



Electro-Motive: the greed factor

The zeal for financial reward that drives free-market machinery eventually creates monsters that are consumed by greed. One such creature, bright yellow and named after a bug, recently stalked and devoured the livelihoods of hard-working, middle-class people in London, Ont., and the potential repercussions of its behaviour are troubling.

Caterpillar Inc., a US mega-corporation that makes heavy industrial equipment, locked out about 460 unionized workers at its Electro-Motive Canada unit, a manufacturer of locomotives purchased in 2010, after the Canadian Auto Workers (CAW) union rejected the company's final – and outrageous – contract offer. The take-it-or-leave-it deal that came through Caterpillar's Progressive Rail Services subsidiary amounted to halving the average hourly wage of workers – most of them skilled – from about \$35 to \$18, eliminating pensions and gutting other benefits. After about a month, the company shut down the plant.

What kind of catastrophic financial crisis could Caterpillar be facing that would require such draconian concessions from its workforce?

Apparently there wasn't one. In fact, Caterpillar reported boffo financial returns – a 60% jump in profits for a net income of US\$1.55 billion – days prior to closing the plant. And a pleased-as-punch CEO Doug Oberhelman noted that achieving the company's financial targets could be attributed, in part, to the fine performance of Electro-Motive.

Yet the corporation accused the same unit of being inefficient, operating under antiquated work rules and having uncompetitive wage rates, which should be the beginning of a process that invites "bargaining in good faith." It's not good faith, however, to announce to people with valuable and much sought-after skills, such as welders and machinists, that overnight, their livelihoods will be slashed to the equivalent of a Costco warehouse employee who stacks bulk goods. Oh, and without the pension or remotely equivalent benefits.

Of course, this obvious lack of fairness and reasonableness is secondary to the sinister subtext. What is the motivation behind a contract offer that the CAW couldn't possibly accept on behalf of its members?

The "offer", which Caterpillar admits no other employer has ever dared table, wasn't an offer at all, and it's difficult not to conclude this was the plan when Electro-Motive was purchased 18 months ago.

The company is looking at locomotives, currently 4% of its sales, achieving five times the growth over the next decade. Now is the time to lay the foundation for super-sizing profits. In the 1980s, 80% of its business was unionized. Today it's about 10%, so unionized workforces do not appear to be part of the plan, nor, it turns out, does the Canadian operation.

The CAW thinks Caterpillar's end game is to divert the work from Canada to its Muncie, Ind. operation where wages are much lower and a compliant state government has implemented laws that make it harder for unions to organize.

The Harper government was mute on Electro-Motive's fate, but it should be very concerned that Canada's branch plant operations are so vulnerable to pillaging. Caterpillar is just another giant US corporation, like US Steel, that plunders Canadian jobs and manufacturing capacity, strips branch plants of assets, jobs and intellectual property, then retreats to more pliable jurisdictions, while poisoning management/labour relations for everyone else. There will be little appetite from other workers for co-operation or concessions at bargaining time as mutual interest is lost to self-interest. Meanwhile, as decent paying jobs vanish bit-by-bit with an eroding manufacturing base, so too will Canada's tax-paying middle class.

Caterpillar's rapacious behaviour is a reminder of why there are unions, and as the industrial past has so clearly demonstrated, workers who feel exploited will eventually seek the protection of collective bargaining, even in places like Muncie where folks may be satisfied with \$18 an hour – for now.

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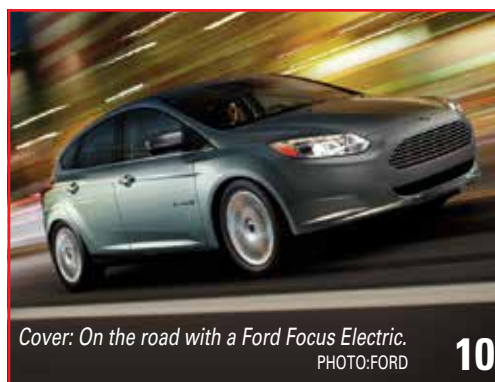
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Cover: On the road with a Ford Focus Electric. PHOTO:FORD

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