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Chrysler and GM locked in last-ditch cost-cutting talks with unions

Troubled motor manufacturers General Motors and Chrysler are holed up in last-ditch talks with unions and lenders as a deadline approaches tonight to prove their "viability" to the US government.

GM and Chrysler are struggling to wrangle significant cost-cutting concessions from the United Auto Workers union (UAW) that are likely to include fresh plant closures, job cuts and reductions in benefits – including GM's $5bn-a-year healthcare bill.

The two Detroit-based firms, which are teetering on the brink of bankruptcy, are required to show the Obama administration that they have long-term strategies to restore profitability in return for $17.4bn (£12.2bn) in emergency aid out of taxpayers' coffers.

At GM, the largest US car maker, the range of cutbacks could extend to plant closures in Europe, where its operations include the Vauxhall factory employing 2,000 people in Ellesmere Port, Merseyside.

Several reports suggested that as many as three European factories could shut. Industry insiders say that those at risk include plants in Antwerp in Belgium and Bochum in Germany. Citing an unidentified source, Bloomberg News said a factory in the eastern German town of Eisenach may be sold in addition to selling or closing a Saab plant in Trollhattan, Sweden.

GM has acknowledged that it needs to cut costs at the European operation and measures could include what it described as "unconventional and aggressive steps".

However, GM has described the reports of closures as "speculation" and said negotiations over cost-cutting were continuing with employee representatives. "So far, we have nothing to announce," the company said in a statement earlier this week.

Shares in GM had slumped 13% by lunchtime on Wall Street. Chrysler, which is owned by private equity firm Cerberus Capital, is unlisted but rival Ford, which has not taken government aid, saw its stock drop by 4%.

GM has so far received $9.4bn of bail-out money, with a further $4bn due to follow shortly. Chrysler has had $4bn and industry experts expect that it will request a further $3bn to set it back on a path to stability, aided by a commercial alliance with Fiat.

In its government filing, GM is expected to address the issue of filing for bankruptcy protection. Its chief executive, Rick Wagoner, has argued in recent months that such a move would be disastrous as it would put consumers off purchasing cars for fear that warranties would prove invalid and that parts would become difficult to obtain.

Jerry Reisman, a bankruptcy expert at US law firm Reisman, Peirez & Reisman, said a filing for so-called "Chapter 11" protection was in nobody's interests: "If they are forced to file for bankruptcy, the question of these concessions will be decided by a bankruptcy judge presiding over a bankruptcy court – not by the unions and not by the companies."

He said such a move would create huge problems: "It would be time-consuming, it would be costly and it would have an adverse impact on consumer confidence."

Talks with unions have, at times, been fractious. UAW negotiators walked out of discussions with GM on Friday night following disagreements over healthcare contributions. GM, which has already put its Hummer and Saab divisions up for sale, is thought likely to slim down its brand portfolio further to focus on four key brands in the US – Chevrolet, Cadillac, GMC and Buick.