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By **RICK POPELY, JIM MATEJA and STEVE FRANKLIN**
Chicago Tribune

CHICAGO — When Delphi Corp., the struggling auto parts giant spun off by General Motors, goes to bankruptcy court today, it will be routine in appearance — but not in symbolism.

This could be the first step in the unwinding of another American industrial tradition — the era of the privileged and protected blue-collar assembly line worker.

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If Delphi, which filed for Chapter 11 protection on Saturday, gets what it seeks in wage and benefit reductions from union members, the pay for members of the United Auto Workers could shrink to as little as \$10 an hour from the current \$27. Their benefits almost certainly would drop as well.

Those drastic cuts would come not only as a blow to thousands of Delphi workers, but they also could set the pattern for negotiations between the union and the Big Three domestic automakers, which for years have struggled to find ways to lower their costs on the assembly line.

"In one fell swoop, U.S. autoworkers are going from being solidly in the middle class to being part of the working poor by earning \$10 an hour," said Harley Shaiken, a

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University of California-Berkeley labor expert.

If GM can't get concessions from the UAW when it negotiates a new contract in 2007, analysts are raising the possibility of what once seemed impossible: General Motors in bankruptcy.

GM "ultimately needs to shrink," John Novak, an analyst at Morningstar, told Bloomberg News. "The question is, can they do that in or outside of court?"

The competitive issues bedeviling the auto industry are the same coursing through much of American manufacturing. In the era of globalization, in which nonunion Japanese car companies are entrenched in the United States and Chinese factories can produce goods at cheaper prices, the high cost structure of U.S. companies needs to come down.

GM isn't out of options. For one, it could sell its GMAC finance unit because it generates most of the profit and cash flow, said Mesriow Financial economist Diane Swonk.

But "after that, all bets are off," Swonk said of the bankruptcy potential for GM.

GM refused to bail out Delphi, its biggest supplier, rolling the dice that Delphi will continue to provide parts during reorganization. GM is Delphi's biggest customer, accounting for nearly half its \$28 billion sales.

Delphi, which lost \$741 million in the first half, says it will close or sell several of its 45 North American plants and cut thousands of jobs.

By not helping Delphi, GM is warning the union to brace for tough talks two years from now, when the four-year contract ends,

Burnham Securities analyst David Healy said.

"The Delphi action means negotiations on the 2007 contract with the UAW are under way," Healy said. "The union has to make concessions because GM can't keep losing money at the rate they are. The small print in the GM financial statements says that in 2004 its labor cost was \$78 an hour with benefits."

GM lost \$1.64 billion in the first half, with losses at its North American auto unit wiping out profit at GMAC.

Even if GM doesn't seek bankruptcy, the UAW faces growing pressure to give back big chunks of the wages and benefits it has won in the last 70 years to save U.S. jobs.

"The power of the union has been altered, and their negotiating power is gone," said David Cole, chairman of the Center for Automotive Research. "Their wages and benefits are now going to be defined by the bankruptcy judge, which basically means wages and benefits will be defined by the global market where if you aren't competitive, you have a problem."

UAW President Ron Gettelfinger, who Saturday described Delphi's filing as "an extremely bitter pill," had no additional comment Monday.

GM has pressed the union since April to pay more out-of-pocket for health care and said it will cut 25,000 UAW jobs over the next three years, mainly through attrition.

Labor expert Shaiken said high productivity and low wages in countries such as Mexico and China are shaping wages in the United States, where autoworkers in the future may not be able to afford the cars they build.

"It's a dramatic statement that the global economy is coming home," Shaiken said. "This may not be the end of the story. Eventually, they may ask them to match China. This is essentially saying you've got to match global wage costs."

Jim Hossack, a vice president at industry forecaster Auto- Pacific, said that for decades the domestic automakers gave in to the UAW to avoid costly strikes, despite knowing that Judgment Day would come.

"It was die now or die later, and they chose to die later. But later is here now," Hossack said.

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