

Open Letter to CAW Members on the Canada & U.S. Auto Restructuring Announcements

Dear Brothers and Sisters;

As autoworkers, we are now confronting an unbelievable, challenging, infuriating situation.

Through no fault of our own, the global financial system is in chaos, and auto sales have collapsed to the worst levels per capita since World War II. The companies we work for would not survive this economic catastrophe without help from government.



The same thing is true in every other country in the world that produces vehicles. And around the world, governments are stepping up to the plate to help their auto companies survive the meltdown, and be ready to prosper again when the economy gets better, North America isn't unique. By helping the auto companies survive, the governments will help protect 600,000 Canadian jobs, and prevent the current recession from turning into another Great Depression.

We all have a stake in keeping this industry going in Canada. We're all counting on the jobs, the exports, the taxes that are generated by this industry. It's not a bail-out, it's an investment.

On Monday March 30, the U.S. and Canadian governments announced that they were rejecting the restructuring plans proposed by GM and Chrysler. They are giving Chrysler 30 more days to finalize its merger with Fiat and present a survival plan. They are giving GM 60 more days.

The proposed Chrysler-Fiat merger is a good idea. Chrysler will be stronger as a result of this merger. There could be benefits down the road for Canada: there may be vehicles we could produce for Fiat in our Canadian plants.

It is very positive that Canadian officials are working so closely with President Obama's team. The Canadian and Ontario governments must stick hard to their strategy to maintain Canada's 20% share of the industry.

In fact, we could take this Canada-U.S. partnership further. The CAW has proposed a North American Auto Pact to protect a fair manufacturing footprint for North America, and a fair share for each country in it. Promote investment, technology, and the environment in a new, 21st-Century auto industry.

Globalization has failed our auto industry miserably. We cannot let North America be the dumping ground for unlimited imports from Japan, Korea, Europe, and soon

China and India – with no ability to import back the other way. Canada endured an auto trade deficit last year of \$14 billion – by far the worst ever. No wonder our plants are closing and our jobs are disappearing.

There have been incredible attacks on autoworkers in recent months, and those attacks are going to get worse – from anti-union politicians, from anti-union auto analysts, from the anti-union media. We reject those attacks. Autoworkers did not cause this crisis. Greedy speculators caused this crisis.

Attacking workers and cutting our wages won't solve this crisis. It won't sell a single additional car. In fact, cutting wages will make things worse. Because even fewer people will buy cars. If we cut our wages, it's almost like we're agreeing that our wages caused the problem. That is 100% false.

And if we cut our wages, then immediately they'll be forcing workers at non-union plants (like Toyota and Honda) to cut their wages too. And forcing auto parts workers to cut their wages. And forcing workers in every other industry – even at Tim Horton's and Wal-Mart – to cut their wages too. That won't save a single job.

Cutting wages will just roll back the decades and decades of struggle that went into building what we now consider a middle-class standard of living. Decent wages. Decent pensions. Decent health benefits. Decent vacations.

Since last May, when we reached early settlements with the Detroit Three automakers, things have gotten much

On the Bandwagon

- **Countries offering emergency aid to their national auto industries:**

Canada, U.S., Mexico, EU, Germany, France, Sweden, U.K., Italy, Australia, Russia, Spain, Portugal, Korea, Japan, China, Brazil, Argentina, Romania, Turkey

- **Countries requiring unions to make concessions as a condition of auto aid:**

Canada, U.S.

worse in the economy. And so we agreed to reopen our May 2008 contract, to preserve our Canadian investment advantage (resulting from both attractive hourly labour costs and superior productivity) as a condition of the Canadian loan agreements.

We did what the government asked of us. We reached an agreement with GM, ratified by our members, in time for the March 31 deadline. GM confirmed in U.S. Treasury submissions that our active costs will match the U.S. transplants.

We reached that deal and ratified it, on time. The companies didn't get deals with the bondholders or the

dealerships by March 31. Chrysler didn't get a deal with Fiat by March 31. There was no final agreement with the UAW over the VEBA by March 31.

And we would have had a deal with Chrysler by March 31, too, if that company's negotiators had permission to settle with us. Instead, the private-equity bean-counters pulled the rug out from under their own negotiators, when we were inches away from a settlement.

