

Live Bait & Ammo #49

--Hone the Guillotines--

The old bard once sang, "There's no success like failure and failure's no success at all."

Call it conundrum, or dialectical ambivalence, but sometimes in the world of business, it makes good sense to let the bottom fall out of the bottom line, and reward malfeasance with cash and entitlements.

Let me explain. It's really quite simple.

Workers make all the sacrifices, capitalists make all the gains. Workers lose pensions, capitalists win golden parachutes with dividends and all expenses paid vacations. Workers contract industrial disease, capitalists cancel retirees' insurance.

How can this be legal, you say?

Workers pay taxes, capitalists make campaign contributions.

Alan Dawes, Delphi's Chief Financial Officer, got caught adding numbers to the wrong column. Delphi CEO, J.T. Battenberg III, claims ignorance which makes him doubly fraudulent, i.e., both a miscreant and a charlatan. In response to the scandal the UnFree Press gives Delphi the verbal equivalent of a twenty-one gun salute, and sundry stock analysts with no dirt under their fingernails recommend the "Troy based company" file for bankruptcy so as to void its union contract and evade pension obligations. It's the moral equivalent of covering up the dirt with feces.

As the bag pipes of the Fifth Estate blew dirges for Delphi, Hampton AutoBeat LLC, The Daily Report for Automotive Executives, informed their clientele, "Delphi Corp. has offered nearly 3.9 million in cash to six top executives" plus over 400,000 "restricted shares of stock" to entice the soon-to-be subpoenaed to..... stay the course.

And you thought hard work paid off?

Apparently, Delphi's failure is a success.

To understand this conundrum we need to go back to the May 1996 issue of Fortune 500 magazine where journalist, Alex Taylor III, referring to the corporation in question as "a batch of old line parts operations clumped together" said GM was itching "to get rid of Delphi" and "a slew of retirees and their health and pension benefits."

As an added perk Alex Taylor III explained GM could shuck off its commitments and buy parts from non union suppliers, thereby driving down wages and benefits for auto parts workers all over the world.

GM didn't strike a bargain so much as they drove a stake into the heart of the union.

Now the lawyers are lining up like fans for a Metallica concert because for them too "there's no success like failure". Investors will get their share of the booty in due time and lawyers

will sprinkle jimmies and skim the cream. It's only that miserable slew of retirees from a batch of old line parts operations who think "failure's no success at all".

In May 1999 GM spun off Delphi and in September 1999 the UAW negotiated to replace the GM pension credits earned by UAW members at the old batch outfits with Delphi pension credits. The deal was unprecedented. We didn't learn of the sleight of hand until after the contract was ratified. Now we're stuck with the luck of the draw and a stacked deck.

Who knew what and when?

In a "Not to be Published" letter on page 451 of the uncut version of the 1999 GM/Delphi National Agreement it states that International reps who came out of Delphi "would nevertheless continue to be employees of General Motors for purposes of accumulating seniority." The porkchoppers were not about to throw their saddlebags over a ringer named after a defunct oracle that spoke gibberish.

As the dust settles and the fingerprints disappear it becomes clear that Delphi like most American industry is run by a bunch of over paid, incompetent frauds who profit when working people lose. The ethic trickles down and freezes like snot in a snow storm. You can see the glaze on low level managers' faces. They are dumbfounded. They have no where to go. Union members will recoup, transfer to other plants, take buyouts and early retirement, sell the farm, and revert to ancient rituals like making whiskey in the woods north of Cheboygan. But the clipboards have always relied on the loyalty and largesse of capitalists, only to find the casino isn't kind to suckers.

Delphi announced that in 2007 they will no longer provide health insurance for salary retirees who are eligible for medicare. Someone has to pay for all those lawsuits. Who better than the defenseless?

Ellen E. Schultz revealed in the Wall Street Journal [Retirees Found Varsity Untruthful, 11/6/2000] recommendations from a consultant on how to avoid paying retiree benefits.

- 1.) set up "an offshore company responsible for the retirees but not accountable under United States law and have it go bankrupt and thus terminate the plans."
 - 2.) terminate the plans, go to court and negotiate a settlement.
 - 3.) set up a company to fail.
 - 4.) initiate "Creeping Takeaways" whereby the employer reduces benefits in small enough increments that it would not be cost effective for retirees to sue. Over time a precedent of accepting reductions would be established, thereby undercutting legal challenges to more drastic reductions in the future. "Creeping Takeaways" include managed care, higher deductibles and copays, COLA diversion, and increased premiums.
 - 5.) in the event of legal action, drag the case out, thereby incurring financial hardship for retirees which would soften their settlement demands.
 - 6.) pleading with retirees that the company could not survive without their help, i.e., acceptance of benefit reductions.
- I'm surprised poison isn't on the list.

American is run by over paid, incompetent frauds who are served by hacks passing as editorialists. The hacks rely on "analysts" to do their thinking for them and the "analysts" always have the same advice: Make workers pay.

No matter how deceitful, stupid, ineffective, and criminal executives act the accepted wisdom in the United States is workers should be more cooperative, work harder, take pay cuts, pension cuts, benefit cuts, and smile.

Delphi and Visteon were designed to fail. That's why Battenberg and five other top executives are being rewarded \$3.9 million in cash. They succeeded.

Hone the guillotines. Battenberg wants our heads to roll but union members have other ideas.

Stay Solid,

UAW Local 2151