



DWINDLING NUMBERS: United Auto Workers membership plunged from a high of 1.5 million in 1979 to under 377,000 workers by 2010, when Bob King (below) became the union's 10th president. **REUTERS/REBECCA COOK**

CRUNCH TIME AT AMERICA'S RICHEST UNION

Unless the United Auto Workers can turn the tide, the next financial crisis in Detroit may not be at one of the automakers but at the union.

BY DEEPA SEETHARAMAN AND KEVIN KROLICKI
DETROIT, SEPT 22

BOB KING, THE PRESIDENT of the United Auto Workers, has a problem: the labor union that credits itself with creating the American middle class has glimpsed the end of the line.

Two years after the wrenching restructuring of the U.S. auto industry and the bankruptcies that remade General Motors and Chrysler, the UAW is facing its own financial reckoning. America's richest union has been living beyond its means and running down its savings, an analysis of its financial records shows.

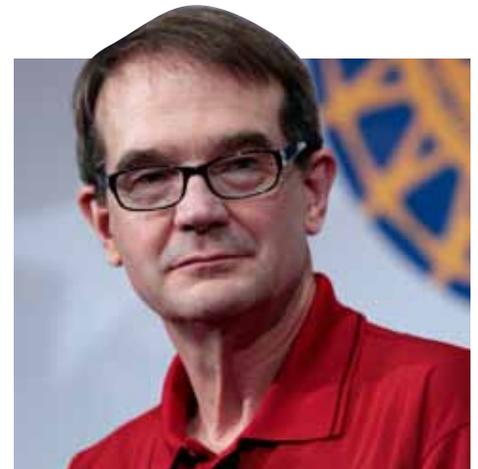
Unless King and other officials succeed

with a turnaround plan still taking shape, the next financial crisis in Detroit may not be at one of the automakers but at the UAW itself.

That picture of the growing financial pressure on the 76-year-old union emerges from a Reuters analysis of a decade of UAW financial filings and interviews with dozens of current and former union officials and people close to the union.

King, 65, has just wrapped up a round of fast-track talks with General Motors on a new contract that includes new job promises and bonuses of at least \$11,500 for each of the automaker's 48,500 factory workers.

Now King has turned to Chrysler and Ford Motor Co to wrap up similar deals on wages and benefits that King hopes will show



a new and more business-friendly labor union has emerged from the industry's near collapse.

But winning a new four-year contract

deal with the Detroit automakers will just clear the way for a battle that King believes will determine whether the UAW survives -- organizing plants run by the likes of VW, Toyota, Nissan and Hyundai in order to reverse a steady slide in the union's membership and influence.

In some ways the union's situation recalls the early days of GM's own slow-motion slide toward bankruptcy.

Just as with GM before, the UAW has been left to carry an outsized bureaucracy. Also like GM, the union's recovery plans hinge on reversing unfavorable perceptions decades in the making.

King, who has a law degree and looks more like a college professor than a hardened labor leader, has moved to cut costs at the union's riverfront Detroit headquarters by negotiating buyouts with members of the UAW's own union.

UAW clerical workers, who are represented by the OPEIU, have also taken cuts to pay and their health care coverage in retirement and agreed to other concessions. UAW staff approved the buyouts earlier this month by a vote of 132-to-110.

The UAW's 17-member board has also considered a shift toward a more aggressive investment strategy and ways to shed some of the empty union halls that have been dumped back on its books, officials involved in those discussions say.

But fundamentally, King is betting that a union forged in Depression-era Detroit can connect with a generation of American workers who grew up long after the peak of the UAW's clout in the 1950 and 1960s and who live in southern states traditionally hostile to labor unions.

That will mean spending big on a campaign to attract non-union workers in plants owned by foreign automakers in the south.

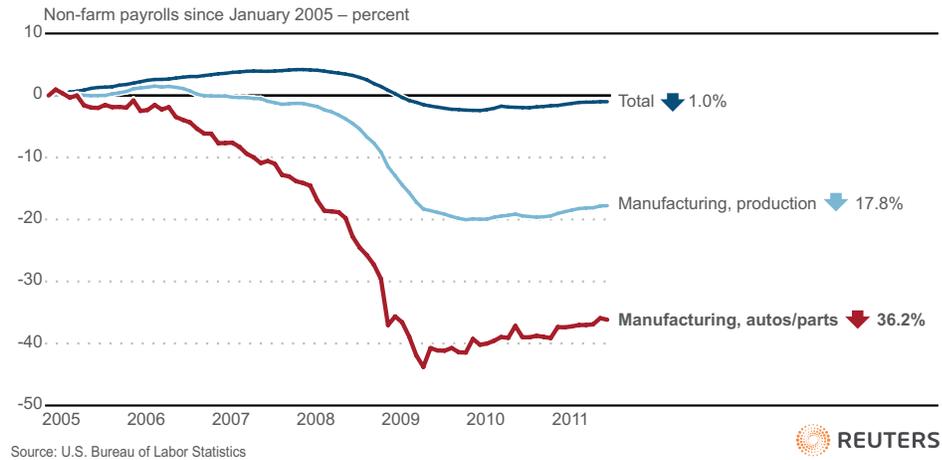
Earlier this year, the UAW considered buying a commercial during the Super Bowl, the most widely watched event on American television. The plan was hatched by Richard Bensinger, a veteran organizer hired last year. The idea was to try to turn public opinion against foreign automakers that have spurned the UAW's advances. It would have cost over \$3 million.

The plan was scrapped but its consideration shows the kinds of risks that King could be willing to take, people familiar with the effort said.

That more aggressive approach threatens to push costs higher for the UAW when it has been forced to sell assets to make up from

U.S. auto industry jobs

Since 2005, the auto industry has been losing jobs at more than twice the rate of the wider manufacturing sector.



Reuters graphic/Stephen Culp

09/09/11

dwindling dues from a declining base of active workers.

The union has been slow to trim other outlays. Since 2007, the union's spending has included promotional items such as flyswatters emblazoned with the UAW logo (\$5,000), bowling ball buffers and bags (\$33,000) as well as spending on golf outings and at golf resorts (\$346,000). The union says it is forced to book meetings at golf resorts because in some areas of the country those are the only conference facilities large enough.

The UAW also spent at least \$2 million on advertising in 2008 to build support for the union and the first wave of "bridge" loans for General Motors and Chrysler. Both automakers were spared liquidation by a bailout orchestrated by President Barack Obama in 2009.

UAW officials acknowledge that the

practice of relying on the union's savings will have to end.

"If the UAW continued to sell assets to operate, how long of a period does it take before you no longer can sustain that?" UAW Secretary-Treasurer Dennis Williams told Reuters.

"The answer to that is we don't want to continue that strategy."

'THE NEXT DETROIT'

AS THE DETROIT AUTOMAKERS prepared for contract talks with the UAW this summer, the labor-relations department at one of the companies sent an unusual request to the in-house economist. Based on the UAW's financial statements, how long would it take before the union ran into trouble? The answer: the UAW might have three to five years before its budget difficulties forced a financial crunch, absent changes.

The "hand-grenade" math of the projection gave the union less than a five-year window of opportunity to turn things around by winning new membership at foreign-run auto plants, said the person who saw the internal forecast and asked not to be



POLITICAL PLAYER:
UAW Secretary-Treasurer Dennis Williams says the union cannot continue a strategy of selling assets to fund operations.
REUTERS/
REBECCA COOK

“THEIR COST STRUCTURE IS NOT ALIGNED WITH THE REVENUE THAT THEY’RE GETTING FROM THEIR RANK AND FILE.”



