

Title:

Chrysler Strike Deadline Nears

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Summary:

The United Auto Workers' 11 a.m. EDT strike deadline loomed over continuing labor-contract talks between the union and Chrysler on Wednesday morning.

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The United Auto Workers' 11 a.m. EDT strike deadline loomed over continuing labor-contract talks between the union and Chrysler on Wednesday morning.

Negotiators worked through the night at Chrysler's headquarters in Auburn Hills, Mich., according to the Associated Press, but several key issues remained unresolved.

The UAW recently completed similar negotiations with Chrysler's counterpart, General Motors , but not before workers walked off the job for two days.

If an agreement is not reached with Chrysler on Wednesday morning, 49,000 workers could leave their jobs at 24 U.S. plants, but negotiations could still be extended further.

Representatives of Chrysler and the UAW couldn't immediately be reached for comment.

Observers say Chrysler could easily weather a short strike because its inventory levels are too high and a work stoppage could help the company remedy that. A longer strike would be a threat to the company's cash position.

Chrysler was recently sold by its former German parent company, Daimler , to private-equity giant Cerberus Capital Management. It's no longer traded publicly, but its negotiations with the UAW could have implications for the No. 2 U.S. automaker, Ford .

Meanwhile, the UAW is expected to announce Wednesday that a majority of its GM workers voted to ratify its tentative agreement on a labor contract. The two parties agreed to set up a union-controlled health care trust fund, or VEBA. It also established a two-tier wage structure, allowing the company to pay new hires at a lower rate that is more comparable to its foreign-based competitors. The VEBA will be expensive for GM in the near term as the it shells out cash to finance the fund, but in the long run, it promises to free the company from the crushing burden of its health care payments to retirees. That will lower GM's borrowing costs and boost the profitability of its auto operations, allowing the company more leeway to invest in new products and become a more formidable competitor.

Talks at Chrysler are centered on how much the automaker would pay to finance a VEBA. It has an estimated \$18 billion in unfunded retiree health care costs. The automaker also is trying to get health care concessions from the UAW that were already granted to GM and Ford.

The UAW is seeking production guarantees at U.S. plants to preserve union jobs.  
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