



# *Role of the Treasurer's Office in the Turnaround and Transformation of GM*

Walter G. Borst, Treasurer

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# *Agenda*

- Introduction to the Treasurer's Office
- GM Turnaround and Transformation
- Conclusion

# *Treasurer's Office's Responsibilities*

## **Primary Responsibilities:**

- Optimize GM's capital structure
- Ensure GM's funding needs are covered
- Direct risk management activities
- Support GM's growth through strategic acquisitions & sale of non-core assets
- Provide financial & strategic support for other corporate initiatives

# *Overview of Treasurer's Office*

- ~112 people at five locations
  - Headquarters in New York City
  - Regional Treasury Centers in Zurich & Shanghai
  - Corporate Risk Management in Detroit
  - Captive Insurance Operation in Bermuda
- Diverse workforce
  - Varied educational/professional backgrounds
  - 15+ nationalities



**Detroit**



**New York**



**Zurich**



**Shanghai**

# *Treasurer's Office*

*Combination of Core Treasury and Strategic Activities*

## Core Treasury Activities

- Manage approximately \$15B in liquidity and \$10B in interest rate derivatives
- Manage \$26B derivative portfolio to hedge FX and commodity exposures
- Concluded \$6B fundraising effort in 2007
- Manage 60 global bank relationships
- Structure global insurance programs to address \$169B in insured values

# *Treasurer's Office*

*Combination of Core Treasury and Strategic Activities*

## Strategic Activities

- Delphi bankruptcy negotiations
- Sale of Allison Transmission
- Long term liquidity planning
- Strategic investments in China, India and Russia
- Funding strategy for \$110B worldwide pension and \$60B US health care obligations

# HR Process

## Leadership development through a rotational program



- Office-wide yearly recruiting effort at top business schools
- Rotational program designed to develop GM's future leaders

# Management Training Ground: GMTO Alumni Inside GM

## NORTH AMERICA

Group VP, Product Planning  
CFO, GM North America  
CFO, GM Powertrain

## EUROPE

CFO, Adam Opel  
Executive Director, VSSM Finance

## LATIN AMERICA

Group VP & President  
President & MD, GM Brazil  
CFO, Argentina

## CORPORATE

Chairman and CEO  
President and COO  
EVP and CFO  
CFO, GM Asset Management

## ASIA PACIFIC

CFO, GMAP  
President, Shanghai GM  
CFO, Shanghai GM

# *Management Training Ground: GMTO Alumni Outside GM*

## ■ CEO/Chairman

- Chubb Corp.
- GMAC
- Telcordia

## ■ Chief Financial Officer

- Blue Cross Blue Shield of California
- Cardinal Health
- Guilford Mills
- MasterCard

## ■ Treasurer

- Alcan
- Archer-Daniels Midland
- Constellation Energy
- Dell Inc.
- Hess
- Quest Diagnostics
- Thomson Group
- United Airlines

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# *Turnaround Plan and Transformation of GM*

## ■ GM North America Turnaround

### ■ Product Excellence

- Revitalized U.S. Sales & Marketing Strategy

- Improve Cost & Quality

- Address Health Care/Legacy Cost Burden

## ■ Other Corporate Priorities

- Growth in Emerging Markets

- Strengthen Liquidity

- Address Current Challenges

# *Product Excellence*

## *Building Strong Momentum*

- Increasingly broad-based recognition of GM products – design, interior, performance
- Numerous important industry awards
  - Saturn Aura and Chevrolet Silverado 2007 NAIAS Car and Truck of the Year
  - 2008 Cadillac CTS, Chevrolet Malibu and Corvette Car and Driver “10 Best” Cars, and Automobile Magazine “All Stars”
  - 2008 Cadillac CTS Motor Trend Car of the Year
  - Chevrolet Malibu 2008 NAIAS Car of the Year
- Significant progress in key technology initiatives
  - OnStar
  - Advanced propulsion

