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AUTOMAKERS VERSUS THE UAW

## Talks likely to reshape industry

Companies, workers brace for fight over concessions

July 1, 2007

**BY JOE GUY COLLIER**  
FREE PRESS BUSINESS WRITER

Chuck Brackney, a 43-year-old Ford Motor Co. worker and UAW member from Trenton, watched Delphi Corp. workers agree last week to concessions that lower wages of the most senior workers at the parts supplier by at least a third.

Brackney hopes the UAW holds tight on wages and benefits when Ford, General Motors Corp. and Chrysler Group begin their contract talks this month, but he fears the Delphi deal sets the tone for what the automakers will try to get.

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"They're going to want to slash us," Brackney said.

UAW leaders have said concessions are not guaranteed in the upcoming talks and warned a strike is an option if negotiations become one-sided. Delphi, a former GM parts division, had added leverage in its talks because the company is in bankruptcy court.

But pressures are mounting for what industry experts say could be a transformational agreement for the Detroit automakers. Struggling to turn a profit in North America, GM, Ford and Chrysler are looking to close what they say is a \$1,000-per-vehicle gap in labor costs compared to their Japanese counterparts.

Globalization is making it cheaper to make cars and parts overseas. Asian automakers are taking sales from the domestics. And while they may not be in bankruptcy court, the investment community is pressuring Ford, GM and Chrysler to turn things around soon.

"This year, more than any other year in the history of modern unionism, the union has to make drastic and major concessions," said Michael Whitty, a labor relations professor at the University of Detroit Mercy. "Normally, bargaining is at least hold the line, if not gain a benefit here and there. Now, the union is trying to minimize the losses and bargain for as many buffering shock absorbers as they can."

### Health care tops the list

The negotiations, expected to start formally in the second half of July, will center around four key areas:

- **Health care:** The largest part of Detroit's disadvantage comes from rising health care costs and generous benefit plans.
- **Wages:** The foreign automakers pay similar wages when counting annual bonuses, but Detroit automakers have a higher base pay and more built-in wage increases.
- **Legacy costs:** With a large set of retirees and declining market share, GM, Ford and Chrysler carry a huge burden for pension and health care coverage with no easy solution.

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(AMY LEANG/DFP)

Chuck Brackney, 43, of Trenton, with son Chris, 8, and daughter Ava, 7, has worked for Ford Motor Co. for 15 years. "It'd be insane to expect a raise or any gains," he said. "We just want to hold on to what we have."



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[UAW approves Delphi contract](#)

### ADDITIONAL INFORMATION

#### UAW

**Headquarters:** Detroit

**Members:** 538,448

**Key players:** Ron Gettelfinger, president; Cal Rapson, vice president, GM; Bob King, vice president; Ford; and General Holiefield, vice president, Chrysler

**Status report:** UAW membership continues to fall, down 20% since 2000. The union is dealing with the reality of job losses at the domestic automakers while fighting to maintain the wages and benefits won for members in previous negotiations.

Gettelfinger has shown a willingness to work with the companies to cut costs, but he's taking a hard-line stance ahead of negotiations. He has said concessions are not guaranteed and the union is willing to strike if talks are one-sided.

#### General Motors

**Headquarters:** Detroit

**Key players:** Rick Wagoner, chief executive officer; Fritz Henderson, chief financial officer; Troy Clarke, GM North American president; Gary Cowger, vice president, manufacturing and labor relations; and Diana Tremblay,

• Work rules: In an ever-increasing push for efficiency, the automakers hope to loosen rules on work schedules, job classifications, the use of temporary workers and benefits paid to laid-off employees.

Those familiar with the talks say Ford, GM and Chrysler are looking at a puzzle, not a single-issue solution to bringing costs down.

They would like to bring wage and benefit costs in line with the U.S. plants run by Toyota Motor Corp., Honda Motor Co. and Nissan Motor Co. GM, Ford and Chrysler have on average \$73 an hour in labor costs per worker compared to \$48 an hour for the Japanese automakers, according to internal estimates used by the major automakers.

The \$25 cost disadvantage is estimated to be \$7 for wages paid to active workers, \$5 for active health care benefits and \$12 for retiree health care, pension and other insurance costs.

The broader health care crisis has attracted the attention of presidential candidates and filmmaker Michael Moore with his new documentary, "Sicko." But short of a national health care system, which both the automakers and the UAW support, another solution will be pursued.

#### Closing the gap

The automakers and industry analysts have suggested several ways to bring costs down. One way could be hiring new workers under a different pay scale and benefits plan. The pension pool could be closed for these new hires with retirement shifted to 401(k) investment accounts.

The companies also would like to eliminate or scale back the jobs bank, a provision that pays workers who have been laid off long-term.

They hope to outsource more jobs, such as building maintenance and janitorial services, that are not directly related to making vehicles. They would like greater flexibility in using temporary workers, so they don't have to carry as many full-time hires.

In addition, the Detroit automakers have talked about creating a massive trust managed by the UAW to pay for health care. GM, Ford and Chrysler would be required to put billions of dollars into the trust, but the health care liabilities would be moved off their balance sheets and future costs would be covered by the trust.

