

The waiting game for FCA, UAW

By Alisa Priddle, Greg Gardner, and Brent Snavely (excerpt)
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...A short UAW strike that ends this weekend will inflict minimal financial pain on workers and have little impact on Fiat Chrysler Automobiles where dealers have robust stocks of most best-selling models, with a couple exceptions.

But the equation would shift quickly after a couple weeks as lost sales and missing paychecks put pressure on both sides, several experts said Wednesday.

"It's not about the first day or two," said David Kudla, CEO and chief investment officer of Mainstay Capital in Grand Blanc. "It's the threat of a protracted strike in the middle of a hot market that is the danger."

At the end of September, inventories of the Ram pickup and Jeep Grand Cherokee, two of FCA's most profitable models, were 90 and 84 days' supply, respectively, according to WardsAuto.com. The industry considers a 65 to 70-day supply optimal.

Inventories of the Jeep Wrangler (40 days supply) and Compass (46 days) are tight.

Because this is early October, the cost of a work stoppage wouldn't be reflected until FCA reports fourth-quarter financial results, probably next January.

In fact, a short strike might have a neutral, or slightly positive impact because the automaker does not have to pay 40,000 workers for a few days.

Striking workers will be eligible for strike pay of \$200 a week, but not until the eighth day, and the first strike benefit would not be paid until the 15th day of the walkout.

By that time FCA's stock price will reflect investors' view of failure to settle the differences. Wednesday traders apparently were unconcerned about a strike as FCA shares rose 4% to \$14.82.

"I wouldn't be surprised to see this wrapped up in a day or two," said Charles Ballard, professor of economics at Michigan State University. "But I'm not sure management anticipated that these talks would turn out to be as contentious as they have been."

If consumers continue their free-spending ways in the showroom, FCA will be keenly aware that its competitors, both domestic, Asian and European, will have ample supplies for their dealers. ...