



2011 Detroit 3–UAW Labor Contract Negotiations

CAR Breakfast Briefing
Schoolcraft Community College
Livonia, Michigan
29 November 2011

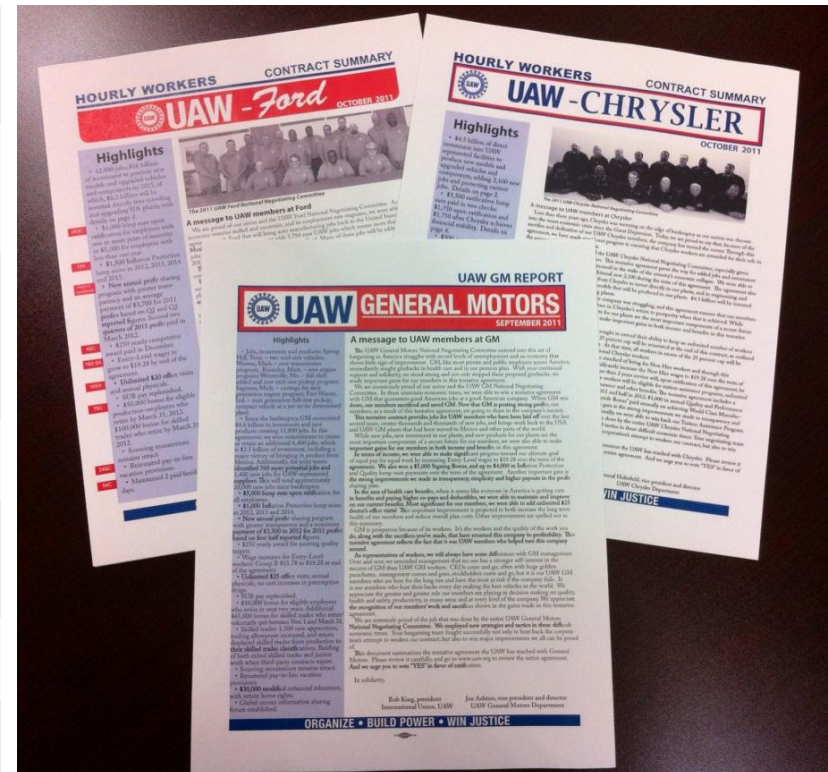
Sean McAlinden, Ph.D.
Executive Vice President, Research
Chief Economist

Kristin Dziczek
Director, Labor and Industry Group
Director, Program for Automotive
Labor and Education

Art Schwartz, Ph.D.
President, Labor and Economics Associates
Former General Director, Labor Relations, GM

Agenda

8:30	Welcome and Introduction –Sean McAlinden, CAR
	“What’s in the Agreements?” –Kristin Diczek, CAR
	“A Look Back and a Look Forward” –Art Schwartz, Labor & Economics Associates
9:30	Break
9:50	“Well, Who Won?” –Sean McAlinden, CAR
	Panel Discussion
11:00	Adjourn





What's In the 2011 Detroit 3–UAW Labor Contracts

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Director, Labor and Industry Group
Director, Program for Automotive Labor and Education

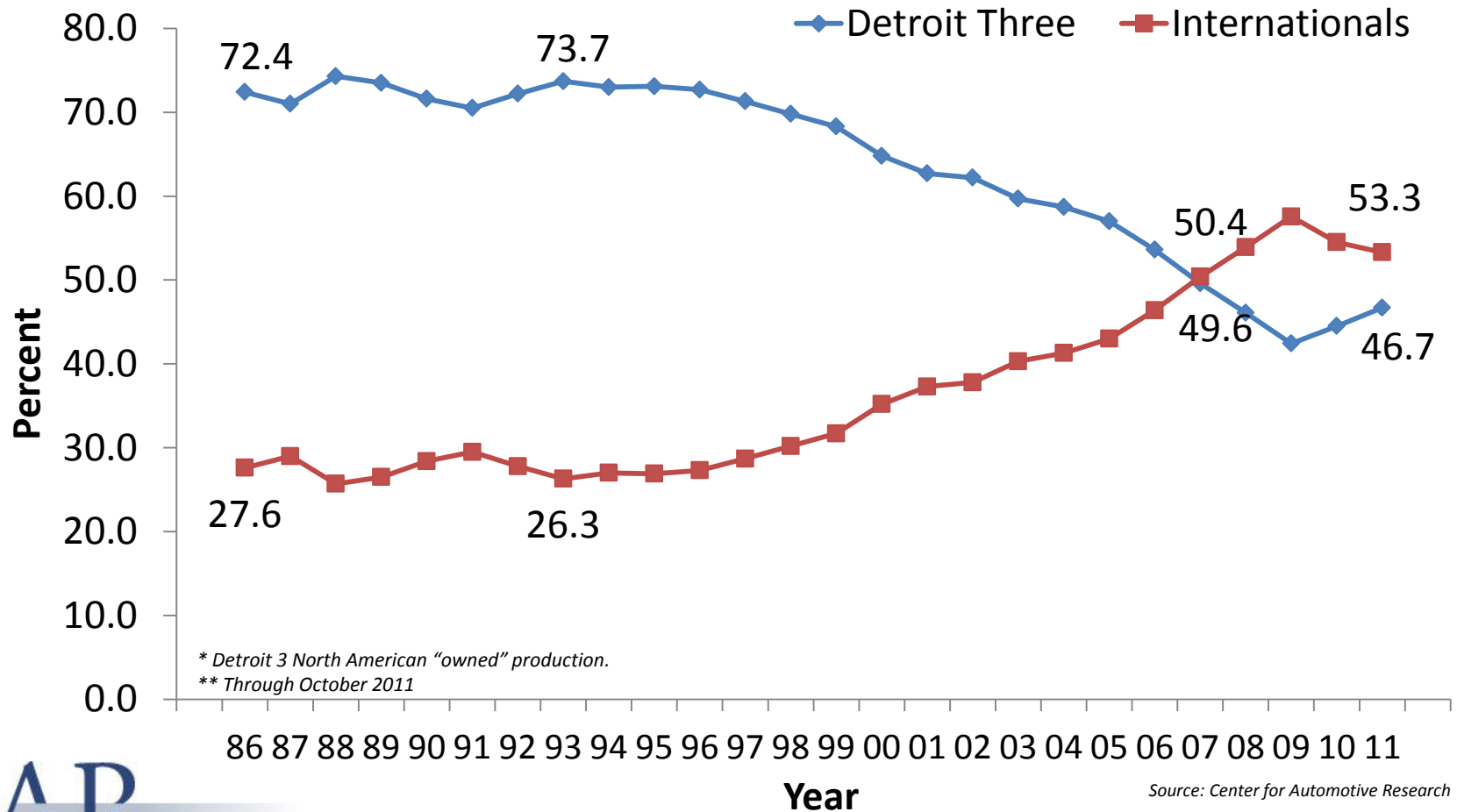
Some Differences, Though Much Remains the Same



- Evolutionary changes, not revolutionary ones
 - Jobs banks eliminated
 - Product & job commitments
 - COLA remains suspended
 - AIF only for Entry Level
 - Lump sums & Profit sharing
 - No pension increases
 - Health care improved; no additional cost sharing
- Held the line on costs
- Put \$ in members' pockets
- Potential to grow employment

Detroit 3 U.S. Market Share*

1986 – 2011**

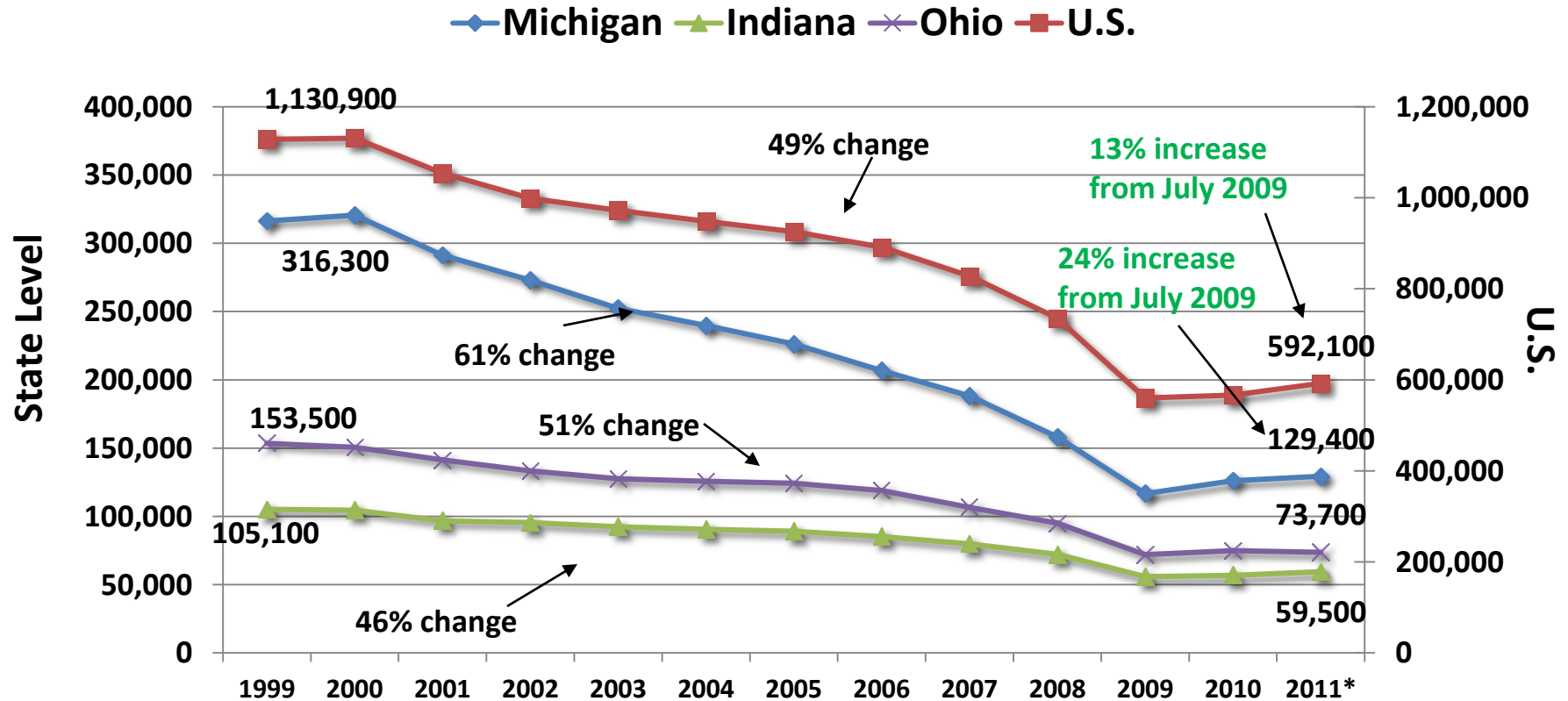


* Detroit 3 North American "owned" production.

