

# Think **KTWICE!**

JUNE/JULY 2004 THE OFFICIAL PUBLICATION OF THE ALLIANCE@IBM/CWA LOCAL 1701

## IBM Stockholders Meeting Report

BY LINDA GUYER, PRESIDENT ALLIANCE@IBM/CWA LOCAL 1701

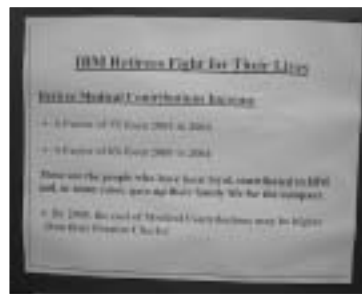
**M**any Alliance members and supporters attended this year's annual shareholders meeting in Providence, RI on April 27. We attended the official IBM meeting and then held a big rally outside the convention center immediately following the meeting.

Inside the meeting, Sam Palmisano tried to portray a much friendlier image than Lou Gerstner, and he does succeed with that image. The same warm colors graced the stage this year, as did last year, when it appeared Sam wanted a new look to replace the old, stark blue stage setting.

My guess is about 250 attended the meeting in Providence. Before the meeting, about 20 of us marched outside the Convention Center carrying anti-offshore signs and signs about reductions in retiree medical benefits. Quite a few reporters interviewed us, including the *Providence Journal*, *Business Week*, CNN and others.

During the meeting, Alliance member Earl Mungeon stood and made a motion that the Q&A part of the meeting be added before the adjournment, not afterward. Several people seconded the motion but it was not allowed. I guess they don't follow Robert's Rules of Order.

Shortly after that, gadfly Evelyn Davis grabbed the microphone (as she usually does) and began her usual verbal wanderings. Being very annoyed that



they let her speak just after shutting up the motion by Earl, I stood up and said "This is not fair, she should wait her turn" and some members of the audience started chanting "wait your turn, wait your turn." Thankfully they

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IBM employees, retirees and supporters join forces IBM shareholder meeting to voice concerns over off-shoring and retiree benefit cuts.

## Speech to IBM Stockholders' Meeting by Jimmy Leas

**O**n July 31, 2003, in the class action case of *Kathy Cooper v. IBM*, a federal court in Illinois declared that IBM had violated federal discrimination law. Mr. Palmisano, you and your predecessor, Lou Gerstner, were responsible for making and maintaining the decisions, and the federal court essentially convicted both of you.

The court rejected IBM's excuses that the law changed and that IBM did not know the law. From IBM's own documents, Judge G. Patrick Murphy stated that "IBM was aware of the age discrimination issues that would

come with the new cash balance formula." The court said that indeed the plan's actuaries told IBM of two separate ways that the cash balance formula violated the law. Thus, from IBM's own documents Judge Murphy concluded that "IBM . . . proceeded [with the cash balance plan] **with open eyes and was fully informed** of the consequences of the litigation that was sure to come."

When you and Mr. Gerstner slashed long promised retirement pay and retirement medical in 1999, you created an unprecedented groundswell of protest among tens of thousands of IBM

employees who were outraged that IBM was stealing earned compensation from them when they were old and most in need. Employees moved into action because IBM broke its often repeated promises that retirement pay and retirement medical insurance were a secure part of their earned compensation.

You might think that as shareholders we would benefit from slashing retirement pay. But what if no company money was saved? What if the \$70 billion pension trust fund already had a \$17 billion surplus at the time? What if the pension trust fund was earning interest faster

than it was paying out benefits to retirees, so IBM was paying nothing each year for the pensions of its retirees and the pension trust fund was growing? What if the real purpose of slashing pensions was to use what was then a little known accounting rule treatment of pension money to inflate IBM's profit report with "vapor profit" from the pension fund and boost executive pay? The vapor profit did not help stockholders because no money could be transferred from the pension fund. It was just an accounting rule gimmick. So only the executives gained, and

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### Join the Alliance@IBM/CWA

Join the Alliance@IBM/CWA and join with your co-workers in building the strength and unity that we will need to reverse anti-employee benefit and personnel policies at IBM. If we work together, we can make IBM into a better and more secure place to work. Sign up below and be a part of the movement for positive change at IBM!

