

Live Bait & Ammo #92: Delphi: A Dead Oracle and a Dirty Verb

Last year, after I wrote about Steve Miller's speech at the Detroit Economic Club, the FBI sent agents to my house. So allow me to begin this article about my recent experience at the Lansing Economic Club by saying I am not a threat to national security. Steve Miller and his band of vulture capitalists, on the other hand, are economic terrorists.

Steve Miller, the Delphi Board of Directors, J.P. Morgan, Citicorp, and senior executives like Karen Healey who spoke at the Lansing Economic Club, conspired to use the bankruptcy court rather than the much extolled "free market" to break contracts with unions, suppliers, and customers; to evade responsibility to state and local governments from whom they coerced tax breaks for years while simultaneously exploiting the infrastructure and educational foundation provided by the body politic; to trash shareholders' contributions including in many cases the life savings of loyal Delphi employees; and to tear down, sell off, and otherwise extract the value still inherent in a company that ranked "*No. 1 on the Automotive News list of top 150 original equipment suppliers to North America with original equipment sales of \$16.89 billion in 2006*" in order to enrich themselves.

Karen Healey, VP of Delphi corporate affairs, compared herself to "Pollyanna" in the course of her corporate image polishing. Why shouldn't she have a cheery outlook? She and other senior executives will reap stock options in a reconstituted Delphi worth 10% of its post bankruptcy value plus \$87 million in bonuses. That's enough boodle to make the eternal pessimist tuck his tail up his ass and grin with both eyes. Sorry, Pollyanna, but an obscene metaphor is the only suitable description for such gross public misconduct. The bare truth is: vulture capitalists have no social redeeming value.

Ms. Healey was in Lansing to gloss over fraud and conspiracy charges, massive mismanagement, rampant incompetence, and a trail of lies more convoluted than a snake's path of logic through the Garden of Good and Evil. She must have felt

relieved to see the Lansing Economic Club wanted to be glossed over. Club members were busy devouring dehydrated fish squares smothered in mushroom soup. In my traditional Catholic upbringing we referred to such jail house fare as the culinary equivalence of penance. A Friday ritual wherein mortal sins were expunged through stoic chewing and beatific facial expressions. But it may have been chicken, pigeon, or opossum. Who knows what lurks beneath the mushroom soup, or a murky Quarterly Report?

In any case, I couldn't swallow the victuals or the b.s. that passes for oracle in an age when capitalism attacks, not only workers, but investors. We don't need PR flacks. We just need the facts. Oh where have you gone, Jack Webb? Our nation turns its lonely eyes to you. I looked around, but there were so many cheap suits in the crowd I couldn't tell who was who.

Delphi was a debt free corporation in 1999 after they were spun off from General Motors. Delphi owned the property, the machinery, the technology, the patents, the products, and the research facilities outright. The pension was fully funded. Delphi had no retirees. Six years later Delphi claimed bankruptcy. Today the pension is underfunded by over \$10 billion and the stock is worthless.

While Delphi underfunded the pension and stockpiled debt in the US, they purchased assets overseas which are protected from US bankruptcy laws. That's not a "corporate restructuring," it's a swindle.

Delphi intends to sell US assets that they inherited tax free to raise pocket money. Former workers at Delphi made good wages, no doubt about it, but when J.P. Morgan and Citicorp agreed to finance Delphi's bankruptcy for an initial \$4.5 billion, they set out to make a killing.

Ms. Healey's speech promised to tell us "What's Next for a Transformed Company" but the pretext seemed premature for a company that has yet to present a reorganization plan to the court; attain "consensual agreements" with its unions;

resolve civil lawsuits by large scale investors who were defrauded; survive criminal investigations by the Justice Department; quell riots in Spain; or appease its largest unsecured creditor and customer, General Motors. I may not be well educated, but I've got eyes, man.

"Bankruptcy," Ms. Healey smiled, "Doesn't carry the stigma that it once did." Which is to say, vulture capitalists have no shame. Bankruptcy in Pollyanna's eyes has become a "cottage industry." I kid you not. She used that quaint phrase to describe the diabolically sinister shysters who conspire to rip off retirees, workers, investors, and taxpayers.

She said that Delphi is committed to "preserving" the pension plan "for both hourly and salary people" by "freezing it" and "fully funding it."

Preserve by freezing? Does Pollyanna think we're talking about string beans? Delphi underfunded the pension in 2001, '02, '03, '04, '05 '06, and '07. Now we are supposed to believe that after the vultures pick the bones clean the pension will be preserved and fully funded through the magic act of freezing?