** Through October 2011

Source: Center for Automotive Research

Motor Vehicle & Parts Manufacturing Employment 2000 – 2011*

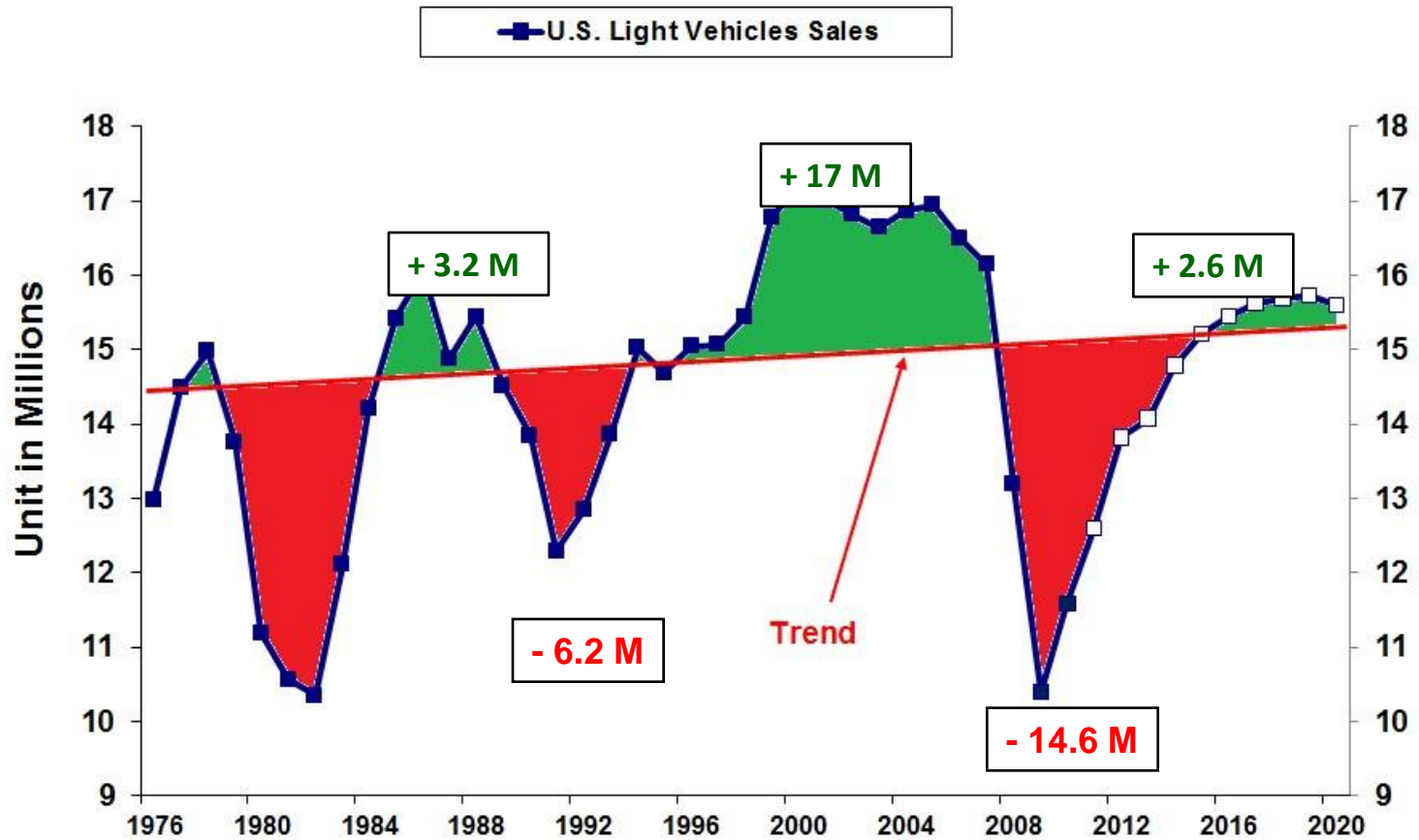


*2011 through September

Source: BLS, U.S. DOL

CAR Sales Forecast

2011-2020



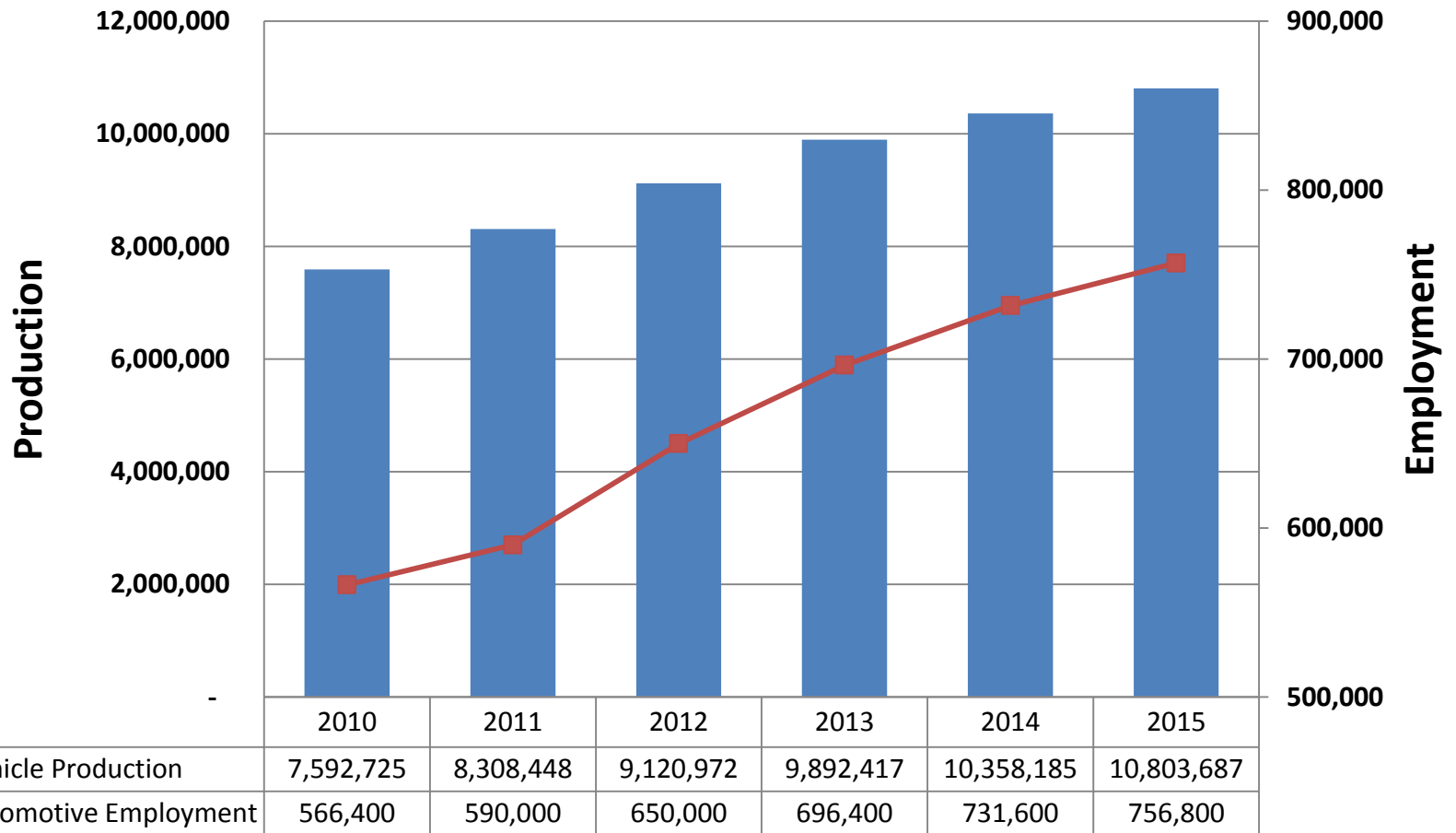
	U.S. Sales Forecast (Millions)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
(Millions)	12.6	13.8	14.1	14.8	15.2	15.5	15.6	15.7	15.7	15.6

Source: Center for Automotive Research

Factors Driving Hiring:

- Profitability & Market
 - Market recovery and production rebound
 - Profitable at lower volumes
- Labor
 - Underlying workforce demographics
 - Labor cost parity possible under recent UAW agreements
 - New job commitments
- Faster cadence of new products and introduction of advanced vehicle technologies
- Technological changes
 - Need to meet new fuel economy and GHG mandates
 - Improved safety
 - Increased electronics content for safety, connectivity and entertainment
- Investment
 - Corporate investment >\$17.4B in U.S. and Canada in 2010-2011
 - Government investment incentives (DOE \$9.1B, ARRA)

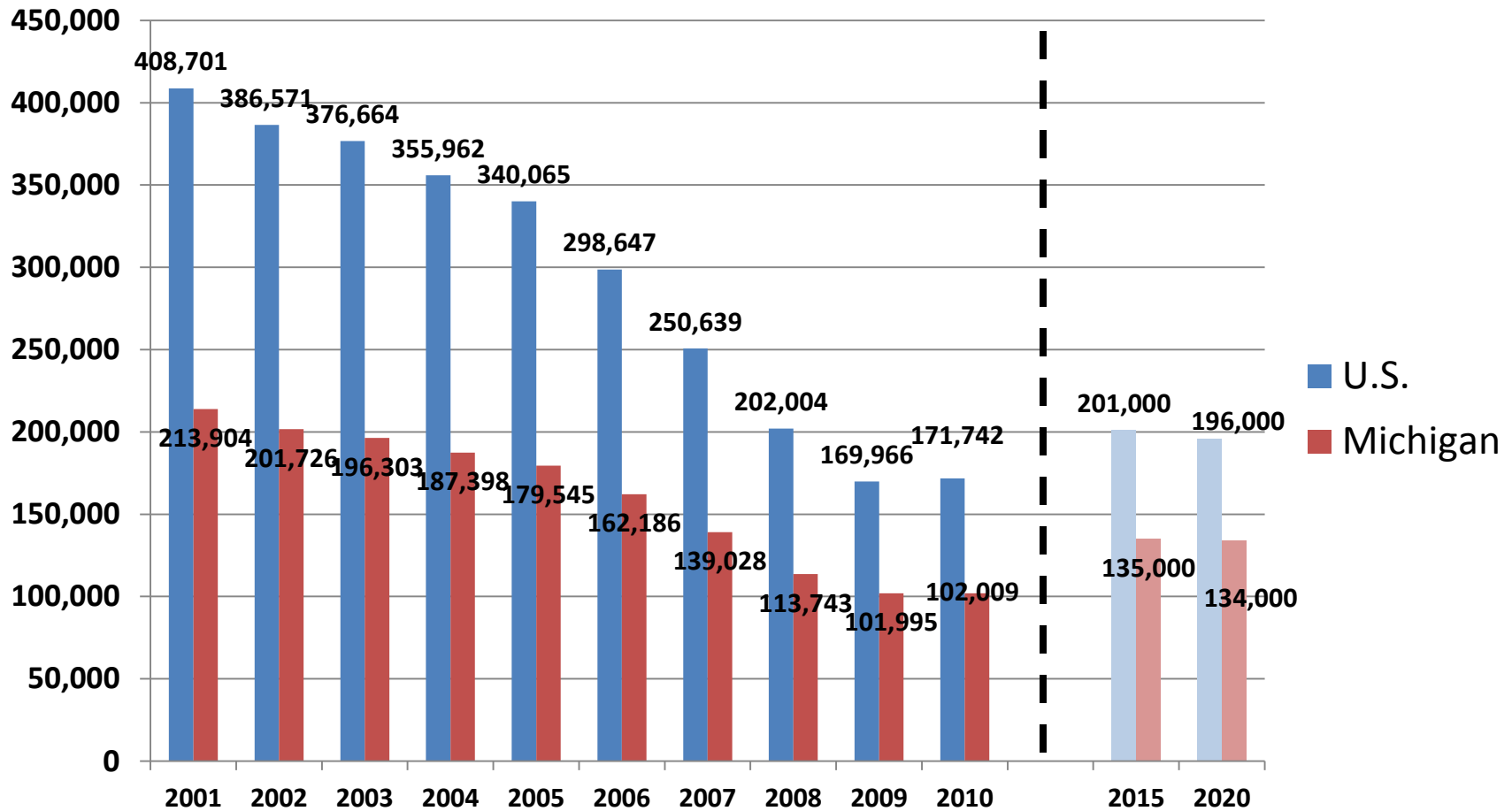
U.S. Vehicle Production & Automotive Manufacturing Employment Forecast 2010-2015



