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Disposing of the Remains of the Old GM

By Joseph R. Szczeny



General Motors, Global Headquarters in Detroit, Michigan
Dave Chidley / AP / The Canadian Press

Before the new General Motors Corp. envisioned by the Obama Administration can take wing, the remains of the old GM will have to be buried.

As part of its effort to reorganize under Chapter 11 of the bankruptcy code, GM has named Al Koch, a partner in J. Alix & Associates, a Detroit-based turnaround firm, to serve as chief restructuring officer. Koch, who has served as the undertaker for dozens of other firms over the years, including Kmart, will be responsible for laying to rest what is already being quaintly referred to as the old GM and what will no doubt be a mountain of liabilities. (See pictures of GM factory-scapes.)

GM chief executive officer Fritz Henderson says Koch will work with a small staff to dispose of the pieces dumped into the "old" bin, including brands such as Hummer, Saab and Saturn. "He won't have anything to do with the operation of the new GM," says Henderson.

That doesn't mean Koch won't be busy. "They're going to get all the cats and dogs," says Van Conway, a corporate-restructuring expert from Birmingham, Mich. "It's probably going to take a couple of years to get rid of them all."

The task is expected to be formidable. Part of the job of the chief restructuring officer will be to dispose of real estate such as closed factories. GM assembly plants in Pontiac, Mich. and Wilmington, Del., as well as power-train plants in Livonia, Flint and Ypsilanti Township, Mich., Parma, Ohio, and Fredericksburg, Va., were just added to the list. The automaker also is shutting underutilized stamping plants in Indianapolis and Mansfield, Ohio; and closing warehouses in Boston, Jacksonville, Fla., and Columbus, Ohio, all by

the end of this year. Workers at all nine plants and the three warehouses were told for the first time they were closing when they showed up for work Monday morning. "They just told us they were having a meeting at 8:15," says one union official from Pontiac.

All the real estate and any liability claims that go with the property will be assigned to the old GM. In addition, there is a long list of plants that GM has already shuttered in earlier waves of plant closings and downsizings that will go to the old GM's graveyard.

One piece of real estate that won't be on the list, even though it is only partially occupied now, is GM's riverfront headquarters in downtown Detroit, a city that's now world famous for its industrial ruins. The Obama Administration has decreed the headquarters will stay downtown — at least for now — rather than move to vacant space at the GM Technical Center in suburban Warren.

GM had planned to close even more plants, but the United Auto Workers prevailed on the Treasury Department to idle three other plants but move them over to the new GM. The company had based its latest round of plant closings on the assumption that U.S. car sales will only reach 10 million now and stay at that level in the future. However, union leaders argued that GM should keep the plants as a hedge against a robust recovery in new vehicle sales, possibly next year or the year after. "We know they're not going to [be at] 10 million units forever," said UAW vice president Cal Rapson, and the White House apparently relented.

White House officials said GM's pension funds will move over to the new GM. But some of the automaker's salaried retirees fear that, since they don't have a union, GM might not make their concerns a priority. Consequently, they have retained lawyers to force GM to ensure that their claims involving benefits and pensions are lodged with the new company.

While it's not part of the chief restructuring officer's job description, Koch will also be responsible for getting rid of a lot of very bad industrial karma. "The GM that many of you knew, the GM that let many of us down, is history," says Henderson.