

Overview

The 2007 contract negotiations between General Motors and the United Auto Workers (UAW) will be the most important in a generation, if not in the entire history of this 70-year relationship.

GM, in the midst of a critical turnaround of its automotive operations, is still not generating positive cash flow in its North American business unit. Fundamental competitive gaps remain a concern, particularly when measured against its non-U.S. based rivals such as Toyota and Honda. As a result, GM is preparing to work through a number of tough issues with the UAW to improve the competitiveness of its bargaining agreements at all levels by developing solutions together.

The negotiations will be spirited; they always are. However, we have a history of resolving issues at the bargaining table in a fair and equitable manner for all parties.

GM's long-term relationships with its unions have resulted in a number of advancements for all working people, and have done much to create and nurture America's middle class. In 1948, GM and its unions agreed to a contract with several landmark innovations in the area of employee compensation. In the 1980s, partly in response to competitive pressures from Japanese imports at the time, a new labor agreement was forged emphasizing joint

training, profit sharing, quality of work life and job security provisions.

Following the 1998 strikes in Flint, Mich., that stopped North American production for 53 days, GM implemented a “No Surprises,” provision that focuses on continuous two-way dialogue on issues. Since Flint, there have been no authorized walkouts at any GM facility. Furthermore, the 1999 and 2003 contract negotiations were completed with no labor disruptions.

The collaborative approach remains a cornerstone of the UAW-GM relationship today. The cooperative spirit was evident in 2005 and 2006 as we worked together to implement a number of historic changes to improve the other aspects of the company’s competitiveness and help ensure job security for employees in GM plants, facilities and offices. The changes were difficult – yet necessary – to restructure GM for sustained profitability and growth. However, none of them would have been possible without the strong working relationship that we have built together.

Among the more recent noteworthy accomplishments, GM and its union have agreed to:

- An hourly health care agreement that will reduce GM’s retiree health care liabilities by about 25 percent for an annual savings of about \$1 billion a year

- A special attrition program that reduced the number of U.S. hourly employees by 34,410
- Restructuring GM North America manufacturing to idle 12 manufacturing facilities by 2008 to increase capacity utilization

Separately, GM sold strategic assets, including a 51 percent controlling interest in General Motors Acceptance Corporation, to support its North American turnaround plan and fund corporate priorities.

Meanwhile, GM has brought renewed passion and the necessary investments to its product development efforts, delivering to the marketplace an exciting lineup of cars, trucks and SUVs – vehicles that continue to be assembled with great care and precision by our represented employees.

GM's turnaround efforts are in full swing, but the task is by no means complete. Globalization continues to transform the auto industry, creating new opportunities, new challenges and new competitors. Despite all that has been accomplished jointly, GM is still vulnerable to the serious challenges that it faces in the marketplace. Consequently, these challenges also threaten the job security of all GM employees. Therefore, more change is required.

Non-U.S. based automakers continue to increase their share of the domestic automobile market, from 32 percent

in 2003 to 39 percent in 2006. Foreign competitors also have increased capacity from 4.8 million vehicles to 5.8 million during the same period.

In their effort to dominate the U.S. market, the non-U.S. based automakers benefit from some fundamental competitive advantages, including favorable currency exchange rates and substantially lower legacy costs because they have fewer retirees.

To carry the enormous legacy costs, GM must overachieve in every area of the business. This includes continuing to reduce costs; improve safety, productivity and quality; increase net sales; design and build great products; and work together as a team across all areas of the company.

Labor negotiations are integral to GM's long-term business success. It is a time for both parties to work together to create an environment where GM can strengthen its U.S. manufacturing base to meet the competitive challenges facing the company and its employees.

The record of shared accomplishments speaks for itself. We – GM and its unions – have worked collectively to greatly improve health and safety, productivity and quality so that the company is an industry leader in areas that include:

Health and Safety

- GM continues to improve and be the industry leader in health and safety performance
- GM North America is the automotive industry leader in the key measures of safety: lost workday case rate and recordable injuries. The company's annual rate (as of November 2006) on lost workdays is 0.21 cases per 100 employees, and the recordable rate is 2.67 (as of November 2006) per 100 employees
- GMNA has not had a fatality among its employees since October 2004

Productivity (The Harbour Report North America 2007)

- GM improved its overall manufacturing productivity by 2.5 percent.
- Three of the top four plant award categories went to GM. This is the first time ever that an automotive manufacturer has placed first in three or more Harbour award categories.
- GM had four of the top 10 most productive vehicle assembly plants in North America. GM's Oshawa, Ontario, plant was ranked number one.

- GM had four of the top 10 engine plants in North America. The Spring Hill, Tenn., engine plant was ranked number one.
- GM had two of the top five transmission plants in North America. The Toledo, Ohio, transmission plant was ranked number one.
- GM vehicle assembly plants led in 12 of 23 North American assembly plant segments.
- Since 1998, GM has closed the overall productivity gap with Toyota by nearly 85 percent.

Quality (J.D. Power and Associates 2007 Initial Quality Survey)

- GM's Oshawa #2 plant was the Silver plant winner in North/South America
- GM took 6 of the top 20 North/South American Plants
- Three models earned best in segment
 - Pontiac Grand Prix – Large Car
 - Chevrolet Silverado HD Classic – Large Pickup
 - Chevrolet Express - Van
- Two models ranked 2nd and four models ranked 3rd in their segments
 - Chevrolet Suburban - Large Multi-Activity Vehicle (2nd)

- Cadillac CTS - Entry Premium Car (tied for 2nd)
- GMC Yukon – Large Multi-Activity Vehicle (3rd)
- HUMMER H2 – Large Premium Multi-Activity Vehicle (3rd)
- GMC Sierra LD – Large Pickup (3rd)
- Chevrolet Monte Carlo – Midsize Sporty Car (3rd)
- GM continued to dominate segment leading positions in the Large Pickup and Large Multi-Activity segments. Grand Prix led the Large Car segment for the second consecutive year
- GM powertrains are industry leading with nearly twice as many powertrains in the top three of their respective segments than any other manufacturer
 - 6 GM models ranked #1, followed by 4 for Toyota and Ford
 - 16 GM models ranked in the top 3, followed by 9 for Toyota and Ford