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In G.M. Strike, Both Sides See a Crossroads

By MICHELINE MAYNARD

The United Automobile Workers union wielded its most potent weapon against General Motors yesterday, sending 73,000 workers to picket lines in its first national strike at G.M. since 1970.

Union officials said they were left no choice but to strike because General Motors was unwilling to accept the union's demand that it protect workers' jobs and benefits.

"We've done a lot of things to help that company," said Ron Gettelfinger, the union's president, in a news conference shortly after the 11 a.m. strike deadline passed. "But look, there comes a point in time where you have to draw a line in the sand."

For General Motors, its unyielding stance reflects its decision to accept the short-term pain of a strike at 80 facilities in 30 states to achieve its goals: a lower cost structure and more flexible work force to better compete against surging Japanese automakers like Toyota and Honda.

"This really is a defining moment," said James P. Womack, an expert on manufacturing and co-author of "The Machine That Changed the World," which studied the plants of Japanese automakers in the United States. "G.M. has backed away from defining moments for generations. And now somebody there has finally said, 'We have to do this because it's a new era.' "

The length of the walkout may hinge on the answers to two crucial questions: How long can the U.A.W. afford to stay out? And how long can G.M. endure a strike? While an indefinite strike would pose risk to both sides, each has made a calculated decision that it has more to gain by standing tough.

G.M. is better positioned to handle a strike now than in earlier contract talks, though not for reasons that have to do with strength. With its operations shrinking in the United States, the majority of its sales and profits are now coming from abroad.

It is selling more vehicles built in Canada, Mexico, and Europe, the source of new models for its Saturn division. And it is rapidly expanding production overseas, especially in China, which is fast becoming one of the world's major car markets.

The company's problems at home, which resulted in losses of more than $12 billion in the last two years, have forced it to close all or parts of a dozen factories, cut tens of thousands of jobs and offer deals to workers to quit or retire. A smaller G.M. means there are far fewer workers involved in this strike, so a halt in production inflicts less pain on the company.

The U.A.W. membership at G.M. has shrunk by more than 80 percent since the 1970 strike, when 400,000 workers were off the job for 67 days.

In recent years, the U.A.W. has been more cooperative with Detroit automakers, working side by side with auto executives to fashion early retirement incentives to shrink the work force and better match Detroit's diminished stature within the industry. It also agreed to concessions on health care at G.M. and Ford Motor.

But yesterday, U.A.W. officials sought to dispel any doubts among the membership that they could still stand up to management.

"A strike gives the union an opportunity to say we're not completely acquiescent," said David L. Gregory, a professor of labor law at St. John's University in Queens.

Eldon Renaud, president of U.A.W. Local 2164 in Bowling Green, Ky., where workers make the Chevrolet Corvette and Cadillac XLR sports cars, said, "I think a lot of people are happy the strike happened, because they believe the company is walking over them."

The strike occurred even though G.M. and the U.A.W. agreed to discuss a health care trust — called a voluntary employee benefit association, or VEBA — that would have assumed G.M.'s $55 billion liability for medical benefits. G.M. considered the formation of a VEBA its major demand.

Investors and G.M. managers have pushed for a VEBA as a way to move the liability of generous health care benefits for current and retired G.M. workers, as well as their families, off the books of the automaker once and for all, even if that required a huge upfront payment.

G.M. has long said that such costs, representing hundreds of dollars for every car it builds, put it at a disadvantage with foreign competitors.

Mr. Gettelfinger, in fact, stressed that the strike was over other issues besides the VEBA, with job security topping the list.

Tom Wickham, a G.M. spokesman, said, "The bargaining involves complex, difficult issues that affect the job security of our U.S. work force and the longterm viability of the company." He added that company officials would "continue focusing our efforts on reaching an agreement as soon as possible."

Negotiators from each side were back at the bargaining table by early afternoon yesterday. But industry analysts said that given how far apart the two sides appear to be, the strike could last for weeks.

Jonathan Steinmetz, an analyst with Morgan Stanley, said the company could endure a strike lasting several weeks, but not more. After that, G.M. would begin to burn cash, and investors, who have encouraged G.M. to take a firm stand with the U.A.W., might eventually grow impatient in the face of a months-long strike.

Another analyst, Mark Oline of Fitch Ratings, cautioned that the damage caused by the walkout would have a ripple effect on suppliers that sell parts to G.M.

"The U.A.W. strike has the potential for far-reaching, crippling repercussions throughout the industry," Mr. Oline said in a research report yesterday.

The union, which pays workers $200 a week in strike pay if they take shifts on the picket line, has nearly $900 million in its strike fund, enough to cover a two-month walkout.

G.M., meanwhile, had a 65-day supply of vehicles at the end of August, about normal for summer, and it had already announced plans to reduce production in the final three months of the year because of slowing sales.

Beyond that, however, each side risks damage to its image. In recent years, the U.A.W. had fostered an image of being more of a partner than a foe in Detroit's efforts to restructure.

Even last week, Mr. Gettelfinger said in an e-mail message to union members that the U.A.W. was committed to avoiding a walkout, although he acknowledged yesterday that he suspected last week that a strike was likely.

Likewise, G.M. has spent years trying to convince consumers that its vehicles are the equivalent of high-quality Japanese models, and that its brands are every bit as appealing as Toyotas, Hondas and Nissans. An angry work force, or one worried about its future, may scare off some buyers.

Before yesterday's strike, experts had widely predicted that the two sides would reach an agreement, noting that it was in their interest to find common ground to better ensure their survival.

Even Mr. Gettelfinger seemed disappointed at the outcome. "This is nothing we wanted," he said at the news conference. "Nobody wins in a strike."

G.M. has an unsuccessful track record of facing down the U.A.W. In the past, its response, by and large, was to cave in to U.A.W. demands. That happened during the last big walkout, at two parts plants in Flint, Mich., in 1998. That seven-week standoff occurred when Rick Wagoner, the current chief executive of G.M., was president of its North American operations.

G.M. never recovered the 31 percent market share it held before the strike, and was forced to offer rebate deals to get customers back into showrooms.

“G.M. has made deal after deal that didn’t deal with fundamental problems,” Mr. Womack said. “This time they have to hold the line on a contract.”

Nick Bunkley and Mary M. Chapman contributed reporting.