



Written by [Michael E. Telzrow](#) on May 5, 2009

UAW, Feds Gain Control of Chrysler

In order to meet government out-of-court restructuring demands and to be eligible for more government financing, Chrysler agreed last week to a deal that gave the United Auto Workers union 55 percent ownership and a seat on the board of directors of the restructured company. The UAW stands to exercise major influence on the U.S. government during the impending bankruptcy proceedings.



Union leaders voted unanimously to recommend approval of the plan, which provides a board seat for its retiree healthcare trust. Union rank-and-file members overwhelmingly supported ratification of the agreement announced on April 29. Also approved was a mechanism to publicly trade shares of the health care trust. "This has been a challenging time filled with anxiety and uncertainty for our membership," said UAW President Ron Gettelfinger. "Our members have responded by accepting an agreement that is painful for our active and retired workers, but which helps preserve U.S. manufacturing jobs and gives Chrysler a chance to survive."

Under the new arrangement, the UAW also agreed to end its "job bank program," which gave laid-off workers nearly full pay. Now laid-off workers will receive 50 percent of their gross pay — still an unusually generous arrangement by any measure. UAW concessions are not nearly as deep as those encountered when steel and airline industry companies failed.

UAW concessions pale in comparison to the beating that Chrysler bondholders can expect out of the deal. Chrysler's lenders, the bondholders of billions of dollars, are likely to receive only a fraction of the newly restructured company, perhaps 30 cents on the dollar.

Strong support from the Democratic president and Congress helped the UAW leverage its significant power and come to a deal giving the union 55 percent of Chrysler. According to OpenSecrets.org, the UAW has donated more than \$25.4 million to federal candidates over the last 20 years, 99 percent of it to Democrats. During the run-up to the 2008 presidential election, the UAW donated \$5 million in independent expenditures to the Obama campaign according to the Center for Responsive Politics.

Meanwhile, the labor monopoly in Detroit continues to benefit from President Obama's faux hard-line approach, a move that in reality is pockmarked with hidden subsidies and concessions to the UAW in exchange for its electoral support. The uncompetitive wages and benefits that characterize the U. S.



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auto industry are certain to remain a part of the deal under Obama's nationalization policy.

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