

GM to set tougher targets for revamp

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General Motors will on Tuesday unveil aggressive restructuring targets as it seeks to convince US politicians and taxpayers it can survive the global car industry's deepening downturn.

In revamped viability plans taking into account tougher business conditions than expected, GM and its smaller rival Chrysler will make clear they need more government support than the \$17.4bn approved in December. The government was set to release \$4bn of that money on Tuesday.

GM and Chrysler are both expected to submit their plans to the Treasury Department on Tuesday afternoon. Ray Young, GM's chief financial officer, will brief lawmakers on its plan on Capitol Hill on Wednesday.

GM will say that over the next 18 months it plans to speed up plant closures, close dealerships and sell or restructure some of its eight brands, notably Hummer, Saab and Saturn.

Chrysler's latest strategy will outline \$3.8bn in cuts to fixed costs, higher than December's estimate of \$3.1bn. It now estimates that it will cut annual production capacity by 1.3m vehicles, up from the 1.2m outlined.

The targets are in part a result of the deterioration in global car markets in the two months since the troubled carmakers secured the loans. GM's US sales were down 49 per cent year-on-year in January, and Chrysler's fell 55 per cent.

Both companies were in talks on Monday with the United Auto Workers' union on securing cuts in labour costs. Talks stalled last week over the two carmakers' contributions to employee-managed healthcare funds for retirees. GM's bondholders are resisting its push to cut its unsecured debt by two-thirds, a condition of the bail-out. GM, Chrysler and the UAW declined to comment on the talks.

Some executives are playing down the importance of Tuesday's deadline for the plans to prove their viability by March 31. "It won't be as neat and tidy as any of us would like," one said.

The industry on Monday welcomed the Obama administration's naming of a government committee rather than a so-called car tsar to oversee restructuring.

The Presidential Task Force on Autos will be a panel headed by Tim Geithner, Treasury secretary, and Larry Summers, chief White House economic adviser.

Mr Obama's decision to put his two top economic officials in charge of the process signalled the importance of the restructuring effort as part of his broader economic recovery plans.

The president is due to travel to Colorado on Tuesday to sign the \$787bn fiscal stimulus into law in a state poised to benefit from the bill's proposed investment in renewable energy. He will head to Arizona on Wednesday to unveil fresh measures to help homeowners avoid foreclosure.

But the administration's rescue efforts risk being undermined if the car industry fails to pull out of its downward spiral.

Mr Obama and his officials have made it clear they want to help GM and Chrysler survive, but warned the companies must commit to restructuring if government aid is to keep flowing.

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