# *Turnaround Plan and Transformation of GM*

- GM North America Turnaround
  - Product Excellence
  - Revitalized U.S. Sales & Marketing Strategy
  - Improve Cost & Quality
  - Address Health Care/Legacy Cost Burden
- Other Corporate Priorities
  - Growth in Emerging Markets
  - Strengthen Liquidity
  - Address Current Challenges

# Sales & Marketing Strategy

*Product and Brand Building Focus Reflected in Reason to Purchase*

	2004 MY	2005 MY	2006 MY	2007 MY Q1-Q3
#1	Rebate Incentives	Value for the Money	Exterior Styling	Exterior Styling
#2	Value for the Money	Rebate/ Incentives	Value for the Money	Value for the Money
#3	Exterior Styling	Employee Discount	Fuel Economy	Fuel Economy
#4	Price/Monthly Payments	Manufacturer Reputation	Price/Monthly Payments	Dependability/ Reliability
#5	Past Manufacturer Experience	Exterior Styling	Rebate/ Incentives	Price/Monthly Payments

Source: GM Global Market and Industry Analysis

# *Turnaround Plan and Transformation of GM*

## ■ GM North America Turnaround

## GMTO Role

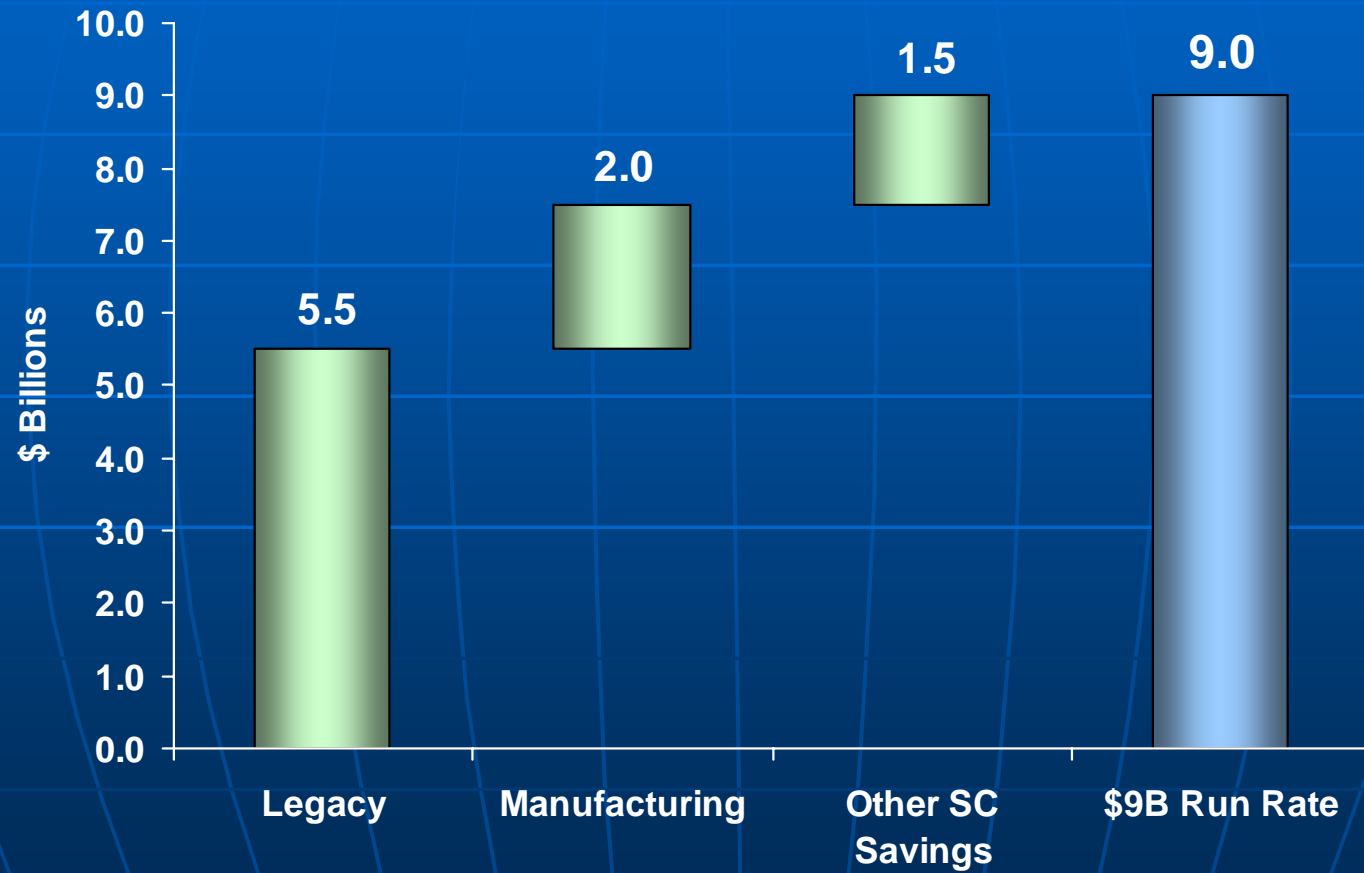
- Product Excellence
- Revitalized U.S. Sales & Marketing Strategy
- Improve Cost & Quality ✓
- Address Health Care/Legacy Cost Burden

