirit of progress and willingness to fight, essential to save the auto sector.

“I would like to work with Mr. LaRouche in figuring how we can re-tool, because this would save jobs, and the plant could produce some good things,” said an official representing workers at several plants of Delphi, the largest auto parts producer in the world.

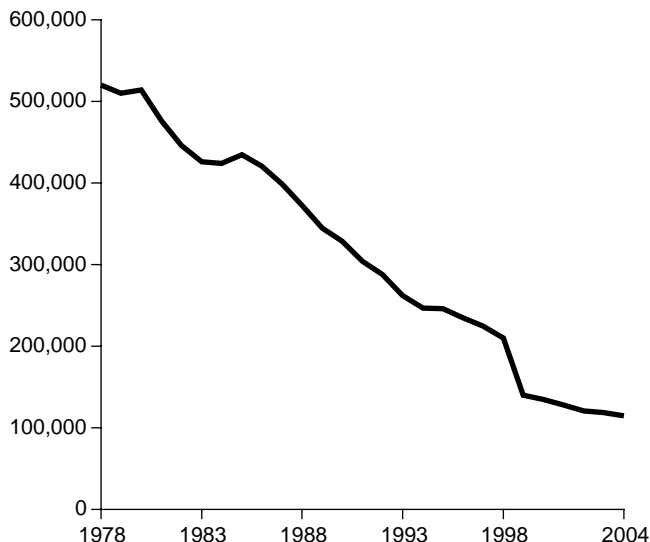
The urgency of timely, forceful action is underscored by the fact that GM may not even survive in its current form until the end of the Summer. Possessing \$301 billion in debt, its credit rated by Standard and Poors at “BBB-, negative,” inches above junk bond status—GM teeters on the brink of bankruptcy. It has already permanently closed two plants this year, and has either classified, or is close to classifying three additional plants as “indefinitely idled”—shut, producing nothing; the workers are paid 95% of their wages; up for permanent shutdown when the GM-UAW contract, which prohibits the permanent closing of these plants, expires in 2007. On April 20, Ford Motor Company Chief Financial Officer Don Leclair announced, “We have more capacity than we need.” He indicated that Ford is looking outside for “low-cost manufacturing opportunities,” such as in China. Delphi has indicated that it may close or sell 12 of its 23 U.S. plants, some as early as this Summer.

The City of London and Wall Street banks are demanding the break-up of GM. In April, Deutsche Bank analysts Rod Lache and Michael Heifler released a report “predicting” that GM will likely be forced to undertake a major restructuring that could mean the closure of four assembly

FIGURE 1

The Decimation of General Motors’ Hourly Workforce in America

(Number of Workers)