ROOTS IN DETROIT: A bronze statue of a worker called ‘the Builder’ stands in front of the United Auto Workers union Solidarity House in Detroit, Michigan. **REUTERS/ REBECCA COOK**

named because of its sensitivity.

The assumptions behind that projection could not be independently reviewed. But the fact that one of the Detroit automakers commissioned a deep dive on the union’s finances underscores the seriousness of the situation facing King.

The UAW remains America’s richest union. The value of assets on its balance sheet top \$1 billion. Some of that, especially real estate, could be worth far less if the union was forced to sell in a hurry, analysts say. Even so, the UAW’s reported wealth is almost twice as much as that held by the second-richest union, which was the United Brotherhood of Carpenters in 2010.

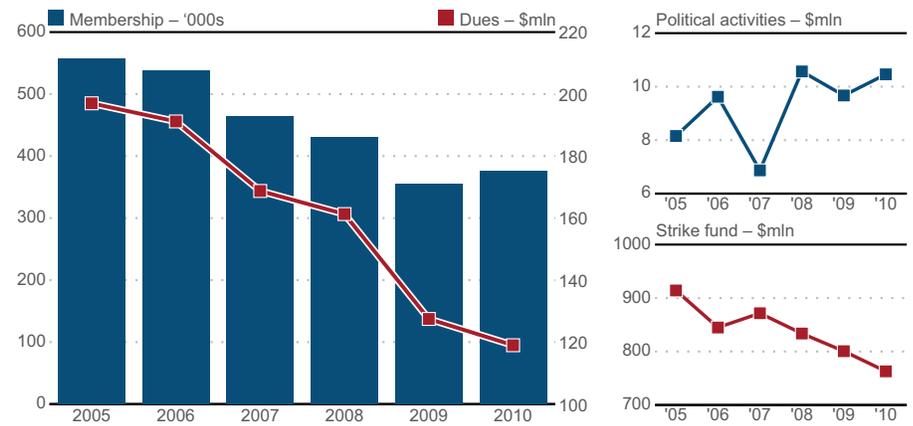
Most of the UAW’s wealth sits in its strike fund, which stood at \$763 million at the end of 2010. But the sheer size of the fund masks a deterioration of the union’s day-to-day finances, especially since 2007.

To bridge the gap between spending and revenue, the UAW has increasingly relied on selling its investments, which include U.S. Treasuries and stocks, and a handful of properties. From 2000 to 2006, the UAW sold \$7.3 million. That ballooned to nearly \$222 million from 2007 to 2010, government filings show.

“It illustrates to me that their cost structure is not aligned with the revenue that they’re getting from their rank and file,” said Peter Bible, former chief accounting officer for GM

UAW, 2005 to 2010

As membership dropped, union dues also tumbled.



Source: UAW, Labor Department filings

Reuters graphic/Stephen Culp 08/09/11



who is now a partner-in-charge at accounting firm EisnerAmper LLP.

The UAW reported a \$44-million drop in the value of its cash and investments outside the strike fund in 2009. If that rate were sustained, the UAW would run through all of its cash and liquid investments in just over 20 years.

That simplified projection does not account for additional investment gains the UAW might realize by moving money out of U.S.

Treasuries where it has parked about 60 percent of its assets. It also does not reflect the benefit of any additional cost cutting or dues from organizing new workers or winning additional jobs or higher wages at the Detroit Three.

The UAW said the current environment was “challenging with bond yields continuing to fall and equities continuing to be so volatile.” It said it was reviewing its strategy: “We continue to pursue investment opportunities

with the goal of increasing the expected degree of overall risk."

Analysts said it was likely that the UAW would see changes to its membership rolls, costs and the value of its investments in coming years. For that reason, a straight-line projection based on the UAW's performance in 2009 could overstate the pressure on the union.

Kristin Dzciczek, an analyst at the Ann Arbor, Michigan-based Center for Automotive Research, said the years from 2007 to 2010 were an "anomaly." Union officials also take that view.

"The auto industry crashed hard and fast, over 316,000 members left the UAW, and, at the same time, the union's investment returns were tanking," said Dzciczek, who has worked for both the UAW and GM.

But even a diminished war chest could hurt the UAW. A weakened UAW might not be able to pay for the kinds of campaigns it has run to bring recalcitrant companies to the bargaining table.

For example, in 2009, during a bitter fight with casino operator Caesars Entertainment Corp, the UAW spent at least \$4.8 million on outside consultants and advertising to win the first-ever contracts for about 2,500 UAW-represented workers in Atlantic City.

One UAW billboard urged gamblers to shun casinos without union contracts. The company's rejoinder in a separate ad showed a forlorn and apparently out-of-work assembly worker with the caption, "Don't let the UAW turn Atlantic City into the next Detroit."

The erosion of the UAW's wealth could also undercut the union's power in national politics where it remains a key ally of the Democratic Party. Williams, for example, is a veteran political organizer who campaigned for Obama in 2008 and remains close.

Union officials and experts say the UAW has no obligation to make a profit, only to safeguard its future. "It's all about the best benefits for the members of the UAW," said labor historian and UAW archivist Mike Smith. "If there is a secondary goal, it's sustaining the UAW."

'FACTS ARE STUBBORN THINGS'

KING LIKES TO SAY he wants to take the union back to its roots under legendary leader, Walter Reuther.

Reuther saw the UAW emerge from bare-knuckled battles with GM and Ford to become a part of the American establishment. From 1946 to 1970, when Reuther died in a plane



crash, the UAW won a series of ever-richer contracts that set the bar for other industries.

In the same year Reuther died, King joined the UAW. He was hired at Ford's massive Rouge plant, once the world's largest industrial complex with over 100,000 workers and its own railroad and electric power.

The Dearborn, Michigan plant was also the scene of the 1937 "Battle of the Overpass" where thugs hired by Ford beat up Reuther as he passed out leaflets outside the plant. The images of a bloody Reuther hang in the hall of nearby Local 600, commemorating a major step toward organizing Ford, the last Detroit holdout.

Despite the reputation of the Rouge as a UAW hotbed, King emerged as a pragmatist with a knack for seeing things from the other side of the bargaining table and admitting when the union was wrong.

"Many years ago I was in the grievance area," he said last month. "The Ford representative there said, 'You know, Bob, facts are stubborn things.'" King paused for a moment and added, "I think I was trying to argue around the facts."

As King rose up the ranks starting in the 1980s, the outlook darkened for the "Big Three" as they were rocked by higher oil prices and gains by Japanese competitors who were held up as the icons for a different and better model of production and factory teamwork.

UAW membership slowly fell from its peak of 1.5 million in 1979. By the time King became the UAW's tenth president in 2010, membership had plunged 75 percent from its high point to under 377,000 workers. Less than a third of the membership works at the Detroit Three.

The decline in active workers cut deeply into the UAW's dues, a major source of revenue. Union workers still pay dues equivalent to two hours of work a month. For a long time, the relatively high wages of auto workers helped protect the UAW's coffers.

As recently as the SUV boom of the late 1990s, some workers could make more than \$100,000 a year with overtime. Today a new hire starts at about \$30,000 per year under a two-tier pay deal negotiated in 2007.

King, who concedes the UAW bears some responsibility for the near-collapse of the American auto industry, quickly doubled down on a bet made by his predecessor, Ron Gettelfinger. In 2006, UAW delegates voted to move about \$110 million from the strike fund to pay for organizing. In 2010, King went back for an unprecedented double-dip in the fund and won clearance to spend up to another \$160 million over four years.

"Just like President Obama took a big risk in betting on us, we're taking a big risk on money from our strike fund," King told Reuters.

