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Delphi, workers down to zero hour

Partsmaker could ask court to void contracts

By **Rick Popely and Stephen Franklin**

Tribune staff reporters

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Come Friday, Delphi Corp.'s 34,000 hourly workers may discover a different future with the struggling auto parts-maker.

After twice passing up dates when it could seek bankruptcy court approval to drop its union contracts, the firm has not budged from the Friday deadline.

But the Michigan-based company was not saying Thursday what it might do.

"We may file, and we may not file. We have only said that Feb. 17 remains the earliest date we would file," said Delphi spokeswoman Claudia Piccinin.

When the firm filed for bankruptcy protection last fall, Delphi said it wanted to slash wages by thirds for most hourly workers, dropping wages to \$10 an hour, and erase many of the benefits inherited when spun off from General Motors Corp. in 1999.

What could happen on Friday?

In one scenario, the company once again delays filing the petition, hoping to keep talks alive with three major unions.

The United Auto Workers union has about 24,000 workers at Delphi, the International Union of Electrical, Electronic, Communications, and Allied Workers of America about 8,500 and the United Steel Workers union has about 1,000 members.

While Delphi officials have not described the mood of the talks, UAW officials recently said the sides were far apart, and a strike is possible. The UAW has not taken a strike vote, but the electronic and communications workers union has called for one in the coming weeks, according to a recent story in the Dayton Daily News in Dayton, Ohio, where Delphi has plants.

A second possibility is the company asks the court to allow it to void its labor agreements and cancel health and life insurance benefits for 14,000 retired hourly workers.

The legal process then drags on for weeks, letting Delphi use the petition as a wedge to force

unions closer to an agreement. Many such deals are reached on the courthouse steps, said Gover, a bankruptcy and corporate reorganization expert in New York.

But if Delphi can't work out a deal, the extra time could let it build an inventory and plan for a move or for shutting down its plants in the U.S.

However, any production stoppage would cripple GM, which relies heavily on a pipeline of parts from Delphi and has stepped into the talks.

"Our discussions are ongoing with both the UAW and Delphi about trying to reach a mutually satisfactory agreement that will allow Delphi to emerge as a viable supplier to General Motors. It makes sense for GM and its shareholders," said GM spokesman Jerry Dubrowski.

As part of its talks with the unions, GM also is believed to be discussing taking back some Delphi employees as its current workers retire.

The giant automaker took a \$2.3 billion after-tax charge in the fourth quarter to set up a reserve fund to cover some of Delphi's pensions and retiree health-care costs. GM estimates it could be liable for \$3.6 billion to \$12 billion in charges related to Delphi on a pretax basis.

The fourth-quarter charge covers "the low end of GM's exposure," Dubrowski said, calling it his best guess at this point, because there are a lot of moving parts to this. He said any such liability would be paid out over several years, not in a lump sum.

Dubrowski said this is not the cost of an aid package to help Delphi or a settlement with the supplier.

Delphi faces risks if it moves to drop its union contracts, said Anthony Sabino, a business law professor at St. John's University.

"Filing the motion could have a highly polarizing effect," said Sabino. "It would signify that Delphi is taking a tough stance, and that could make emotions run very high, or it could be a catalyst for productive discussions.

"No one is more focused than a man with a gun to his head. On the other hand, it may raise animosity to a level that could poison future talks."

Even if Delphi seeks relief from the court, Sabino expects the company and its unions will keep talking and try to get GM more involved.

"They may conclude that it's far better for us to decide what we can live with than to let a bankruptcy judge decide for us," he said.

Sam Tiras, a University of Buffalo law professor, predicted that Delphi and the unions eventually will reach some compromises.

"There is no way the workers are going to take an unskilled worker's wage, and no way that Delphi can afford to pay them what they make now," he added.

In its drive to reduce wages and benefits, Delphi has to avoid enraging its workforce, Tiras said.

"I don't see how in the long run that Delphi can survive if the workers hate the company," he said.

If a deal cannot be reached, the company warned last year, most of its factories in the U.S. could be shut down and work shifted overseas, where it has numerous plants and more than 130,000 workers.

Greg Shotwell, a 27-year veteran and machine operator at a Coopersville, Mich., Delphi plant, said distrust runs deep among fellow workers.

"Everyone that I talk to expects them [Delphi] to pull the trigger on Friday," said Shotwell, a leader of a small protest movement among UAW workers.

Among its strategies, the group has urged a "work to rule" campaign, in which workers only assigned tasks and, therefore, slow production.

And despite the small turnout at the rallies held by his group, Shotwell insisted that support widespread.

"The dog who doesn't bark is the one who bites," he said.

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