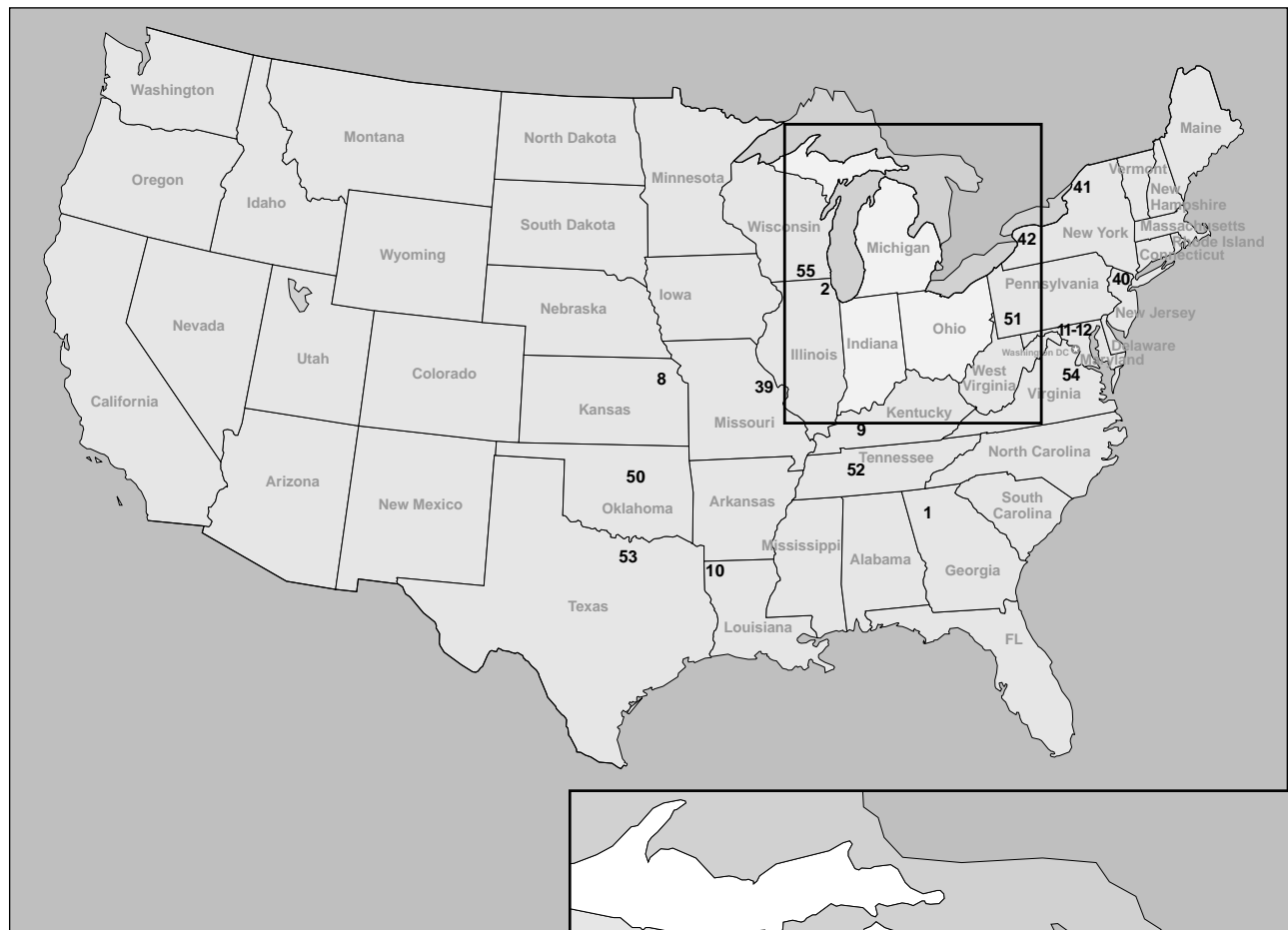
Sources: General Motors; *EIR*.

plants and the elimination of 20-30,000 jobs in North America. They also called for sharp cuts in auto workers’ health benefits.

To insure the United States’ physical-economic survival, LaRouche, in his April 13 “Emergency Action by the Senate” proposal (*EIR*, April 22), called for government action to re-tool the advanced machine-tool design capacity, and to re-deploy the productive labor force of GM and the auto sector in general. The converted portion of the sector would produce goods to reconstruct America, with capital goods for an inventory of urgently needed infrastructure projects, including high-speed rail and magnetically levitated train systems, as we will see below.

FIGURE 2

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



GM's Breakdown

General Motors, owned and later controlled by the Morgan and du Pont banking forces since the 1920s, has been shrinking itself for 25 years. Although it has possessed advanced machine-tool capabilities and a skilled workforce, it has often had as its top management, executives—such as Alfred P. Sloan—who were more concerned with financial matters, and the outward appearance of cars, than with production. The auto sector was hit by the Wall Street-City of London banks' imposition of a "post-industrial society" policy in the mid-1960s (see **Figure 1**). This policy worsened when President Richard Nixon, on orders from George Shultz and Paul Volcker, broke up the Bretton Woods system by taking the dollar off the gold reserve in August 1971.

