

GM, UAW Reach Wage-Cutting Deal At Small Car Plant

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ORION TOWNSHIP, Mich. (AP) — General Motors and the United Auto Workers have reached a cost-cutting deal that could help accomplish what once seemed impossible: Making a profit on small cars built in the United States.

The deal, announced Thursday, could cut in half the hourly wage of some longtime UAW workers at a factory in Orion Township, Mich. It's the first time the union has agreed to a pay cut for workers who are not new hires.

A revamped subcompact, the Chevrolet Aveo, will be built at the plant starting next year. The plant is currently closed.

Most other automakers, including GM's main rival Ford Motor Co., build subcompacts in Mexico or other countries with far lower labor costs. U.S.-based automakers have struggled for years to make money on small cars. Subcompacts generally start around \$14,000, so they don't generate enough cash to cover the traditional UAW labor costs.

But Mark Reuss, GM's president for North America, said the company will make money on the Aveo. The UAW deal, he said, is one of many reasons why the small car will be profitable. Others include a highly efficient factory with new equipment, and help from state and local governments. GM also received tax incentives to build the cars in Michigan, but the company would not reveal the total value.

The factory will also produce a small Buick sedan called the Verano. Because the Buick is an upscale version of the Chevrolet Cruze, it will fetch a higher price. The Cruze, which is just reaching showrooms, starts around \$17,000.

The plant, which was closed in November 2009, will employ 1,550 blue-collar and salaried employees. Under the wage deal, 40 percent of the line workers will be paid \$15 an hour. The remaining 60 percent will make traditional UAW wages of around \$29 an hour.

GM has about 3,500 laid-off workers who have yet to be recalled to factory jobs. Once 60 percent of Orion's workers are recalled, UAW members who are still on layoff will get the option of working for \$15 an hour or staying on layoff.

If GM doesn't get enough laid-off workers to fill the lower-paying jobs, the automaker can hire new people for \$15 an hour.

Reuss said the Aveo's name may be changed because it's a totally new product from the Korean-built Aveo that GM now sells.

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