GOOD COP, BAD COP

BY THE SPRING OF 2010, even before he took over as president, King began putting together his team. That included hiring Bensinger, a veteran organizer known for his out-of-the-box ideas. King had first worked with Bensinger in the early 1990s as part of a task force at the AFL-CIO. The group had agreed on the need for unions to take bigger risks in organizing.

Joe Ashton, a Philadelphia-native and UAW official who had organized the 2,500 casino workers in Atlantic City, was given charge of GM negotiations. The message was clear: the new UAW would live or die in organizing battles and that's where it would draw its leaders.

Toyota proved the first test for King's increased willingness to pick fights outside the UAW's comfort zone. The provocation was an announcement that the Japanese automaker would close a joint-venture plant it had operated with GM in California.

The U.S. automaker had pulled out of the Fremont, California plant known as NUMMI as part of its bankruptcy. About 4,700 workers, most of them UAW members, lost their jobs. Those jobs represented the UAW's only foothold in a major U.S. auto factory outside those run by Detroit. At every turn, the UAW had failed to organize Toyota, Nissan and Honda plants in efforts going back to 1989.

"The only luck we've had has been bad luck," King said last year.

In the early spring of 2010, King traveled from Washington to Chicago to California to bring pressure on Toyota. In part because of that increased travel by King and other

senior UAW officials, compensation recorded for UAW officers increased 24 percent from 2009 to 2010.

When Toyota announced a deal allowing electric-car start-up Tesla to take over NUMMI in late May 2010, King eased back on the public pressure.

But just a few weeks later, Toyota announced it would make the Corolla at a nonunion plant in Mississippi. King learned about the move shortly before speaking to assembled delegates at the UAW convention in Detroit as he took office. In a rare moment of public anger, he vowed to “pound Toyota.”

The UAW equipped workers and retirees with picket signs that included a caricature of the Toyota logo as an ominous skull. The signs, splashed with red to suggest blood, read “Toyota is killing American jobs.” Pickets were assembled outside Toyota dealerships, but quickly disbanded when UAW officials judged that the hard-line campaign could backfire.

In the end, the union spent over \$300,000 in a failed bid to get Toyota to save NUMMI. That included almost \$65,000 paid to a Washington, D.C. firm, Free Range Studios, for expenses and fees to develop a web site critical of Toyota’s safety policies. UAW leadership also opted to scrap the site before it went live.

By the fall of 2010, King was done being the bad cop and banging on Toyota. Now he would try a more diplomatic approach as he began to prepare for the upcoming round of talks with the Detroit automakers.

ORGANIZING THE SOUTH

KING SAW THE DETROIT talks as a way to show that the union finally got it. The new UAW would not press to saddle the automakers with out-sized costs. It would be a partner with management. The subtext was clear: the transplants had nothing to fear from Bob King.

“We’re betting that we can be successful with the right program and the right approach to organizing,” King told Reuters.

“If the UAW can show that it makes reasonable demands in bargaining, it will make it easier to organize the transplant companies by saying we’re not as crazy as you think,” said Gary Chaison, a labor relations professor at Clark University in Worcester, Massachusetts. “You can live with us.”

Union officials say workers at foreign auto plants feel threatened by their bosses, though the companies disagree. Another obstacle is that many of the “transplant”



BATTLE FOR THE SOUTH: Recruiting new members to join the 76-year-old union is a top priority for UAW President Bob King. REUTERS/REBECCA COOK

factories are in right-to-work states, where laws prohibit the companies or the UAW from making membership in the union a condition of employment.

Another problem is that the UAW can no longer point to a record of winning much higher wages for its members.

Volkswagen AG is paying newly hired workers at its Chattanooga, Tennessee plant \$14.50 per hour. That is almost exactly what a second-tier UAW worker would make in Detroit. In a sign of demand for jobs at that pay level, the Chattanooga plant had 85,000 applications for more than 2,000 jobs.

VW workers have been promised \$19.50 after three years on the job. That is just above the \$19.28 per hour maximum that entry-level workers at GM would make over the term of the four-year contract now before workers for ratification.

“You don’t pay dues to make less or the same as somebody who isn’t paying those dues,” said Gregg Shotwell, a UAW dissident retired from GM and Delphi Corp.

Organizing Chattanooga could cost the UAW up to \$3 million, or some \$1,500 per worker, according to Chaison’s estimates. It would take the union over four years to recoup its investment based on projected dues.

King has been reminding workers at every turn that the UAW has no choice. In 1970, when King joined the union, the UAW represented over 80 percent of U.S. auto sales. By 2010, the union built only about a third of the cars and trucks sold here.

“If the UAW is going to exist as we know it, it’s going to have a strong auto backbone,”

said Gary Casteel, director of a UAW region that includes Tennessee, South Carolina, Alabama and Georgia where most of the transplants are located.

Last August, the union won a small battle in that hostile terrain when workers at a Johnson Controls battery plant in South Carolina voted for UAW representation.

Even so, in Chicago recently, King delivered a cautionary message to UAW officials representing Ford at a room in the Fairmont hotel. The hotel was less than a block from where Obama greeted thousands of enthusiastic supporters on election night 2008, a major victory for the union.

For some at the Chicago meeting, the proximity to the election-night celebration was a reminder of the hard choices facing the UAW two years after winning a bailout that spared the union from a more immediate crisis. The UAW believes Obama’s intervention saved more than 1 million jobs, even though the auto bailouts remain controversial.

King told the UAW officials not to expect a rollback of concessions at Ford or other Detroit automakers.

“We can’t put the companies at a disadvantage by asking for more than the transplants are paying,” said Gary Walkowicz, who represents workers at King’s old plant, the Rouge, and attended the Chicago meeting. “We have to organize them first.”

(Additional reporting by Bernie Woodall, Clare Baldwin, Ben Klayman, Meghana Keshavan and David Bailey; Editing by Paul Ingrassia and Claudia Parsons)



SHRINE TO PAST GLORY: Legendary UAW leader Walter Reuther occupies the center of this painting of civil rights leaders in the lobby of the Walter and May Reuther Family Education Center in Onaway, Michigan. **REUTERS/CLARE BALDWIN**

THE BLACK HOLE AT BLACK LAKE

BY DEEPA SEETHARAMAN AND BERNIE WOODALL
DETROIT, SEPT 22

IF THE UNITED AUTO WORKERS union has a sacred space, this rustic retreat and golf course known as Black Lake is as close as it gets. But Black Lake has also emerged as a sign of the union's overreach and looming financial woes.

For four decades, the United Auto Workers has maintained a sprawling property in northern Michigan as a shrine to the ambitions of the union's founder, Walter Reuther.

Reuther's ashes were scattered here after his death in 1970. He is the focal point of a painting of civil rights leaders in the lobby of the education center. There is a "zodiac room" where metal and glass sculptures ring the walls, depicting the position of the planets at the time the labor leader was born in West Virginia.

Despite a three-decade decline in membership, the UAW kept up and expanded the site. It opened an 18-hole golf course during the SUV boom in 2000.

Over the past decade, the UAW has also been forced to provide about \$39 million in loans to the Walter and May Reuther Family Education Center and Black Lake Golf Course, known collectively as Black



TIME OFF: The club house of the UAW's Black Lake Golf Club sells golf clubs, shoes and pullovers emblazoned with the UAW Black Lake logo. **REUTERS/CLARE BALDWIN**

Lake, to keep them open.

The bulk of those loans were extended from 2007 to 2010, when the union made steep concessions in wages and benefits to the U.S. automakers, records filed with the U.S. Labor Department show.

The loans are listed on the UAW's books as assets. In a statement, the UAW said the funding for Black Lake is only considered to be a loan in accounting terms for the purpose of its filings.

