

## Live Bait & Ammo # 98: Half a boondoggle is not better than no boondoggle.

I haven't seen this level of critical opposition to a UAW contract in twenty years..... and we don't even have a tentative agreement. On Sunday, September 16, three former members of the UAW International Executive Board made public their opposition to a union controlled VEBA. The letter was faxed to UAW negotiators and released to the media.

Gettelfinger's reputation may be on the line, but the livelihood of the rank and file hangs on the gallows of a GM contract foreshadowed at Delphi.

The Delphi debacle incurred two unanticipated results: (1) an extensive network of dissident communication and (2) the damaged credibility of UAW leadership.

The Concession Caucus will need more than an information blackout and a vote in the dark to pass a contract full of have-nots. GM posted \$1.3 billion adjusted net income in the last quarter including a \$78 million dollar profit in North America. And GM hasn't tabulated all the savings from their 2005 restructuring for fear of looking too fat.

The VEBA sales pitch—safe haven for health care in the event of bankruptcy—is ludicrous. If GM is trembling in the vestibule of bankruptcy, where did they come up with billions in cash for VEBA? And what good is a VEBA funded with bankrupt stock?

According to the Wall St. Journal "GM has several levers it can pull to forge a creative solution including a pension account overfunded by \$17 billion. For example, GM could potentially tap the pension fund, which is separate from the health-care-benefits fund, as a way to offset health-care-benefit cuts that may be

needed if a VEBA is formed, said Citigroup auto analyst Itay Michaeli.” **[Wall St. Journal, UAW Taps GM, by Stoll & McCrackin, 9-14-07]**

It’s a relief to know that the pension fund can be “tapped” if the VEBA runs dry because “If the UAW goes ahead with setting up a VEBA, it would almost assuredly open the door to benefit reductions, because the trust would probably not be designed to fully absorb double-digit medical-cost inflation.” **[Wall St. Journal, GM's Labor Talks, by Stoll & McCrackin, 9-17-07]**

One analyst confided, “I estimated a \$70 billion dollar plan would need 10 to 15% returns just to pay the current Big 3 health care tab (inflation not included). I don't know of any fund manager who annually pulls those kinds of returns on a safe, diversified basis.”

But the VEBA can’t be safe or diversified when the bulk of the funding is GM stock. “The UAW is expected to demand about \$36 billion from GM in total for the trust, and Citigroup estimates \$13.5 billion will need to come from cash.” **[Wall St. Journal, UAW Taps GM, by Stoll & McCrackin, 9-14-07]** That leaves \$22.5 billion to be funded with stock. If the UAW owns that much stock in GM, officials will have a conflict of interest in bargaining for active as opposed to retired UAW members.

"The UAW is a pretty clean union, but that is such a huge amount of money, that it is best to be handled by a total independent source -- and it will be," David Cole said. He said he expects that the UAW would likely have ‘some sort of interface,’ such as a board of directors, to oversee the fund.” **[Detroit Free Press, GM Lead Company, by Merx, Webster, Higgins, 9-13-07]**

The UAW appointed three UAW International reps— Joe Spring, David Shoemaker, and Jim King —to oversee the Delphi pension fund. The Delphi pension was underfunded in 2001, ‘02, ‘03, ‘04, and ‘05. Do you recall the hue and cry Spring,

Shoemaker, and King raised? No. But they were paid for their administrative duties. According to the Summary Annual Report GM's hourly pension plan paid over \$300 million in administration fees on \$66 billion in assets. Not only is that a lot of frosting, there are no legal guidelines for finger lickens in a union controlled VEBA. At the rate the UAW is compiling VEBAs they will have to build a VEBA Tower next to Solidarity House to shelter all the layers of bureaucracy.

But a union controlled VEBA is only half the boondoggle. GM wants to tip the scale of "legacy costs" further by sending another 30,000 seasoned workers to pasture and replacing them with temps and second tier new hires. The Concession Caucus will call it "job security" but you can't make a dead cat meow by pulling its tail. How we treat the next generation of workers will be the measure of our union. If new members don't get dignity and justice, we can't expect dignity and justice in retirement. If the UAW doesn't make the temporaries permanent and equal members, the next contract will be our epitaph.

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