



Breaking News

Instant View - GM's board wants to keep Opel

Nov. 4, 2009 Yesterday, 11:23 pm
Reuters

The board of General Motors Co has opted to keep Opel, undoing months of negotiations to sell the European unit to a Russian-backed group led by Canada's Magna.

COMMENTARY:

JEREMY ANWYL, ANALYST, EDMUNDS.COM

"Selling Opel never made sense to me, other than the fact that it was a cash drain for GM. Europe is a major market; how can you be a global automaker without a significant presence there?"

"A critical asset of Opel for GM is its small car expertise. With the likelihood of increasing fuel prices, expertise in small cars has to be key for the car industry moving forward, and GM can't abandon the experience it has picked up in Europe."

**VAN CONWAY, PRINCIPAL, CONWAY MACKENZIE, DETROIT-BASED
RESTRUCTURING SPECIALISTS**

"I don't think it's a surprise in a sense, in that it seems that they were having difficulty getting something done there ... I assume they couldn't get the value out of it that they expected.

"It's like everything else you put up for sale; if their expectations were met they probably would have sold it. But they couldn't get the economic number they were looking for.

"They clearly did want to sell it, they probably just couldn't get the number they were looking for. Ultimately they decided that it was better to hold onto it, maybe try to sell it again in a couple of years."

ERICH MERKLE, ANALYST, AUTOCONOMY.COM IN GRAND RAPIDS,
MICHIGAN

"If they are going to be competitive on a global scale, they really don't have much choice but to keep Opel. They need that volume to leverage their small car architectures on a global basis.

"Europe ... represents some significant volume and you take that out and all of the sudden that becomes a hole and you don't have the ability to leverage the small car platforms and that would put you at a pretty distinct competitive disadvantage to Toyota , Volkswagen and Ford.

"The international markets have really become the homeroom for their small car development and without it they become more North American-centric.

"The change here is they (the board members) are going from short-term survival mode to now thinking about 'What is our long-term strategy? How are we going to be competitive and viable and maintain the global scale that our competitors have or will have very shortly?'"

AARON BRAGMAN, RESEARCH ANALYST, IHS GLOBAL INSIGHT

"GM never really wanted to get rid of Opel, they were being forced into it because of their financial situation. A lot of GM cars have come out of Opel's engineering, so Opel provides a very useful service for GM globally. Maintaining that foothold there is something that is beneficial for GM in the long run.

"What it means for Opel on the other hand becomes a bigger question. If Opel goes into bankruptcy, they could get rid of a lot of debt and manufacturing costs and Opel could be very profitable for them outside bankruptcy. Otherwise, Opel could be a big drain for GM."

(Reporting by Jui Chakravorty Das, David Bailey, Scott Malone and Soyoung Kim, compiled by Tiffany Wu)