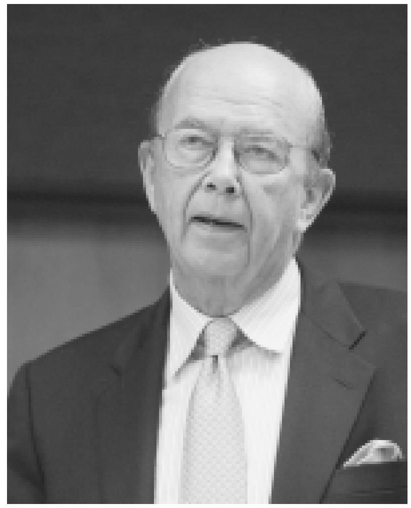
Wilbur Ross, Jr.

The Profile of A Vulture Capitalist

by Pat Salisbury



Wilbur Ross has made a specialty of buying bankrupt firms for a song, dumping their pension and health-care plans, and forcing their unions to accept many fewer workers for the same amount of work. Thus, with no new investment, this slave labor approach keeps production about the same—for awhile.

An announcement in the *Wall Street Journal* on May 9 that billionaire "entrepreneur" Wilbur Ross was planning to move into the auto parts industry, should ring alarm bells about the danger of cannibalization of the heart of productive industry in the United States. Ross, who served as a bankruptcy specialist for the financier oligarchy's Rothschild family for 24 years, now operates the Wilbur Ross Company out of New York City. The company describes itself as "a private equity firm specializing in distressed investments."

Since he established his own firm in 2000, Ross has racked up a chilling history. Like a vulture, he has watched for major firms to go bankrupt, shed their pension and health benefits, and fall into desperate straits. Then he has moved in to pick the bones. He has bought out the firms on condition that the unions agree to adopt new work rules, and agree to replace their company pensions with individual 401(k)s.

Ross began with his purchase of the bankrupt LTV steel company in 2002, and then setting up the International Steel Group (ISG). Over the following three years he bought out other bankrupt steel companies whose pension plans had already been assumed by the Federal government's Pension Benefit Guaranty Corporation (PBGC), and as part of the deal, stripped the workers of health and life insurance benefits, greatly modified work rules, and made large-scale layoffs. Wage levels were tied to productivity, and 401(k) plans were substituted for retirement and health benefits.

The results at the former LTV company are illustrative: With no new investment in plant and equipment, the renamed ISG facilities were soon producing the same amount of steel as LTV with only 60% of the work force. By 2004, Ross's ISG had also acquired ACME Steel, Bethlehem Steel, and Weirton Steel, applied the same slave labor methods, and had become the largest unionized producer of steel in the United States.

In addition to what Ross did directly to the companies he acquired, the U.S steel industry as a whole began to apply similar austerity measures, in order to compete with the ISG model, which was dubbed by commentators as the industry benchmark as soon as Ross acquired LTV. The contract which ISG negotiated with the United Steelworkers of America in the process of acquiring LTV, became the standard demanded by other steel companies in negotiations with the steelworkers union. and the USWA shamelessly bargained away benefit after benefit.

In March 2002, when President George W. Bush announced 30% tariffs on steel, Lyndon LaRouche termed the measure a step in the right direction away from free trade lunacy, but cautioned against the emergence of a "Hermann Göring phenomenon," whereby merger and consolidation of the U.S. steel industry would result in layoffs of qualified workers, and theft of the pension and health benefits of the workforce and retirees. Ross led the industry in exactly the direction which LaRouche had warned against, and made a fortune doing it.

Sold to the Highest Bidder

Then in October 2004, after having played a major role in devastating what was left of the U.S. steel industry, Ross announced that ISG would be sold to the London-based, Indian-born speculator Lakshmi Mittal, thereby delivering the at least nominally U.S.-owned company (and 40% of the flat rolled-steel production capacity, as well as a chunk of tin production) into foreign hands.

Starting in 2003, Ross repeated the same process of buying distressed companies, without having to pay many of the costs of the workforce, including pensions, in the textile and coal industries. While the Pension Benefit Guaranty Corporation took over the payments from the bankrupt companies he purchased, Ross started up operations again with a reduced debt and many worker concessions. He formed an International Textile Group, from the remnants of Burlington Mills and Cone Mills, among others, and the International Coal Group from the bankrupt coal companies he purchased. The ICG is now the fifth largest coal company in the world.

Asked about his philosophy, the divorced Ross said: "Our only girlfriend is IRR [internal rate of return]."

Will Ross now be allowed to carry out the same looting operation in auto?