Wall Street expected to net billions from GM stock sale

By Jerry White
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General Motors is expected to hold an Initial Public Offering of 365 million corporate shares, worth an estimated $10 billion, by November 18. The company will return to New York Stock Exchange for the first time since emerging from bankruptcy 17 months ago.

Top GM executives later this week will embark on a trip to woo big global investors, touting the “New GM” as a major profit earner now that it has dispensed with 30,000 US jobs, shut a dozen plants and sharply reduced wages and benefits for its remaining workers.

Financial houses like JP Morgan Chase and Morgan Stanley—which were chosen by the Obama administration to underwrite one of the largest IPO’s in history—are expected to buy up a large portion of the stocks at heavily discounted prices of $26 to $29 per share. Big investors are expecting these values to appreciate by as much as 10 to 30 percent in early trading. Meanwhile, the federal government, which put up $50 billion in public funds to restructure the company, is expected to lose money as its sells a portion of its 61 percent ownership stake.

The drastic cost-cutting overseen by the Wall Street asset strippers appointed to the White House Auto Task Force has made the US automaker an attractive buy. GM, which has posted $2.2 billion in profits during the first half of the year, is expected to announce what analysts call “significant” third quarter profits in the next few days.

Like its domestic competitor Ford, which posted a $1.7 billion third quarter profit, GM has returned to profitability not through any substantial increase in sales or market share. Instead, with the full support of the United Auto Workers union, it has conducted a brutal campaign of cost cutting. The UAW aided and abetted the Detroit automakers in purging from the industry tens of thousands of higher-paid “legacy” workers—earning $28 an hour—in order to replace them with new hires paid half the wages.

Last month, UAW officials imposed the lower “tier-two” wage on 40 percent of the workers at the Detroit-area Lake Orion Assembly Plant, including laid off workers who had been earning $28 an hour. UAW officials denied workers any right to vote on the deal, saying the current contract allows the union and management to impose “innovative” labor agreements at plants making small cars.

A similar wage-cutting deal appears to be in the making at GM’s Grand River plant near Lansing, Michigan, which will build a new small Cadillac. Appearing with GM officials and local politicians at the plant last week, UAW President Bob King said no current workers would see their wages cut, but all new hires would come in at $15 an hour.

“We know it’s pretty hard to support a family and everything on a $15 an hour wage,” King said, “but we also know that we have to keep General Motors and Ford and Chrysler competitive.”

King knows no such hardship, having just received a 6 percent pay raise to bring his salary up to $153,248, plus tens of thousands more in “disbursements.” The UAW president will be earning more than five times the annual pay of a tier two worker at Grand River, Lake Orion and other plants.

Joe Ashton, UAW vice president of the GM department, who pocketed $164,000 in 2009, said, “Today’s announcement is further proof of what the UAW President Bob King said earlier this summer, ‘The UAW recognizes the paramount importance of innovation, flexibility and partnership with management to respond to global economic pressures. We are proud to play our part in the turnaround at GM. Our mission is to make the highest quality products for the best value.'"

By reducing wages so that GM builds small cars in the US rather than Mexico and South Korea, the UAW ensures that it will continue collecting millions in annual dues income from workers now making poverty wages. At the same time, the UAW apparatus is seeking to boost the value of its own corporate shares.

The UAW is also expected to cash in from the sale of some of its GM shares during this month's stock offering. The *Detroit News* reported that the UAW will sell about $2 billion of its stake, which will likely fall from 17.5 to 15 percent. GM has already paid off its remaining $2.8 billion obligation to the UAW's health care trust fund, seven years in advance. In return, the UAW has relieved the company of all future medical payments to hundreds of thousands of retirees and their spouses—a right won by auto workers in the 1950s.

Last month the Labor Department gave GM the go-ahead to fund the United Auto Workers Union's retiree health care trust fund, a so-called VEBA, with a mix of warrants, debt, and both common and preferred stock. "The decision," the industry web site detroitbureau.com wrote, "could wind up making the UAW the largest shareholder in GM once the government eventually sells off its more than 60 percent stake in the automaker."

GM and its top investors are also counting on the collaboration of the unions in Canada and in particular Europe to slash labor costs. According to the *Detroit Free Press*, one of the main concerns of investors looking to buy GM stock is the company's "money-losing European sales region," where GM is closing its Belgian plant in Antwerp and seeking other cost cutting measures. One of the key tasks for GM CEO Dan Akerson—a private equity manager chosen by the Obama administration to shore up support from big investors—is to impose American-style wage cuts and "flexible" labor contracts on European workers.

Like their counterparts in Europe, US auto workers are increasingly coming into a collision with the trade unions, which function as arms of management and the government. The *World Socialist Web Site* spoke with a GM worker at the Lake Orion plant where opposition to the UAW's wage-cutting deal is running high.

"The UAW is cutting our wages while they are giving themselves a pay raise," said one worker who is facing a wage cut. "The UAW is a business now. They have a foothold with billions in stocks and are getting more money from that than from our union dues. They are pushing workers aside because they have a bigger cash cow now.

"The union is busting the union. It's just a matter of time before workers say they have to find something else. A lot of people don't have any faith in the UAW. They get paid to protect workers but the workers have to fight for everything on our own, even simple grievances. All they say is 'I'll get back to you.'

"When my father and uncle worked in the plant the union was strong. Now it's a joke. They say they have their hands tied, but they are partners with GM and they are not going to fight the company that is feeding them. With workers having their wages cut to $14, dues income will go down. The UAW is making more money from stock than union dues.

"Our wages are going down but not the cost of cars. It's only a matter of time that we'll be working for even less than $14 an hour—it's going to be like the Third World. Our brothers and sisters fought and died for our rights, and the union is giving them away.

"Some workers say they are scared to fight because they'll take their jobs away. They're afraid of a backlash. I tell them, 'if you want to have a job and a decent wage, you have to fight for it.' Some people are transferring to Lordstown, Ohio and think they are taking the money and running. But eventually they are going to cut wages in Lordstown too.

"The UAW gives us a set of rules and then violates them. They are even stripping us of the right to vote on a contract."

The precondition for any struggle by auto workers to defend their jobs and living standards is a complete break with the UAW and the building of new rank-and-file committees controlled by workers themselves. This fight must be guided by a new strategy based on the recognition that workers in every country confront the need to unite their struggles against the global auto bosses, the corporate-controlled governments and the profit system they defend.