

A NATIONAL SECURITY THREAT

## Auctioning Off America's Ability To Produce

by Paul Gallagher

Auto production plants which are being idled in the United States this year and next—a total of nearly 80 million square feet of capacity full of very diverse and capable machine tools—are also being rapidly sold off at auctions, and their unmatched machine-tool capabilities lost to the national economy. Rather than simply being “idled” with the possibility of workforces returning and work resuming, these plants are disappearing under auctioneers’ hammers almost as fast as they are shut down. A list of 65 major auto plants shutting down, and their capacities which may be lost, was featured in *EIR*, May 12, 2006 and in the LaRouche PAC pamphlet, *Economic Recovery Act of 2006*.

The pattern of auctions, of which two examples are shown here, makes clear that the automakers and major auto supply producers, seeing at least 65-70 of their plants as unutilized capacity, do not plan or expect that capacity to come back into use for production of automobiles; rather, underutilization will continue to grow by outsourcing under conditions of rampant globalization.

The pattern also presents a challenge to Congress to act fast to save this huge unutilized chunk of the auto sectors’ machine-tool design and production capability, and use it for missions more urgent to the nation’s economy than producing cars and light trucks to fill the ranks of lengthening traffic jams across the country. Lyndon LaRouche has proposed, and his LaRouche PAC is mobilized to get through Congress, a Federal Public Corporation to adopt the capacity the automakers are discarding, and use it to help build a new national infrastructure from high-speed rail lines to electric power.

### ‘No Longer Required’

*EIR*’s investigation shows that three major auto plants, closed within six months or less, were auctioned off in their entirety in the second half of May; and a fourth auction, in late April, sold off machinery for production of electrical systems from four different plants of Delphi Corporation: in Rochester, New York; Athens, Alabama; and Dayton and Moraine, Ohio. The complete plant contents auctioned were the General Motors transmission plant in Muncie, Indiana, hammered away in a three-day sale May 16-18; the metal stamping and machining plant known as “Chrysler machine,” sold off in Toledo, Ohio on May 24-25; and the Delphi electrical systems plant in Irvine, California, auctioned on May 23.

The Toledo plant’s auction sale notice is shown in the illustration, marked “no longer required” by Chrysler. The featured machines in the sale included some of the largest and most capable metal presses used in the auto industry.

The case of Muncie Manual Transmissions LLC, “one of the largest gear manufacturers in North America,” is shown here in the auction company’s brochure. Its illustrations make clear that most of the machines in this plant are quite new, built and bought since 1995. Virtually all of its machinery was auctioned off from May 16-18. “The building will be empty now,” said one person present, and GM’s plan is to demolish it immediately.

That plant has some 600,000 square feet of production space, and had 300 remaining production workers before being closed. The workforce had recently used about 500 major machine tools in the plant; many had a replacement value of

# MAJOR 3-DAY AUCTION

DUE TO THE COMPLETE PLANT CLOSURE, ASSETS NO LONGER REQUIRED BY

**Manual Transmissions  
of Muncie LLC**

**ONE OF THE  
LARGEST GEAR  
MANUFACTURERS  
IN NORTH  
AMERICA!**

**PREVIEW & INSPECTION:  
MONDAY,  
MAY 15  
FROM  
8AM-5PM  
OR BY PRIOR  
APPOINTMENT**

**TUES-THURS,  
MAY 16-18 / 06**

**BEGINNING AT 10AM LOCAL TIME EACH DAY**

**1200 WEST 8<sup>th</sup> ST. • MUNCIE, IN**

Maynards Industries

## Dissipation of Bankrupt's Assets

In Delphi's case, a full 25 out of its 33 auto parts and supply plants in the country are on the management's list to close down or sell; in addition, others, like the Irvine electrical systems plant, have been closed in recent months. The management under CEO Steve Miller, who was brought in last year to declare the company bankrupt, are flouting the principles of bankruptcy by hiding the accounts of the company's outsourced foreign operations (already 75% of its total work!) while bankrupting and trying to liquidate only the U.S. capacity.

On May 28, calls to the lawyers for parties contesting Delphi's filing in New York Federal bankruptcy court, found that with the exception of the UAW's lawyer, none of those attorneys was aware that the productive assets of the "bankrupt" company were being auctioned off. Sources say that the UAW has attempted to protest and stop the auctions of Delphi's plant and equipment in the court, but has been unable to do so. The attorney representing Delphi's shareholders said that the actions would not be permitted unless Delphi had sought and received permission from Judge Robert Drain to sell the machines. None of the attorneys knew whether Delphi had gotten Drain's approval, nor could this be learned from the judge's clerk.

