

## Live Bait & Ammo # 72

At the Detroit Economic Club Miller said that bankruptcy “is a growth industry in America.” It’s ironic that Miller thought the audience in Detroit would find his smugness amusing. I heard teeth grinding like a tranny that popped a drain plug.

He claimed the typical bankruptcy costs “about \$100 million a year in professional fees.” He did not include the social costs, i.e., the losses to workers, investors, and taxpayers.

If we provide enough carcasses, the vultures will flourish and the restructuring of America—lost jobs, lower wages, higher health care costs, and defunct pensions—will create new opportunities for bankruptcy, the premier “growth industry in America”.

Welcome to Steve’s World where wealth is created not by labor in mining, agriculture, and manufacture, but by lawyers—which leads to the next question: fraud.

“I would just remind everyone that as embarrassing as that was to all concerned, the changes” (the changes? The euphemism “accounting restatements” is roughly equivalent to, I didn’t steal it, I borrowed it. ) “had nothing to do with Delphi’s cash rebalances or operating issues. Even with flawless accounting, we’d be exactly where we are today.” Miller delivered this bold-faced lie with all the aplomb of a man telling children they were delivered by storks.

Had investors known the truth they would not “be exactly where they are today”. Had workers known in advance that Delphi would sell parts to GM below cost, they would have raised a hue and cry and struck before GM could spin the scheme to jettison Delphi workers.

Miller bragged how well Delphi was performing in categories of quality, delivery, and new business. So what's the problem?

Labor contracts. Delphi he said, "inherited....Tier 1 labor contracts that are substantially higher than the prevailing union contracts throughout the US supplier industry."

He neglected to add that Delphi inherited debt free all the property, patents, products, machinery, technology, and expertise of a premier tier 1 supplier. Or that minus racketeering the profit margins of tier 1 products are substantially higher than tier 2 products. He neglected to mention that the pension was fully funded and the labor contracts were not a surprise like the rise in steel prices. If labor contracts are the sole cause of Delphi's demise, the Delphi bankruptcy was orchestrated well in advance.

"Delphi's hourly labor costs have surpassed \$78 for wages and benefits."

"\$78"? Every time Miller mentions labor costs we get a raise. Two weeks ago it was \$76. How does this work?

According to Delphi's Total Compensation Summary published in 2002 and 2004, total compensation rose \$1.31 from 2002 to 2004. Since Miller took the helm it rises more than that every time he opens his mouth. The average hourly worker's total compensation in 2004 (the last year that Delphi mailed a Total Compensation Summary to every employee's home address) was \$42.36 which included social security taxes. How did we gain \$35.64 since 2004? In Steve's World accounting is a dramatic art.

The second reason for Delphi's failure was not the racketeering, i.e., GM demands that Delphi sell parts below cost, but rather "the decline in GM North American production volumes." Miller ignores the fact that Delphi's content per GM vehicle declined by design despite GM's contractual commitment to invest \$1 billion in new business with Delphi. Instead GM chose to divest in Delphi and thereby undermine American operations and hasten the bankruptcy.

Miller failed to mention that the Coopersville plant sells parts to China below cost. Creative bookkeeping is the magic wand of "restructuring."

What is the solution according to Steve? Miller cites "five big restructuring variables."

(1.) Reduce wages and benefits, and "address costly restrictions [outsourcing] and work rules [seniority] that inhibit productivity." In other words break the union but preserve the bureaucracy as an arm of management to keep the rabble under control.

(2.) Financial assistance from GM [extortion] sufficient to cover the transformation to a sweatshop. Miller wants cash from GM. He wants the joint funds. He wants pocket money. He wants a new train set. Since he is the only player at the table with clean hands, he is certain he will get it.

(3.) "...be global category killers." He literally salivated over that garish phrase plucked from a B-movie trailer. The long and short of the "restructuring" is that Miller wants to cash out. He doesn't manage manufacturing enterprises. He isn't concerned with the long term quality or efficiency of Delphi. He wants to chop it up, sell it off, and move on to the next carcass. This description of vulture capitalism isn't speculation on my part, it's Miller's track record.

For those of you who believe in political solutions Miller cautioned, “in the final analysis there wasn’t anything any state could do to offset the underlying economics involved.” Capitalism is above the law, or perhaps I should say, it is the law. The court serves perpetrators not victims.

(4.) Reduce “about 25% of our worldwide salary workforce...and eliminate up to 40% of our current corporate officer positions.” This is typical of a Miller “restructuring”. It’s a quick way for him to make a million bucks and sleep well.

(5.) Miller purports to “honor our accumulated pension obligations, thereby avoiding termination of our pension plan.” Miller’s plan requires “a way to stretch out our required pension plan payments” and make the pension contingent on achievement of certain goals. This is the carrot. Those of you who have worked twenty-six years or less at GM-Delphi and are not eligible for the buy-off are expected to submit to wage cuts, increased health care costs, and elimination of work rules that make the job humane in order to get a pension that is worth less than a pimp’s promise.

I have 27 years seniority. Thus, I am eligible for the buy-off. Take the money and run is not a plan, it’s a scam. We already have a Benefit Guarantee. GM has a contractual and legal responsibility to provide pension, health care, and life insurance for Delphi retirees equal to the benefits enjoyed by GM-UAW members. It shouldn’t even be on the table. Furthermore, GM owes active Delphi workers seven years of pension credits. Shoemaker acts like he won something for us, when in fact the offer is less than we deserve. The purpose of the buy-off is to mitigate resistance by decimating solidarity.

The buy-off limits GM’s liability, it does not protect workers collectively, or individually. Since Gettelfinger broke open the door for takeaways from retirees, there is no genuine security. Retirement on a fixed income is a perilous prospect without a guaranteed level of health insurance. Furthermore, the buy-off means

jobs will be sacrificed. How can adding to the burden of legacy costs balance the equation? The buy-off is a time bomb, not an escape hatch.

The isolation of Delphi workers is not a fight to win strategy, it's a bound to lose maneuver. The Delphi struggle must be supported by GM-UAW members and framed in the broader context of social equity for all Americans. Delphi is not a skirmish, it's a war with national ramifications we can neither avoid nor evade. Any deal that does not commit the corporations to advocate side by side with the unions for national health care is a hopeless half measure, a creature of dissimulation and despair destined to fail.

Mark Reutter wrote in an article for the Washington Post, [Workplace Tremors, 8/23/05] "There is little evidence that court supervised reorganization produces a superior company. In fact, quite a few companies that come out of bankruptcy make a return trip, and there is growing evidence that the process diverts capital away from needed investments into the pockets of the restructurers." Without national health care it is likely that Delphi will return to court to dump the pension. The hourly compensation Miller proposes cannot cover the legacy costs. It's a sham.

Delphi is a test case. If Miller succeeds in breaking union contracts, bleeding pensions, and butchering the workforce while sheltering assets overseas, other multinationals including GM will follow suit. Bankruptcy will indeed become a "growth industry in America." Would the French tolerate such treatment? Would Solidarnosc, the Polish union? Why should Americans? Capitalism in the US has evolved to the point where the courts routinely sanction the transfer of wealth from the masses to the few as a social convention.

Miller spelled it out plainly when he said, "What is at stake here is the basic social contract in our traditional industries." Miller intends to break that social

contract so he can sleep well. Soldiers of solidarity intend to give him insomnia ad infinitum.

To be continued.....

(sos, shotwell)

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