

National Public Radio/All Things Considered

September 27, 2007 Thursday

Retired UAW Members Analyze New GM Plan

ANCHORS: MELISSA BLOCK

MELISSA BLOCK, host:

Some autoworkers and retirees are concerned about a key provision of the proposed new contract between the UAW and GM. It establishes an independent trust fund to manage billions of dollars for retiree health care. It also shifts responsibility for retiree health care from GM to the union.

As NPR's Jason Beaubien reports from Detroit, some retirees are worried that their generous health care benefits could be at risk.

JASON BEAUBIEN: Ralph Herndon(ph) started working in a Pontiac motors plant at the age of 19. He put in 30 years in GM factories around Flint. And just shy of his 50th birthday, he managed to retire with health care and a pension. General Motors owe its retirees more than \$50 billion for future health care costs. But under the proposed new contract, the company would set up a roughly \$35 billion health care trust fund that will become the responsibility of the union. Herndon says he's worried about the stability of this fund.

Mr. RALPH HERNDON (Former General Motors Employee): I'm concerned about the security of investments that UAW are going to have to make to try and keep this fund problem.

BEAUBIEN: Herndon says he wants to retire after 30 years, in part, because the auto assembly lines took a toll on his body. At his last job, working on a Pontiac G6 assembly line, he'd climbed

into the chassis through the windshield opening to install the sunroof.

Mr. HERNDON: And our cycle time was roughly about 46 seconds, 48 seconds. That's how long we have to accomplish our job on every single car we did. And people don't realize how repetitious that can be. A car come by my station less than every minute.

BEAUBIEN: Herndon says he suffers from carpal tunnel in both arms, and he's worried about keeping his health care as he gets older. And he has reason to be concerned. In 1998, Caterpillar set up a VEBA, as the trust funds are called, this stands for Voluntary Employees' Beneficiary Association. By 2004, Caterpillar's VEBA was broke.

Larry Solomon ran the UAW local in Decatur, Illinois, when the Caterpillar VEBA was established. Before the VEBA, Solomon says, one of the benefits of being a UAW worker in Caterpillar was free retiree health care for life. But now, Solomon, who suffers from diabetes, has to pay \$200 out of his \$1,000 monthly pension check for health care. He says he feels...

Mr. LARRY SOLOMON (Former Caterpillar Employee): Totally betrayed. I was so enraged at that that I sat down and wrote about a page and a half poem to myself just to - called "Broken Promises."

BEAUBIEN: One stanza goes like this.

Mr. SOLOMON: The package

that lured us decade after decade was our pension and health care at no cost. Caterpillar called it our invisible paycheck, and no one ever believed it could be lost.

BEAUBIEN: The union eventually agreed to a series of concessions at Caterpillar to replenish the fund. Ron Gettelfinger, the head of UAW, says the VEBA being proposed under this new contract will secure the health care benefits of General Motors retirees for 80 years.

Greg Saltzman, a professor at Albion College and a labor researcher at the **University of Michigan**, says the UAW had to make a painful choice - accept this VEBA or face the possibility that General Motors might declare bankruptcy.

Professor GREG SALTZMAN (Economics, Albion College; Labor Researcher, **University of Michigan**): The promises to cover health care costs for retirees did not have the same kind of advanced funding that the pension plan did. And so if the company goes bankrupt, then there could be a disaster where the retirees get much less than expected.

BEAUBIEN: GM's rank and file UAW members could vote on a proposed new contract with the VEBA health care trust fund as soon as next week.

Jason Beaubien, NPR News, Detroit.

SIEGEL: You are listening to ALL THINGS CONSIDERED from NPR, National Public Radio.