

As its hometown of Flint remains poisoned, GM makes record 2015 profit

By Jerry White
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General Motors announced yesterday that it made a record \$11 billion in pre-tax profits in 2015. The Detroit-based auto giant, the third largest auto company in the world, made \$6.3 billion in profits in the fourth quarter alone, beating Wall Street expectations.

Once again, GM made the bulk of its income from its North American manufacturing operations, where the corporation's decades long cost cutting campaign, carried out with the full backing of the United Auto Workers, was accelerated during and after the 2009 restructuring of the company by the Obama administration.

GM had a North American profit margin of 10.3 percent, reaching its 10 percent goal a year early and surpassing the margins at its joint ventures in China. This was accomplished through the UAW-enforced exploitation of workers, which includes relentless speedup, forced overtime and poverty level wages to a new generation of workers who cannot afford the cars they build. On the same day it reported its profits, a skilled trades worker fell to his death at a GM plant in Defiance, Ohio.

The world economic crisis led to a lowering of profits for GM in China and substantial losses in South America and Europe. The car company has shut plants and eliminated the jobs of thousands of production and white-collar workers in Brazil and Germany, along with Russia, where it is ending manufacturing operations.

Record US car sales were spurred by pent up demand following the 2008 crash, falling fuel prices and low car loan rates. This pushed up GM's revenue, particularly from highly profitable pickup trucks and SUVs. Big investors, however, anticipated that the boom in car sales will dry up in 2016 and lead to falling profit margins. This led to a sell-off of GM

stock Wednesday, driving shares down 2.5 percent and 13 percent over the past year.

"We understand we are in a cyclical business, and it's very difficult for anyone to predict a downturn," CEO Mary Barra told investors in a conference call Wednesday, "but we will maximize earnings through the cycle." She said the automaker expects to cut operating costs by \$5.5 billion by 2018 and hand over \$16 billion to shareholders in dividends and share buybacks over that period.

The government restructuring of GM in 2009 and the relentless UAW-backed attack on the jobs, wages, health benefits and pensions of autoworkers was designed to guarantee a steady flow of cash to big investors under virtually any market conditions. A large portion of workers' income is based on "profit-sharing," which can be sharply reduced in a downturn. The UAW has also given the company a free hand to slash jobs and close plants in response to "market conditions."

Last summer, the UAW pushed through a new four-year contract on GM's 49,600 hourly workers in the US, over mass opposition. The contract, like similar deals at Fiat Chrysler and Ford, maintains the two-tier wage and benefit system, expands the use of low-paid temporary workers, imposes first time co-payments on older workers for health benefits and holds overall labor cost increases below the rate of inflation.

While the company is paying out billions to its richest investors, residents in Flint, Michigan—the birthplace of GM—have been poisoned by lead, largely due to decades of toxins the automaker dumped into the Flint River. While state and local officials ignored resident complaints about the taste, color and odor of the tainted water, in December 2014 GM quietly stopped using the river-supplied water at its local

engine plant because of corrosion to its parts. The company's employee drinking fountains and ice machines, however, continued to use the poisoned water.

While Flint needs a massive marshaling of resources to address the irreparable damage done to children and other residents by the neurotoxins, the \$80 million the Obama administration has committed to Flint amounts to less than three days of GM's profits last year.

GM's record profits follow similar announcements by Ford and Fiat Chrysler (FCA) last week. Ford made \$7.4 billion in 2015, including \$1.9 billion in the fourth quarter. FCA reported a profit of \$410 million for 2015, a decrease from 2014 because of higher recall and investment costs.

During its earnings call, FCA CEO Sergio Marchionne told investors that the company would end production of its smaller and less profitable Dodge Dart and Chrysler 200 models and concentrate on larger vehicles. Marchionne said FCA might "partner" with other automakers to continue selling smaller cars. In the new labor agreements, the UAW sanctioned the shifting of small car production to lower wage plants in Mexico, while pledging to reopen local contracts and impose "competitive" agreements to continue small car production at US plants.

The enormous profit making at GM is an expression of the corporate-government-union conspiracy against the working class and the domination of the financial aristocracy over virtually every aspect of life in the US.

In 2009, the Obama administration essentially handed GM and Chrysler to Wall Street "turnaround" specialists. Last year, hedge fund manager Harry Wilson, a former member of Obama's Auto Task Force, pressured the GM board to spend over \$5.7 billion to shareholders, including \$3.5 billion in stock buybacks and \$2.2 billion worth of dividend payments. GM has now told investors it would expand a stock repurchase program from \$5 billion to \$9 billion through the end of 2017. The payout was hailed by the UAW, which owns the largest block of GM shares.

While these financial parasites are reaping vast fortunes, the company has left a trail of devastation behind it—not only for autoworkers and their families, but hundreds of car-buyers who were killed or injured due to defective ignition switches.

During the 2009 restructuring, the Obama

administration essentially immunized the company and its richest stockholders from the consequences of the criminal decisions of its top executives. The Treasury Department broke up the company into two entities—an "old" GM, which was responsible for the bulk of the company's liabilities stemming from lawsuits over defective parts and pollution caused by GM factories, and a "new" GM, which could funnel profits to big investors with as few deductions as possible.

Last year, the Obama administration hit GM with a wrist-slap fine of \$900 million for the defective ignition switch scandal and no top executives involved in the cover-up have been prosecuted.

The mass struggles of autoworkers, including the Flint sit-down strikes in the 1930s that established the UAW, led to a significant increase in living standards for workers, and by 1960 Flint had one of the highest per capita incomes in America. The transformation of the "Vehicle City" into one of the poorest cities in the nation was the product of the betrayals by the UAW, which, starting in the late 1970s, suppressed any resistance by workers to plant closings, layoffs and wage cutting in the name of boosting the international "competitiveness" and profitability of the US automakers.

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