

Live Bait & Ammo #94: When Conviction is Irrelevant

General Motors contention that health care costs \$1,500 per vehicle is a false analogy. Since retirees out number active workers five to one, five-sixths of the \$1,500 figure is for retirees. Thus, the real cost of health care for active workers is \$250 per car which is in line with Toyota's costs.

The real issue is corporate accountability. If I didn't start saving for retirement until after I retired, no one would be impressed with my investment strategy. Yet, that is exactly what GM did. They promised deferred compensation to workers in the form of life time benefits, but didn't invest money to cover the anticipated expense. Why? They never intended to make good on their promise. They aren't stupid, they're dishonest. Matter of fact, David Cole, son of a GM president, backs me up on that. "In business, lying is one of the things you do all the time." [Detroit Free Press 5-23-07 "Cutting up DCX not a Done Deal"]

The number of GM vehicles made in the US has nothing to do with the cost of health care. If GM returned production of vehicles from China, Korea, Mexico, and Canada to the United States, the cost of health care would not go down. In fact, the total cost would rise as new workers were added to the payroll. Besides, the conclusion that we need to build more cars in the US to balance the equation of active and retired employees never occurs to the pencil squeezers because GM does not intend to build more cars in the US. Instead, GM intends to sell us on the idea of concessions in order to subsidize the transfer of assets overseas. Don't buy it. A concession contract depreciates faster than ink dries.

Furthermore, the assertion that we do not pay health care premiums is a lie. Between 1976 and 1999, 73 cents was diverted from our cost of living to pay for health care. Gettelfinger has negotiated an additional 79 cents in COLA diversion to offset the cost of health care. On top of that we sacrificed a 3% raise that averaged 83 cents for a total \$2.35 per hour.

For the sake of conservative estimates and easy math let's round down to \$2 flat per hour. \$80 per week. \$4,000 per year donated by each and every GM-UAW member for health care not including increased out of pocket expenses for copays and doctor visits.

But it doesn't make a damn bit of difference. We could work for free and GM wouldn't sell any more vehicles. In fact, GM would sell less vehicles because their most loyal customers couldn't afford them.

Does GM really have a cost disadvantage of \$2,000 with Toyota and Honda? If so, it's primarily because they have to put money on the hood to move metal off the lot. Add in recall and warranty costs, and you'll find GM is underestimating the cost disadvantage, but none of the above is labor related.

Nor is the "total cost of health care" restricted to labor. The sum also includes salary employees, salary retirees, Rick Wagoner's daily pedicure, and Bob Lutze's facial peels. For all we know the "total cost of health care" could include Hourly Maintenance On robots.

The question we should be asking is, "What is the total cost of mismanagement per vehicle?"

If we make health care concessions to cover their asses, we will lose our own. Every time we agree to shoulder more of the costs through COLA diversions, and increased out of pocket expenses, GM is encouraged to demand more concessions. As long as we are willing to pay, GM has no reason to demand accountability from management or national health care from Congress.

Other than customary lip service the UAW has not shown support for national health care either (go to www.uaw.org and see what you can find about H.R.- 676 the single payer health care bill sponsored by John Conyers). Why? Because the Con Caucus would rather get in on the action by controlling a multi billion dollar VEBA. UAW office rats could skim hundreds of millions in administration fees just like they do with Joint Funds. They won't need union dues. They'll happily slurp fat off a VEBA.

Reporters write about "VEBA" as if it was a mysterious force heading our way. Just because we only see a fin in the water doesn't mean the shark hasn't arrived and we don't know its intent. When the UAW filed their phony lawsuit against GM in 2005, the court sanctioned the UAW's right to concede benefits for retirees, and GM paid the legal fees. Retirees used to have defined benefits guaranteed for life. With a VEBA retirees have a defined contribution, and a diminishing contribution at that. As administrators of the VEBA the union becomes the arbiter of concessions. Office rats have a vested interest in protecting the capital they live off just as they do the strike fund. The Con Caucus protects capital in the strike fund because they use the interest to propagate their species. It's like an HMO that profits by denying health care.

It's hard to convince a fisherman that the fin he sees in the water is not a predator one should be wary of, but the persuaders in this case have a huge advantage. When the company and the union work together, conviction is irrelevant.

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