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Delphi CEO offers warning, remedy

Reports: Miller says Delphi collapse could 'fatally wound' GM; urges slashing workers' pay.

October 11, 2005: 7:38 AM EDT

NEW YORK (Reuters) - Delphi Corp.'s chief executive said a collapse of the auto supplier, which has filed for bankruptcy protection, would damage most of the world's automakers, and that the company can save its pension plan for U.S. hourly workers only if unions agree to work for a third of their old pay and benefits, according to two separate news reports published Tuesday.

Speaking to Britain's *Financial Times*, chief executive Robert "Steve" Miller said a global fallout can be avoided if the company makes enough cuts to ensure its survival.

"If we do this right, Delphi will remain one of the world's leading global automotive suppliers," he told the *Financial Times*. "If we do it badly, Delphi may be broken up into small pieces, and America will have lost some of its precious industrial treasures."

"The impact of a collapse could potentially injure most of the world's automakers, and perhaps fatally wound General Motors. I am absolutely determined not to let that happen," said Miller.

Delphi's filing piles pressure on [General Motors Corp.](#) ([Research](#)), its biggest customer and former owner.

GM is closely tied to the unit it spun off in 1999 through complicated supply and labor agreements.

In an interview with the *Wall Street Journal* published Tuesday, Miller told the paper that if the United Auto Workers agrees to cut wages and benefits to about \$20 an hour, Delphi could be competitive with other auto parts makers.

[Delphi](#) ([Research](#)) has made no decision to terminate its pension plans, said Miller.

He said unions would have to accept cuts to wages and benefits at Delphi to repay the pension plan shortfall.

"This will put the unions in the difficult position of perhaps having to make trade-offs between maximizing the pay and benefits for active workers versus maximizing the chances for saving the pension plans," Miller told the *Financial Times*.

With those wages, Miller said Delphi also could generate enough capital to help shore up a pension plan underfunded by about \$5 billion.

The average union worker's wage-and-benefit package at Delphi is about \$65 an hour, according to Delphi. Last week, just days before Delphi filed, the UAW rejected demands to cut workers' pay package to between \$16 and \$18 an hour.

Miller said he would take a "significant" cut in his \$1.5 million salary, if necessary, and defended Delphi's decision to increase cash bonuses and extend severance packages to 18 months for top executives.

Delphi's [sweetened executive packages](#) included stock for 600 executives around the world.

Miller said Delphi was now paying roughly market value for most salaried employees but below market for top executives. In exchange for a longer severance period, executives agreed not to work for competitors.

Under Delphi's proposed schedule, it would make offers to its unions by Oct. 21. If no agreements are reached by Dec. 16, the company would request to terminate the contracts in court on Jan. 17.

DELPHI AT A GLANCE

| | |
|--------------------------------|---|
| Headquarters: | Troy, Michigan |
| # of employees: | 185,000 |
| Top management: | Robert S. Miller, Chairman, CEO Rodney O'Neal, President |
| Products: | Auto parts and related electronics |
| Net sales 2004: | \$28.6 billion |
| Net income (loss) 2004: | -\$4.8 billion |

Delphi, the former parts making unit of General Motors, was spun off as a separate business in 1999, and is still the automaker's chief supplier.

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The executive, who said he felt obliged to keep the pensions afloat, also called traditional defined-benefit pension plans an "anachronism," the paper reported.

Miller also told the *Journal* if Delphi can negotiate lower wages with the UAW and other smaller unions, he may be able to save more union jobs in North America, where Delphi has 45 manufacturing sites employing 49,000 workers.

Will GM follow Delphi into bankruptcy? [Click here.](#) ■

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