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Michael Westfall

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# Billy Durant's Incompetent and Bankrupt General Motors

## **Abstract**

This article is part of the collection of writings of Mike (Marshall) Westfall, retired autoworker from General Motors in Flint, Michigan (1964-1994) and activist critic of the auto industry restructuring that led to devastating job losses. It originally appeared online in *The Westfall Papers*.  
[<http://michaelwestfall.tripod.com/id132.html>, accessed 12/14/2011]

## BILLY DURANTS INCOMPETENT AND BANKRUPT GENERAL MOTORS

By Mike Westfall  
July 9, 2009

Uncle Sam has allocated \$50 billion to fix GM and will end up owning 60% of it. Once the U.S. government's bankruptcy plan for General Motors became inevitable, GM's aspiration became to use governmental politics and bankruptcy to banish its many corporate responsibilities by doing a legalistic paper sale and dividing itself into two separate companies.

Thanks to New York bankruptcy Judge Robert Gerber, GM's every corporate inclination was fulfilled. GM was given the promise that by creative law vast amounts of its debt would be wiped out and transferred to others who would be left holding the bag, including taxpayers. In court, several large interests including bondholders proclaimed that their rights were being ignored in favor of GM, but their concerns were disregarded. The way is now paved for GM to file for an IPO in 2010 and split GM into two separate companies.

GM Company #1 will be the slippery new-detached GM. The best of the original GM will be sold to it creating a new company with significantly reduced costs and sliced debt. GM Company #2 will be the sacrificial "poison company" where the problems will be collected.

Creditors will have to deal with GM #2 to settle GM's billions of dollars of liabilities due to managements past ineptitude. This will be a separate redundant garbage disposal company containing all of GM's responsibilities and problems relative to retirees, dealers, creditors, unneeded real estate and responsibilities to environmental agencies. The worst of GM and discarded assets will go to company #2 and will be auctioned off to the top bidder in bankruptcy court. Some of these assets include once important facilities and real estate in Indiana, Ohio, Virginia, New Jersey, Delaware, New York and Michigan. Company #2 will exist only until all of the so-called bad assets are liquidated, which may take years to complete.

GM will sell Saturn, Saab and Hummer to buyers waiting on the sidelines and replace the Pontiac line with the \$40,000 electric Chevrolet Volt. Even though stock speculators actively trade it today, current GM common stock will become valueless.

How did Billy Durant's General Motors, which was America's premier manufacturer and source of high-quality blue-collar jobs, get to this wretched point? It didn't go belly-up during the great depression, so why now? They had help! Isn't it about time to push aside all the political media fog to nail the hard truth?

Washington Democrats and Republicans have profoundly injured our domestic auto industry and failed working America through NAFTA, the one-sided trade policy that transferred and exported hundreds of thousands of important middle class manufacturing jobs to exploited Mexican workers paid shamefully low wages. Everyone connected to NAFTA has been damaged. Can anyone honestly look at our nation's suffering manufacturing communities or the disgraceful slums around NAFTA's maquiladora plants in Mexico and honestly deny this fact?

There is an old union saying that states, "Absolute power corrupts absolutely".

This may be the world's best-kept secret, and it may come as a shock at the first realization, but it was actually the incompetent corporate and union officials' power combined with a complicit government that led to the demise of General Motors. They did it as a team effort through ongoing corporate mismanagement and by the negotiating of the wrong programs by union officials, which turned out to be mortal blunders. It really is a sad classic case of the blind leading the blind. The failure of the American domestic auto industry is due primarily to corporate, union and governmental incompetence.

Everyone has heard daily, if not hourly, that the auto retiree health care benefits, which have been labeled "legacy costs", were highlighted as the foremost reason for the failure of the auto industry. That connotation is much to simplistic. In reality the struggling, powerless retirees, who need these benefits, were actually the innocent scapegoat. Retirees owned these benefits. They paid for them over their working years in lieu of wages. They were stolen from them at a frail point in their life when they need them most.

Union officials demanded and received the tremendous depletion of GM financial resources for corporate welfare programs, such as the UAW jobs banks program that paid jobless workers full wages for years to do absolutely nothing. These fully paid workers cost a fortune and would never return to work. The facts are that both General Motors and UAW officials actually knew how to do the math, and early on they both realized that the high priced jobs bank program didn't work and was a horrific financial drain on the company. They also knew that that there was a pending serious problem with retiree health care benefits that was serious enough to eventually bring the company down. Can anyone deny this?

Rather than eliminate the costly jobs bank, which other than creating union dues benefited no one, and use those resources to vest pension health care benefits, they choose to remain silent and ignore their retirees as well as the financial state of the company. By doing this, their ineptitude sealed the fate of the company. Had the retiree health care benefits been funded with the squandered jobs bank money, GM would not have had a legacy cost issue. There would have been no need to file for bankruptcy, and the tax payers would not be on the hook to bail them out. The failure to vest retiree health care was a betrayal against the retirees, workers, taxpayers and GM itself by the inept UAW officials and company executives. The nation is paying GM's bill.

