

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



REUTERS/BILLY WEEKS

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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.

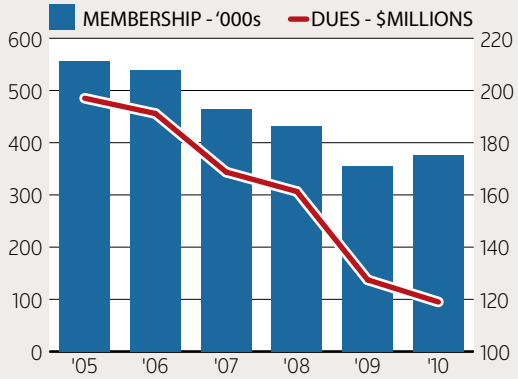
Central to this effort is the belief that if car companies refrain from actively opposing a UAW organizing push, workers at German-American factories will gladly join the union.

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.

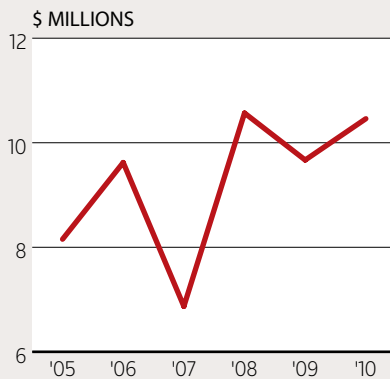
"People have a different opinion in the South about unions," said Robert Plisko, a retired autoworker who helped UAW organizing efforts at German and Japanese plants in the 1970s and 1980s. "It's a lot harder now than it has ever been, and I don't see it getting any easier."

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

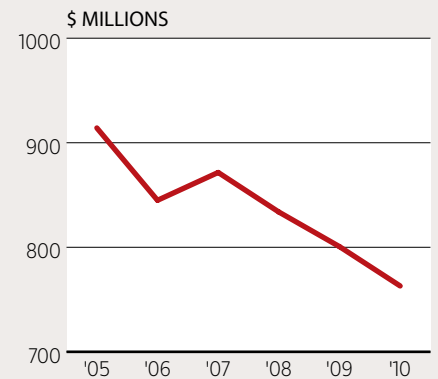
UAW, 2005-2010: DUES TUMBLE



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.

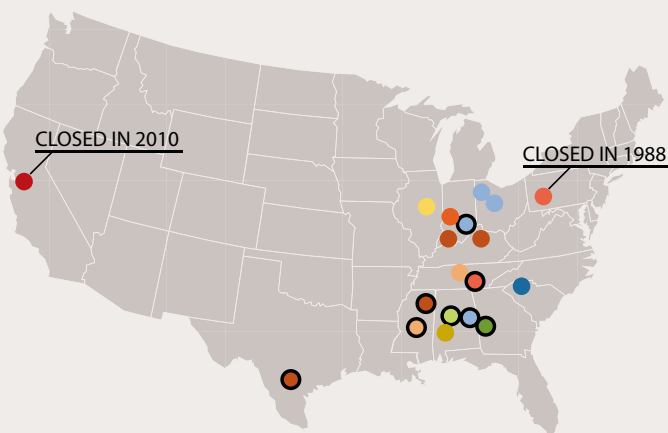
If he had the chance again, the former VW executive said, he would have argued to build that plant somewhere in the South.

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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