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GM upbeat about cash

Automaker reports \$15.5 loss in second quarter, drop in July sales

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Following a second-quarter loss of \$15.5 billion, the third largest in the company's history, General Motors Corp. executives remained upbeat, but under intense pressure to save cash.

GM President Fritz Henderson said Friday the company had ample cash reserves to survive the slump, which has reduced sales of new cars to the lowest level since 1992.

The company's sales in July dropped by 26.7 percent to 235,184 units, and the company's market share dropped to 20 percent, even before the company began cutting back on leasing, which has been a critical part of the company's marketing effort for nearly two decades.

GM reported it had \$21 billion in cash and marketable securities at the end of the second quarter, but its reserves dropped by \$7 billion in the first six months of the year. The company had said earlier it needed a minimum between \$14 billion and \$15 billion in reserves to sustain its operations.

Ray Young, GM's chief financial officer, said the cash drain should slow in the second half of the year as the company's payroll shrinks.

More than 18,000 hourly workers left the company's payroll in the second quarter. The company now has fewer than 60,000 hourly workers.

In addition, an estimated 5,000 of its 32,000 salaried employees in North America are expected to leave during the third quarter, GM officials said.

GM did not confirm reports that it was contemplating another round of buyouts aimed at hourly workers at truck plants, where the company plans to reduce production.

The company's second-quarter revenue from North America dropped by one third due to falling truck sales and labor strife. In addition, GM profits in Europe, despite record sales in Russia, also dropped sharply and the company's operations in Asia Pacific, including its vaunted China operations, lost money. GM blamed the loss in its Asia Pacific operations on accounting changes.

GM Chairman Richard Wagoner said GM had fully anticipated a significant loss for the second quarter.

Earlier this week, GM also announced another round of deep cuts in production of trucks and sport utility vehicles. The cuts that will halt production of 117,000 trucks between now and the end of the year will fall particularly heavily on GM's Hummer brand. Production at the main Hummer plant is being cut by one third as part of GM's effort to reduce truck and SUV production by 300,000 units. GM also is actively pursuing a sale of the Hummer brand, Wagoner said.

David Kudla, chief executive officer of Mainstay Capital in Grand Blanc, said GM now has to be careful it doesn't cut too much.

"Overreaching on cost-cutting, especially on valuable engineering talent, may leave GM playing catch up to the foreign automakers in developing new products in a fast-changing industry," Kudla said.