From the 1980s onward, two interconnected processes drove GM: the frenzied drive to increase "shareholder values" through cost-cutting; and GM's "globalization," under which it set

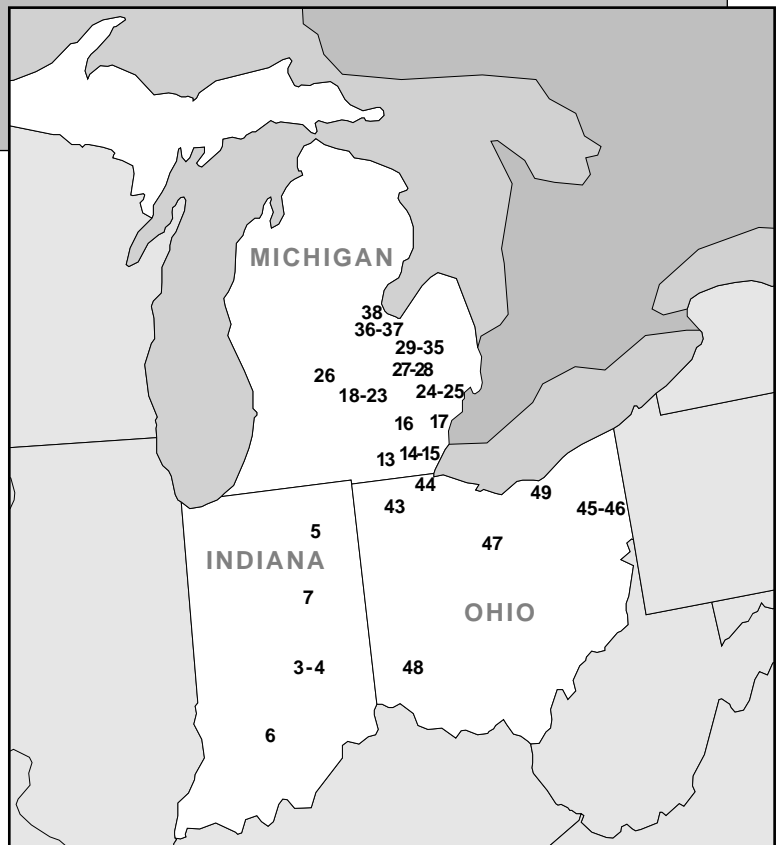


TABLE 1

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*.

up production, at slave-labor wages, in developing countries. During the late 1980s and the 1990s, GM built several dozen plants in Mexico (including for Delphi, its spinoff). It has seven plants constructed or planned in China.

This drove GM to slash its workforce, which occurred in two phases. In 1978, GM had 520,000 hourly, or “blue collar” workers, most of whom were engaged in production. By 1991, it had cut this hourly workforce to 304,000. Then, in 1992, GM had a crisis which put it on the ropes. It intensified outsourcing, plant closings, and layoffs. From 1991-2004, GM closed eight production facilities, and reduced its workforce to 117,000. Thus, between 1978 and 2004, GM fired (or attrited) 403,000 workers, 78% of its hourly workforce.

In a retooling policy as proposed by LaRouche, it would be worthwhile to bring back some of these workers, to benefit from their skills. Some who worked during the 1980s and 1990s, may have reached the retirement age. Assuming, conservatively, that even half these workers were able-bodied and younger than the retirement age, 200,000 workers would be qualified to be brought back to work, provided one could open some of the closed GM facilities, and expand the employment at some currently open GM facilities, which in several cases are carrying out work in only a portion of the plant’s entire floor space.

Announcements that GM plants would be producing again—although different products—and rehiring workers who once worked there, would attract a crowd, since many dismissed workers found employment only at non-productive, lower-paying jobs. These dismissed workers would need 8-13 week retraining courses, to expand their skills—also true for current workers.

This makes it critical that the bankers’ plans for further dismantling of GM be stopped. **Figure 2** and **Table 1** show the configuration and location of GM’s current 55 facilities: 54 are production facilities, and the remaining one is GM’s Technical Center (number 24 on the map). Of the production facilities, 23 are assembly plants where the final car, or the final body or chassis is assembled. There are also 16 powertrain (PT) production facilities, which are factories that make engines, transmissions, and related components. Many of the remaining GM facilities are stamping plants.

