'LAZARD FACTOR' AT WORK

Massive 'Worker Buyouts' Show Auto Shrinkage Accelerating

by Paul Gallagher

The revelation in *EIR*'s June 9 issue, that the whole Delphi Corporation strategic bankruptcy/outsourcing was planned by Felix Rohatyn, has begun to sink in on Capitol Hill, among those concerned with the disappearance of American industry and the auto crisis in particular. Members of Congress who had been decrying Delphi CEO Steve Miller's wholesale shutdown and "export" of the biggest U.S. autoparts maker, tearing up its union contracts in bankruptcy court, are confronting the fact that an influential "Democratic Party" power broker devised the strategy and reached for Miller to execute it. *EIR* on June 30 exposed Rohatyn as the heir to a legacy of explicitly fascist bankers in Europe—Lazard Brothers and Banque Worms. It also exposed him as the central planner of *deindustrialization* in the United States, corporation by bankrupt corporation and union by union, for 30 years. The issue of Rohatyn/Lazard's influence and policy was brought up dramatically by the LaRouche Youth Movement, to the consternation of members of the Senate Manufacturing Caucus, at a forum of that Caucus on June 28.

The Manufacturing Caucus meeting had a manifest problem of whistling past the graveyard. It discussed reviving manufacturing industries in the United States, without mentioning any action against the collapse of the nation's most important industrial sector, auto, under the blows of globalization. This brought on the intervention at the Caucus meeting by the Youth Movement of Lyndon LaRouche, who has proposed for over a year, immediate and practical Congressional action to protect and retool auto capacity for infrastructure projects. It is the only emergency intervention that can stop the industry's sudden, drastic shrinkage and the auctioning off of its vital machine-tool capabilities.

The accelerating rate of the auto collapse is clearly shown by the sweep of the major automakers' "retirement buyout" programs. These massive buyouts are leading to the much faster than expected closure of nearly 70 major auto plants, announced for shutdown or sell-off by GM, Ford, Delphi, and Ford's spun-off parts producer Visteon.

While Congress sleeps, the buyouts are sweeping out 70,000 auto workers—over 25% of those four companies' production workforces—*during just a few months of this year.* The shocking impact of the GM- and Ford-financed "buyouts" drumming workers out of the auto industry, became clear in the last week of June. Some 70,000 GM, Delphi, Ford, and Visteon production workers are retiring early by the end of this year at the latest.

This total workforce loss is virtually equal to the 75,000 jobs which *EIR* calculated would be directly eliminated by three years of plant closures threatened by those four companies as of April, when *EIR* first mapped and tabulated the 67 major plant closings. And in fact, the vast majority of the buyouts are being taken by workers in those targetted plants.

So unless Congress acts, fast, to take and use those plants, the globalized auto companies will have shrivelled the industry, by as much as they had announced they would by the end of 2008—but done it in just a few months!

The dismal details are these:

- GM announced that its buyout program, which ended June 23, netted 35,000 United Auto Workers (UAW) and International Union of Electrical Workers (IUE) members;
- Ford has projected that approximately 11,000 of its production employees are accepting a buyout offer which runs until July 15;
- Delphi announced that the first phase of its (paid by GM) buyout plan, also ended June 23, booted out 12,600 UAW members;
- Delphi expects to rid itself of 10,000 more UAW and

IUE members by its second-phase (GM-financed) buyout, which lasts through July 31, and which extends to IUE members and to younger workers than the first, with anywhere from 17 years down to only 26 months experience.

In order to make sure of this last target being reached or exceeded, Delphi Packard (the company's electrical division) announced on June 26 that it intended to reduce the workforce in four Ohio electrical-parts plants which are "staying open," by 2,767 out of 3,800 production workers.

GM is reported to have spent at least $3.8 billion so far—the amount it is taking as a charge (loss) in the second and third quarters of this year—on these cash buyouts. With that, it bought the agreement, in effect, of the UAW to GM's and Delphi's plant closings, which violate the UAW's contract; and took the leadership of the UAW out of the fight to keep the plants open. Ford is now doing the same, with both Visteon and Ford employees. With New York bankruptcy court judge Robert Drain's June 29 approval of all the buyout programs, the outrageous objectives of Rohatyn's and Miller's "total globalization" plan for Delphi are essentially achieved, reversible *only by Congressional intervention.* Some 50-60,000 GM and Delphi workers will be gone, and in most of the cases of plants the managements had targetted for closure, half or more of the workforce is disappearing "overnight." By the Fall, Delphi could be what Rohatyn and Miller planned—a globalized company with 150,000 or more employees abroad and in Mexico, and fewer than 15,000 in the United States, with a growing number of those 15,000 working at half the prevailing union wage in the auto industry.

Wall Street has been celebrating GM's claim that it will now immediately "save $3 billion a year" in wage costs; but in fact, it is shrinking so rapidly (28% of its production workforce eliminated in one quarter!) that the situation of its huge debt, which is still growing, is deteriorating even further. Both GM's and Ford's debt ratings were downgraded again by the rating agencies in the last ten days of June, the same period the rapid workforce shrinkages were announced. GM had lost its main bank-syndicate unsecured credit line of about $6 billion, and had to restore a smaller one by securing it with assets, an unheard-of development for the top automaker. And William Ford III, following the leak of Ford's plans to try to move another 30% of its auto assembly capacity to Mexico, was forced to publicly deny bankruptcy plans.

And in a sign of the downward plunge of the economy, Edmunds.com forecast on June 29 that total U.S. auto sales through June would be down 2% from the first-half of 2005 (which had been down from 2004), and that "Big Three" sales would be down 8%. It forecast sales for June alone in a much larger 8% drop from June 2005. The month-to-month fall from May, appears to be 4%. So the drop is accelerating, and it is not a function of the "Big Three" vs. Japanese and Korean producers. It is a drop in real purchasing power of American households across the board. Even GM and Ford officials have been quoted forecasting that the sales drops this Summer will be "brutal."