



Leo W. Gerard
International President

August 7, 2006

Wesley S. Scholz, Director
Office of Investment Affairs
U.S. Department of State
2201 C Street, NW
Washington, DC 20520

Sent by Overnight Mail and Fax (202-647-0302)

Re: Continental Tire AG

Dear Mr. Scholz:

I am writing to you in your capacity as National Contact Point (NCP) for the United States regarding an urgent matter relating to the OECD Guidelines for Multinational Enterprises ("Guidelines"). Specifically, I am writing to advise you of serious breaches of the Guidelines by Continental Tire AG ("Continental Tire"), a multinational enterprise headquartered in Hannover, Germany, and its U.S. subsidiary, Continental Tire North America, Inc., in the treatment of employees working at Continental Tire's manufacturing plant in Charlotte, North Carolina. As summarized below, Continental Tire has engaged in a pattern of conduct which directly violates fundamental principles of the Guidelines. The conduct frustrates these employees' rights guaranteed them by the National Labor Relations Act ("NLRA"), and strives to deprive them of the benefit of union representation by the United Steelworkers ("USW").

Because of the flagrant nature of Continental Tire's' abuse of its workers' rights and the potentially devastating effect on the free exercise of these rights by Continental Tire workers in the future, the USW urges your office to communicate with the National Contact Point for Germany regarding this dispute, and to request that the German NCP engage representatives of Continental Tire directly. Further, the USW also urges your office to directly engage representatives of Continental Tire, and to intervene in order to facilitate a prompt resolution of this dispute.

Background: Continental Tire's Legacy of Hostile Labor Practices with the USW

Continental Tire, which once operated forced or slave labor camps in Germany and Poland under the Nazi regime during WWII, acquired General Tire in 1987. In 1998, USW members at its Charlotte, North Carolina plant were forced to strike to raise wages and benefits to levels enjoyed by other USW-represented tire workers. The company illegally and permanently replaced its entire 1100 hourly workforce after the strike began, which resulted in a formal Complaint and prosecution by the National Labor Relations Board. The one-year strike and a global campaign against Continental Tire, which was supported by unionized workers throughout the world, was successful.

The new labor agreement required Continental Tire to reach economic parity with other major tire manufacturers by 2004. Moreover, the company was forced to reinstate its unionized workforce in Charlotte.

In 2003, the company initiated a carefully planned strategy to escape its contractual obligations to its USW-represented workers, and demanded \$35 million in concessions from USW members to keep its Mayfield, Kentucky plant open, a figure which amounts to roughly \$35,000 per employee per year. However, the company made no significant new capital investments in Mayfield in over a decade to modernize the plant. At the same time, Continental Tire was making major capital investments in its non-union Mt. Vernon, Illinois plant. The company began a four-phase shutdown of the Mayfield plant and laid off most of its 1300 unionized workers. It moved much of the usable machinery from Mayfield to Mt. Vernon or to Brazil, where the company has constructed a new plant to supply the North American market. Today, the Mayfield plant operates with a skeleton crew of 130 workers who do not manufacture tires, a step the company has taken in order to escape providing enhanced pension and health insurance benefits.

In late 2005, Continental Tire began the course of conduct which directly violates the Guidelines and over which we seek your prompt and professional assistance. In a repeat of what Continental Tire had accomplished at its Mayfield plant, the company announced that it was demanding \$32 million in contract concessions at its Charlotte plant, approximately \$32,000 per employee per year. The USW was never able to receive adequate information from the company to bargain effectively or to fully understand the rationale for the draconian cuts being requested. The USW offered numerous proposals which would have saved the plant, as well as in-depth analyses to demonstrate that the flaws in Continental Tire's approach. Nonetheless, and even though the parties were making progress in negotiations, Continental Tire short-circuited bargaining, refused to meet further to discuss the Union's ideas.

On May 1, 2006, Continental Tire illegally (see below) imposed new cuts in wages, benefits and working conditions on USW-represented workers in Charlotte, and stated on March 10, 2006 its intention to "indefinitely suspend" tire production. Continental also announced the August 1, 2006 elimination of any type of employer paid retirement plan going forward, and imposition on January 1, 2007 of a \$3,000 cap placed on payments for retiree health care. The cap on retiree health care costs forces hundreds of workers who are not yet Medicare-eligible to face a cruel choice between poverty and no health care. Many retirees in this category will be required to utilize three-fourths or more of their pensions to pay for health care. Retirees, most with a full 30-year pension, may find it nearly impossible to find another and more affordable health care provider due to decades of toxic exposure associated with tire manufacturing. U.S. taxpayers' will be forced to cover those retirees who are forced to drop health insurance due to Continental Tire's abrogation of its responsibility. Even Medicare-eligible retirees will be forced to pay dramatically more for health care.

Similar to what Continental Tire did at the Mayfield plant, the company will maintain a skeleton workforce in Charlotte to shirk its duty to pay enhanced shutdown pensions and health insurance benefits. The company has begun dismantling equipment from the Charlotte plant and moving it to either Mt. Vernon, Brazil, Mexico, South Africa or France.

Continental Tire has long maintained a hostile attitude to unions in the U.S. Company officials have stated their preference to operate non-union on numerous occasions and without reservation. The company brazenly opposed several efforts by the USW to organize its non-union

Mt. Vernon plant and violated the NLRA in order to keep the plant non-union. The company hired professional union busters to intimidate non-union workers, and produced a film in 2003, using professional actors, for the purpose of scaring workers and destroying support for the union. The film, which is attached in DVD format, offers a dramatic portrayal of the Continental Tire's anti-union behavior.