The danger for the UAW in creating this kind of trust is that health care costs might rise faster than its earnings.

"We believe the UAW will want to take smaller steps before exposing itself to actual health care inflation and the risks associated with managing the asset pool," Morgan Stanley auto analyst Jonathan Steinmetz wrote in a June research report.

#### Concessions not guaranteed

While these possible scenarios and ways of cutting costs circulate ahead of the formal talks, UAW President Ron Gettelfinger has declined to comment about specifics.

"Unfortunately, the newspapers keep repeating that the auto companies 'need' a \$30 reduction in hourly wages and benefits," Gettelfinger and Cal Rapson, UAW vice president for GM, said two weeks ago in an on-line chat with workers. "In our opinion, this is nothing more than posturing by the auto companies. The UAW does not negotiate in the press."

The UAW has shown a willingness to work with the companies. The union agreed to changes two years ago with GM and Ford to shoulder more health care expenses and helped structure attrition programs at all three automakers.

Through buyout and early retirement plans, GM and Ford have thinned their ranks by more than 60,000 hourly workers combined. The Chrysler Group is in the midst of cutting 9,000 U.S. hourly positions.

But Gettelfinger has been blunt about an assumption that the automakers will receive concessions. Workers at Ford narrowly approved their health care deal, and a similar program has yet to be introduced for Chrysler, indicating that UAW members are willing to fight contract changes.

The attrition programs required the automakers to provide substantial buyout and early retirement packages.

"Make no mistake about it," Gettelfinger said in a March speech to workers. "Collective bargaining is not collective begging, and where we have demonstrated cooperation it would be a grave mistake to equate our actions to capitulation."

#### Uncertainty in the plants

UAW members who will vote on the new contracts say they are not sure what to expect out of this year's talks. GM, Ford and the Chrysler Group last year lost a combined \$15 billion. The Chrysler Group is being sold by parent company DaimlerChrysler AG to Cerberus Capital Management LP, a private equity firm.

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GM North American vice president, labor relations

**Status report:** After losing \$10.4 billion in 2005, GM narrowed its losses last year to \$2 billion. It has executed key parts of a turnaround plan, including buyout programs accepted by about 35,000 hourly workers and a deal to lower wages and close plants at spin-off supplier Delphi. U.S. sales are showing some signs of recovery but are still down for the year.

**2006 revenue:** \$207 billion  
**2006 losses:** \$2 billion  
**UAW employees:** 80,000

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**Ford Motor Co.**

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**Headquarters:** Dearborn

**Key players:** Alan Mulally, chief executive officer; Bill Ford, chairman; Mark Fields, president of the Americas; Joe Laymon, vice president, human resources; Joe Hinrichs, vice president, North American manufacturing; Marty Mulloy, vice president, labor affairs

**Status report:** Mulally will enter his first UAW automotive contract talks. Ford lost a company record \$12.6 billion in 2006 but accelerated the Way Forward plan for turning around the company. About 27,000 hourly workers have left through a special attrition program and thousands more are expected to follow.

**2006 revenue:** \$160 billion

**2006 losses:** \$12.6 billion

**UAW employees:** 58,500

#### Chrysler Group

**Headquarters:** Auburn Hills

**Key players:** Tom LaSorda, chief executive officer; John Franciosi, vice president, employee relations; Nancy Rae, vice president, human resources; Kenneth McCarter, vice president, union relations operations; Wolfgang Bernhard, Cerberus adviser.

**Status report:** After an uptick in sales and profits in 2005, the Chrysler Group spiraled downward last year. DaimlerChrysler AG announced a restructuring program for the division in February and then announced a deal in May to sell Chrysler to Cerberus, a private equity group. (The sale is expected to close this month.) Private equity firms are known for making drastic changes, but the leadership has said it stands by the current plan.

**2006 revenue:** \$62 billion

**2006 Losses:** \$660 million

**UAW Employees:** 46,276

#### What's at stake in the contract

##### negotiations

##### HEALTH CARE

The last contract retained employer-paid health care for workers. GM and Ford workers agreed in 2005 to contribute toward a fund that will pay some costs. The companies would like to shift more costs to workers or create a larger health care fund to reduce their exposure to rising health care costs.

##### WAGES

Workers at Toyota's Georgetown, Ky., plant made more last year than UAW members, counting bonuses, according to a Free Press analysis, but UAW members have a higher base pay and guaranteed raises. The companies would like to slow guaranteed wage increases and create a two-tier wage system that creates a lower pay scale for new hires.

##### RETIREMENT

Pension and health care benefit costs provide the greatest disparity between Detroit and foreign automakers, which

Some workers, though, are suspicious of the severity of the problem and who should bear the costs. They point to executive pay plans in 2006 that gave Ford chief executive Alan Mulally a compensation package worth \$39 million, GM chief executive Rick Wagoner \$9.6 million and Chrysler Group chief executive Tom LaSorda \$5.2 million.

Mark Varner, a 38-year-old electrician at Chrysler's Jefferson North plant, is not convinced concessions are justified.

"If that's true, why is executive compensation so high?" Varner asked. "At the same time, we have executives getting golden parachutes and everything else every year despite" the losses.

