

McTevia analyzes GM restructuring plan for Booth Newspapers

Michigan may benefit from General Motors' latest restructuring plan

By Rick Haglund | Detroit Bureau

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DETROIT -- Michigan dodged a bullet Tuesday when General Motors Corp. announced a restructuring that will close four truck plants elsewhere. In fact, the state could gain jobs producing more fuel-efficient cars.

Analysts believe GM's future depends on whether it can profitably sell cars instead of depending so heavily on truck and SUV sales, something that GM and other domestic automakers have struggled to do.

"The direct answer is -- we need to," GM Chairman Rick Wagoner said in a news conference Tuesday following the automaker's annual stockholders' meeting in Wilmington, Del.

Wagoner said plants slated to close over the next two years produce trucks and SUVs in Oshawa, Ont.; Janesville, Wis.; Moraine, Ohio and Toluca, Mexico. The closings will affect about 10,000 jobs.

The good news for Michigan: GM will add a third shift to an assembly plant in Lake Orion, north of Detroit, and will start producing four-cylinder engines in Flint.

Additionally, GM said its board of directors approved production of the much-hyped Chevrolet Volt plug-in hybrid for late 2010. GM said it has "preliminary plans" to build the Volt at its Detroit-Hamtramck assembly plant.

"That's very good news because Michigan really needs to diversify away from producing bigger vehicles," said Erich Merkle, an auto industry analyst at Grand Rapids-based IRN Inc.

Michigan suppliers shouldn't be hurt by the assembly plant closings in other states because they've already taken the hit from reduced production in those plants, Merkle said.

Work at the four plants due to close in 2009 and 2010 will be shifted to GM's remaining truck plants, he predicted, including those in Flint and Pontiac.

"They're doing exactly what they should be doing," said James McTevia, president of McTevia and

Associates, a business turnaround consulting firm in Bingham Farms. "It's simply a matter of good common sense that GM's management has decided to stop spending cash to support products that aren't selling."

In addition, GM said it is reviewing the the Hummer SUV brand and may sell it off. Hummer was once considered one of GM's most promising brands but it has become a symbol of gas-guzzling excess in an era of \$4-a-gallon gasoline.

"This is tough stuff," Wagoner said. "This is about how the market has changed and we have to adapt to it."

Wagoner said the downsizing will cut GM's costs by \$1 billion. It lost \$3.3 billion in the first quarter of this year.

High gasoline prices are prompting GM to make a fundamental shift to produce more cars and fewer trucks. Wagoner said cars will account for about 60 percent of its production in three years, up from about 50 percent now.

"We at GM don't think this is a spike or a temporary shift," Wagoner said about gas prices.

Some critics complain GM hasn't moved quickly enough to build more fuel-efficient vehicles in the face of rising gas prices.

But others said the company couldn't have anticipated the price of oil would double in the past year, causing truck and SUV sales to collapse.

"It's a fairly major shift in the market in the past six weeks," said Tom Libby, senior director of industry analysis at J.D. Power and Associates in Troy. "Anybody who is in the big pickup market is going to be hurt."

GM's plant-closing announcement even brought reaction from Washington and the presidential political trail.

"It's a sign that Detroit continues to adapt and evolve," White House spokeswoman Dan Perino told reporters in Washington.

But Democratic presidential candidate Barack Obama blamed the plant closings on what he said were President Bush's failed economic policies.

"For eight long years, we've had an energy policy that funds both sides in the war on terror without promoting fuel efficiency or helping make our auto companies more competitive," Obama said.

"That's part of the reason thousands of more Americans in Wisconsin and Ohio will no longer be able to count on a paycheck at a time when they're already being pinched by rising costs."