Our wages and benefits and pension costs for our active workers, going forward, are fully competitive. There is no doubt about it. And that doesn't even count our productivity advantage. 8% versus UAW plants. 24% versus non-union transplants.

We are not going to re-open our collective agreement with General Motors, which determines those active costs, one more time. We did it once ten months ago. And we did it again one month ago. Re-opening our contract yet again would make no difference whatsoever to the situation faced by the industry.

We will continue bargaining with Chrysler in advance of the new deadline (April 30). We will reduce costs in line with the CAW-GM pattern. And we will take additional measures to improve productivity and operations at Chrysler, to reduce costs several more dollars per hour. We will also open negotiations with Ford in the weeks to come to ensure we maintain the pattern agreement across the Detroit Three.

In their announcements this week, President Obama and Minister Clement zeroed in on legacy costs. In the U.S., this is clearly related to pushing the companies and the UAW to finalize their deal on the VEBA.

First, we must be clear that legacy costs are NOT the compensation our members get for the work they do on the assembly line. Legacy costs are expenses still unpaid from the past. Mostly for people who have retired. Some of whom haven't worked at the companies for decades.

**A One-Way Street:
Canada's Auto Trade in 2008**

	Canada's Imports From That Country (\$billion)	Canada's Exports To That Country (\$billion)	Ratio of Our Imports To Our Exports	Resulting Trade Deficit For Canada (\$billion)
Germany	2.75	0.05	61-to-1	-2.70
Korea	1.73	0.01	161-to-1	-1.72
Japan	6.12	0.03	187-to-1	-6.09
3-COUNTRY TOTAL				\$-10.51
Canadian auto jobs lost due to auto trade deficit with countries outside of North America:				22,500

The biggest portion of legacy costs results from the pension funds being underfunded. We know why that is. The global financial meltdown and the failure of government pension regulation. That has been a real problem at General Motors, thanks to their special status under Ontario pension law. Government has a clear share of the responsibility, for the faulty funding rules they implemented.

Also, legacy costs include health care costs for retirees. We have a real advantage there in Canada, thanks to our

medicare system. And we've done lots of innovative things at CAW to reduce legacy health costs further. Like our generics-only drug plan, fee caps and co-pays on many services, and our new monthly health care premium (introduced with the CAW-GM deal).

Legacy costs have become a problem for the auto industry today for three reasons:

#1: Demographics. The workforce is aging, so there are more retirees. Because the Big Three have been in business here for a century, they have a lot of retirees. Toyota plants in Canada don't have retirees yet. (Of course, in Japan Toyota has major legacy costs.)

#2: Downsizing of our operations. Even as we have more retirees to support, we have fewer plants and active workers to generate the funds needed to pay for legacy costs. We've allowed imports to take the lion's share of our market. And so today it's very hard to pay the legacy bills. If our industry was the same size as it was two decades ago, legacy costs wouldn't be a problem.

#3: Governments. Governments must play a role in ensuring that pension and health programs can work long term. They must regulate pension funding to better ensure that the companies live up to their obligations. And they must provide a strong network of public pension and health benefits.

Let me make this very clear. Legacy costs are contractual entitlements that our retired workers earned through their sweat and toil. We have no legal right to take those entitlements away from them. Pension legislation doesn't allow us to do that – and we wouldn't do it in any event.


We will continue to engage in discussions with the companies and governments over how to control and manage legacy costs. Continued cost control efforts. And ideas like the Canadian VEBA plan to pre-fund retiree health benefits that we have proposed.

There are ways to address these issues, going forward. We can create the economic conditions for a winning North American auto industry – one that can serve the lion's share of our domestic market, pay its workers well, live up to its legacy obligations, and earn a good profit too. But none of this can be done at the bargaining table.

And that's why there's no reason for us to go back to the bargaining table again with General Motors. We will continue bargaining with Chrysler and Ford. And we will stand by our retirees – the ones who built this industry, and built our union.

We are entering a challenging, dramatic time. Endless threats and accusations will be aimed at you as an autoworker, and at your union. We cannot control the global economic events that have put us in this mess. But together we will defend the things we have worked for decades to build.

Thank you for your continuing support and solidarity. Read the material your local union delegates distribute. Stick with your union, and we will defend your interests both at the bargaining table and in the broader community.

In solidarity,

 Ken Lewenza
 CAW National President