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Who's to Blame for the Auto Crisis?

By CAW President Ken Lewenza

As the crowds gather to watch our union and the North American automakers wrangle over cost-cutting to secure government loans, we need to step back and consider the real reason we're having this debate at all.

In the excitement over a possible dust-up in the auto sector, the financiers, the bankers and their cheerleaders are desperately trying to duck responsibility for this mess. The central reason we're talking about the very survival of the domestic auto industry is because of the complete failure of the financial sector and its regulators to do their job.

A track record of reckless greed, irresponsible investment and outright lies to their shareholders and the public has led us to the near collapse of the global financial industry and a historic freezing-up of the credit system. And yet despite hundreds of billions of no-strings-attached public dollars delivered to shore up banks around the world, they still aren't lending adequately to business – or the consumers.

In Canada, last month's federal budget brought the tab for loans and credit guarantees provided to the banks to a staggering \$200 billion - with few conditions. By contract, the \$4 billion in repayable loans offered to General Motors and Chrysler have been accompanied by immense public debate, requirements for government-approved restructuring plans and sacrifices from all parties.

The failure of the banks to provide credit is key to understanding the current situation in the auto industry. Auto is one of the most credit-dependent industries in the world: Producers need billions to finance the design and production of vehicles, and consumers need to finance their purchases.

Given the global nature of the credit crisis, it is no wonder that governments around the world have rapidly injected liquidity into their auto industries – most without much fuss. What is happening with the Detroit Three is not isolated to North American, nor is it about poorly run companies suffering the consequences of free-market justice. Some 16 national governments – including Germany, Japan, France, Spain, Britain, Sweden, Australia, China and South Korea – have already provided loans, direct investments and stimulus packages designed to support some of the strongest auto companies in the world.

Only in the United States did the outgoing Bush administration tie government support for the auto sector to demands for deep concessions from workers (not surprisingly, this was parroted by the Harper government). In endlessly partisan America, this was the lowest form of political payback from badly stung Republicans taking aim at the union supports who voted strongly for Obama.

We have rightly maintained throughout this debate that it is just plain wrong to argue that labour costs lie at the heart of the problem. The very fact that the direct labour targeted by the Bush administration represents just 7 per cent of the average cost of a new vehicle should be proof enough that cutting wages cannot solve the automakers' problems.

There is no hiding from the current crisis. The financial sector and its regulators have failed miserably on all fronts, and the credit-dependent domestic auto sector now teeters on the brink. But more of the same kind of thinking will get us nowhere – there must be a day of reckoning for bad ideas. Those who have insisted for the past two decades that deregulation and free markets are the only option for progress are the very same voices now championing efforts to roll back workers' wages as the solution for their mess.

The CAW will continue to be part of the solution as we go forward. But we all need to understand what the problems really are – and they are not the workers' wages and working conditions. The near collapse of the financial system, the ongoing freeze of the credit markets and the justifiable fear spreading among consumers are the immediate problems. The auto companies need short-term access to credit, temporary relief from costs and support from creative ways to maintain jobs for the duration of this crisis – and we are going to be part of those efforts.

The public also has a right to know what they're getting in exchange for stepping in where the financial sector has failed. And governments are right to insist that Canada maintains its share of North American production and jobs.

Perhaps more importantly, now is the time to put the longer-term challenges facing the domestic auto industry front and centre, including addressing the corrosive legacy of unbalanced and one-way trade between North America and other auto-producing regions, the need for government to provide firm leadership to move the industry toward a more environmentally sustainable future, and the creation of measures to stem unnecessary investments that merely add to problems with industry-wide overcapacity.

Given where we're at today, and the deep cracks that have emerged in the two-decade-long project of market deregulation, it's not surprising that some are desperately trying to pin the problems of the auto industry on its workers and retirees. Of course that's not only short-sighted, but simply wrong. The time has come for more serious debate.