Source: IHS Global Insight; BLS; CAR Research

Detroit Three Employment Forecast

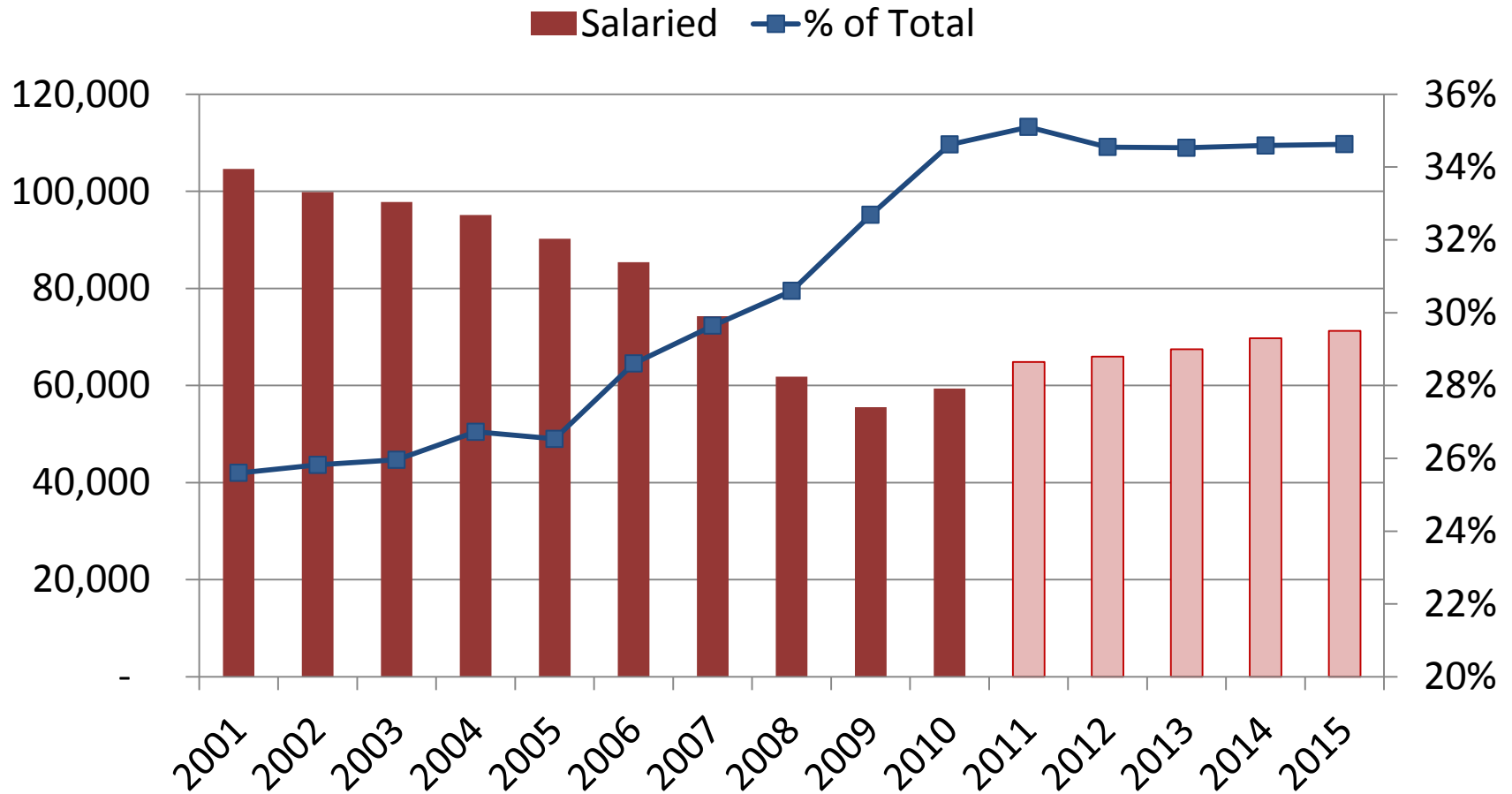
2001-10, 2011-15 Forecast



Source: CAR Research, August 2011

Detroit Three U.S. Salaried Employment Forecast

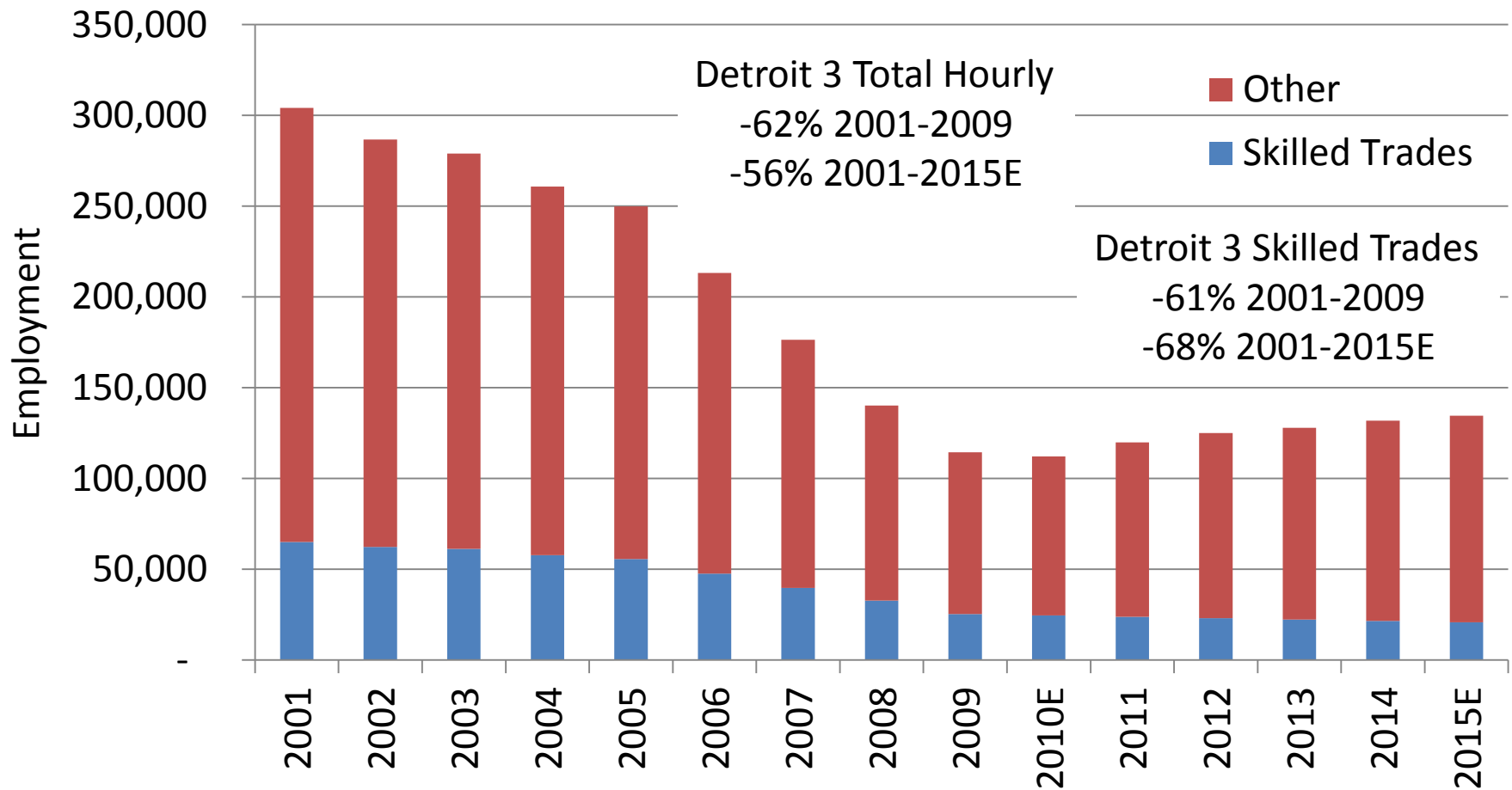
2001-10, 2011-15 Forecast



Source: Company Proprietary Data; CAR Research

Detroit Three U.S. Hourly Employment

2001-10, 2011-15 Forecast






Source: Company Proprietary Data; CAR Research

New 2011 UAW Contracts and Jobs

	Chrysler	Ford	GM
Signing bonus	\$3,500 (\$1,750 paid in 2011)	\$6,000 (\$5,000 for <1 year seniority)	\$5,000
Wages	Entry level \$15.78-19.28, four year progression; no change for first tier		Entry level \$14.78-19.28, four year progression; no change for first tier
Jobs	Promises 2,100 new entry-level jobs; 10,000 retained	Promises 5,750 new entry-level jobs; 6,250 previously announced job creation/retention	Promises 6,400 new entry-level jobs; 11,800 previously announced job creation/retention
Buyouts	None	\$100,000 for skilled trades and \$50,000 for production workers who retire by 3/31/12	\$75,000 for skilled trades who retire by 3/31/12; \$10,000 for any workers who leave by 2013
Profit-sharing	\$1 for every \$1 million profit based on 85% of worldwide profit; capped at \$12,000 per year	\$1 for every \$1 million in North American profit (Avg. \$3,752 payout in November based on Q1-2 2011); capped at \$12,000 per year	\$1 for every \$1 million in North American profit; capped at \$12,000 per year
Retirees	No change to pensions and no bonuses; health care trust may get 10% of workers' profit-sharing		
COLA	None		
Other bonuses	Four annual payments of \$500-1,000; \$500-1,000 annual quality bonus; \$300 one-time attendance bonus for perfect attendance	Four annual payments of \$1,500 for inflation protection; and four annual payments up to \$250 per year for competitiveness bonus	Three annual payments of \$1,000 for inflation protection (2012-2014); and four annual payments up to \$250 per year quality bonus
Health care	No change to worker contribution; \$20 co-pay for unlimited office visits	No change to worker contribution; \$20 co-pay for unlimited office visits	No change to worker contribution; \$25 co-pay for unlimited office visits




