



**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

**B**OB 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.

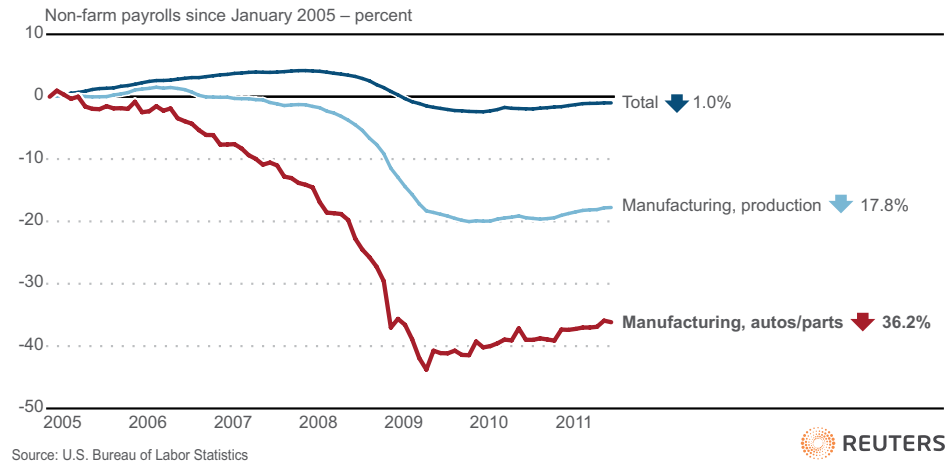
Earlier this year, the UAW considered buying a commercial during the Super Bowl, the most widely watched event on American television. The plan was hatched by Richard Bensinger, a veteran organizer hired last year. The idea was to try to turn public opinion against foreign automakers that have spurned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

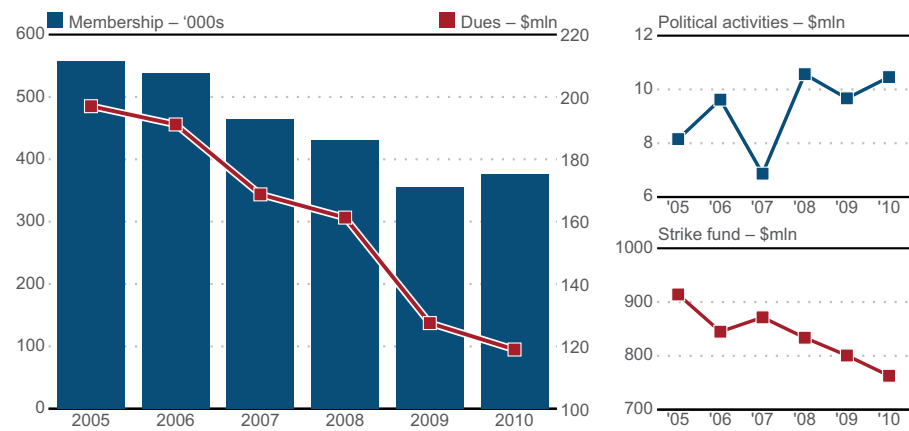
Most of the UAW’s wealth sits in its strike fund, which stood at \$763 million at the end of 2010. But the sheer size of the fund masks a deterioration of the union’s day-to-day finances, especially since 2007.

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

**I**F 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.

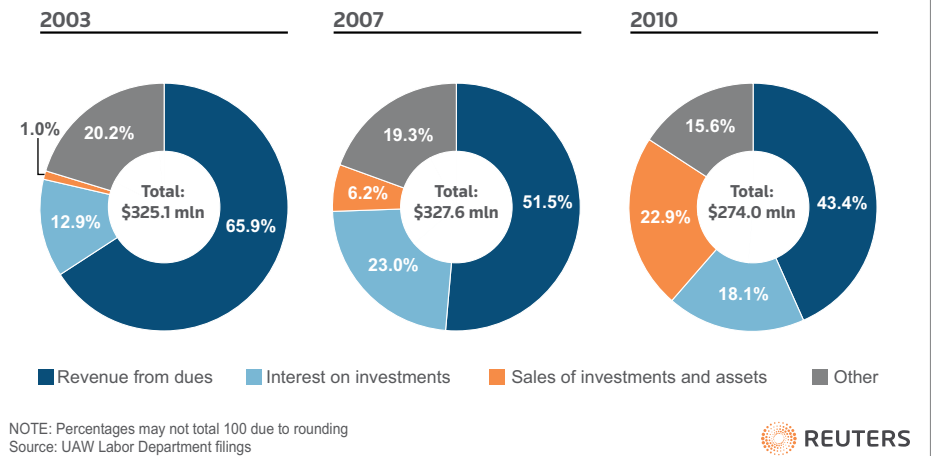
The UAW owns these properties through its nonprofit real estate arm, Union Building Corp. UBC also provides mortgages to locals to build union halls.

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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