The GM Technical Center, located in Warren, Michigan, employs 18,400 workers, the majority of whom are engineers. Their expertise, which is heavily in car design and styling, could be very valuable with retraining.

There is an all-out push to shut down many of these facilities. GM has already closed its Baltimore, Maryland assembly plant, as well as a foundry in Saginaw, Michigan. However, GM is aggressively seizing upon a provision in the contract with the UAW, which says that the company can “idle plants indefinitely,” and is moving to place its Linden, New Jersey assembly plant, its Lansing, Michigan assembly plant, and a Muncie, Indiana transmission plant in that classification. GM

FIGURE 3
Railroad Equipment Manufacturers' Production Workers

(Number of Workers)



Sources: U.S. Department of Labor, Bureau of Labor Statistics, *EIR*.

could idle these plants for two years, and shut them forever when the contract expires. The April 26 *Detroit News*, in an article entitled “GM May Close More Factories,” designated five more GM assembly plants for possible classification of “indefinitely idled,” including production facilities in Orion, Michigan; Wentzville, Wisconsin; two in Spring Hill, Tennessee; and Doraville, Georgia. All told, that’s 10 of GM’s 54 production facilities. That is why LaRouche has said that GM’s production facilities must be saved from shutdown in the immediate future.

Machine-Tool Principle

A walk through any auto production facility will very quickly come upon machine tools. A facility may possess 20-30, or several hundred, or in one case 1,450. The machine tools are usually deployed in clusters—so what is being worked on is passed from one machine tool to the next—and the plant may be thought of as an ordered configuration of machine tools.

The machine-tool design principle is the driving force of an economy. It starts with scientific discovery of fundamental physical principle. This discovery is incorporated as a design within the machine tool, which transmits it to the economy. A succession of machine-tool designs results, each with more power to positively transform the economy. At the same time, these scientific discoveries shape the minds of members of the labor force, increasing their cognitive ability and associated

skill level. When the two processes are brought together—the advanced mind working with the advanced machine tool—actual productivity growth generates the upward movement of the economy. Each skilled worker and machinist grasps this principle more or less—if not fully consciously, then intuitively. His or her activity in production is guided by this understanding.

What will be produced at each GM plant that would be retooled will have to be decided by those who are directing the process. No pre-selected list exists. The machinists, skilled workers, and engineers who engaged in this process with the LaRouche movement, contributed their ideas. They are committed to achieving the retooling, and they have developed insight into how the process would work, based on decades of experience with this process.

Eugene Morey, president of United Auto Workers Local 849 in Ypsilanti, Michigan, which represents employees of Ford's primary parts supplier, Visteon Corporation, said in a discussion on LaRouche's re-tooling proposal, "We could just as well produce at this plant components for high-speed rail systems, and a maglev system, as we could produce automotive components. Look, we used to produce shock absorbers/struts at this plant, also horns. Today we specialize in starters and ignition coils. Obviously, we know how to retool to change over from the products we used to produce."

Morey described how the plant regularly draws together workers, engineers, and management, to discuss what products it could produce, and to make bids for new work. A highly skilled machinery repairman himself, he described how the deliberation process could contribute. Once it has been decided to build a certain product, he and engineers will select "equipment makers who make the equipment we will need. We will look at the machine tools they have made, and then suggest to the equipment makers the modifications we want in the machine. We will work with that person. Once the construction of the new machine tool is partly done, we will . . . make sure it meets standards." Morey's plant has 30 machine shops, several of them small, which they work with. This is precisely the sort of collaboration that is vital to the re-tooling.

Morey said, "We can have the engineering and skilled workforce to produce new things. With the right machines and workers, you can produce almost anything that is needed."

Needed Projects

An array of projects to rebuild and improve America's collapsing infrastructure, cry out for construction. Many are off-the-shelf; and some are authorized as soon as funding is brought forward. A retooled auto sector, covering important portions of GM, Ford, and the parts suppliers, could produce the requisite quality and immense volume of capital goods and

transportation systems needed.