Source: Center for Automotive Research, UAW-Chrysler, UAW-Ford, and UAW-GM White Books

UAW Contract Economics

			
New Agreement Base Wages	\$29.11	\$28.89	\$28.49
	4 zeros on the base		
Entry Level	\$15.78-19.28	\$15.78-19.28	\$14.78-19.28
	No cap; 25% in 2015	20% cap	No cap; 20-25% in 2015
COLA	Suspended		
Lump Sums	\$1,750 in 2011; \$1,750 when EBITDA>Net Interest for 5Qs; \$1,000-\$2,000 quality and performance for 4 years	\$6,000 in 2011; \$1,750 for 4 years	\$5,000 in 2011; \$1,250 for 3 years
Profit Sharing	\$1,000/\$1 billion 85% NA Range \$1,250-\$12,000; no minimum payout	\$1/\$1 million; Range \$1,250-12,000; payout \$3,752	\$1,000/\$1 billion; Range \$1,250-\$12,000; payout \$3,500
Buyouts	None	\$50,000 production, \$100,000 trades by 3/12	\$10K production through 2013, \$75K trades by 3/12
Total Economic Gains	\$7,800-11,800 plus profit sharing	\$15,752-16,752 plus profit sharing	\$12,250 plus profit sharing




Source: Center for Automotive Research, UAW-Chrysler, UAW-Ford, and UAW-GM White Books

2011 UAW Contract Benefits

			
Traditional Active Health	Unlimited \$25 office visits, urgent care \$50, ER \$100, no increase in drug co-pay, no premiums	Unlimited \$20 office visits, \$50/100 co-pay for urgent care/ER visits, 3% increase in drug co-pay, primary care pilot, no premiums	Unlimited \$25 office visits, urgent care \$50, ER \$100, no increase in drug co-pay, no premiums
Traditional Retiree Health	UAW Health Care Trust may get additional funding though diversion of up to 10% of profit sharing payments		
Entry Level Health	Unlimited \$25 office visits, no copay for urgent care or ER	Unlimited \$20 office visits, no copay for urgent care or ER	Unlimited \$25 office visits, no copay for urgent care or ER
	\$300/\$600 deductibles covered by a \$300/\$600 HSA \$1,000/\$2,000 out-of-pocket cap		
Entry Level Retiree Health	\$1 per hour worked in a 401(k)		
Life Insurance	Added		
Legal Services	Will end as of December 2013		
Traditional Pension	No Changes		
Entry Level Pension	6.4% of earnings, converts to a 401(k) January 2012 (GM, Ford) or March 2012 (Chrysler) for existing entry-level workers 4.0% of earnings in 401(k) for new hires under 2011 agreement		

Source: Center for Automotive Research, UAW-Chrysler, UAW-Ford, and UAW-GM White Books

UAW Contract Job Security

			
Jobs Bank	Eliminated		
SUB	Simplified, replenished		
Temporary Workers	Not made permanent	65% of Long-term supplemental employees made permanent	Not made permanent
Job & Product Guarantees	\$4.5B investments (\$1.3B new) 2,100 jobs	\$16B investments (\$6.3B in retooling plants) 5,750 jobs	\$7.1B investments (\$2.5B new) 6,400 jobs
Insourcing	Ability to bid on contracts to bring work back		
Outsourcing	Moratorium maintained		
Skilled Trades	3 work groups, elimination of classifications, 400 new apprentices	No new apprentices	1,300 new apprentices
Plant Closing Exemptions	None	Twin Cities, Cleveland Engine #2 and Walton Hills Stamping to close	Shreveport to close

Skilled Trades Bargaining Goals

CHRYSLER



- “Competitive with transplants”
 - Lower labor costs
 - Increase skilled trades utilization
 - Lower skilled trades headcount
- Maintain apprenticeable classifications
- Commitment to training (and adding apprentices)
- Soft landing for those who leave or must work production

Skilled Trades Teams and Classifications

- Three teams:
Mechanical, Electrical and Tool & Die
- Classifications have been reduced
 - Designated “core” classifications that are apprenticeshipable
 - Grandfathered a number of classifications
 - Eliminated unpopulated classifications
- Cross training for classifications
- 2007, 2009 and 2011 changes (an ongoing process)

Skilled Trades 2011 Contract Changes

- Work Rules
 - Can volunteer to work production (Ford: \$50K buydown)
 - Can be forced to work production (at trades rate, no buydowns)
- Training
 - Continued cross-training to new classifications
 - GM: Journeyperson-in-Training classification
- Apprentices
 - Chrysler: 400*
 - Ford: None
 - GM: 1,300
- Rates
 - Frozen
 - GMCH cut to GM rates (\$5 over 6 months)
- Insourcing
 - Bid on previously outsourced work when up for contract renewal and new work
- Special Attrition Programs
 - Chrysler: No program
 - Ford: \$100,000 to leave by March 2012
 - GM: \$75,000 to leave by March 2012
 - Return laid-off trades to trades positions, where available

*Trenton South Technical Specialists will have opportunity if/when apprenticeships become available.

A Capacity Issue?

- Will have 28 U.S. assembly plants operating
- Unlikely to build new bricks and mortar
- In a 15-16 million+ market, capacity may be an issue
- More captive imports?
- More alternative work schedules (AWS)?
- AWS enabled by national language, determined by local agreements
- AWS includes a range of schedules:
 - Compressed (4 10-hour shifts)
 - Flexible (3/2/120— 3 crew, 2 10-hour shifts, no OT = adds 49 days/year)



UAW Communications...Before...

MONDAY, 12 DECEMBER 2011

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BIG

THE MANAGE FOR UAW MEMBERS AND THEIR FAMILIES

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UAW 2011 AUTO BARGAINING

ACTIONS & INITIATIVES
 Organize
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 11/18/11 Audio of UAW President Bob King from The Ed Schultz
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CHRYSLER CONTRACT LOWLIGHTS
 Pdf version

AUTOWORKER CARAVAN LOWLIGHTS
 CHRYSLER OCTOBER 2011

This contract has NO FAIRNESS. We ALL deserve better.

There is a lot of "NO" in this contract:

NO parity with General Motors or Ford.

-- We get \$1750 upon ratification. The other \$1750, only "when the company achieves financial stability," is misrepresented as a ratification bonus—we might not get it at all.

-- We get only \$500 a year "inflation protection" which is less than the \$600 Christmas bonus we lost in 2009. We might get another \$500 for quality, but "no award" will be paid if Chrysler Group LLC determines that targets were not met." An "audit score adjustment factor" would give workers in some plants up to \$10,000, but only if they achieve a bronze or higher WCM score (not likely in the next four years).

-- Profit sharing? Chrysler can make up to \$1.25 billion in operating profits—a long shot considering the company claims to have "lost" \$254 million in the first half of 2011—before we get a cent.

-- In other words all but \$13750 depends on "metrics" that we have no say in and minimal control over.

NO repayment of past losses \$1750 does not begin to compensate us for the concessions of 2009—"suspensions" of raises, bonuses, holidays and more that

Chrysler: Not As Poor As They Say!
 UAW workers should envy Social Security rates!

CHRYSLER CONTRACT LOWLIGHTS
 Ford CEO Alan Mulally fires UAW officials
 "We give those people to message workers, not the other way."
 Mulally said with uncharacteristic venom.

Oh, Hell No!!

Does Bob King have a Political Agenda?
 Spark at Ford Rouge, Dearborn, MI

The "21st Century UAW" - Not The People who brought us the weekend

Please Help...

It is Time to Save OUR Jobs. Save OUR Plant and Remember Who We Are!

The Hidden Plan in UAW-GM Negotiations

Updates from Walkowicz

Buy Gregg Shotwell's book. Click here

...And After: Social Media and the 2011 UAW-Detroit Three Negotiations

UAW Ford Department

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APRIL 28

Wall UAW Ford Department · Everyone (Top Posts)

Share: Post Link

Write something...

William Bocking
Going back to work 11-28-2011!!! Been a long 2 years!
Like · Comment · Monday at 10:41pm ·

12 people like this.

Mark Evans Congrats. It was a while for me a few years ago and it's great to work and provide for your family
Yesterday at 7:44am · Like

4,250 like this

UAW GM TALKS
BUILDING AMERICA - PAST, PRESENT & FUTURE

GM Invests in Plants

28,000 Jobs

UAW-GM TALKS

Joe Ashton
UAW Vice President

Cathy Clegg
GM Vice President,
Labor Relations

On behalf of both the UAW and GM, welcome to our media site for our upcoming contract talks. We know there is a lot of interest in our efforts, so we wanted to provide an overview of several important topics: our partnership, our efforts around quality products and some useful background information and key terms about our business.

This is the first time we have collaborated to provide you with these resources. Although we are both committed to avoid negotiating in the media, we recognize that you will be providing on-going coverage of our talks.

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A Message From UAW Vice President General Holiefield - Contract Negotiations

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UAW Vice President

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Uploaded by uaw on Oct 7, 2011

10/05/11 - Message from UAW Vice President General Holiefield, speaking to

3 likes, 2 dislikes

Show more

Conclusion:

Automotive Workforce Trends

- Flexible
 - Employment (temps/contractors)
 - Multi-skilling (everyone must wear more hats)
 - Compensation (rewards in good years; labor costs fall in bad years)
 - Scheduling (alternative work schedules)
- Continuous improvement (everyone's a problem solver)
- Systems approach (helps to be able to see the big picture)
- The so-called labor shortage – low wages and a shortage of company training?