"I don't even know why we call them loans," UAW Secretary-Treasurer Dennis Williams said in an interview in July. "I mean, it isn't like they pay them back."

The union says Black Lake was never intended to make money and its spending

on the complex represents an investment in education for its members.

Still, the UAW hopes to boost revenue by marketing Black Lake as a tourist destination and meeting spot for schools and other unions.

But the clock is ticking. Black Lake is one of the biggest drains on a UAW balance sheet already weakened by tumbling property values and a shift of auto production jobs abroad.

PUTTING TIPS FROM 'SOLIDARITY'

THE UAW BOUGHT Black Lake in 1967, a generation after Lucille Ball and Desi Arnaz spent their honeymoon there.

The union hosts classes and labor

BLOG

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<http://link.reuters.com/heq72q>

retreats there. Workers and their families can attend a week-long seminar with free room and board each summer.

In 2000, former UAW president Stephen Yokich opened the golf course. At the time, the union's membership was less than half its 1979 peak of about 1.5 million members. The union's bimonthly magazine, *Solidarity*, began to publish putting tips for members.

Black Lake took about \$25 million in loans from 2007 to 2010, the UAW's government filings show.

The union says it has made "many attempts" to sell the golf course without success. In early 2010, then-UAW president Ron Gettelfinger revealed that the UAW had been exploring a sale of Black Lake for several years. The plan was shelved when Bob King became president six months later.

"It hasn't performed as well as it should because, quite frankly, I think we never looked at it from the revenue side," Williams said of Black Lake.

'EVERYTHING CHANGES'

MORE THAN A TENTH of the UAW's wealth on its balance sheet is held in real estate. This includes Black Lake, valued at nearly \$34 million, and *Solidarity* House, the UAW's Detroit headquarters, valued at \$17 million.

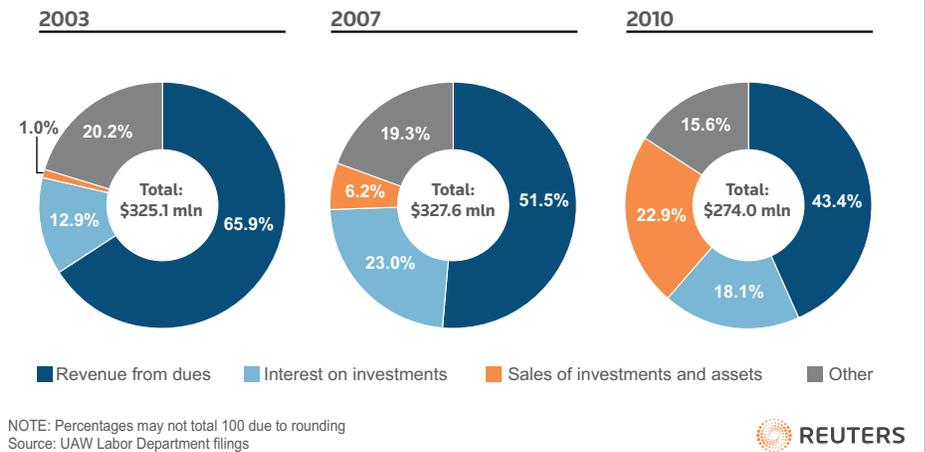
The UAW owns these properties through its nonprofit real estate arm, Union Building Corp. UBC also provides mortgages to locals to build union halls.

By and large, the halls are owned and operated by the locals themselves. But as auto plants closed over the past four years, some union locals forfeited ownership to the UAW to repay mortgages or late dues.

From 2005 to 2009, more than \$4.7 million in property was transferred to UBC

Running down its savings

Over time, the UAW has come to rely more on investments to fund annual operations.



Reuters graphic/Stephen Culp 19/09/11

from closed union locals, financial reports published in *Solidarity* magazine show. That compared to less than \$950,000 in property transferred from 2000 to 2004.

In some cases, the UAW has resorted to unusual arrangements to unload distressed properties. Last year, for example, the UAW sold the former Local 235 building in Hamtramck, Michigan, valued at \$345,001, to a Detroit-based nonprofit called Making it to the Finish Line, which supports teenage mothers. It sold for just over \$27,000 in cash, and a loan for \$205,000 -- provided by the UAW.

UAW officials, already concerned about the union's deteriorating finances, plan to tackle the property issues after finishing the current round of contract negotiations with Ford Motor Co, General Motors Co and Chrysler Group LLC, one person familiar with the matter said. One option could be leasing now-defunct union halls to cities or nonprofits.

It's a delicate issue for the UAW, which in this round of contract talks is hoping to draw more jobs to idled plants, thus keeping local halls open.

The UAW has already had some success on this front. A deal struck by GM and the union last week includes a proposal to shift

production of a pair of vehicles to GM's plant in Spring Hill, Tennessee.

The former Saturn assembly plant was idled after GM killed the Saturn brand. At one point, the plant employed more than 8,000 workers, most represented by Local 1853.

The union local and city officials had discussed this spring leasing the 14,000-square-foot union hall. But the deal between the UAW and GM will create about 1,700 new jobs at the Spring Hill plant, allowing the local to keep its doors open.

The Local 1853 property sits on nearly 13 acres with a swimming pool and a banquet hall replete with chandeliers. In 2001, the city renamed the street the union hall sits on to Stephen P. Yokich Parkway, after the former UAW president.

"They've put buildings everywhere and they have a headquarters, they have Black Lake," UAW historian Mike Smith said. "That's fine when you have 1.5 million members."

"Well, everything changes when you drop in membership and you drop in revenue coming in."

(Reporting by Deepa Seetharaman and Bernie Woodall; Editing by Claudia Parsons)