## ■ Other Corporate Priorities

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# Improve Cost & Quality

*\$9B Structural Cost Reduction Target Achieved*



# Turnaround Plan and Transformation of GM

## ■ GM North America Turnaround

## GMTO Role

- Product Excellence

- Revitalized U.S. Sales & Marketing Strategy

- Improve Cost & Quality



- Address Health Care/Legacy Cost Burden



## ■ Other Corporate Priorities

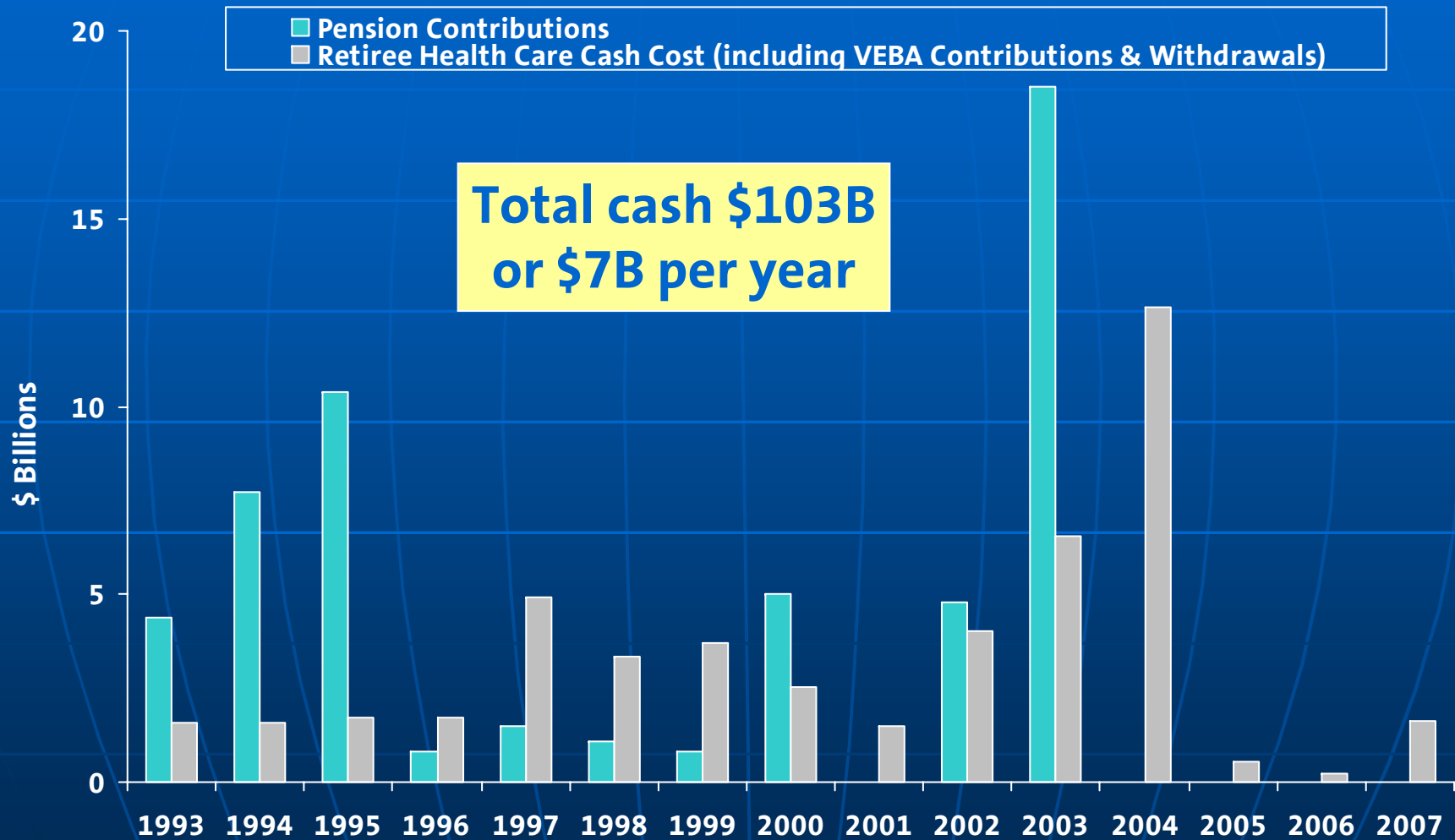
- Growth in Emerging Markets

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# Address Health Care/Legacy Cost Burden

## Cash/Stock Contributions to Fund U.S. Hourly and Salaried Legacy Pension and Health Care



Memo: Includes DC VEBA contributions

# *Address Health Care/Legacy Cost Burden*

## *Legacy Cost Disadvantage Largely Eliminated*

### Retiree Health Care

#### Challenge

- Significant unfunded net liability of \$61B per YE '05
- Health care inflation risk

#### Action

- 2005 GM/UAW health care agreement
- 2006 changes to salaried retiree health care
- 2007 GM/UAW labor agreement

#### Result

- U.S. hourly retiree health care to be funded from new trust\*
- U.S. salaried health care capped
- Health care inflation risk virtually eliminated