1. America's rail system is in crisis. There is a great need to shore up and improve Amtrak, America's main passenger intercity rail system. This also is true of sections of America's freight railroad system. The neglect is highlighted by the fact that the workforce that makes rail equipment has been chopped up (see **Figure 3**).

Simultaneously, America should embark on the construction of high-speed rail, and ultimately, magnetically levitated train systems. **Figure 4** shows the U.S. Department of Transportation's designated High-Speed Rail Corridors, 11 in the Continental United States and one in Alaska (not shown). The 12-corridor system would cover 12-15,000 miles in the most densely populated parts of the country. The passenger rail side of the system should travel at 150 mph on double-tracked lines.

As the system would be electrified for great efficiency, this would require the mass-scale building of electric-powered locomotives. It would also require the construction of rail passenger cars, signalling systems, etc. There is also great need to build the rolling stock for intra-city and commuter rail systems.

2. The rebuilding and forward development of America's physical economy—including the tremendous electricity requirements for an electrified rail system—necessitate mass construction of nuclear power plants, featuring high-temperature gas-cooled reactors. An engineer told *EIR* that while retooled auto plants may be able to produce nuclear containment vessels, they certainly can produce transmission lines, sub-stations, and everything needed for an electricity grid.

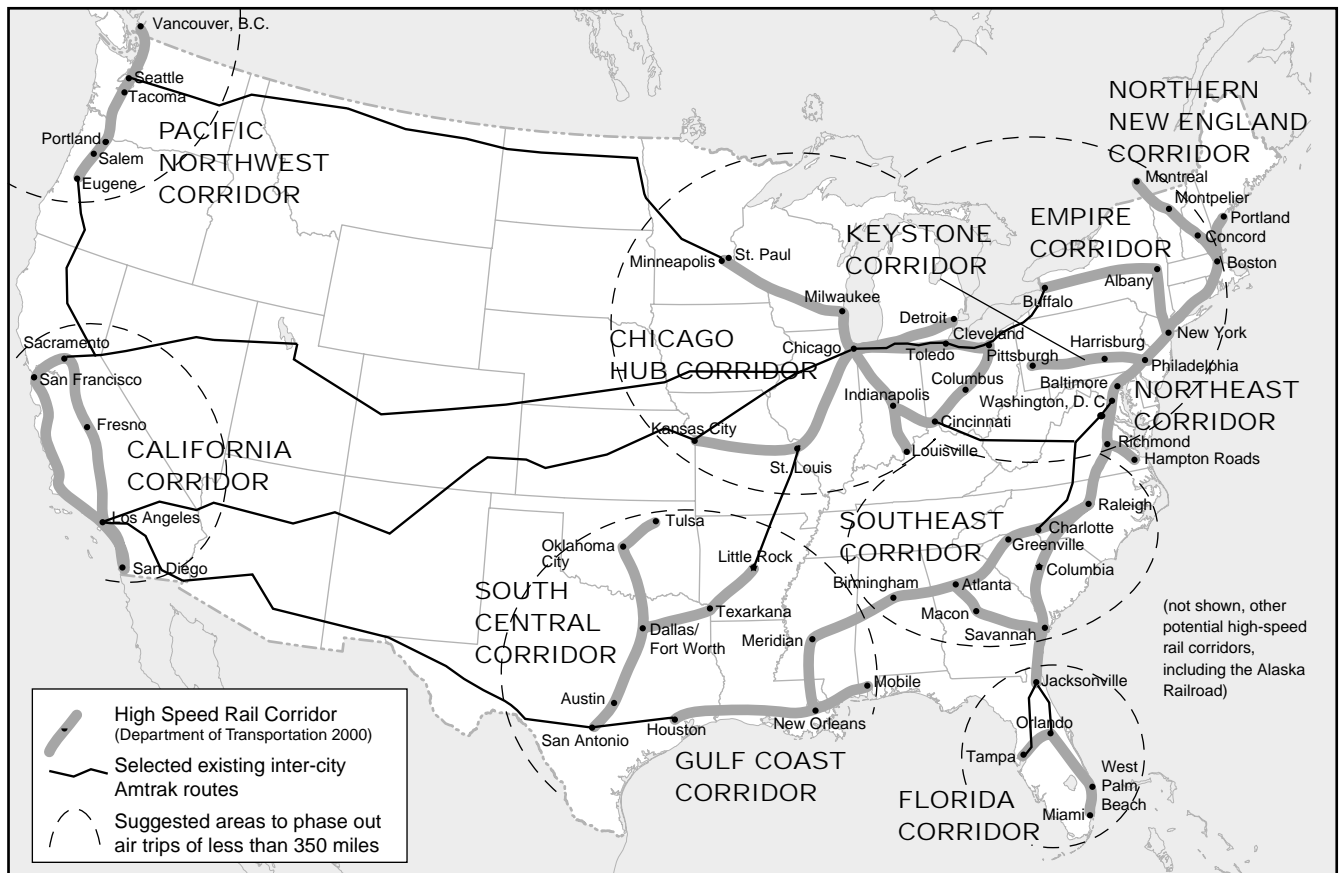
3. The U.S. inland waterways are, due to age and obsolescence, on the verge of breakdown. The April 22 *EIR* published (page 52) a map of nine of the approximately 40 "critical ready-to-go waterways projects" that await appropriated funding. These projects are lock-and-dam systems, some of which require one or several mitre gates. *EIR* is investigating how retooled auto plants could produce water infrastructure.