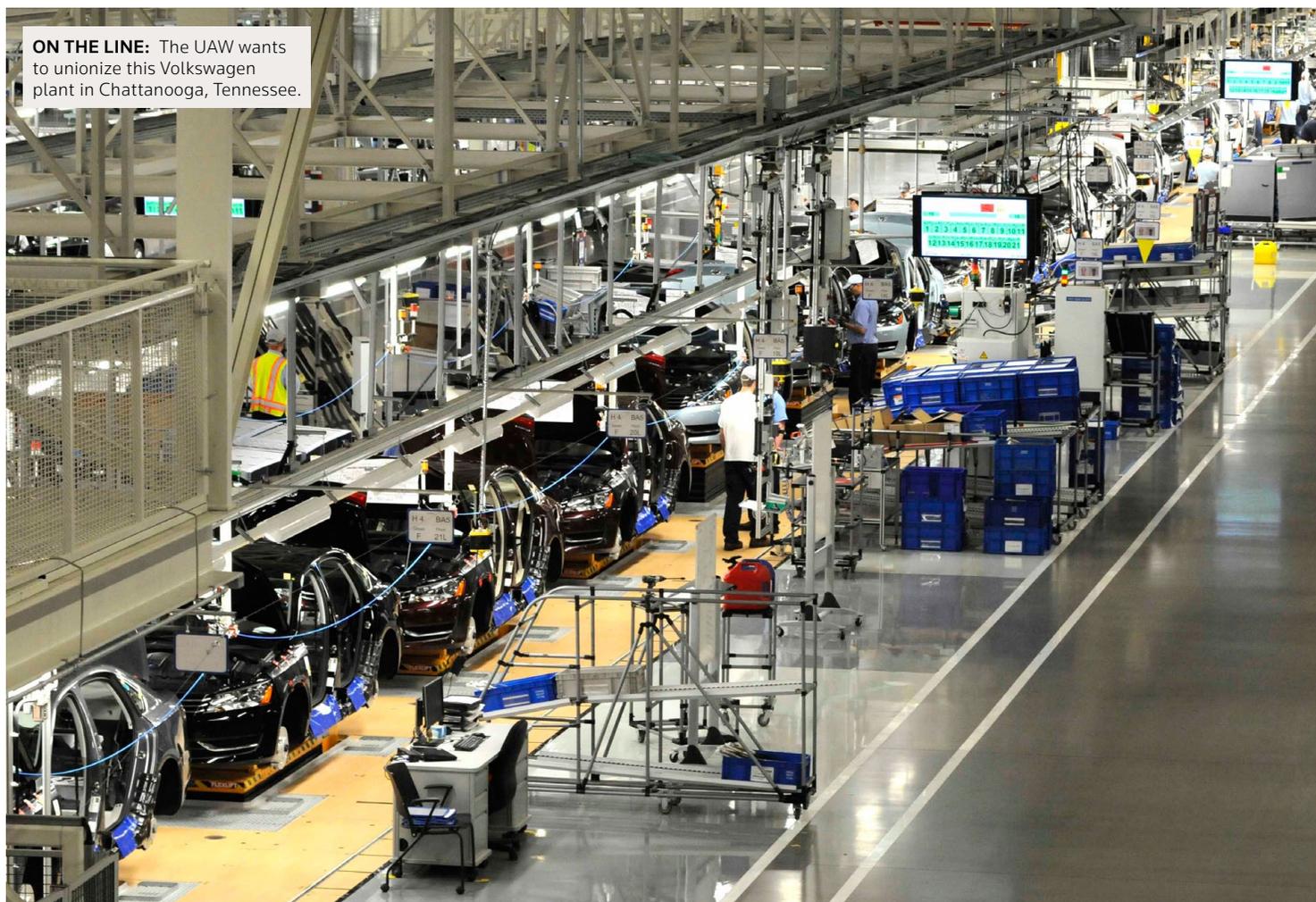
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ON THE LINE: The UAW wants to unionize this Volkswagen plant in Chattanooga, Tennessee.



REUTERS/BILLY WEEKS

SPECIAL REPORT | DECEMBER 2011

REUTERS

The UAW's last stand

THE UNITED AUTO WORKERS ARE LAUNCHING A DO-OR-DIE CAMPAIGN TO ORGANIZE FOREIGN-OWNED PLANTS IN THE UNION-HOSTILE AMERICAN SOUTH.

BY BERNIE WOODALL, BEN KLAYMAN
AND JAN SCHWARTZ
DETROIT/HAMBURG, DEC 29

The United Auto Workers union is staking its future on the kind of struggle it hasn't waged since the 1930s: a massive drive to organize hostile factories.

This time, the target is foreign car makers, whose workers have rebuffed the union repeatedly. Specifically, Reuters has learned, the union is going after U.S. plants owned by German manufacturers Volkswagen AG and Daimler AG, seen as easier nuts to crack than the Japanese and South Koreans.

It's a battle the UAW cannot afford to lose. By failing to organize factories run by foreign automakers, the union has been a spectator

to the only growth in the U.S. auto industry in the last 30 years. That failure to win new members has compounded a crunch on the UAW's finances, forcing it to sell assets and dip into its strike fund to pay for its activities.

In dozens of interviews with union officials, organizers and car company executives, a picture has emerged of UAW President Bob King's strategy. By appealing to German unions for help and by calling on the companies to do the right thing, King hopes to get VW and Daimler to surrender without a fight and let the union make its case directly to workers.

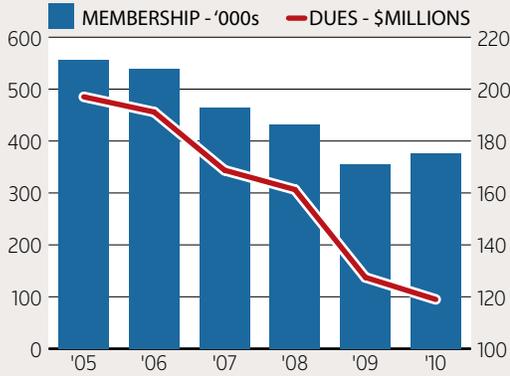
Central to this effort is the belief that if car companies refrain from actively opposing a UAW organizing push, workers at German-American factories will gladly join the union.

But that belief may be off-base. Workers know that almost every job lost at U.S. car factories in the last 30 years has occurred at a unionized company, while almost every job gained has come at a non-union company. And most of the factories the UAW is targeting are in the South, which is historically hostile to unions.

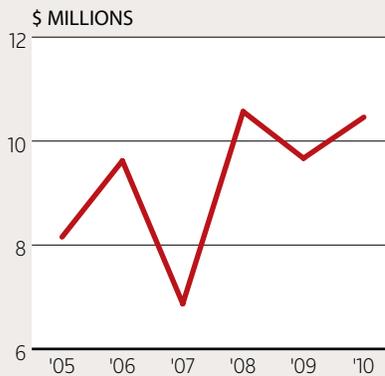
"People have a different opinion in the South about unions," said Robert Plisko, a retired autoworker who helped UAW organizing efforts at German and Japanese plants in the 1970s and 1980s. "It's a lot harder now than it has ever been, and I don't see it getting any easier."

German auto executives declined to talk in detail about the UAW's push. Privately, they remain wary of the union and its

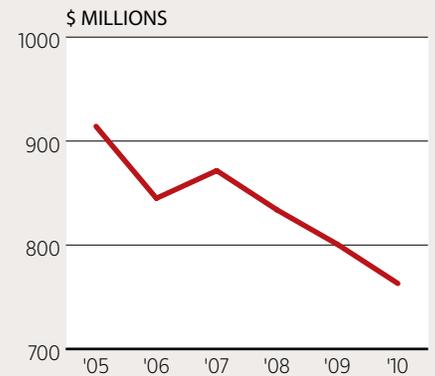
UAW, 2005-2010: DUES TUMBLE



POLITICAL ACTIVITIES



STRIKE FUND



Source: UAW, Labor Department Filings

confrontational past. "They view the UAW as a disaster," said a Wall Street banker who has worked extensively with the industry.

King dismisses skeptics of his plan, but on one point he agrees with his fiercest critics: If the UAW fails to crack the transplants, as it calls foreign car factories in the United States, the union has no future. "I have said that repeatedly, and I believe it," he said in one of several interviews.

This do-or-die imperative helps explain why his offensive sometimes feels passive.

In early December, the UAW's executive board convened at its riverfront headquarters in Detroit in a room outfitted with Swedish midcentury furniture. King, 65, had set a goal of winning one of the organizing battles by year end, and auto executives expected him to ratchet up the pressure by naming a target. But by the end of the meeting King concluded that naming a target would be seen as a hostile act and could undo the progress made behind the scenes with VW and Daimler.

"It really is ultimately up to the companies," King told Reuters after the meeting.

Whatever the outcome, King's march through the South will be a milestone in U.S. labor history. Famous for winning hard-fought campaigns at General Motors, Chrysler and, eventually, Ford between 1937 and 1941, the UAW was once one of the mightiest unions – and political forces – in the country.

But its membership has fallen 75 percent in the past three decades, and it started dipping into its strike fund in 2006. If it fails to boost its ranks, the richest union in the United States will hit a cash crunch.

A DECADE AGO, King led a campaign to organize a union at a Nissan plant in Smyrna, Tennessee.

As part of the campaign, Nissan employee

Chet Konkle recalls visiting hundreds of workers in their homes. He sat in their kitchens, shook their hands and asked for signatures on union cards.

