

# GM shareholders want return to U.S. profitability

By Tom Krisher, Associated Press  
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DETROIT — When General Motors Corp. shareholders gather for their annual meeting today, they're likely to be happy that the company has returned to black ink. But the big question could be whether the automaker can ever make money again in North America.

GM has cut more than \$7 billion in annual costs, shed more than 34,000 hourly workers and has rolled out more than 20 new models since November of 2005 in an effort to regain sales lost to Asian competitors.

Although it made a \$62 million net profit in the first quarter, the company still lost an adjusted \$85 million on its North American operations. Last year it lost \$2 billion, a vast improvement over a restated loss of \$10.4 billion in 2005.

David Kudla, chief executive of Mainstay Capital Management in Grand Blanc, said some shareholders always will be frustrated with the pace of the turnaround.

"These things with a company the size of GM do take time," he said. "You can find some comfort in they're making progress, that they're moving in the right direction. It's always debatable whether they're moving fast enough."

Dissident shareholder John Chevedden of Redondo Beach said the lack of profitability in North America is another reason why shareholders should pass corporate governance changes that would make the GM board more accountable.

Among the shareholder initiatives that will come up for votes at the meeting in Wilmington, Del., are measures preventing board members from serving on more than two other boards of publicly traded companies; requiring a detailed reporting of political contributions made by the company; allowing shareholders with 10 percent or more of GM stock to call a special shareholders' meeting; and creating a policy that 75 percent of future stock compensation given to senior executives be performance-based.

Chevedden and others also have introduced a measure that would make executives repay bonuses if the company later determines through an earnings restatement or other means that they did not reach their performance goals.

"There's been a longtime criticism of the GM board being underperforming," said Chevedden, owner of 50 shares. "That's what we're trying to do, we're trying to make the board more accountable so the company is managed right."

But Mark LaNeve, GM's vice president of North American sales, service and marketing, says he's confident that the company can turn a profit in North America, despite a shrinking market and unrelenting competition.

"We can certainly generate good returns for our shareholders, though there's more work to do on the cost side ... and revenue side," he said in an interview with The Associated Press.

As evidence of improvement, he pointed to internal surveys that showed the top reason people bought a GM vehicle in 2004 was for rebates and other incentives. Yet in the first quarter of this year, incentives weren't in the top five. LaNeve says the top five were: design, value, warranty, dependability and fuel economy.

"We are really making progress in how our customers are viewing our brands, products and ultimately GM," he said.

Also on the agenda at today's meeting is a bylaws change proposed by the Community of the Sisters of St. Dominic of Caldwell, N.J., that GM set goals to reduce greenhouse gas emissions and improve fuel efficiency.

"Our company is currently suffering financially in part because our competitors are making more compelling products that are both fuel efficient and low-pollution passenger cars, resulting in a recent alarming loss of market share in this era of higher oil prices," wrote the nuns, who own 75 shares.

In response to the proposal, GM's board said the company "has been working diligently" to reduce emissions and improve vehicle fuel economy. It said the company has reported its work to reduce greenhouse gas emissions in its proxy statement since 2003, and it did not believe providing another report would be "a good use of corporate resources."

Associated Press Writer Jeff Karoub in Detroit contributed to this report.