Name \_\_\_\_\_ Job Title \_\_\_\_\_  
Work location/Division \_\_\_\_\_ Years with IBM \_\_\_\_\_  
Home Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Home e-mail \_\_\_\_\_ Home phone \_\_\_\_\_

(Check boxes that apply)

- Voting member.** I will pay monthly dues of \$10 and become a voting member of the Alliance@IBM/CWA Local 1701. Send me an application form.  
 **Subscriber.** I want to receive Alliance publications and be placed on the Alliance e-mail list.

For information go to [www.allianceibm.org](http://www.allianceibm.org)

### Tally of Alliance shareholder resolutions:

- Full disclosure of Executive officer Compensation  
By Janet Krueger .....15.7%
- Proposal on Executive Compensation and use of pension funds as criteria  
By Don Parry .....37.5%
- Proposal on special review of IBM's executive compensation policies and whether they create undo incentive for shortsighted decisions  
By Jim Mangi .....10.7%
- Stockholder proposal on pension and retirement medical  
By James Leas .....11%

### Other significant resolutions:

- Building Trades Union pension fund resolution on expensing stock options .....52%
- Teamsters resolution on disclosing all political contributions ..10.1%
- IBM would be required to adhere to 11 specific principles defined by the United Nations and the International Labor Organization.....9.3%

## LIFE OF A SSR GETS TOUGHER EVERY QUARTER.

**T**hey have gone by many names over the years. From FE's to CE's (customer engineers) and now SSR's (service support rep). Regardless of how you spell it, the men and women who fix the equipment and the systems at customer sites are one of the most valuable groups in IBM. They are the front line when the customer needs to keep their business up and running. Yet over the past few years IBM management has treated them, according to some SSR's, as simply "slaves" to be tossed out every time there needs to be a resource action. As job cuts take place the remaining SSR's take on the customers and responsibilities from those that

lost their jobs.

It is not uncommon now for a SSR to have a service territory of 150 miles. SSR's work 60-80 hours a week to make their utilization numbers. Long hours and being on the road are safety concerns. Many SSR's also work night shifts.

To make matters worse, on June 1st SSR's will lose double pay for work on Sundays.

SSR's typically make less than \$50,000 nationwide and are mostly band 2 through 4, with very few 5's. The work situation for SSR's is not getting better and most will tell you it is unbearable right now, with little time left for family.

The lack of respect from territory managers, the long

hours and the cuts in pay and benefits have brought many to the conclusion that they need a union contract. Imagine a contract that spells out the conditions of work. No surprises or management "overnight" changes dropped on employees like the double "3" PBC and you're fired. Instead, a clear process and a contract workers and managers alike abide by.

It can happen. Help us build SSR Alliance chapters to work on fixing the problems today. Help us get to the goal of a union contract. Talk to your fellow SSR's about the value of collective bargaining and union representation. Help us build a better future for SSR's.

## IBM Offshoring Hits Australia

To: Brendon Riley, General Manager  
IBM Global Services, Australia & New Zealand

**W**e are a group of IBM staff who are concerned about the potential loss of our jobs as a result of decisions by IBM to transfer work to overseas locations, including the recent decision to send roles on the Telstra account to IBM India.

Whilst we understand the commercial pressures that can lead to these decisions being made, we believe the process can be managed in a manner that gives due consideration to staff that have dedicated so much effort to making IBM the success that it is.

Some time ago, the Community and Public Sector Union (CPSU) raised a proposal that IBM manage any job losses associated with the IBM India role transfer by a company wide call for voluntary redundancies, allowing job swaps and staff retraining. If IBM were to agree, this would allow people who may have mortgages and young families — highly motivated staff who desperately need the work — to swap roles with those who may want to leave the company.

We believe this is a reasonable proposal and is in line with the company's policy of investment in people and commitment to training.

We therefore request that you consider this proposal and furnish your reply to our CPSU representative at your earliest convenience.