"Sometimes I felt like I was a Baptist preacher trying to win over the heathens," he said of his efforts as a labor evangelist in a southern state.

In October 2001, Nissan workers rejected the union by a two-to-one vote, with hundreds defecting from the UAW cause.

Membership has fallen 75 percent in the past three decades; the union started dipping into its strike fund in 2006.

For Konkle, that was an epiphany. "The UAW in its current form is on its deathbed," he said.

Now 47, Konkle leads a team that cuts waste at the plant and which is credited with saving over \$10 million for Nissan.

Tennessee is once again a union battleground. At the geographical midpoint of a band of foreign auto factories stretching from Texas (Toyota) to Ohio (Honda), the

state has worked hard for its piece of the U.S. auto industry.

In 1979, Gov. Lamar Alexander flew to Tokyo to meet with Nissan executives, showing them a picture of the United States with the Eastern seaboard lit up. When they asked where Tennessee was, Alexander recalled pointing to a relatively dark spot "right in the middle of the lights." Tennessee looked like an industrial blank slate within a short ride of a big market. Nissan also liked the state's law preventing mandatory union membership, he said.

A quarter century later, when VW was looking for a place to build a new plant, Alexander again made the case for Tennessee, this time as a member of the U.S. Senate. As part of the charm offensive, the state's junior senator, Bob Corker, invited VW executives to his home, where Alexander serenaded them on the piano.

The offensive worked. In July 2008, VW announced that it would invest \$1 billion to build a plant near Chattanooga, the city where Corker had been mayor until 2005.

That plant is now at the top of the UAW's list. King traveled to Chattanooga himself in late November to meet with workers sympathetic to the union.



Special Report

For a Special Report on UAW's finances: <http://link.reuters.com/tuj83s>



OLD VICTORY: A UAW supporter at Volkswagen's Westmoreland plant in Pennsylvania in 1978.

"The German companies have a better history of recognizing workers' rights around the world," King said.

But in a state with 9 percent unemployment, the task is daunting. For 2,500 jobs paying \$30,000 a year, VW turned away 83,000 hopefuls at Chattanooga, which started up this year. Statistically, an applicant to Harvard University had a better chance of admission.

On the site of an old munitions depot, the plant is gleaming new, and a natural creek flows through the property. There is no obvious sign of the stresses that can drive workers to organize.

Rodney Barrett, a 42-year-old production worker, said there was no need for a union. "Things would have to change drastically

for me to change my mind," he said in an interview arranged by VW.

EVEN SOME UAW officials concede that, if it comes to a vote at an automaker that is hostile to the UAW, the union will lose.

Instead, the goal is to convince the automakers to open their doors and let the union make its case at town hall meetings.

That approach helped the UAW organize parts supplier Dana Holding Corp in 2007, including a plant in Kentucky that had voted the union down four years earlier.

Key to winning that kind of cooperation is the backing of the German union IG Metall, union leaders say.

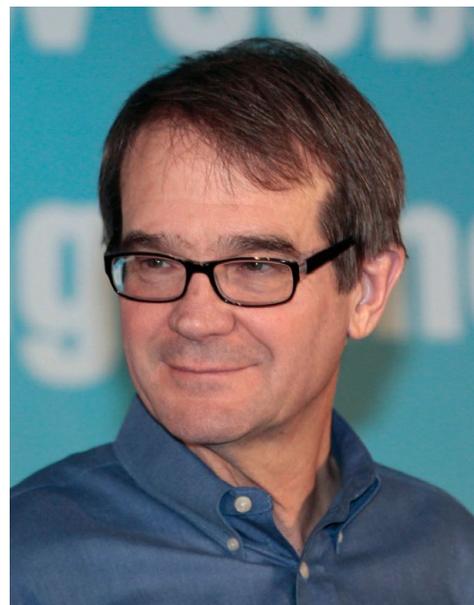
In recent months, King has traveled to Germany to meet with IG Metall. In August, a pair of German union officials visited a Mercedes SUV factory in Vance, Alabama, another plant the UAW is focusing on. In November, representatives of both unions met again at a summit of union leaders in India.

IG Metall, which wants to keep the United States from becoming a cheap-labor alternative to Germany, is also helping the United Steelworkers try to organize a ThyssenKrupp steel plant that opened in Alabama last year.

"We will support the UAW, but we will not do the UAW's work," said Peter Donath, an IG Metall official.

Back in 1978, IG Metall helped the UAW organize the first big foreign factory in the United States, VW's Westmoreland Assembly Plant in Pennsylvania.

In that instance, a former senior VW executive recalled, IG Metall told VW to look favorably on the UAW's efforts. The message



ALL IN: UAW President Bob King says the union must organize foreign plants to survive.

was, "Help them organize, or else," said the former executive, who asked not to be identified.

King is eager to show IG Metall and the foreign automakers that a new UAW has emerged from the wreckage of Detroit and that the union can be a better partner with management. He points to new contracts with U.S. automakers as an example of the UAW's flexibility.

But the GM contract alone runs to over 1,800 pages. IG Metall has proposed that the UAW agree to work rules for up to 15 years with the German automakers, which would be a radical break from laborious plant-by-plant negotiations every four years.

In public, VW executives maintain their neutrality on whether the UAW should represent its workers. But they note that workers already take part in corporate decisions, under policies first enforced by British military officers in Germany after World War Two. "Volkswagen has proven good at this," VW Chief Executive Martin Winterkorn told Reuters in September.

VW managers also have more recent history in mind.

The company closed its Westmoreland plant in Pennsylvania in 1988, in part because of flagging demand for the VW Rabbit and its successor, the Golf. Unauthorized walkouts in the first two years and chants of "No money, no bunny" left a bitter taste.

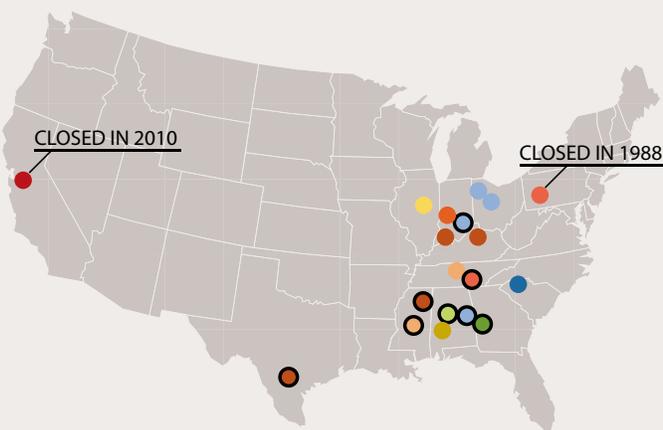
If he had the chance again, the former VW executive said, he would have argued to build that plant somewhere in the South.

Daimler, too, maintains an impartial stance. "Our legal requirement is to remain neutral in these questions. That's what we

Foreign-owned car plants in the U.S.

The dark circles show the eight plants opened by foreign automakers in the last decade, all but one of them in the south.

- BMW
- HONDA
- HYUNDAI
- KIA
- MERCEDES-BENZ
- MITSUBISHI
- NISSAN
- SUBARU/TOYOTA
- TOYOTA
- TOYOTA/GM
- VOLKSWAGEN
- OPENED SINCE 2001



Source: Reuters, Center for Automotive Research

are,” Chairman Dieter Zetsche told Reuters.

But Daimler has its own history with the UAW. In 2006, Zetsche pleaded with the union for concessions at Chrysler, before giving up and selling the company the next year. The UAW already represents workers at Daimler’s Freightliner truck plants in several states, including North Carolina. Its Mercedes installation in Alabama is Daimler’s only other plant in the United States.