*This plant was auctioned off from May 16-18 in Muncie, Indiana, its 500 or so major machine tools bringing perhaps 15-20 cents on the dollar of their replacement value.*

\$500,000-1,000,000 each. All sold, according to the auction brochure, and the entire plant full of machinery apparently brought about \$30 million. So a rough estimate might be that the machine tools were sold for 15 cents on the dollar of their replacement value for production. It is no secret that the purchasers at these auctions include other U.S. firms, scrap outfits, and foreign firms employing machine tools, including for production for export to the United States.

People in the business indicate that the pace of these sales has been brisk for more than a decade; but the *size* of the auctions has definitely grown in the past two years or so, with large plants like this going under the hammer. "We also see a lot of aerospace tools" from Boeing and other companies, said one.

As for the city of Muncie, it has been told to hope that the GM jobs that were lost, will be matched by new jobs gained—from a Sallie Mae "center for debt management"! Machine tools and productive skills will be "no longer required" there.

In any case, it is clear that the intention of Delphi's management is "globalization by bankruptcy," and that critical productive machinery of the "bankrupt" company is being dissipated—a violation of at least the spirit of the law—through auctions to other firms, other divisions, and other countries, because it does not intend to emerge from bankruptcy to produce again *in the United States*. And vital high-technology productive machine tools and other capacity of the U.S. national economy, essential for producing the infrastructure of productivity, are being lost.

Had Congress already acted along the legislative lines LaRouche is calling for, this capacity could have been purchased by a Federal Public Corporation and saved for use in the critical purposes of building a new national economic infrastructure, and creating skilled, semi-skilled, and unskilled employment.

Another month's set of U.S. auto sales reports came in on June 2 and showed the urgent need to diversify the "product"

An entire recently-closed auto supply plant, “Chrysler machine” in Toledo, Ohio, went under the auctioneer’s hammer on May 24 and 25—one of three such in the second half of May. Each month it does not intervene, Congress is letting such plants, and their irreplaceable machine-tool complexes, be lost to the national economy.

of the auto industrial sector in this way, as it will not come back to building more autos for sale. Ford’s U.S. sales through May are 3.3% below a year ago; Daimler-Chrysler’s, 4.1% down; Ford-Volvo’s 6.3% down; GM’s, 4.6% down; Nissan’s, 8.4% down. Toyota, Hyundai, and Mazda’s sales are still up for the year, but the overall national trend is down. Total sales of cars and light trucks fell from a 16.7 million annual rate last May, to a 16.3 million rate this May, and the annual sales rate for January-May 2006 as a whole, is only 16.4 million units, compared to 16.9 million for all of 2005, and 17.1 million in 2004.

### Use It or Lose It

International Association of Machinists president Thomas Buffenbarger charged in a Washington, D.C. speech May 15, “We have lost the ability to manufacture the means of our prosperity,” and now Congress has given away “the ability of this country to defend itself” by outsourcing its machine-tool production in aerospace-defense and auto. Every week that Congress delays emergency legislation to save this

remaining industrial power, more of it is lost, irretrievably.

Auto skilled trades workers, machinists, and others among America’s dwindling base of industrial production workers, realize that the loss of machine-tool and other skilled engineering employment in the United States, could end technological progress in our economy, and ruin our national security. In LaRouche PAC’s one-hour documentary DVD on retooling and saving the auto industry, “Auto and World Economic Recovery,” the auto unionists and Midwest elected officials interviewed all stressed the potential threat: The United States could find itself in a war, needing new munitions and related industrial production, with effectively *all* of our machine-tool design and production capability exported to other nations. These nations may not be allies, in part because of their exploitation by the very same low-wage outsourcing which made them the repositories of the machine tools now being auctioned off from Rochester, Toledo, and Irvine.

Congress finds itself in a use-it-or-lose-it situation, and has LaRouche’s proposed solution to enact.

Machine tools from four Delphi plants, from Rochester, New York to Athens, Alabama, were auctioned off in April, although these plants are not scheduled to close down. Delphi is in declared bankruptcy, yet dissipating its productive assets.