Bloomberg

GM Offers Early Retirement to 9,000 Salaried Workers

By Jeff Green

Aug. 29 (Bloomberg) -- General Motors Corp. is offering early-retirement incentives to 28 percent of U.S. salaried employees, or about 9,000 workers, people familiar with the plan said.

The largest U.S. automaker said July 15 it wanted to cut 20 percent of its salaried-worker costs in the U.S. and Canada by Nov. 1. Employees have 45 days to consider the proposal, said the people, who asked not to be named because the details aren't public.

``The timetable for this program is quite aggressive,'' David Kudla, chief executive officer of Mainstay Capital Management LLC in Grand Blanc, Michigan, said today in a note to investors.

CEO Rick Wagoner accelerated cost cuts as gasoline prices soared past $4 a gallon this year, damping demand for GM's most- profitable trucks and contributing to a $15.5 billion second- quarter loss. He is seeking $1.5 billion in salaried-job savings to help weather the weakest U.S. auto market in 15 years.

The latest payroll cuts come on top of a 26 percent reduction in GM's North American workforce to 133,000 employees, including salaried and hourly jobs, from the end of 2004 through June 30.

U.S., Canada Payrolls

Spokeswoman Deborah Silverman confirmed that Detroit-based GM is discussing the packages with eligible workers, without elaborating. GM's 2,500 salaried workers in Canada aren't part of the offer, the people said. The automaker has 32,000 salaried employees in the U.S.

The new salaried-worker savings are part of GM's plan to boost liquidity by $15 billion through the end of 2009. GM wants to trim the U.S. and Canadian salaried payroll by 15 percent, or about 5,175 jobs, people familiar with the plan have said.

GM fell 34 cents, or 3.3 percent, to $10 at 4 p.m. in New York Stock Exchange composite trading. The shares have tumbled 60 percent this year.

The incentives in the retirement offers include an option to roll over lump-sum severance payments into employees' 401(k) plans or Individual Retirement Accounts, according to Kudla of Mainstay Capital.

``The tax savings and potential for long-term growth with these options make this buyout offer even more attractive,'' Kudla wrote.

Speedier Savings

U.S. economic weakness is adding to the strain on new-car demand from rising gasoline prices, ramping up pressure on GM to find savings more quickly. GM has lost money the last three years and may extend that streak in 2008.

Chief Financial Officer Ray Young said Aug. 13 that GM is trying to speed up $10 billion in cost cuts over two years so more of the benefits come in 2008 and early 2009 than originally planned.

Under the savings plan, GM suspended its quarterly dividend, pared spending on product development and advertising, and delayed payments to a union retiree health fund.

The automaker is also seeking $2 billion to $3 billion in new financing secured by assets such as foreign subsidiaries and its remaining stake in lender GMAC LLC.

Wagoner has already persuaded 53,000 union workers to accept buyouts or early retirement and announced plans to close more than a dozen North American plants. GM is shifting its emphasis toward more fuel-efficient cars and car-based sport- utility vehicles and away from pickups and larger SUVs.