OTHER COMPANIES are more overtly hostile. Hyundai, Honda and Nissan have not taken King up on his offer for talks, people close to the effort say.

Hyundai Vice Chairman Yoon Yeo-cheol was blunt when asked about the chances for the UAW at its plant in Montgomery, Alabama. “It will not be easy,” he told reporters in Seoul. “Hyundai employees there don’t like it.”

The UAW knows it has a fight with Hyundai ahead. Late last month, the union sent pickets to more than 80 U.S. Hyundai dealers in a show of support for the automaker’s South Korean union over a complaint by a woman who said she was harassed by her supervisor at a factory there.

In a conflict, foreign automakers can turn to an army of outside consultants to hammer home the message that the union needs members more than members need a union.

“When we spin this to employees, we say, ‘What do you think they want? They want your dues money and they need it,’” said Walter Orehwa, chief executive of Projections Inc, a consulting firm that has worked with BMW and Toyota.

On one crucial front, the effort to keep wages at union plants above those at non-union plants, the UAW has already lost a lot of ground.

Newly hired workers earn \$14.50 an hour at VW in Chattanooga. That is just below the \$14.78 that a new hire would make at a unionized GM plant in Spring Hill, Tennessee. Adjusted for monthly dues at Spring Hill, the VW worker is behind by only about \$15 per month.

King concedes the UAW’s past mistakes contributed to Detroit’s near-demise.

Since 2001, the Detroit Three have slashed over 200,000 jobs, eliminating more than 60 percent of their hourly work force. In the same period, Japanese, South Korean and German automakers have opened eight assembly plants in the United States, creating



COMING FIGHT: UAW members picket outside a Hyundai dealer in Dearborn, Mich.

REUTERS/REBECCA COOK

almost 20,000 factory jobs.

Even the UAW’s friends recognize the union’s past as a problem.

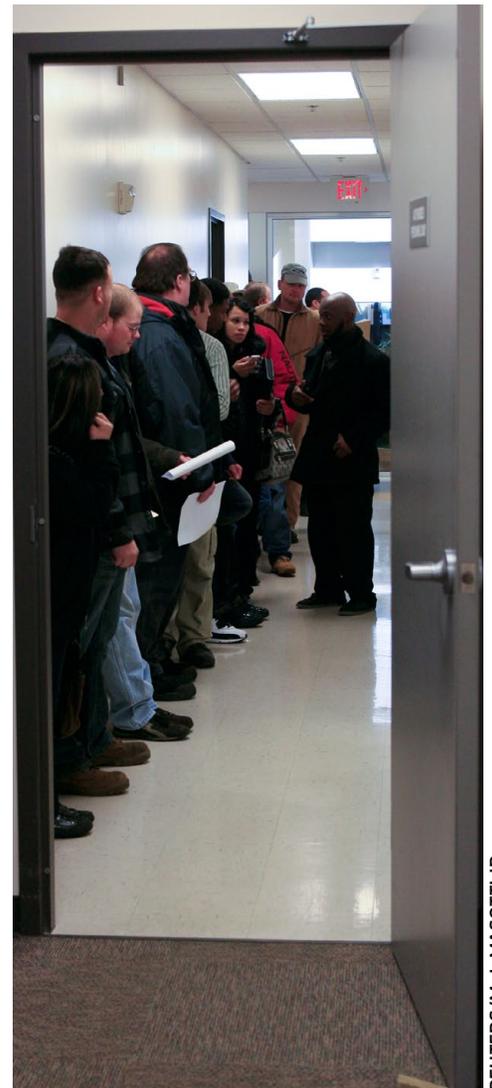
“Obviously, the union lives with the legacy of all that’s happened,” said Ron Bloom, a member of the Obama administration task force that oversaw the bailout of GM and Chrysler in 2009, saving thousands of union jobs. The UAW backed President Obama in the 2008 election, but the White House has said nothing on the UAW’s organizing drive.

TOP UNION OFFICIALS say it is a myth that the South cannot be organized. But the UAW has been overly confident before. Just before the vote at Smyrna, King’s predecessor, Ron Gettelfinger, privately predicted a UAW victory.

Then workers were shown a message from Nissan Chief Executive Carlos Ghosn. “We’ll be making decisions on where future growth will occur in the U.S. and in Mexico based on the efficiency of operations,” Ghosn said in a video, shown to workers in groups. “Bringing a union into Smyrna could result in making Smyrna not competitive.”

The message swayed “the middle 40 percent” of workers, said Konkle, the former UAW supporter, and the fight was lost by a vote of 3,103 to 1,486.

Now, Konkle’s job is to find ways to save money for Nissan. Two years ago, he and others noticed Nissan had been using the



HIRING LINE: Waiting at a jobs fair to apply for work at Nissan’s Smyrna plant.

REUTERS/M. J. MASOTTI JR.

“When we spin this to employees, we say, ‘What do you think they want? They want your dues money and they need it.’”

A JOB IS A JOB: Applicants lined up as early as 2 a.m. at a job fair this month for positions at Smyrna.



REUTERS/M. J. MASOTTI JR.

same device to take a car off the line for inspection since 1992. In the intervening years, the cars had become heavier and harder to handle, and the device took up to five workers to operate.

So Konkle and his team devised a lift that could be operated by a single worker, at a cost of about \$1,800. Konkle's supervisor handed over his credit card to make the needed purchases – an on-the-spot fix that would have been unimaginable in a unionized factory.

Thanks to such innovations, it took 18.6 hours to build a car at Smyrna in 2008, compared with 20.6 hours at GM's plant at Spring Hill, according to The Harbour Report.

As well as saving money, giving workers a say in how work gets done makes for a happier labor force.

"You've eliminated, for the most part,

the reasons people organize," said John Hancock, a management-side labor attorney at Butzel Long in Detroit.

At Smyrna, Nissan is expanding. It is opening a battery plant and adding production of the all-electric Leaf.

Many of the new jobs are lower-wage temporary positions working for contractor Yates Services. Those workers wear brown uniforms to distinguish them from Nissan's regular hires in blue or gray. In some parts of the Smyrna complex, temporary workers now account for up to 60 percent of the jobs.

At a pair of hiring fairs this month, about 5,000 people applied for temporary jobs at the plant. About one in five applicants would get jobs that pay about \$26,000 per year.

One of the new temporary workers is Konkle's 19-year-old daughter, who makes \$12.50 per hour. Although he has no patience

for the UAW, Konkle worries the lower wages are "generating renters, people who will never be able to buy their house."

Others had more immediate worries.

Ben Nurse, 42, stood in line on a cold Saturday morning to apply for a contract position. A father of two, he said he was three months behind on his mortgage payments and had been out of work for a year since he left the U.S. Army.

"A year without a job, you'll take anything," he said. "I don't have a problem not working with a union. A job is a job."

(Additional reporting by Edward Taylor and Hendrik Sackmann in Frankfurt, Hyunjoo Jin in Seoul, Chang-Ran Kim in Tokyo, Kevin Krolicki, Deepa Seetharaman and Meghana Keshavan in Detroit and Charlie Dunmore in Brussels; Editing by Eddie Evans)

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GM, UAW agree to tackle pension shortfall

Mon, Sep 26 2011

- * GM-UAW agree to tackle pension risk issue-letter
- * Pension issue hurting GM stock, credit rating-letter
- * Analysts, union dissidents say pension buyouts possible

By [Deepa Seetharaman](#) and [Bernie Woodall](#)

DETROIT, Sept 26 (Reuters) - General Motors Co (GM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), facing a pension shortfall that may rival its market value by year-end, has won an agreement from the United Auto Workers to consider ways to reduce the risk of its underfunded plan, a letter between the automaker and the union shows.