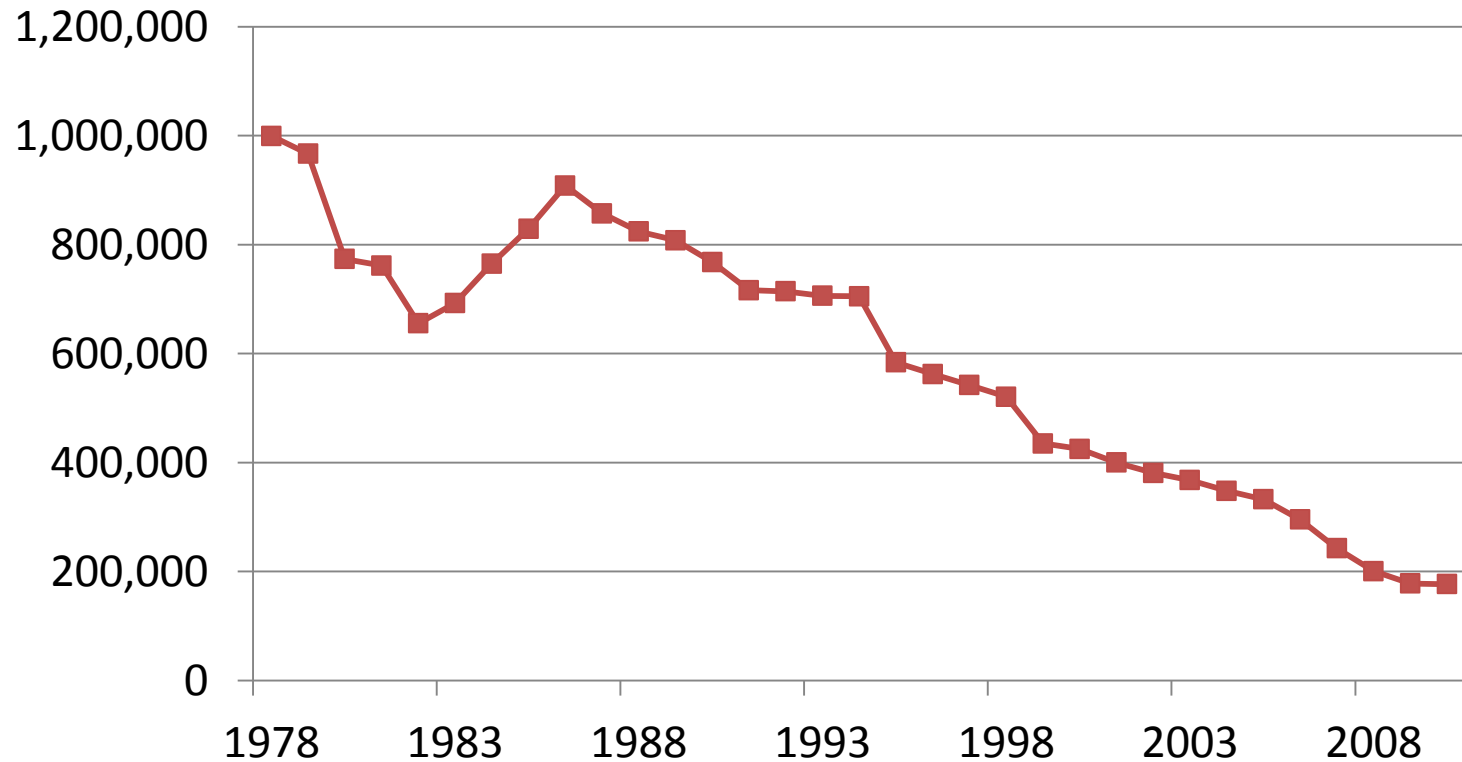


A Look Back and A Look Forward

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President, Labor and Economics Associates
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Detroit Three U.S. Employment: 1978 – 2010



Total Labor Cost*

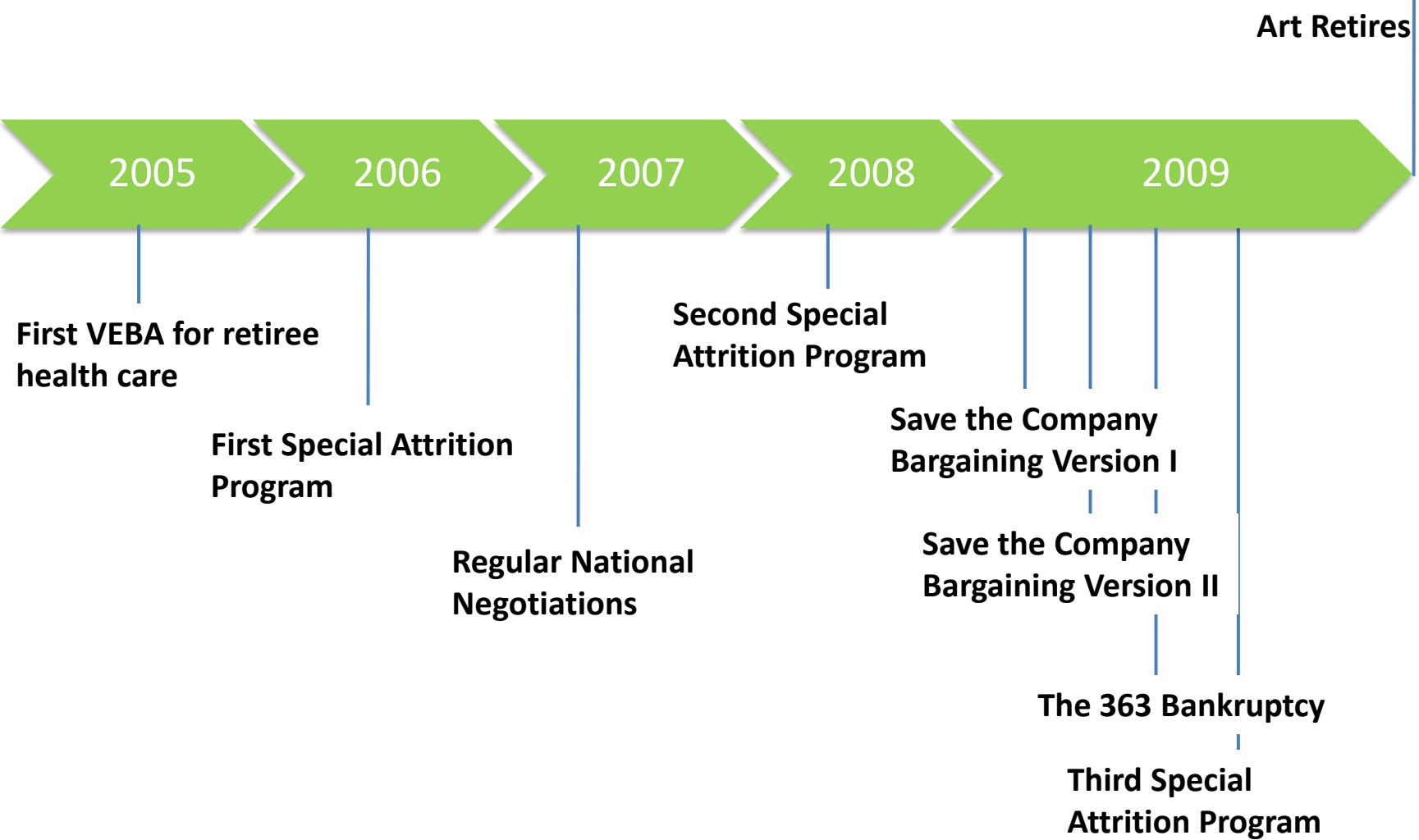
- In 1979 = \$15.25 per hour
- In 1987 = \$25.90 per hour
- In 1997 = \$45.06 per hour
- In 2007 = **\$78.00 per hour**

**(Nominal \$)*

There Was a Huge Pension Hole

- Especially at GM, with over 400,000 retirees and surviving spouses
- A lesser, though very real problem at Ford and Chrysler
- Pension which was \$8.50/mo./year of service in 1979, now \$54.30
- 30 and out, which was \$700, grew to \$3,170
- And HEALTH CARE!!