On another front, in 2002 the EPA cited General Motors as one of the top 100 corporate air polluters. Again in March of 2006 the Political Economy Research Institute rated General Motors as the 20th worst polluter. GM's legacy is more than just the jobs and incomes it provided. It has become painfully clear that where Americans live and work, they have experienced the inexcusable consequences of toxic chemicals being quietly dumped into the earth, water and air by irresponsible corporations including GM.

A bankruptcy court filing lists eleven GM sites that are contaminated or have environmental compliance obligations. It has been estimated that GM's environmental liabilities surpass \$525 million. Some of this real estate is identified on the New York state's registry of hazardous waste sites and on the superfund list of most contaminated sites. Who will Washington choose to pick up the financial tab for cleaning up GM's toxic mess? Will it be the taxpayers?

GM is auctioning off through bankruptcy several industrial locations from New York to Michigan. One such site is its contaminated aluminum castings foundry in Messena, New York, which has become infamous for its hazardous waste dumping of PCB's. The neighboring St. Regis Mohawk Tribe has filed objections to the sale saying it releases GM from the responsibility of cleaning up this dangerous toxic site. It has been estimated that the clean up of this toxic factory site alone could cost as much as \$225 million. Christopher A. Amato, deputy chief of the attorney general's bureau, charged GM that "they have basically flouted the law for 25 years." Former Attorney General Eliot Spitzer sent GM a letter stating that the company knew that their landfills endangered public health and the environment, yet the corporation refused to

control the release of these toxins.

So, has GM found a sympathetic governmental ear for passing on its environmental clean up to the taxpayers? Will this be another Washington boondoggle where Americans won't know the whole story until they get the bill?

GM has been slow to admit any wrong doing relative to their possible misuse of toxic substances that expose workers and communities to health dangers. Up until now it has been very easy for them to simply pay a fine, deny the charges and ignore the human cost.

Many of GM's redundant facilities, once a hub for automobile and parts manufacturing, are now shuttered or razed with their remains buried in the earth. This may turn out to be General Motors' most toxic legacy. Just about every toxic chemical known to man is used in the production of automobiles. The responsibility to contain these devastating toxic chemicals and protect the public rests with the companies. Potent substances and chemicals like PCB's, glyco ethers, manganese and zylene are just an example. The exposure to these deadly elements can cause cancer, brain damage, liver failure and death.

Mike Bennett, retired UAW Local 326 president in Flint, Michigan, represented workers at GM's Flint Ternstedt casting and plating facility. Bennett said that workers at this GM factory were exposed to a deadly toxic soup, and workers were dying of cancer at up to three times the national average. In the late 1970's Bennett began to notice an unusually large number of this factory's workers dying of cancer at a young age. He began to collect death certificates and began his own study of the death rates.

This plant was located north of Flint, Michigan in the Beecher-Mt. Morris area, and many neighboring homes had wells for drinking water. Behind this now closed and leveled plant were large settling ponds where plating fluids, die cast waste water and chemicals full of toxic poisonous waste and heavy metal contaminants were pumped. Bennett called for health studies for the area, but he said the state never followed up. In addition to these chemical lakes of toxic material, the plant emitted tons of toxic matter from the furnaces and exhausts stacks. The prevailing winds carried that material into the homes of everyone in the area.

Bennett said he knew of nothing being done to see if it affected people's lives. He said the plant is gone now and the huge chemical settling ponds are covered up. He believes this GM site in Michigan is a Love Canal all over again, this toxic material eventually will reappear somewhere and the end result will be more human and environmental harm. He said General Motors doesn't want to take any responsibility for the mismanagement or clean up of this material, so they will ignore it.

General Motors has earned a special position in the archive of lethal polluters, who have damaged the environmental health of this nation. It should be made absolutely impossible for General Motors to get out of their corporate responsibility to clean up their toxic mess. Bankruptcy should not give them this option. Responsible people might ask why weren't federal charges filed for endangering the workers and the communities long ago, and why have only token fines been levied against these polluters? Why have authorities looked the other way while lands, rivers and air quality have been so grossly abused?

As the shotgun effect of GM's mismanagement and their industrial toxic time bomb explodes in our faces, they demand tax dollars to erase their corporate responsibilities. They insist on tax dollars to wallpaper over and bury their sins. It is sheer lunacy.

Doing business in America requires a certain level of social responsibility. The failure of our essential domestic auto industry was inevitable and arose because of decades of poor decisions by corporate executives, clueless UAW officials and our own complicit government.

The collusion of these absolute and collective powers to put the total charge of their incompetence on the backs of taxpayers, communities, workers and retirees has become a very heavy and lethal weight. The question begging an answer is, "When will the load become so heavy that it breaks our nation's back?"

Mike Westfall