

# McTevia to AP: GM Doing What It Should

GM restructure bid spotlighted

Wed, July 26, 2006

Second-quarter financial results will be released as the automaker is pressed to join an alliance.

By AP

DETROIT -- General Motors Corp. will have a chance to show its turnaround efforts are working when the world's biggest automaker releases its second-quarter financial results today.

The earnings report comes as the beleaguered Canada-U.S. icon is facing pressure to join an alliance with Japan's Nissan and France's Renault and less than a week after rival Ford Motor Co. conceded its own restructuring was moving too slowly.

Wall Street analysts polled by Thomson Financial were predicting GM would earn 53 cents a share on an operating basis. However, the company may have to record hefty one-time charges, including a \$3.8 billion US charge it said it would take to pay for buyouts and early retirements that will save about \$5 billion annually.

On the eve of the report, GM shares rose 99 cents, or 3.3 per cent, to close at \$30.66 on the New York Stock Exchange, up 58 per cent from the start of the year.

GM, which lost \$10.6 billion last year, launched a major restructuring in November that called for closing 12 plants by 2008, slashing its work-force and cutting structural costs by \$4 billion this year.

Analysts predicted today's earnings announcement would validate that plan.

"I think that GM is performing admirably under the circumstances," said James McTevia, a Detroit-area corporate turnaround specialist. "They are doing all of the things that I would have done if I had been hired to advise them."

The company, which has not been providing earnings guidance, saw restructuring actions kick in during the January-March period, when it earned \$445 million, or 78 cents a share -- its first quarterly profit since 2004.

GM is in talks with Nissan Motor Co. and Renault SA about the possibility of joining their global alliance. GM chairperson and chief executive Rick Wagoner has said that while he believes it makes sense to examine whether there are potential benefits from a linkup, he does not want to get distracted from the turnaround plan.

The proposal to join the alliance came from billionaire investor Kirk Kerkorian, who holds a 9.9-per-cent stake in GM. It has fuelled speculation that Kerkorian is dissatisfied with the pace of the turnaround under Wagoner and wants to carve out a role for Nissan and Renault chief executive Carlos Ghosn, a legendary turnaround specialist in the industry. "There's nothing that is more supportive of Rick than a positive earnings comment. With so many people watching, it is a particularly critical time," said David Cole, president of the Ann Arbor-based Center for Automotive Research. "He's got his game face on."

McTevia said he doubted Kerkorian would be assuaged by the second-quarter results. But he said most shareholders should be pleased by the effects of the cost-cutting.

In recent months, GM managed to cut 35,000 jobs through buyouts and early retirement deals. It also sealed an agreement with the United Auto Workers that requires employees to contribute more toward their health care.