Regards,  
IBM Global Services Staff

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turned off Evelyn's microphone and Sam asked her to wait until the agenda came to her resolution, at which point she then has the right to speak. One thing done right!

Sam was trying to be preemptive on the globalization issue and mentioned how much money IBM spends on educating employees and the \$25M "Human Capital Alliance" that was recently announced at the Partner World conference. I spoke on that point, and stated that the "Human Capital

Alliance" has two problems: (1) the program is barely started, and virtually undefined, and will not be ready for people losing their jobs in the near future; and (2) \$25M is a drop in the bucket for IBM. In fact I told one reporter I thought it was a PR stunt, in my opinion.

I also said I wish IBM would do more to help employees who will be affected by offshoring. No one I know who is training their replacement has been offered any training, nor any other job. Where is the

investment in future technology? Why can't IBM employees get internships in the research labs to learn the new stuff? IBM could be leaders in invention, instead of leaders in cost-cutting and dodgy accounting.

At our rally we were joined there by many local union members, Jobs with Justice activists, local clergy, and many others who were on their lunch breaks.

The rain that fell in the morning luckily turned to sunshine. Once I got outside, I lead the crowd in some chants like "What do we want? Our jobs back!" and "Offshore the CEO." There were many speakers and we were joined by the Benefits Restoration Group; John Bauman, President of TORAW; folks from techsunite.org, Programmers Guild, and others.

Oh, and the bomb-sniffing dog was really cute.

*Links to press articles are on the Alliance web site,  
<http://www.allianceibm.org>  
Linda Guyer*

## Contractors face new pay cuts and lack of respect

**T**hey work at IBM sites yet aren't considered part of the IBM family. Many of them ironically are IBM retirees or former employees. As contractors working at IBM, they feel that their concerns and issues go under the radar screen. When there are resource actions in IBM divisions, contractors also lose their jobs but it doesn't get the press or attention that IBM employee cuts do. Many feel that IBM employees don't respect them.

Contractors also face what has become yearly pay cuts of 5% to 7%.

One vendor recently sent out a note notifying contractors that a 5% rate reduction will take effect on May 1st for all skill categories and skill levels. This was the 4th rate reduction since September 2001.

A contractor who wrote to us presented her situation as follows: "Most of us are former IBMers who now work back in IBM for less pay, less benefits, and little or no hope of a promising future. We make up a good portion of the IBM workforce since outsourcing was introduced in 1994. First targeted were "non-core" jobs or "non-revenue" generating jobs. While outsourcing seems okay to some because at least the jobs are remaining in America, it's still exploiting hardworking people who want a real job with real benefits. We are quickly becoming the poor working middle class as we struggle to improve our lives."

IBM and the vendors protect their interests through contracts. It is time for contractors to consider collective bargaining agreements to protect theirs.

## Speech to IBM stockholders

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their personal gain was the underlying reason for the illegal action.

Previous IBM executives had established and built this pension trust fund that enabled IBM to provide a very valuable benefit to every IBM employee and retiree **at no cost to IBM** and at no cost to shareholders. The pension provided enormous competitive advantage in attracting and retaining the most talented employees in the industry, and building loyalty and dedication. When you and Mr. Gerstner reneged on that promised pension and retirement medical, you blew that competitive advantage, you blew that loyalty, and you blew that trust. And when IBM employees found that Gerstner had made the decision and Palmisano maintained the decision for totally self-serving reasons, many talented IBMers, including many inventors, left to join the competition.

IBM paid a heavy price to help enrich Mr. Gerstner and Mr. Palmisano. Reneging on promised retirement pay is a good part of why IBM missed deadlines and why sales stagnated and profits declined these past four years.

To get IBM back on track, much work is needed by an honest executive leadership. For starters, IBM should end age discrimination by providing all employees with the choice of pension and retirement medical plans. It should also permit independent investors to run against the current board members to help restore IBM's dignity and values. Only then can IBM truthfully declare itself to be an equal opportunity employer and restore trust that its promises will at last be kept.

*James Marc Leas was an engineer and patent agent with IBM for twenty years.*

## PICK UP MAILING PANEL