

AUTO WORKERS APPROVE FORD CONTRACT

Members of the United Auto Workers (UAW) vote to accept concessionary modifications to their 2007 labor contract with Ford Motor Co., designed to save the company billions and help it survive the steep economic downturn. The employees, 59 percent of production workers and 58 percent of skilled trades workers, voted to forgo bonuses, limit overtime, change work rules, eliminate cost-of-living adjustments, suspend the jobs bank, and change how Ford pays for retiree health benefits. The contract will retain core wages, pensions, and health care.

“Once again UAW members have stepped up to make the difficult decisions necessary to deal with the reality of the current economy, the deteriorating auto industry as a whole and specifically the negative impact the economic climate is having on Ford Motor Co.,” according to UAW President Ron Gettelfinger. The UAW National Council unanimously had recommended ratification. The UAW vote is the third since 2005 in which Ford hourly workers have accepted concessions as the company struggles to stay afloat. Ford issued a statement saying that it is pleased that the company’s UAW-represented work force has ratified agreements to modify the 2007 UAW-Ford National agreement and the Voluntary Employee Beneficiary Association health (VEBA) care trust.

Ford says the agreements will allow it to become competitive with foreign automakers’ U.S. manufacturing operations, and are critical to its efforts to operate through the current economic downturn without accessing government loans. Terms of the agreement mirror those the federal government has required auto industry rivals General Motors Corp. and Chrysler LLC to meet as a condition of the \$17.4 billion Treasury Department loans they received in December. GM and Chrysler have reached contract modifications with the UAW but have not come to agreement about changes as to how they will fund the VEBA trusts.

Ford has not accepted federal loans and is not under the government’s restructuring requirement to make those changes. But many industry observers believe the Ford deal is likely to serve as a model for UAW deals with GM and Chrysler, as Gettelfinger states the UAW negotiations with Ford were styled to benefit all three companies.

The addendum to the VEBA alters but does not delay the schedule for Ford contributions to the VEBA trust. In addition, Ford will be allowed to pay up to half of the contributions in stock. Under the 2007 agreement, all of Ford’s \$13.2 billion contribution was to be made in cash. A goal of the discussions leading to the tentative agreement was to design a structure allowing Ford to meet a substantial portion of its obligations to the VEBA by contributing stock while not exposing the VEBA to large amounts of risk associated with Ford’s stock price. Guided by two principles, the union sought to spread the VEBA funding through stock over a long period of time in relatively small annual installments and to be allowed to sell the stock once it is received.

(Source: BNA, *Daily Labor Report*, No. 44, March 10, 2009, pp. AA1-AA2.)