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VEBA adds more certainty to GM's balance sheet

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By Todd Seibt

GRAND BLANC - So, what makes a voluntary employees' beneficiary association, or VEBA, such a big deal?

Certainty, according to one local money manager with deep ties to the auto industry.

"Wall Street and investors hate uncertainty," said David Kudla, chief executive and chief investment strategist at Mainstay Capital Management. A VEBA puts a clear price tag on unclear future health care costs, he noted.

Kudla and his team in Grand Blanc manage more than $600 million in assets for General Motors, Delphi Corp. and other hourly and salaried autoworkers, mostly in 401(k) plans.

"(Health care) is a liability that GM carries on its balance sheet, and when people value the company, that is meaningful."

By removing that liability, quantifying it, putting a price tag on it - and putting it in a trust off the books - the UAW and GM are giving the markets more certainty that the cost is taken care of, he noted.

And that allows GM to spend more balance-sheet bucks on improving and selling an already strong line of cars and trucks, Kudla said.

In talks on a new, four-year national labor agreement, GM and the UAW tentatively have agreed to create a VEBA for retired hourly GM workers.

"VEBA and other things are priced in to the stock price already. But to actually get it, get the deal, get the union to run the trust, is very important for the longer term," Kudla said.

UAW leaders also have their eyes on the long term, but in a different way.

UAW Vice President Cal Rapson said financial computer modeling shows that the VEBA plan will last 80 years - far beyond the life expectancy of every current active UAW worker at GM.

Which is another type of certainty, one that workers, not so much investors, likely will appreciate.