



GM cuts 10,000 salaried workers

CEO doesn't rule out more reductions as automaker works to meet federal restructuring deadline.

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General Motors Corp.'s plan to eliminate 10,000 of its 73,000 salaried workers worldwide this year and temporarily cut white-collar pay sends a signal to stakeholders that no area will be spared as the cash-strapped automaker slashes costs to comply with a \$13.4 billion federal loan package.

In the United States, the Detroit automaker wants to eliminate 3,400 people -- or 12 percent -- of its 29,500 salaried workers. They will receive severance payments, benefit contributions and outplacement help, but no buyouts.

A restructuring expert said the salaried cuts could influence GM's ongoing negotiations with bondholders and the United Auto Workers union, which has voiced concern about being singled out for concessions. A key part of the viability plan GM owes to the U.S. Treasury Department on Tuesday as a condition of its loans involves cutting its unsecured debt by two-thirds to \$9.2 billion and using stock rather than cash to pay half of what it owes a UAW trust that will pay for retiree health care beginning in 2010.

"It shows that General Motors is in such a deep crisis that there's no sacred cows here," said Van Conway, president of Conway MacKenzie & Dunleavy, a Metro Detroit-based turnaround firm. "Everybody's going to suffer."

Meanwhile, Sen. Debbie Stabenow, D-Lansing, said Tuesday she expects

the Obama administration to name its auto team, including an auto czar, before the Tuesday deadline. The team will oversee the restructuring of GM and Chrysler LLC, which has also received federal money.

Ron Bloom, a special assistant to the president of the United Steelworkers union and former investment banker, has emerged as a top candidate to join Obama's auto team, people familiar with the matter said Tuesday. Bloom didn't return a call seeking comment.

GM is racing to cut costs and finalize a restructuring plan ahead of next week's deadline that will show how the company can become viable. GM has received \$9.4 billion of its \$13.4 billion loan and could receive the remaining \$4 billion next week.

GM and Chrysler must show significant progress toward becoming viable by March 31, or the Treasury Department could recall the loans -- a move that likely would force the companies into bankruptcy.

Treasury Secretary Tim Geithner said Tuesday that GM and Chrysler need "extensive restructuring" so they can be "viable businesses without government support over time."

But he added: "Time is not with us."

GM Chairman and CEO Rick Wagoner on Tuesday told The Detroit News that the automaker is conducting an intensive review of most aspects of its business, saying the automaker is in a funding "crisis."

He didn't rule out more plant closures or eliminating additional vehicles as part of its restructuring.

Executives are scrutinizing "what we see as far as plants and brands and things of that sort," Wagoner said. "What's the competitive resource level that we can afford?"

He said the 10,000 salaried job cuts are "a painful part of readjusting the organization globally to the realities of a significantly smaller automotive market."

In December, GM told Congress it planned to shutter nine plants by 2012, cut up to 31,000 employees and close, shrink or sell its Saab, Pontiac, Saturn and Hummer brands.

Since then, auto sales have continued to plummet. GM saw its U.S. sales fall 49 percent last month and 22.7 percent last year, according to Autodata Corp.

Another expert was less sure about the impact salaried cuts will have on talks with bondholders and the UAW.

"Will (the salaried cuts) swing bondholders? No, but everything's a matter of perception," said Brad Coulter, director of O'Keefe & Associates, a Bloomfield Hills-based financial consulting firm and turnaround adviser. "GM can say, 'Look, you're not the only stakeholder being asked to make a concession.' "

The salaried cuts -- most workers will be gone by May 1 -- come a week after the Detroit automaker offered another round of buyouts and early retirements to all of its 62,000 hourly workers, 22,000 of which are eligible for early retirement.

Last year, GM used pension fund dollars to make early-retirement offers to salaried workers, about 3,500 of whom accepted and left the company. Ed Peper, Chevrolet North American vice president, said the cuts would not hurt development of the Chevrolet Volt, the automaker's extended-range electric vehicle. The Volt is scheduled to hit showrooms in November 2010.

GM also is forcing most of its U.S. salaried workers to accept temporary pay cuts starting in May and continuing through the end of 2009, when the pay cuts will be reviewed.

The newest cuts will further trim GM's salaried work force, which has fallen 33 percent from 44,000 nine years ago. As of 2008, the automaker had chopped its blue-collar work force from 133,000 to almost 62,000 during the same timeframe.

The temporary pay cuts unveiled Tuesday mean executive employees also will see their base salaries slashed 10 percent while many other workers will see cuts ranging from 3 percent to 7 percent.

In a restructuring plan GM submitted to Congress in December to secure federal help, the automaker said it could cut 31,000 hourly and salaried jobs by 2012 as part of its push to become leaner and more competitive. The salaried cuts announced Tuesday are an acceleration of that plan, GM said.

The white-collar buyouts last year were part of GM's overall plan to cut salaried costs 30 percent. GM also changed health-care benefits for salaried workers and cut 401(k) matches.

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