The letter, which is part of a proposed four-year labor contract with GM workers, does not detail specific steps GM and the UAW might take to address the pension problem.

But it suggests both sides would consider a plan allowing union-represented retirees to voluntarily take lump-sum cash payments in exchange for giving up their pension claims.

GM exited bankruptcy in 2009 as part of a sweeping restructuring that slashed debt and now boasts total liquidity of almost \$40 billion. But addressing the automaker's pension shortfall would take aim at a major concern for GM investors.

"The parties agreed that the national parties may mutually agree during the term of this agreement to amend the plan to add retirement options for some or all existing retirees," GM Vice President of Labor Relations Cathy Clegg wrote to Joe Ashton, the UAW official in charge of GM negotiations.

Those options would "benefit existing retirees by providing an additional voluntary option," according to the letter.

UAW officials did not immediately comment, but union dissidents said it could force further concessions on retirees, who will not vote on the tentative contract.

The possibility flagged by the letter could lead to an agreement on retiree benefits that may not be detailed to the nearly 113,000 active union workers who vote to ratify labor contracts at GM, Ford Motor Co (F.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Chrysler Group LLC (FIA.MI: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), said Gary Walkowicz, a union official who works at a Ford plant in Dearborn, Michigan, but is opposed to the GM deal.

GM declined to comment on the letter, which is part of the contract UAW local bargaining units are expected to ratify this week. The letter was revealed in an addendum to the contract released by union dissidents on a website.

Globally, GM's pension obligations in its plans topped \$128 billion at the end of 2010. The plans are underfunded by more than \$22 billion, according to the automaker's annual securities filing with U.S. regulators.

Some analysts said the underfunding could swell to more than \$30 billion by the end of 2011 because of the recent drop in interest rates. This would put the shortfall on par with GM's market capitalization of less than \$33 billion.

"GM's financial structure is considerably weaker than what its balance sheet appears, and its pension liabilities are the reason," Kenneth Hackel, president of CT Capital LLC, said.

In the U.S. alone, GM's pension obligations topped \$100 billion at the end of last year. By the end of June, the U.S. plan was underfunded by \$10.8 billion, excluding some \$2 billion in stock GM put in plan in January.

"The presumption then is there would be some kind of voluntary buyouts," said Gregg Shotwell, a retired GM and Delphi worker and union dissident.

"My question to the UAW is your duty isn't to enhance the equity and liquidity of General Motors," he said. "It's to protect the retirees in this case."

'OFF THE TABLE'

GM provides pensions, or fixed payments, to 515,900 GM retirees and their surviving spouses. More than two thirds of the liability represents claims of blue-collar workers.

At an investor conference earlier this month, GM Vice Chairman Steve Girsky said the automaker would like to take the pension risk "off the table" for investors. He pointed out that GM does not have to "put a penny" into the plan until 2015.

GM's pension risk has hurt its ability to achieve an investment grade rating and weighed on its stock, GM's Clegg said in the

letter.

Hackel projects that GM's underfunded pension liability globally will swell to \$36 billion by the end of the year when factoring in the lower interest rates and the weak stock market.

"To take it completely off the table, you'd have to convert everybody to a 401(k) plan," said Peter Bible, a former GM chief accounting officer. He said such a deal would parallel the 2007 agreement with the union that relieved GM of its retiree healthcare obligations.

"That's black and white, and between there is somewhere where it will land," Bible, now a partner-in-charge at accounting firm EisnerAmper LLP added. "The idea is to limit the employer's exposure to the markets."

(Reporting by Deepa Seetharaman and Bernie Woodall; additional reporting by Ben Klayman; editing by [Bernard Orr](#))

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UAW won't name foreign auto organizing target

Wed, Dec 7 2011

By [Bernie Woodall](#)

DETROIT (Reuters) - The United Auto Workers has decided not to identify a single foreign automaker with U.S. plants on which to focus its organizing efforts, a change in strategy in a campaign central to the union's survival.

"We're shifting our strategy a little bit," UAW President Bob King said in an interview. "We are not going to announce a target at all. We are not going to create a fight."

UAW officials had often said they would select one target on which to focus the union's efforts to represent that company's U.S. factory workers. However, King said on Wednesday the new approach simply brought strategy in line with the UAW's more cooperative approach and was not a retreat.

King has made organizing the American plants of foreign, or "transplant," automakers a critical piece of the union's strategy since he took over in July 2010.

UAW officials said they expect the union to be successful in organizing several companies by the time King's four-year tenure ends in mid-2014. King has repeatedly said the UAW's future depends on organizing the transplants, something it has failed to do in the past.

Establishing a foothold in one of the foreign automakers' U.S. plants would be a huge victory for a union that has seen its membership fall by 42 percent since 2004 to about 377,000 at the end of last year. The drop is even larger from the UAW's all-time high of nearly 1.5 million members in 1979.

King said the UAW, which represents about 115,000 workers at the U.S. automakers, was in talks with almost all of the German, Japanese and South Korean automakers with U.S. factories and expected to continue to make progress toward organizing workers in their operations.

The UAW's board decided Wednesday not to pick a target -- officials said the word was too adversarial -- but the union will still intensify efforts to organize workers at the plants, concentrating on working in cooperation with the companies.

Analysts said King is the first UAW president to make organizing a top priority for the union.

"This whole effort is unprecedented," said Harley Shaiken, a labor expert at the University of California, Berkeley, who is close to the UAW and King. "The UAW has targeted the transplants before, but never with this kind of focus and commitment."

King has touted the UAW's new approach with the U.S. automakers, with whom the union reached new labor deals this fall, as a symbol of the union's greater cooperation with the companies which led to more union jobs.

Three weeks ago, he led UAW workers at a General Motors Co (GM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) plant in Spring Hill, Tennessee, in the chant, "This is what collective bargaining looks like."

King and the UAW have taken credit for GM's decision to place assembly work at the former Saturn plant in Spring Hill instead of sending it to Mexico.

MORE DIPLOMATIC

Before Wednesday's board decision, the UAW had said it would run informational picketing at U.S. auto dealerships of the foreign automaker picked as a target. It now appears there will be no such showdown.

The UAW is adopting a more diplomatic approach because it realizes that without cooperation from the companies, organizing will fail, King said.

"It really is ultimately up to the companies," he said.

The UAW president said he hopes companies will drop "these huge anti-union campaigns" and allow employees, free from any kind of pressure, to decide whether to join the union.

King acknowledged some may look at the shift in strategy as a setback, but he said the change was more because of the



success of talks with the foreign automakers thus far.

He said the union was further along with one or two of the automakers, but declined to identify them.

The UAW has previously failed to organize workers at the U.S. plants of Japan's Toyota Motor Corp (7203.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), Honda Motor Co (7267.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Nissan Motor Co (7201.T: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)), and Daimler AG's (DAIGn.DE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) Mercedes-Benz of Germany. Other foreign automakers with U.S. plants include South Korea's Hyundai Motor Co (005380.KS: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and its Kia Motors (000270.KS: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) affiliate, and Germany's Volkswagen AG (VOWG.DE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and BMW(BMWG.DE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)).

King was flanked during the interview at the union's headquarters in Detroit by UAW Secretary-Treasurer Dennis Williams and Gary Casteel, regional director for much of the U.S. South where most of the foreign auto plants are located.

King, Williams and Casteel were speaking to Reuters and The Detroit Free Press.

(Additional reporting by [Ben Klayman](#) and [Kevin Krolicki](#) in Detroit; editing by [Matthew Lewis](#))

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