

GM will not maintain 20 per cent of production in Canada despite promise: analyst

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TORONTO - An analysis of General Motors' production plans for the next six years shows the company will not maintain 20 per cent of its North American output in Canada despite what it has told the federal and Ontario governments.

The analysis by industry adviser AutomotiveCompass and obtained by The Canadian Press, indicates GM Canada will not provide more than 14.5 per cent of the company's North American volume between now and 2015, with the proportion falling as low as 12.2 per cent next year.

By comparison, GM Canada produced 22.1 per cent of the company's North American volume in 2007.

In February, GM Canada promised the federal and Ontario governments that it would maintain its current share of production in order to receive a long-term bailout loan of \$6 billion - about 20 per cent of what it had requested from the U.S. government.

AutomotiveCompass president Bill Pochiluk said if the Canadian governments agree to give GM the \$6 billion it has requested, they may be overpaying by about \$1.5 billion, given its production plans.

"It'll be difficult to justify that (\$6 billion) using the 20 per cent rule because GM is unlikely to hit that 20 per cent," Pochiluk said.

"So the question then becomes, are Ontario and the federal government expected to pay less, and will that be proportionate with the lower planning volumes that GM's expected to see in Canada?"

Pochiluk said the closure of GM's truck plant in Oshawa, Ont., which produced its last vehicle on Thursday, putting 2,600 people out of work, is a harbinger of things to come.

"Truck production at Oshawa was more than just truck production, it's the most profitable platform that General Motors has, and when they take away a big chunk of the most profitable platform they have and move it someplace else, I think that was a very bad sign right there," he said.

Pochiluk added that he expects some production at the GM-Sukuzi CAMI joint-venture plant in Ingersoll, Ont., to move to Mexico by 2014.

Ontario Premier Dalton McGuinty said Thursday he'll fight to keep 20 per cent of GM's production in the province, adding that production levels are still under negotiation as part of the government aid package to the struggling automaker.

"While we can't obtain specific job number guarantees I think our strength is to be found in asserting ourselves when it comes to a certain level of production, so we'll be fighting for that," McGuinty said.

Ontario Economic Development Minister Michael Bryant added that the province would move to recover money already given to GM if production levels in Ontario fall below those previously agreed to.

"If in fact it is the case that General Motors is not in a position to provide the kind of production that the government of Ontario and Canada insists upon, then in fact ... we will act in the taxpayers' interest," Bryant told the legislature.

Federal Industry Minister Tony Clement said the government continues to emphasize the importance of preserving its production volume.

"We have stated many times ... how we wish to preserve our production capacity and those discussions are ongoing," Clement said.

A spokesman for GM Canada couldn't comment on ongoing discussions, but said that there is "a lot of determination and goodwill all round."

"My sense is there are still very positive opportunities for GM Canada, especially given its proven best-in-the-business track record on quality, productivity, safety and environmental performance and the strategic advantage the new flex plant offers in the ability to build various configurations of vehicles," Stew Low said in an email.

GM Canada has been given until Friday to reach a new deal with the Canadian Auto Workers union after governments said a deal reached in March didn't cut labour costs by enough. The company then has until the end of the month to provide governments in both Canada and the U.S. with its revised restructuring plan in order to continue receiving bailout money.

With the closure of the Oshawa truck plant, GM Canada employs approximately 7,500 hourly workers at a car plant in Oshawa and parts plants in St. Catharines, Ont., and Windsor, Ont. The Windsor transmission plant is slated to close next year.

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