Continental Tire's demonstrated hostility toward and actions against the USW and its members largely constitute an effort to cover up major management failures in the North American tire market. Included among these failures, as analyzed extensively in a British trade magazine for the tire industry, Tyres & Accessories (August, 2005) are: (1) no development of a replacement tire market; (2) no established dealer network in comparison to its competitors; (3) no marketing plan to increase brand name recognition; and (4) no research and development department for products in the North American market. The article is attached. In effect, USW members have become scapegoats for the errors of Continental Tire's management. The Company has also for the first time dramatically cut wages and benefits at its only operating, solely-owned, and non-union U.S. plant in Mr. Vernon. Once the threat of unionization of the Mt. Vernon plant was removed, the company declared war on its non-union workers.

Continental Tire's Latest Violations of U.S. Laws under the NLRA

Continental's conduct at the Charlotte plant has come under tremendous scrutiny by the U.S. government. A Complaint was issued by the National Labor Relations Board on June 29, 2006. The Complaint under the NLRA states that the Company "did refuse, and continues to refuse, to bargain collectively with the Union." Specifically, the Company "failed and refused to bargain" over its decision to lay off employees and eliminate tire production at the Charlotte facility. It prematurely declared an impasse in bargaining on April 30, 2006, and it unlawfully implemented its final offer on May 1, 2006. Finally, the Company unlawfully laid off employees at the Charlotte facility. A trial on these issues has been scheduled.

Remedies for violations of the NLRA generally place the parties in the same position they were in prior to any unlawful conduct (status quo ante), and thus could require the Company to reimburse employees for losses caused by the Company's conduct, including those laid off or deprived of wages or benefits, as well as the restoration of tire production. Remedies could also include a requirement to bargain in good faith and provide information necessary to effective bargaining.

We are attaching a copy of the complaint issued against Continental Tire by the NLRB.

The OECD Guidelines

As you know, the OECD Guidelines are designed to promote responsible conduct by multinational enterprises and to facilitate resolution of disputes arising in their operations. In June 1991, moreover, the OECD Council directed that National Contact Points for member governments should assist in resolving problems that may arise between multinationals and their employees in matters covered by the Guidelines.

Continental Tire's conduct with respect to its North Carolina employees constitutes a serious breach of the principles stated in the General Policies and the Employment and Industrial Relations sections of the Guidelines. The relevant principles include the following:

"Employment and Industrial Relations", OECD Guidelines, 2000 Revision.

"Enterprises should, within the framework of applicable law, regulations and prevailing labour relations and employment practices:

1. (a) Respect the rights of their employees to be represented by trade unions and other bona fide representatives of employees, and engage in constructive negotiations, either individually or through employees' associations, with such representatives with a view to reaching agreements on employment conditions;

2. . . .

(b) Provide information to employee representatives which is needed for meaningful negotiations on conditions of employment.

(c) Promote consultation and co-operation between employers and employees and their representatives on matters of mutual concern.

4. (a) Observe standards of employment and industrial relations not less favourable than those observed by comparable employers in the host country.

8. Enable authorised representatives of their employees to negotiate on collective bargaining or labour-management relations issues and allow the parties to consult on matters of mutual concern with representatives of management who are authorised to take decisions on these matters."

Continental Tire's conduct in this matter has seriously breached all of these principles. Management has refused to engage in constructive negotiations with the recognized representative of its employees. As the NLRB has stated in its Complaint, Continental Tire has refused to provide information necessary for bargaining. Continental Tire, by its unilateral implementation of dramatic changes in conditions of employment has failed to observe a critical principle observed by employers in the U.S. and required by U.S. law. Moreover, the Company has determined to slash benefits for retirees, in violation of contractual promises made to them at the time they retired.

Given the serious nature of the violations committed by Continental Tire, the USW urgently requests that your office meet with representatives of the USW and the AFL-CIO, and raise this matter with representatives of Continental Tire, in order to facilitate resolution of this dispute in a

manner consistent with the Guidelines and federal law. Further, because Continental Tire's labor policies and conduct of labor-management relations have been overseen by the German parent, the USW requests again that you engage the NCP for Germany and urge that party to intervene with responsible officials of Continental Tire in Hannover.

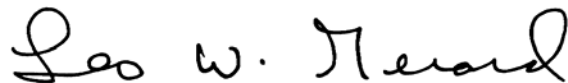
We stress, according to the *User's Guide on the OECD Guidelines* prepared by the Trade Union Advisory Committee to the OECD, the appropriateness and necessity of the NCP in the country where the violation of the OECD guidelines took place to establish direct contact with NCP in the country of the charged party and parent company, and to play an affirmative role in resolving the problem. The *User's Guide* also states that parallel procedures (e.g. complaints filed simultaneously under the NLRA and OECD Guidelines) are a fully accepted practice and therefore unnecessary delays in pursuing examination of OECD Guideline violations and remedy should not be acceptable to the Department of State.

The conduct of this German company and its apparent belief that it can violate U.S. laws and the Guidelines with impunity is shocking. The full force of the U.S. Government, including NCP intervention, should be brought to bear.

Please direct further inquiries to Joseph Stuligross, Esq, USW Legal Department. He can be reached at (412)562-2533 or by e-mail at jstuligross@usw.org.

Thank you and we look forward to your prompt action.

Sincerely,



Leo. W. Gerard
International President

LWG:JJD

c: John J. Sweeney, President, AFL-CIO
USW International Executive Board
Fred Higgs, General Secretary, ICEM
Marcello Malentacchi, General Secretary, IMF
Hubertus Schmoldt, President, IG BCE
Juergen Peters, Chairman, IG Metall
John Evans, General Secretary, TUAC
Michael Mersmann, Counselor, German Embassy