4. Since 1979, U.S. machine-tool production has plummeted by two-thirds; the retooled auto sector could overcome this shortage by producing machine tools and necessary heavy capital goods. There is a direct lesson from the economic mobilization for World War II of 1939-44, in which the key bottleneck was the lack of machine tools to precisely produce other machinery. President Roosevelt solved that problem by directing the Reconstruction Finance Corporation to build new machine tool-plants and capacity.

5. Tractors could be built by the auto sector for U.S. use, but in such a mobilization hundreds of thousands of tractors could go to Africa, Asia, and Ibero-America. Henry Ford's original Ford Motor Company had an entire division producing tractors.

FIGURE 4

United States: High-Speed Rail Corridor Designations



The Mission Ahead

The need to build the above projects, combined with the threatened shut-down of auto plants, defines the urgent necessity for retooling. It will also evoke the best thinking and qualities of the workers. The UAW official at Delphi, cited above, explained that when there is a product change, his plant has undergone retooling, an occurrence that is familiar to auto workers. He described that they must engage in a deliberative process. "First, we need to know what is the product to be produced. Second, we look at the plant's capabilities as far as equipment is concerned, so we know our ability to produce it. Third, you're going to arrange money for an initial investment." Told of LaRouche's plan for long-term credit at 1-2% interest rates, he said, "That's what would do it. That would work." He added, "We have taken so many courses on lean manufacturing, we would know how to arrange and re-arrange a plant. We have plenty of available space."

The Mansfield, Ohio UAW representative at GM brought another insight to the discussion. His factory, which stretches over 54 acres, deploys in-house 22 transfer presses, which are

immense machine-tools—weighing between 100 tons and several thousand tons apiece—which have significant technological capabilities, and would be key in retooling. He described the retooling process: "It starts in the die shop. We'll get drawings for a product that will be produced. Our die makers will cast a block [of metal] and then cut it down to make a complete set of dies." He added, "We have 350 to 400 workers in this die shop. Some are among the sharpest skilled tradesmen in the world." This group of 350-400 tool and die workers, were it on its own, would be a very large machine-tool shop all by itself.

Each of the workers in this discussion with the LaRouche movement, is at a plant with extensive capabilities, and each possesses a knowledge of what the re-tooling process involves. In the course of the discussions, once they conceptualized that LaRouche's retooling proposal was eminently doable, they were excited to realize that the auto sector does not *have to* shut down. By accelerating adoption of LaRouche's emergency plan, we can give thousands of skilled and semi-skilled employees the opportunity to do what must be done.