GM Timeline of Significant Events



Art Retires

2005

2006

2007

2008

2009

First VEBA for retiree health care

First Special Attrition Program

Regular National Negotiations

Second Special Attrition Program

Save the Company Bargaining Version I

Save the Company Bargaining Version II

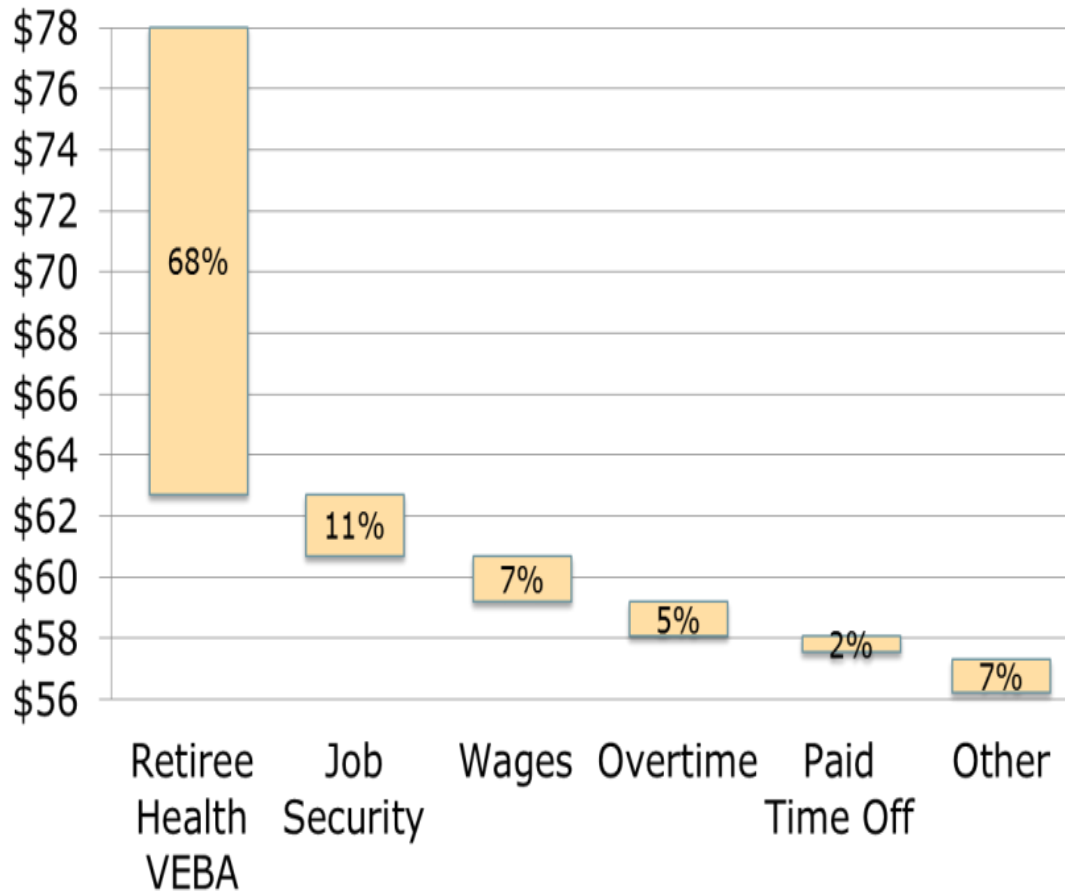
The 363 Bankruptcy

Third Special Attrition Program

2007 Contract: A Game Changer

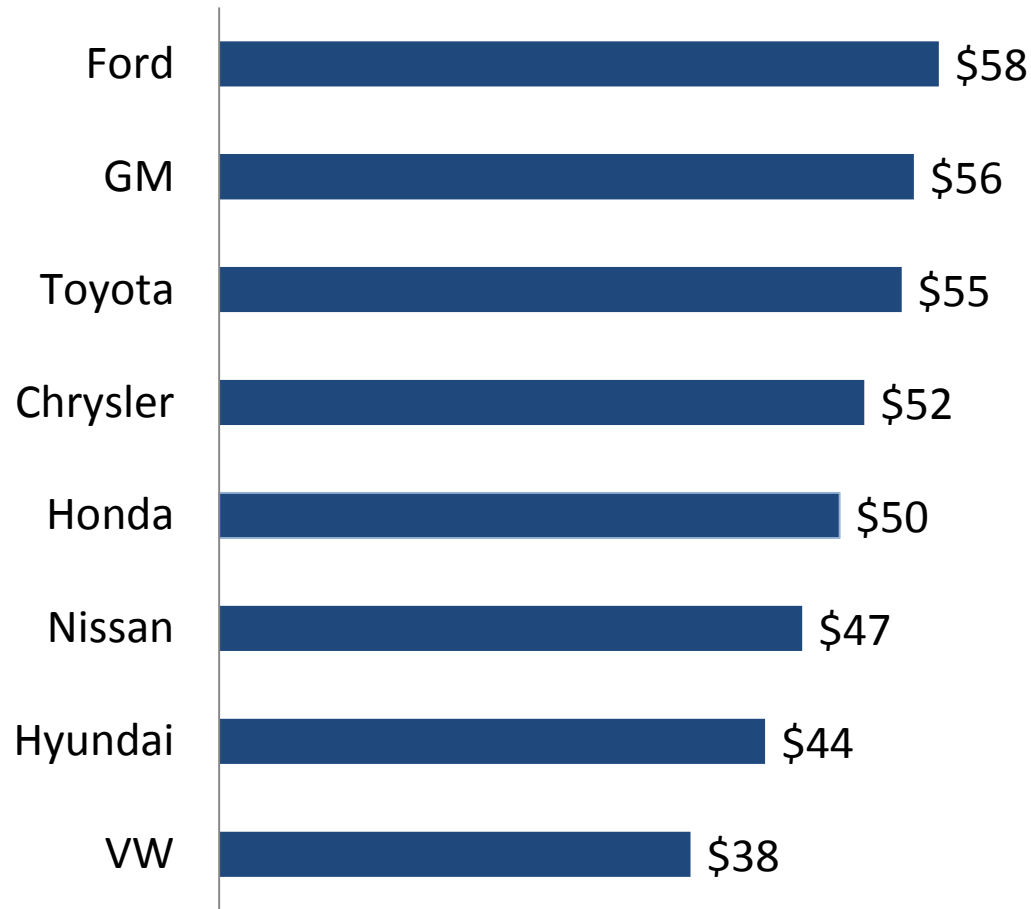
- **VEBA**
- **Entry level wages (\$14)**
- **No pay increase, BUT**
 - Signing bonus of \$3,000
 - Lump sums of 3%, 3%, 4% (last two were suspended in 2009)
 - COLA (suspended in 2009)
 - Pensions increased
 - Product guarantees (not fulfilled)

How GM Went from \$78 to \$56 per Hour



Source: Company reports, CAR research

2011 Labor Cost Competitiveness



Source: Company reports, CAR research

Difference between Ford and Chrysler's Reported Labor Costs, 2010



\$49-51*



\$58*

- Entry Level
 - Percent
 - Wage rate
- Profit Sharing
 - \$750 vs. \$5,000
- Hours worked
 - Plants on changeover
 - OT differences
- Fresh start accounting
 - Pension impact
 - Other costs, mostly legacy

Cost-of-Living-Adjustment (COLA)

- Management does not like COLA because
 - It is automatic, regardless of profitability
 - It compounds and adds to wage rate over time
- A 10 cent per quarter diversion had been negotiated in 2007
- By the 2009 negotiations, COLA was zero
- Had it continued, it would have been about 90 cents by 2011
- Continues to be suspended in 2011 contract
- With conservative inflation forecast, by the end of the 2011 contract, COLA could have been:
 - \$2.17 without diversions or
 - \$0.56 with a 10 cent per quarter diversion
- Will be an issue again in 2015

Pensions

- All Detroit 3 U.S. pensions underfunded
- GM U.S. pension underfunded status: $-\$8.7\text{B}$ on 9/30/11. Worldwide pension shortfall of $-\$22.0\text{B}$ 12/31/10.
- No pension increase in 2011 contract for first time since pension initiated in 1950 GM contract
- GM projects no pension payments until 2015 ($\$2.3\text{B}$) and 2016 ($\1.2B)
- Company has 15 years to pay off underfunding under the 2010 Pension Relief Act – yet assumption of 8% return on fund is absurd, and discount rate is falling . . .

Future VEBA Payments

	Remaining Payments Due to the UAW Retiree Health Care Trust	
Chrysler	7/15/12	\$400M
	7/15/13	\$600M
	7/15/14-15-16-17	\$650M/year
	7/15/18-19-20-21-22	\$823.8M/year
	7/15/23	\$827.1M
	TOTAL \$1.709B AND VEBA retains 41.5% equity stake in Chrysler	
Ford	Paid-in-full	
General Motors	<ul style="list-style-type: none"> • \$6.5B Series A preferred stock (9% interest; \$585M/year) • Warrant to acquire 45,454,545 shares of common stock at \$42.31/share • VEBA retains 10.3% equity stake in GM 	

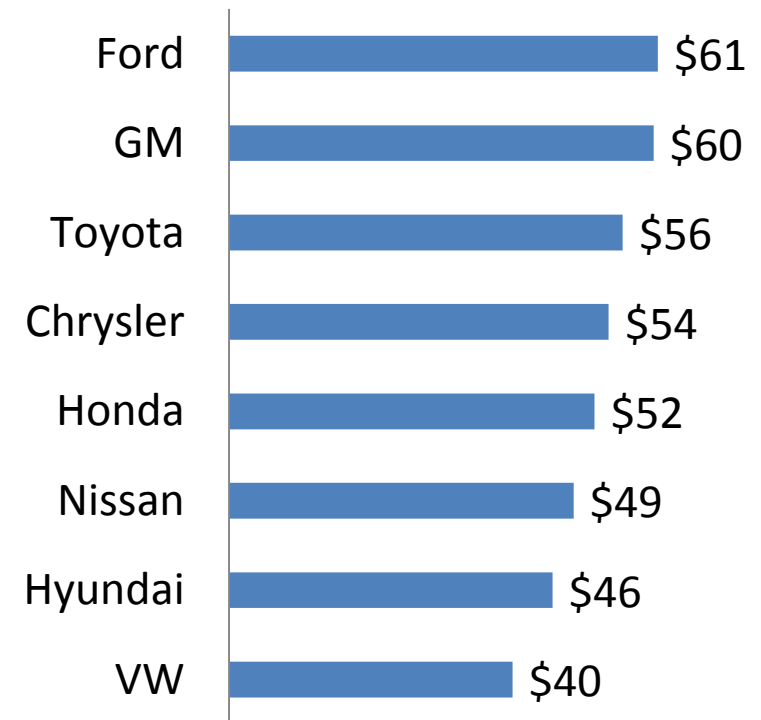
Source: Center for Automotive Research, UAW-Detroit Three Contracts

Labor Cost Competitiveness

2015 Projections

- D3: 0.68-1.65% annual labor cost growth
- Internationals
 - Not a monolith
 - “Grow in” = temporal advantages
 - CAR assume a 1% annual labor cost growth rate

Hourly Labor Cost Comparison, 2015



Source: Company reports, CAR research

Effect on Suppliers

- Detroit 3 will not “get into” the component business again – but some parts of production will be insourced.
 - Higher entry level will slow down some insourcing
 - Parts and components that require intensive R&D or large CAPEX will not come back
- Non-manufacturing will continue to be contracted out.
- UAW will want U.S. last stage supply to be from union supplier facilities.

What to Look For in 2015 Negotiations

- Keep entry level cap to provide bridge to tier 1
- Raise entry level pay, and reduce the gap again
- Need something for retirees, especially if VEBA begins to run out of money
- Will have pressure from rank and file for a pay increase and restored COLA



What to Look For in 2015 Negotiations

CHRYSLER



- Removal of the entry level cap
- No additional pension liabilities
- Time to raise employee cost share on health care
- Stay the course on variable compensation
 - No pay increase (14 years!)
 - Lump sums
 - No COLA

Conclusions

- The key issue will be the future of the two-tier system—how will it develop
 - Cap?
 - Continue to close the gap?
 - Evolve to an intermediate rate with no cap?
- A secondary issue will be how committed the parties are to variable compensation
 - Continue to be the basis of compensation?
 - Some return of fixed increases?
- Employee contribution for active health care will also be a key issue
 - This is a “go to war” issue for the UAW—they believe they have already paid for it
 - Largest benefit cost for active – 8% employee contribution versus 30-35% on average for the country
- SEE YOU IN FOUR YEARS!

