GM chief defends Opel sale decision

John Reed

General Motors' chief executive acknowledged the long-running sale of the US carmaker's European arm had "hurt" the Opel brand, but defended his decision to sell control of it, saying the alternative had been insolvency.

Fritz Henderson also said the sale of 55 per cent of Opel to Magna International and Sberbank would see final agreements signed by early next month, but could take until year end to close – up to a month longer than the end of November deadline GM set last week.

Speaking at the Frankfurt motor show, Mr Henderson admitted the protracted and increasingly politicised sale, which GM originally planned to close by this month, had "hurt" Opel's image among its European customers.

However, he defended the decision to sell it and secure €1.5bn ($2.2bn) of German bridge financing, saying that Opel would otherwise have had to file for insolvency in May as GM itself was preparing its US bankruptcy filing.

"Has it hurt the brand? Yes," he said. However, he added: "I assure you, insolvency would have hurt the brand worse."

Mr Henderson confirmed Magna's plans to cut 10,500 jobs or about a fifth of Opel's workforce in Europe.

GM's plant in Antwerp was "at risk" of being shut down, Mr Henderson confirmed, although no final decision had been taken to close it.

Of eight total agreements that GM and Magna needed to sign to close the deal, four "minor" ones – including one on joint purchasing – still needed to be completed. The two sides had already resolved issues relating to technology transfer from GM to Magna and its Russian partners, Sberbank and the carmaker Gaz.

Mr Henderson said he expected Magna and GM to sign all eight agreements by early October. GM still planned to close the transaction by the end of November, but was allowing for the possibility it could slip by another month because "stuff happens".

"We are confident that it can be closed," Mr Henderson said. "That doesn't mean that it's certain."

GM and Magna still need to secure agreements from Opel's workforce on job cuts, and Belgium has asked the European Union to ensure that any government financing for the spinoff does not breach its rules on state aid.

GM's rival, Ford Motor on Wednesday added its voice to calls for the EU's vigilance on the German-led financing package expected to bankroll Opel's downsizing under new owners.

Lewis Booth, Ford's chief financial officer, said: "There are rules about state aid, and we expect those rules to be adhered to".

Opel's, and its British sister brand Vauxhall's, market share was 7.5 per cent in January to August of this year, according to the European carmakers' group Acea, down from from 8 per cent a year ago. Their sales fell by 13.5 per cent in that period, compared with 8 per cent for the overall European market.

Financial Times, London, Sept. 16th 2009, Companies, online.

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