

Record: 1

Title: Parts maker Delphi to ask for wage cuts
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Source: Detroit Free Press (MI); 10/20/2005
Document Type: Article
Accession Number: 2W64012708134
Database: Newspaper Source

Parts maker Delphi to ask for wage cuts

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Jason Roberson

Oct. 20--Delphi Corp., the bankrupt employer to 14,700 Michigan workers, will formally ask for deep cost cuts from the UAW on Friday.

The union must decide to accept the cuts or see its contract thrown out by a bankruptcy judge. Before declaring Chapter 11 bankruptcy, the parts supplier asked its hourly workers to accept more than 60 percent in wage cuts. That means workers making about \$27 an hour could make \$10 an hour.

Bankruptcy Judge Robert Drain could impose even tougher terms for the UAW by throwing out the union contract and allowing Delphi to make deep cuts

Analysts say Delphi on Friday will continue to ask for voluntary concessions from union officials on wages and eliminating the jobs bank that costs Delphi \$400 million for wages and benefits for 4,000 employees who get paid even when there is no work for them. .

The real question is how the UAW will respond.

"I think they'll listen, but I'm not so sure the union has an incentive to work with Delphi," said Erich Merkle, auto analyst with IRN Inc. in Grand Rapids.

If the UAW opens its contract and allows Delphi to lower wages, it could give way to General Motors Corp. and others to seek concessions as well, Merkle said.

"They would be pounding on the door," Merkle said, "because all of a sudden now it opens everything up."

A better UAW strategy, Merkle said, would be for the bankruptcy court to make a decision allowing Delphi to make cuts. This way the UAW protects its agreements with other automakers and auto suppliers.

Mark Johnson, president of ERISA Benefits Consulting of Dallas, disagrees. He said the union will now have even more pressure to accept Delphi's offer because it cannot risk allowing the bankruptcy

court to give Delphi complete control.

Most agree that Delphi's 63 percent wage cut proposal was a classic negotiating tool.

"They had to have a dire proposal because that is going to create a floor for the bankruptcy judge and what the creditors are going to look at," said Robert Chiaravalli, principal with Strategic Labor and Human Resources LLC of Waterford. "A \$10 or \$12 wage in real terms has to be among the lowest wages paid in the last 30 years ... for assemblers and manufactures of vehicles."

The Troy-based auto supplier filed for Chapter 11 bankruptcy protection in New York on Oct. 8, after efforts to win concessions from its labor unions and a multibillion-dollar bailout from former owner GM failed. The filing gives Delphi -- which lost \$4.8 billion last year and \$741 million through the first six months of this year -- relief from its creditors while it develops a plan that will include closing plants and imposing lower wages and benefits on workers. Delphi expects to emerge from bankruptcy in 2007.

U.S. Sen. Debbie Stabenow, D-Mich., plans to talk with Delphi's chief executive, Steve Miller, today on protecting worker wages, pensions and health-care benefits.

Business writer Michael Ellis contributed to this report.

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**Source:** Detroit Free Press (MI), Oct 20, 2005

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