BREAK



Well, Who Won? 2011 Detroit 3–UAW Labor Contract Negotiations

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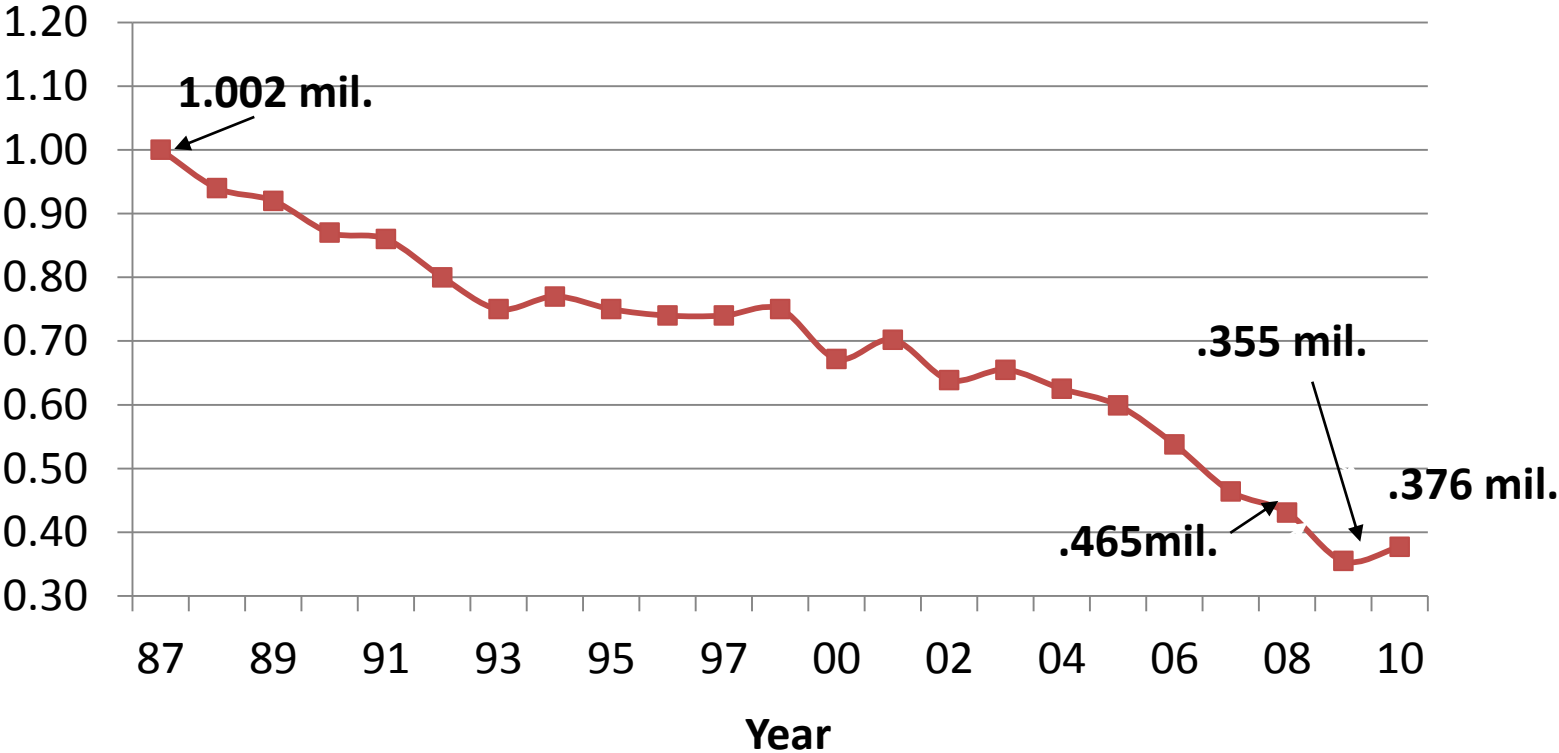
Sean McAlinden, Ph.D.
Executive Vice President Research, and
Chief Economist

2011: Sean's Initial Observations

- UAW will raise the “count” or increase union employment
- Companies will keep the concessions, move to flexible compensation, avoid balance sheet costs, compete with transplants
- UAW gained some of the “success”
- Companies reduced risk of fixed labor costs – labor no longer a strategic risk component
- Union spread risk to the rank-and-file (R&F)
- Union leadership ended bargaining successfully with management, not so much with R&F yet . . . Chrysler?
- Cost gap with transplants not yet closed—but not widening
- Competitiveness with suppliers reduced
- GM, Ford met goals – but not maybe Chrysler
- UAW must still organize to survive

UAW Membership

1979 – 2010



2011 N.A. Operating Profit Per Vehicle

(Through Q3 '11)

	N.A. EBIT (\$ Million)	N.A. Sales (unit)	Profit Per Vehicle (\$)
Chrysler*	\$1,467	1,376,000	\$1,066
Ford	\$5,302	1,880,514	\$2,819
General Motors	\$7,342	2,206,476	\$3,327

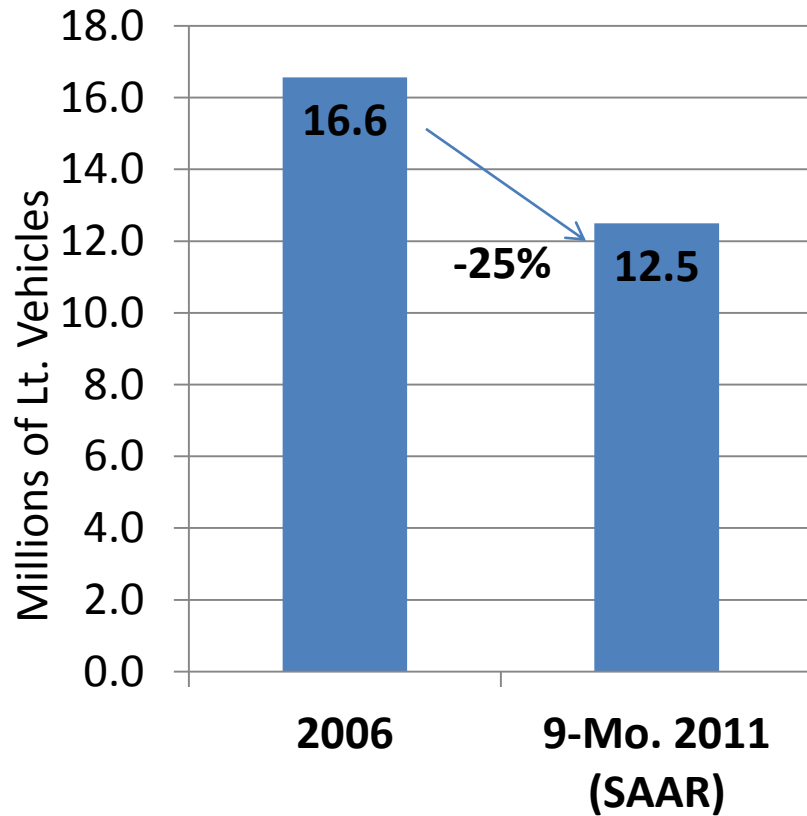
*Global income and sales

Source: Automotive News; corporate third quarter financial reports.

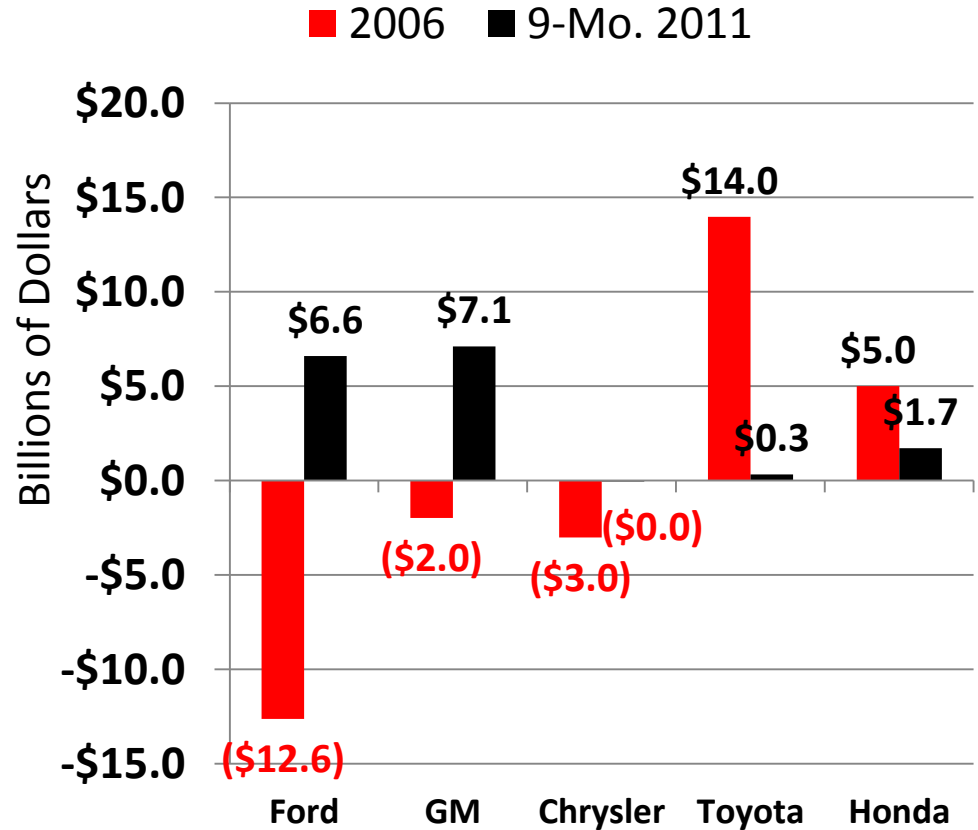
Profitable at Lower Sales Volumes

2006 vs. 2011 YTD

U.S. Sales



Corporate Net Income



Source: Automotive News, Company Annual Reports; Data through September 2011

Entry-Level Labor Costing Example

2011 and 2015

	2011	2015
Base Wages	16.32	18.41
PTO, OT, Layoff	4.41	5.34
Profit Sharing & Lump Sums	2.32	3.38
<i>Subtotal: Payroll Related</i>	<i>23.05</i>	<i>27.13</i>
Active Health Care ¹	3.82	5.20
Pension & Retiree Health Contribution ²	2.04	1.79
Statutory	3.69	4.34
Other Insurance & Fringe	1.10	1.50
<i>Subtotal: Fringe Related</i>	<i>10.65</i>	<i>12.83</i>
TOTAL	33.70	39.95

