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Page A-1 www.theoaklandpress.com Friday, July 10, 2009

GM emerges from bankruptcy; analysts optimistic about future

By JOSEPH SZCZESNY

General Motors Corp. enters a new phase of its fight for existence as the new GM officially emerges from bankruptcy.

The company is expected to unveil its new, less bureaucratic organization and its longterm strategy as a significantly smaller company with fewer models, brands, plants and employees.

David Kudla, chief executive officer and chief investment strategist at Mainstay Capital Management in Grand Blanc, said Thursday he was optimistic about the prospects for the new GM.

Bankruptcy has eliminated much of GM's debt, leaving it in much better position to turn a profit on smaller sales volume.

"The foundation is in place for them to become a much stronger company in the future," Kudla said. "They have the potential not only to survive but to thrive," he said.

"A lot of the challenges they were facing have been overcome in the bankruptcy process," said Kudla. "The fact that they were able to go through the whole process in 36 days was remarkable," he said.

"I think it can be viable, but there's still much that is left unanswered," said one analyst, who asked for anonymity. "They'll need to thin executive ranks and stop bleeding cash. They'll have to hold share in a recovered market, and put some new metal on the street soon."

Going forward, the new GM will operate with only four brands rather than eight. Only Chevrolet, Cadillac, Buick and GMC will remain under GM's new operating plan.

Saab, Hummer and Saturn are being sold, while Pontiac will cease to exist at the end of 2010.

The restructuring, triggered by the collapse of car sales last year, also has led to the closing of dozens of plants and the elimination of thousands of jobs, leaving a company smaller than that which had emerged from economic turmoil after World War I to challenge the Ford Motor Co. for industry dominance during the 1920s.

The U.S. government and the Obama administration, which has financed GM's emergence from bankruptcy, will own 60.8 percent of the new GM, the Canadian government will own another 11.7 percent and the Voluntary Employee Beneficiary Association, or VEBA trust responsible for the health care of blue-collar retirees, will own another 17.5 percent.

One of the tasks of the management team led by GM's CEO Fritz Henderson will be to make it successful enough to move ahead to sell stock in the new GM by the middle of 2010.

However, the bankruptcy has effectively split GM into two and the old GM has been left behind to deal with issues relating to the dealerships abandoned by the company, shuttered plants, unwanted real estate and retirees deeply upset by the cuts in pensions and benefits.

The General Motors Retirees Association, which was created to represent the interests of the automaker's salaried retirees, vowed this week to continue the fight to protect the benefits of former white-collar employees, which made little headway in bankruptcy court.

One of the more contentious issues facing GM after the exit from bankruptcy is the continuing fight over closing dealerships. GM has made plans to close as many as 1,100 dealerships.

Legislation that would require both GM and Chrysler to restore the canceled franchises has made significant headway in the U.S. House of Representatives and also has support in the U.S. Senate.

The Obama administration, which has been actively involved in the industry's restructuring, has moved to try to block the legislation.

"The president's Auto Task Force has worked closely with General Motors and Chrysler to develop longterm viability plans that will allow these companies to take the painful but necessary steps needed to restructure in a way that will make them stronger, more profitable and better able to compete in the global automobile market," Rep. Gary Peters, D-Bloomfield Township, said in a letter to House Speaker Nancy Pelosi, seeking help in blocking measures to reverse the dealership closings.

"Those of us from states that have a significant auto presence have always understood that auto restructuring will only be possible through shared sacrifice among all stakeholders. The significant amount of economic suffering this will inflict upon the families, businesses, and communities who are impacted is nothing short of tragic," Peters said in his letter.

"Unfortunately, restructuring is also ultimately necessary if the auto companies are going to remain viable, return the taxpayers' investment and support the millions of American jobs that depend upon the survival of the domestic automobile industry," he said.