GM to slash capacity by 20% in Europe

John Reed

General Motors said it planned to cut capacity by 20 to 25 per cent and headcount by 9,000 to 10,000 at its European bands Opel and Vauxhall, but denied it would engage in a "bidding war" over jobs with European governments from which it is seeking aid.

Nick Reilly, Opel's acting chief executive and head of GM's international operations, said the carmaker hoped to have agreement in principle on loans or guarantees from governments where it has plants within three weeks, and a restructuring plan implemented by the end of this year.

GM is seeking €3.3bn ($4.9bn) to restructure Opel and invest in new products. It says it is willing to provide some of the amount itself, depending on the outcome of its talks on government aid.

Mr Reilly made the remarks after talks on Tuesday on potential loans or guarantees with Peter Mandelson, Britain's business secretary, and on its restructuring plans with Unite, the trade union. This week, he held similar talks in Belgium and Poland, where GM also has plants, and will now be visiting Spain.

Mr Reilly said: "There is not a specific bidding war among countries where we say, 'If you give us this much, we will give you this much capacity.'"

However, he said that "if a country refuses to participate at all, then of course it could influence plans somewhat."

He added that this was a "hypothetical situation", adding that Lord Mandelson had said he would "do what he could".

GM is not commenting on where it plans to make job and capacity reductions – the subject of noisy controversy during Magna International's failed bid for Opel, and a warning from the European Union on illegal state aid – until it has finished consultations with unions and governments.

Mr Reilly said GM saw a "good future" for both UK plants, although he would not rule out that "a plant" might close elsewhere in Europe.

GM might scale back 800 job cuts mooted by Magna at its larger plant in Ellesmere Port in northern England "quite significantly".

The 20-25 per cent capacity cut GM is planning across Europe is smaller than a gloomier projection made earlier this year, when the Detroit carmaker said it had overcapacity equivalent to three of its eight car plants on the continent.

At Luton, GM is in discussions with Renault, which makes commercial vehicles in a joint venture contract due to expire in 2013, on potential future plans. If Renault pulled out, Mr Reilly, said, GM would strive to "do something else" at the plant.

GM's European arm lost about $400m in the third quarter. Mr Reilly said Opel had about $2.5bn of liquidity on hand, enough to last "well into the first quarter of next year".

GM would repay €400m of an outstanding German government bridge loan not from Opel/Vauxhall, but from its own funds.

Financial Times, London, Nov. 17th 2009, Companies, online.