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ETHER ZONE

THE INTELLIGENT ALTERNATIVE

Tuesday, January 17, 2006

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GM NEEDS A HUG

DON'T BLAME THE TAXPAYERS

By: Daniel Sargis

On April 16, 1945 the navy destroyer the USS Laffey came under intense attack from Japanese kamikazes during the Battle of Okinawa in the Pacific theater (hint: the mere fact that some people need to be told that the Battle of Okinawa was a WWII Pacific battle tells you how pathetic the U.S. has become). In under two hours, the Laffey: came under 22 Japanese air attacks; was struck by at least 5 Japanese kamikazes and 4 bombs; was continuously strafed by machinegun fire and suffered 32 of her crew dead and 71 wounded. The Laffey and her crew also shot down 10 Japanese aircraft and became known as "The ship that would not die".

The USS Laffey and her American crew persevered and prevailed in 1945.

Today, the collective General Motors family needs a hug because they can't persevere and prevail over their Japanese competition in the auto industry. These weenies are raising the white flag and the Chinese automakers haven't even entered the battle yet. Oh poor Pooh Bears.

This is more revolting than the sight of Teddy Kennedy on a nude beach.

I could bore you by rehashing all of GM's abysmal statistics like its \$1.1 billion loss in the first quarter of 2005 or its 74% decline in market value since the Spring of 2000, but why bother. It suffices to say that: GM (18.8% market share) is poised to be supplanted as the #1 auto company by Toyota (17.9% market share) and all GM's Chairman and CEO Rick Wagoner can do is whine, close manufacturing facilities...and "call on government...to urgently push for broad reforms to the U.S. health care system".

There was a ray of hope for GM in April when when Toyota Chairman Hiroshi Okuda became "concerned about the current situation GM is in" and toyed with the possibility of raising prices to give GM a chance. This gesture

Who is this singer?



- [Michael Jackson](#)
- [Usher](#)
- [Snoop Dogg](#)

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certainly brought comfort to the 12,520 souls of Americans killed during the Battle for Okinawa. Oh, by the way, Toyota never really did raise their prices.

It's bad enough that the American taxpayer gets stuck with GM's subpar products and service, but now the GM Chairman, whose 2004 annual compensation was a \$2.2 million salary...plus a \$2.46 million **bonus**...plus stock options valued at \$5.1 million...plus \$78,000 in perks including **personal use of company aircraft**...plus a \$79,000 contribution to his **savings plan**, wants to stick the taxpayer with the bill for decades of GM mismanagement. And you can define "mismanagement" as a premeditated effort by decades of GM "leaders" to personally enrich themselves at the expense of reality...and everybody else. Or...you can just spell "mismanagement as "scumbags".

Let's recap: GM is getting its butt kicked into near bankruptcy by foreign auto producers; GM executives continue to "earn" multi-million dollar paychecks and the best these millionaire managers can come up with is to close plants and blame the taxpayer for not footing their healthcare bill.

In a nutshell, GM is FUBAR.

GM's favorite spin to divert attention from its management failures is the regurgitation of their mantra that the Japanese operate at an unfair advantage because Japan provides socialized healthcare while GM is saddled with a \$5.6 billion annual healthcare bill. This true...and then again...it isn't.

Both the U.S. and Japan provide healthcare for retirees. In the U.S. it's Medicare and in Japan it's either the Social Insurance System or the National Health Insurance depending upon your previous employment status. Medicare Part A is free if you worked and paid Medicare taxes. In Japan, retirees pay from 10% to 20% of their healthcare bills. So, what GM management is talking about are the healthcare benefits they agreed to in negotiated contracts with their workers for pre-65 retirees and additional benefits beyond Medicare Part A.

For GM retirees 65 and older, Medicare is the primary payer for all Medicare covered services. Medicare pays providers directly and then notifies retirees and any secondary coverage plans (i.e. GM). GM then pays for any services covered under their plan agreement (which is historically has been "all the rest"). The provider can bill retirees for any amounts (co-pays, deductibles, etc.) not covered by the Medicare or GM (retirees taking on a share of their medical expenses).

As my readers know, I am no fan of organized labor. But, the retirement healthcare benefits GM management contractually agreed to were agreed to for good reason...in no small part the enrichment of GM management.

For decades, GM management negotiated contracts with the U.A.W. which substituted higher benefits in lieu of higher wages. As Allan Sloan summed it up in the Washington Post, "...the UAW and GM made deals that were heavy on benefits, relatively light on wages...Lower salaries meant that GM reported higher profits, which translated into higher stock prices -- and higher bonuses for executives". GM management pocketed those bonuses for decades without funding GM's future obligations to the workers. Boy, is this sounding like the Social Security **Trust**...was Congress running GM?

GM management also weened-out and agreed to pay prohibitive penalties if it wanted to close plants in the future. The long-term future for a corporate executive is retirement in a gated community with millions in liquid assets wisely invested..."the health of my former company – what company?"

Today, GM finds itself spending more than it makes and rapidly going broke. The only thing about GM that remains unchanged is the obscene compensation its inept managers take home.

Do you have a problem with calling GM management inept? Try this -- BusinessWeek reports that GM Chairman "Wagoner is pegging his turnaround largely to a rebound in large pickups and SUVs". But BusinessWeek also

reports that "first-quarter sales of full-size SUVs nosedived 21.5% from a year earlier, according to Autodata Inc., thanks to rising gas prices and competition from crossovers, such as the Honda Pilot, which carry almost as many people while using less gas". As a result that "more often, GM's bold forecasts never pan out", "Private-equity investors seem to believe that the company's global cost handicap will eventually force it into bankruptcy court to shed union and dealer obligations".

So, what to do?

The crutch of healthcare costs that GM management leans on to obscure their ineptitude is not the whole story. For decades, GM has been completely out of touch with the U.S. auto buying market. In the 1970's, GM welcomed the first energy crisis with a lineup of gas-guzzling rust-buckets. Other than cars that don't rust in two years, relatively nothing much had changed by 2005...except the dealership service managers who became even more adroit liars.

There are only two significant variables which are killing GM sales...quality and service. GM is deficient in both.

GM management does not look to its market when deciding what and how to build a product...it looks to its management negotiated labor contracts. The company builds what fits its corporate model and then tries to shove it down the markets throat. Again from BusinessWeek, "Too often, GM compromises on engineering so that its models can go into selected plants to keep up production volume" necessitated by management negotiated labor contracts.

Detesting organized labor is not a good enough reason not to buy a GM product and detesting organized labor is not a good enough reason to laugh at retirees getting screwed out of contractually obligated benefits. GM management and labor leaders got these working people into this pickle, now let them resolve it...and not on the backs of ordinary working Americans and taxpayers...the same ordinary Americans and taxpayers who are called upon to fight and die for this country.

GM company spokesman Tom Kowaleski is confident that "that there may be ways to get what GM wants while giving the union something in return", and cautions "Do not underestimate the breadth of scheming that can go on to come up with a win-win for everybody." Well, multimillionaire GM management and labor leaders have been "scheming" and winning their own enrichment for decades. Now let them put their heads together to come up with a scheme to keep their word to the GM workers...and maybe start producing cars that the market wants. If GM isn't honest with its own employees, can you believe what its advertisements promise in a car?

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Published in the January 17, 2006 issue of Ether Zone.
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