US auto supplier Delphi moves to cancel union contracts

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US auto parts supplier Delphi asked a federal bankruptcy court on Friday for authorization to void its existing labor contracts, a move that would allow the company to unilaterally implement massive cuts in jobs and wages of its workers. The court filing comes the same day as the company provided details of a reorganization plan that includes tens of thousands of job cuts, and a week after it submitted a proposal for sharp pay and benefit reductions.

A decision by the court will not be made until May 9 or 10, and Delphi will use the next five weeks to seek approval from the United Auto Workers for a concessions contract. The court action will be used to threaten workers with even greater pay reductions if they do not accept a deal worked out between Delphi, its former parent company General Motors, and the union bureaucracy.

Delphi CEO Robert "Steve" Miller said in a press release that "Delphi remains committed to finding a consensual resolution to our issues and intends to continue to discuss with our unions and GM ways to become competitive in our US operations.... We intend to work with our unions and GM but at the end of the day Delphi must be competitive in the global marketplace."

Delphi is also trying to get GM to pay for some of Delphi's labor costs and increase prices paid for some of Delphi's products. On Friday, Delphi filed a separate motion to have the court reject some supplier contracts with GM that have been unprofitable for Delphi.

The reorganization plan would shut down or sell off much of the company's operations, including most of its unionized manufacturing facilities. Delphi would hold on to only 8 of the 29 plants covered by its union contracts. Some 23,000 hourly workers would lose their jobs, including 75 percent of UAW workers. The company also said it plans to eliminate 25 percent of its salaried positions, or about 8,500 workers.

Delphi did not explicitly say which plants it would close; however, it did say it considers its eight "core" facilities to include plants in Brookhaven and Clinton, Mississippi; Kokomo, Indiana; Lockport and Rochester, New York; Warren and Vandalia, Ohio; and Grand Rapids, Michigan. Not included in this list are plants in many parts of the country, including several plants in Ohio and Michigan.

Delphi is seeking agreement from the UAW to oversee this massive retrenchment while slashing wages and benefits for workers who remain at the company. On March 22, the UAW forged an agreement with Delphi and GM—the "Special Attrition Program"—that is aimed at phasing out tens of thousands of jobs at the two companies. Some 13,000 Delphi workers will be offered cash payments of $35,000 to leave the company, while 5,000 more could accept jobs at GM.

Two days later, Delphi submitted to the UAW a proposal that would cut wages sharply for workers who remain. Production workers who now earn $27 would receive an immediate $5.00-per-hour pay cut, followed by another $5.50-per-hour pay cut in September 2007, bringing wages down to $16.50. New workers would be hired at $11.00 an hour. A one-time payment of $50,000 would go to those workers covered under current contracts who do not work at plants slotted to be shut down or closed.

Even this massive pay-cut plan is contingent on financing from GM for some of the labor costs. If this financing fell through, all workers would have their pay immediately cut to $12.50 an hour, less than half their current wage rates. GM has said that it is not committed to providing this funding.

In addition to wage cuts, Delphi is also planning benefit cuts, including the freezing of its pension plan and replacing it with a defined contribution plan that would require payments from workers. Workers would also face new health-care premiums and would see the elimination

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of the “Jobs Bank,” which provides pay and benefits for idled workers.

Delphi’s attempts to impose these cuts may lead to a strike, in spite of the best efforts of the UAW bureaucracy to reach a deal with management. The union clearly senses that it will be unable to get approval from its membership for the current Delphi proposal, though the union may accept the agreement if GM guarantees financing. While the UAW has previously suggested that it would strike if Delphi asked the court for permission to revoke the contract, as it did on Friday, the union is now saying it may strike if the court agrees to the proposal and the company eliminates the contracts. This will give the union additional time to seek an agreement that will inevitably involve massive concessions, which it will attempt to sell to its membership.

The possibility of a strike is of great concern to GM, whose operations would be impossible if its major parts supplier ceased production. In a press release on Friday, GM Chairman and CEO Rick Wagoner stated, “We disagree with Delphi’s approach but we anticipated that this step might be taken. GM expects Delphi to honor its public commitments to avoid any disruption to GM operations.” In the event of a strike, GM expects Delphi to continue operations by hiring scabs and utilizing its non-union workers.

The cuts being pushed through at Delphi are part of a broader assault on jobs, wages and benefits throughout the auto industry. Earlier this week, GM implemented the first phase of its plan to cut white-collar positions by giving pink slips to 500 engineers and other workers. This is part of a broader plan to eliminate 30,000 of its 113,000 hourly jobs. Like Delphi, GM is also seeking a way out of its benefit obligations and constraints on its ability to terminate employees at will. Whatever agreement is worked out at Delphi, it will be seen as a spearhead for the implementation of similar measures throughout the industry.

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