She assured us that Delphi "has a concrete plan" which she couldn't disclose because, "We are still in a very delicate period with negotiations." Delicate indeed. Delphi only lost \$11 million on US operations in March 2007. If Delphi hadn't paid \$10 million in fees to the "cottage industry" that advises the crooks and \$37 million in bonuses to retain the incompetents, Delphi would have shown a \$36 million dollar profit in the US in March. If Delphi had reduced salary staff at *half* the rate they cut hourly workers, they could have saved, by conservative estimates, an additional \$24 million for a total profit of \$60 million in one month just in the US. But they don't want to show a profit yet because the VC want more concessions from the unions. What passes for delicate in Pollyanna's world is called "cutthroat" on the street.

Despite the cloak of confidentiality she assured us that they are “working very hard to get out of this process as quickly as we can.” Since Miller initially bragged that Delphi would be out of bankruptcy in early 2006, I think it’s fair to say that Miller lost control of the process and the only “concrete” in his action plan is the dead weight at the top. The brash, antagonistic, arrogant provocateur who paraded around the country like a corporate crusader in 2005 hasn’t ventured from his spider hole in over a year.

Healey very concretely said, “We are committed to *not* comment publicly on these decisions with important stake holders but I can tell you we are *passionately* committed to a consensual resolution.” [*italics, hers*] Consensual is a curious word considering the other parties are crying fraud, lawsuit, criminal conspiracy, fraud, rip off, fraud, racketeering, betrayal. Did I mention fraud?

She admitted, “We have reduced cost structure across all our US manufacturing organizations.” But she didn’t admit they want more concessions from union members because every nickel they wheedle from workers will bolster their bonuses.

David Barkholz reported in the Automotive News on 5/9/07: *“The savings are substantial. In the first quarter alone, the Delphi Steering unit saved \$28 million from having a lower-paid work force, the company revealed in its first-quarter financial filing this week. The unit represents just 10 percent of the \$6.7 billion in Delphi sales posted in the first quarter. So the companywide savings would have been much greater in the quarter. Delphi spokeswoman Claudia Piccinin declined to provide total savings.”*

Delphi PR flacks want it both ways. They want to “polish the halo” as Pollyanna professed but they don’t want to be totally honest. After her speech about the transformation of Delphi, I spoke to Ms. Healey face to face. When I questioned

her about the report in the Automotive News she got flustered. "I don't know where they get their information," she said.

"From your Quarterly Report," I replied.

"Analyst Kirk Ludtke said Delphi's first-quarter results show "clear evidence of a turnaround in the company's financial performance." That is especially so in light of declining North American sales at GM, Delphi's largest customer, said Ludtke, who works for CRT Capital Group LLC in Stamford, Conn." [["Union Cuts Help Delphi as Salaried Cuts Lag"-David Barkholz- Automotive News 5/9/07](#)]

The Automotive News is a conservative and credible source. On the other hand, we know from experience that Delphi executives are liars. How many times were employees in captive audience meetings encouraged to buy Delphi stock on the basis of false reports? Why should we believe them now? Why should we make more concessions? They already robbed us twice. Any counter proposal from the UAW should demand more compensation, not less. New hires deserve more because they made all the sacrifices, they do all the work, and they don't have a pension to look forward to. New hires deserve more. Lots more.

Ms. Healey confided that Delphi intends to cut 25% of the salaried workforce, plus "40% of office work positions would also be eliminated." But Delphi doesn't want to follow through with salary and other administrative cuts until after they wrest more concessions from the unions.

Barkholz asserted in the Automotive News article: *"If an additional 7,500 salaried workers had been cut, Delphi would have saved an additional \$562.5 million, assuming a \$75,000 per person cost."*

\$75,000? Sounds like a conservative estimate considering Miller's contention that UAW members averaged \$138,000 per year. One billion dollars would be a more accurate estimate of the savings/profit.

On top of these savings Delphi anticipates selling, consolidating, or closing 21 of 29 plants in the US. If Delphi transfers the legacy cost back to GM or the PBGC, what is the profit margin on the sale of an asset they never paid for? And where will the money go?

The same place it has always gone. Money isn't lost, it's exchanged; in this case, from the working class to the investing class. Chrysler workers would be well advised to study the game plan. They're about to get Delphied.

Stay solid, Gregg Shotwell

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