Workers also say they have already done their part, approving the health care deals with GM and Ford between formal contract talks.

"When they're saying we're going to have to give concessions, we've given quite a bit," said Malcolm Anderson, a 47-year-old worker at GM's Romulus Engine plant. "It's constantly give give give, but the company hasn't really given us an incentive back."

Brackney, the Ford worker from Trenton, said the companies need to give workers a reason to provide concessions. If they're going to have wages or benefits cut, he wants bigger rewards if sales and profits improve.

"Once you give up something, it's so hard to get it back," Brackney said.

#### Delphi setting the tone?

GM, Ford and Chrysler will not push for a deal as severe as Delphi's, but it is a sign of where things are headed, said UDM's Whitty. The pay and benefits structure for new workers is likely to change, he said.

The bargaining table, though, ignores a larger problem for the Detroit automakers, Whitty said.

The loss of market share, not labor costs, is the chief reason for the decline of GM, Ford and Chrysler, Whitty said. Until they figure out how to make cars and trucks people want, they are not viable long-term.

"They may well get concessions, but it's not as important as they would claim," Whitty said. "If people keep buying Toyotas and Hondas, we're doomed. You can't nickel and dime your way out of that whole trip."

Contact **JOE GUY COLLIER** at 313-222-6512 or [jcollier@freepress.com](mailto:jcollier@freepress.com).

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#### think\_ahead

GM Opens Engine Plant in China

<http://www.freep.com/apps/pbcs.dll/article?AID=/20070702/BUSINESS01/70702006>

Maybe the UAW can go there to get back the 1 million members they've lost since the mid-seventies?

Perhaps when cars are made entirely in China, they will be affordable again.

Posted: Mon Jul 02, 2007 9:45 am

#### PapaWayne

Ultimate Patriot

No, you'll never hear what this Bill\_Kennedy guy does for a living.

And it doesn't really matter, either. The guy cut and ran when Michigan's times got tough, so he's not in a business we can boycott or avoid.

Besides, I rarely if ever respond to him - he's not worth my time. All he wants to do is sit on the sidelines and call us insulting names, elevating his own perceived self-worth. Then he'll crow about how bad things are here, and how he was so "smart" that he got out before it affected him. Sometimes he'll brag about this big-shot "education" that he has (but he can't write properly to save his hide). Then he cuts-and-pastes something which supposedly "proves his point", and wants us to believe how "smart" he is.

(All that...from TEXAS. Sometimes I think he's the same guy posting as gregtl1967, the guy who called himself "His Dudness" until a lowly factory rat pointed out his mistake.)

As I have pointed out to his alter-ego gregtl1967, if we're soooo bad, why does he still feel such an attachment that he has to post here? If his life is so wonderful, why does he still have time to read OUR hometown paper?

These people supposedly got out...why don't they just STAY out while we fix what's wrong? Why be part of the problem instead of being part of the solution?

...ah, yeah, it's because they're the type of people who run away from problems instead of staying to solve them.

Wonder if they're the sort of guys who would run away and leave a pregnant woman on her own...?

People like that aren't worth the ink it takes to print their ideas in cyber-space (i.e., ZERO).

have few U.S. retirees to support and less generous retirement plans. GM, Ford and Chrysler hope to slow the growth of pension payouts.

#### WORK RULES

The automakers would like to reduce job classifications, which can restrict their ability to assign workers to certain tasks. They would like to outsource jobs not directly related to building vehicles and eliminate the jobs bank, which pays workers laid off long-term. Workers at some plants have agreed to relaxed rules on hours and assignments.

#### JOBS

Workers want a commitment from the companies to invest in domestic factories and retain jobs in the United States.

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#### Hot Careers

Posted: Mon Jul 02, 2007 7:57 am

**charles488**

I think since they want to cut us to the bone that all UAW members should just go out and buy a Honda and let the big 3 see there parking lots full of them. We buy alot of there cars and now we will not be able to aford one. These cuts will not make the company more money because the top ten persent of the company will fill there pockets. There not in it for the long run no more just make what you can then go bankrupt or sell it off. All the blame on the UAW and with all these cuts you will not see the price of these cars come down. I think they need to see there parking lot full of Hondas and Toyotas for awhile. 😊

Posted: Mon Jul 02, 2007 7:10 am

**Ultimate Patriot**

Hey! Leave the engineers alone! I work repair in my plant and if it wasn't for engineers there'd be nothing to fix.

Hey Kennedy, still waiting to hear what you do for a living.

Posted: Mon Jul 02, 2007 2:52 am

**boko2006**

America also is amongst the leaders in obesity, lack of exercise, poor eating/health habits, so assuming we could achieve an equal percentage with an ethnic group which takes care of itself is stupid. The reality is you are WHINING because you know the days of GM Cadillac coverage are nearing their end, and the Delphi contract is a forerunner to the more general auto contract to come this summer.

Again, Toyota USA insures employees far less expensively than GM USA. Why-yup, realistic, not CADILLAC care. Employees pay their share.

Posted: Sun Jul 01, 2007 9:45 pm

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