

SPEEDWAY CHAIRMAN'S REPORT #313

DATE: 4/21/05

GM STATE OF THE BUSINESS, PART II

The annual UAW-GM Key 4 meeting was held last Thursday (4-14-05) in Dearborn, MI. The agenda was to discuss GM's current 'state of the business'. The focus of *this* report is to highlight GM's 'state of the business', as reported by GM spokesmen/executives at the Kay 4 meeting.

GM 'outside' of North American Operations

- Over the last six (6) years, GMAC has experienced "record years".
- Latin America and South Africa are profitable and growing regions for GM
- Middle East volume is up 60%
- Asia is the fastest growing auto market in the world and GM is showing 27% growth in this market
- GM's European market is starting to "turn around" and is now starting to see some growth

GM North America

- In 1975, GM North America enjoyed a 43% market share as compared to a 27% market share 'today'
- The first two months of 2005 were very disappointing. **Note:** Media reports released on Tuesday (4/19) indicate GM posted a quarterly (1st quarter) net loss of \$1.10 billion. However, GM spokesmen said (during the meeting) current forecasts for the remaining ¾ of the year could result in offsetting 1st quarter losses.
- March '05 retail sales were up 34% compared to January & February '05. April '05 outlooks are stronger than March '05
- Quality is at an all time "best" and continues to improve
- GM is the 'world leader' in the automotive industry relative to Health & Safety
- One million US (non-GM) jobs are needed to support/supply GM North American Operations
- March '05 produced the "best" pick-up sales since 1978
- Pontiac G6 and Chevrolet Cobalt started out 'slow' but now seem to be 'taking off'
- For 2005, GM is committed to spending \$8 billion in capital investments, most of which is allocated for GM North American Operations. The investment represents a \$1 billion increase from 2004
- In 2005, GM introduced 17 new automotive products
- GM is the only major corporation in the country with a fully funded pension plan

Competitive challenges facing GM

- Big concern for GM North America business is we compete against 316 various model makes
- GM North American Operations has the 'capacity' to build at a 34% market share but is currently realizing a 27% share
- GM experiences a \$10 billion in annual costs that its main competitor (Toyota) doesn't have
 - * \$4 billion annually to support "legacy costs" (pension and health care benefits committed to GM retirees and/or surviving spouses)
 - * \$3 billion annually to maintain our 'unused' excess capacity
 - * \$1 billion annually to provide employees "superior wages and benefits" (e.g. job security/bank program)
 - * \$2 billion annually (over and above "other supplier" options) to 'honor' its commitment to Delphi as GM's supplier

In conclusion, I would like to share a couple of very interesting points of view expressed during 'the meeting'. International Union, UAW President Ron Gettelfinger agreed with GM spokesmen by saying that *rising health care costs are a problem for GM...however, GM's "product portfolio" should be of greater concern.* Also in attendance during the meeting was a leading economic automotive analyst from Morgan Stanley. The analyst commented that GM needs to stop producing eight (8) average vehicles and begin producing four (4) outstanding vehicles as a way to 'excite' the market. This statement was clearly in direct support Brother Gettelfinger's 'product portfolio' comment.

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