Source: Center for Automotive Research, UAW-Detroit Three Contracts

¹ Assume 8% annual health care inflation

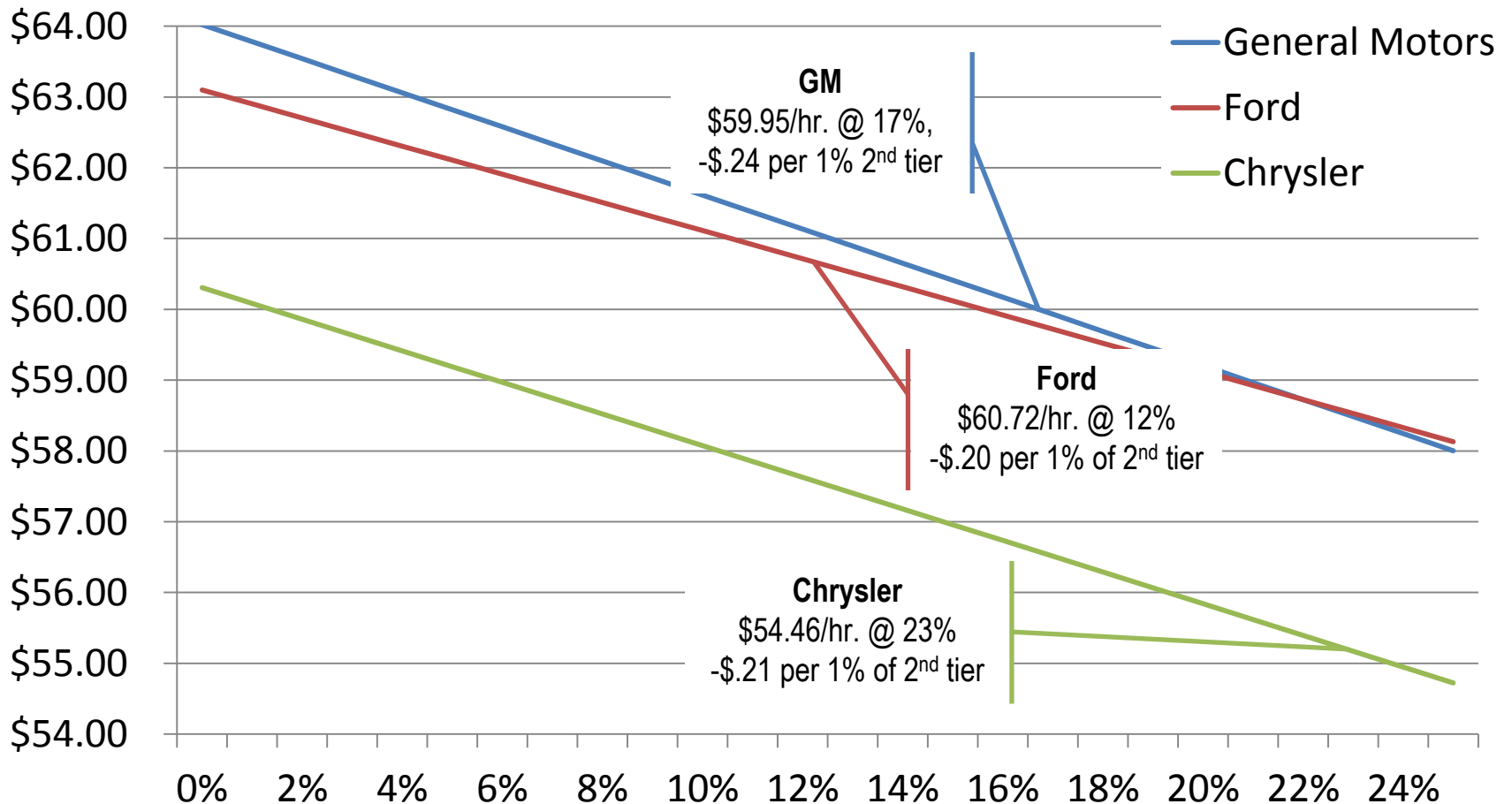
² Pension contribution cut from 6.4% to 4% for entry-level hired under new agreement; \$1/hour worked for retiree health care 401(k)

Tier 2 or Entry-Level Really Matters . . .

	GM	Ford	Chrysler
Tier 2 Percentage by 2015	17%	12%	23%
Blended Wage Rate 2015	\$59.95	\$60.72	\$54.46
Annual Growth Rate '11-'15	0.68%	0.92%	1.65%

Source: Center for Automotive Research estimates based on UAW-Detroit Three contracts and proprietary data

2015 Average Hourly Labor Costs as a Function of Entry-Level Workforce Percent



Source: Center for Automotive Research, UAW-Detroit Three Contracts

Impact on Cash

(\$ Millions)

	2011-2012	2014-2015*
Chrysler	\$132	\$94
Ford	588	349
General Motors	580	314

*Includes CAR estimates for lump sums, profit sharing and estimates for SAP costs.

The Final Calculations: UAW People, 2011-2015

	2011 UAW Count	Total Hiring	2015 UAW Count****	Labor Increase Annual Percentage
Chrysler*	23,150	2,500	25,150	2.1%
Ford**	41,000	5,000	45,000	2.4%
General Motors***	46,000	7,250	50,250	2.2%
TOTAL	110,150	14,750	120,400	2.3%

Does not include salaried UAW. **Does not include ACH. *Does not include GMCH. Netted for 2011-2015 attrition.*

The Final Calculations: UAW Cost, 2011-2015

	Starting 2011 Compensation (billions)	Ending 2015 Compensation (billions)	Change in UAW Labor Cost (millions)	Change in N.A. Per Vehicle Cost (dollars)
Chrysler	\$2.18	\$2.53	\$350	\$166
Ford	4.44	5.05	615	96
General Motors	4.96	5.57	608	85

Note: CAR forecast uses IHS Automotive N.A. production forecast for 2011-2015. For 2015: GM 3.275 mil., Ford 2.879 mil., Chrysler 1.960 mil.

*Does not include amortized 2011 signing bonus, does include forecast profit-sharing.

The Final Calculations: UAW Cost, 2011-2015

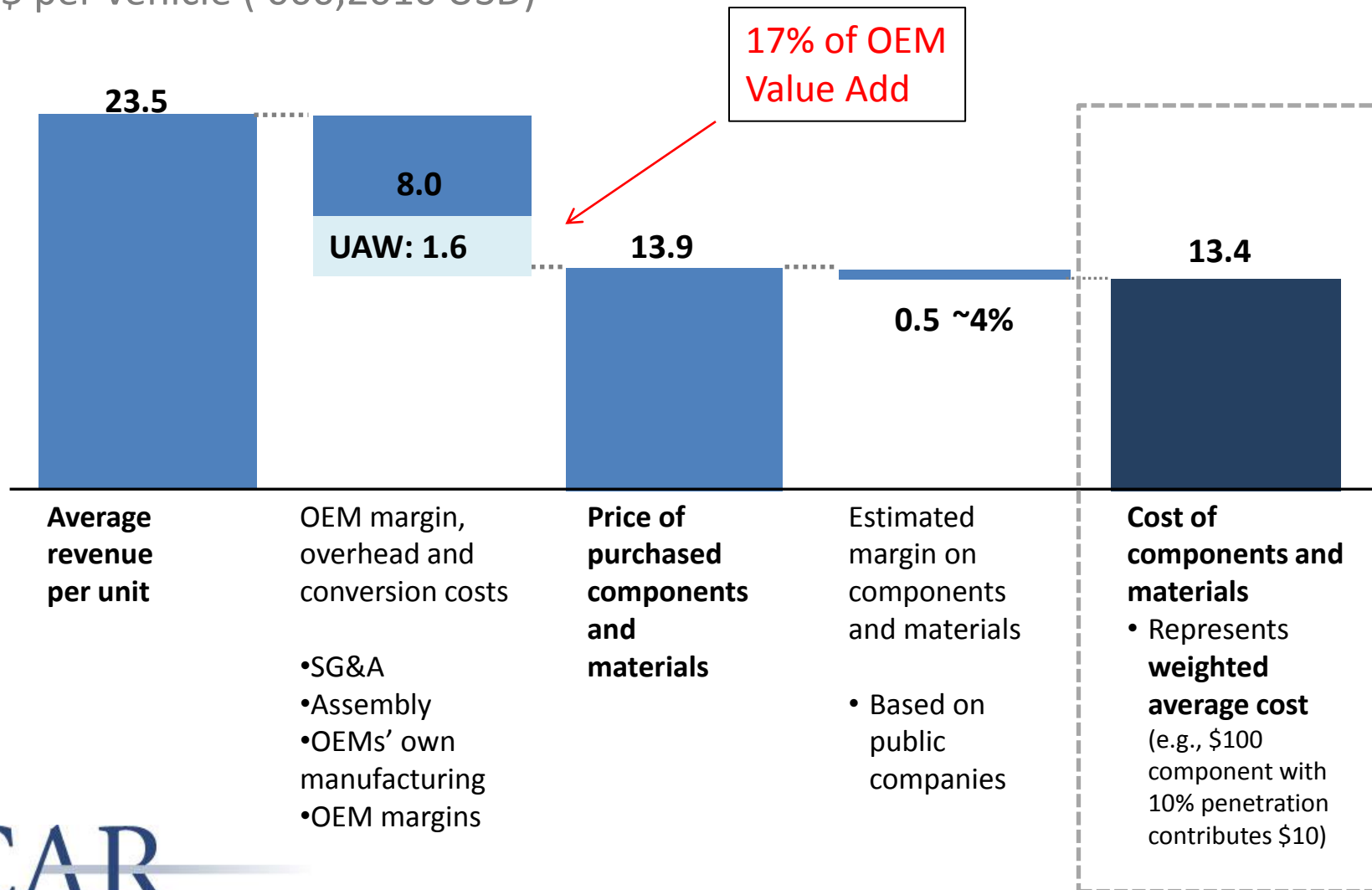
	2011		2015	
	UAW Labor Compensation (\$ Billion)	UAW Labor Cost Per N.A. Vehicle (\$)	UAW Labor Compensation (\$ Billion)	UAW Labor Cost Per N.A. Vehicle (\$)
Chrysler	\$2.18	\$1,127	\$2.53	\$1,293
Ford	4.44	1,660	5.05	1,756
General Motors	4.96	1,617	5.57	1,702
Weighted Average		\$1,508		\$ 1,622

*Note: CAR forecast uses IHS Automotive N.A. production forecast for 2011-2015.
For 2015: GM 3.275 mil., Ford 2.879 mil., Chrysler 1.960 mil.*

**Does not include amortized 2011 signing bonus, does include forecast profit-sharing.*

UAW cost still a big share of D3 value add . . . (on cars)
 Crosswalk from total vehicle revenue to weighted average cost of
 automotive supplier Components (2010 actual data)

\$ per vehicle ('000,2010 USD)



Sean's Conclusions

- UAW still the most expensive auto labor (except at Chrysler); cost will fall with hiring of 2nd tier workers
- UAW defended active worker health, increased 2nd tier wage, maintained a 20-25% cap on 2nd tier
- UAW will lose two assembly plants, bring one back, renewed many others
- Skilled trades only marginally reduced
- Vehicle price inflation should exceed labor cost inflation, and if productivity maintained = higher profits
- Net employment only marginally increased
- New contract Not groundbreaking (2007 and 2009 contracts WERE)
- In the long run, two tier wages Do Not make sense
- Salaried & executive productivity and cost now a strategic issue

Sean's Other Conclusions

- UAW leadership has committed to the competitiveness of its employers—at some considerable political risk . . . This will last.
- Transplants should consider UAW representation as a collective voice efficient necessity, and as a positive political economic alternative . . . All vehicles built here would be “American.”
- Transplants now pay a much higher cost for market cyclicity than the D3. Employee relations cost higher as well.
- A “Grand Bargain” eliminates labor cost as a competitive factor.

PANEL DISCUSSION

Sean McAlinden—Moderator

Kristin Dziczek

Art Schwartz

Please Mark Your Calendar:

CAR Management Briefing Seminars
August 6-9, 2012
Traverse City, Michigan

Additional information is available at CAR's
website: www.cargroup.org

Thank you for attending!