

Analysts say GM had little choice

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The buyouts announced by General Motors Corp. on Tuesday are part of Chief Executive Rick Wagoner's plan to cut the automaker's U.S. labor costs in half and trim \$5 billion more from expenses by 2011. The effort will add to \$9 billion in annualized savings achieved since 2005. Detroit-based GM hasn't had an annual profit in three years.

GM won't say how many workers it hopes to shed. But under its new contract with the UAW, it will be able to replace up to 16,000 doing nonassembly jobs with new employees who will be paid half the old wage of \$28 per hour. GM also will be able to reduce health-care and retirement benefits.

Ford Motor Co. and Chrysler already have announced similar buyout offers.

Workers 50 or older with at least 10 years at GM will be allowed to retire early, while employees with at least 26 years and fewer than 30 can opt to quit and receive lump-sum payments until they reach 30 years. Any worker with at least 10 years at GM can accept a \$140,000 buyout to leave with no additional benefits.

GM barely retained its title as the world's largest automaker in 2007, selling just 3,000 more vehicles than Toyota Motor Corp. GM sold a total of 9,369,524 vehicles worldwide, up 3 percent from the year before.

Some investors and analysts said GM had little choice beyond another round of deep cost-cutting, but some were optimistic it would help.

"As GM realizes the full impact of its groundbreaking contract with the UAW, including another sweeping round of buyouts, the company's turnaround should stay on track," wrote David Kudla, chief executive of Mainstay Capital Management in Grand Blanc, Mich., in a note to investors.

About 21,500 UAW members at GM are eligible for full retirement now, and 25,000 are eligible for other retirement options, GM said last month.