\* Subject to court approval

# *Address Health Care/Legacy Cost Burden*

*Legacy Cost Disadvantage Largely Eliminated*

## Pensions

### Challenge

- Fully funded pension, but risk of future contribution
- 

### Action

- Risk mitigation investment strategy
  - 2006 changes to salaried pension
- 

### Result

- U.S. hourly and salaried pension funded status over 120% at YE'07

# *Address Health Care/Legacy Cost Burden*

*Legacy Cost Disadvantage Largely Eliminated*

Spending for U.S. hourly and salaried legacy pension and health care will decline from annual average of \$7B over last 15 years to approximately \$1B\* per year in 2010

\* Excludes \$0.3B for IUE and USW and \$0.2B for potential contingent payment to UAW VEBA trust

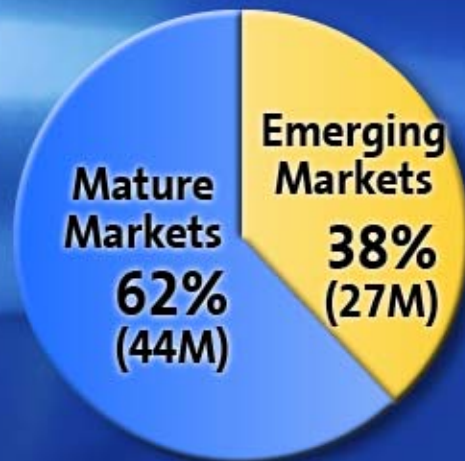
# *Turnaround Plan and Transformation of GM*

- | ■ GM North America Turnaround                 | GMTO Role |
|---|-----------|
| ■ Product Excellence                          |           |
| ■ Revitalized U.S. Sales & Marketing Strategy |           |
| ■ Improve Cost & Quality                      | ✓         |
| ■ Address Health Care/Legacy Cost Burden      | ✓         |
| ■ Other Corporate Priorities                  |           |
| ■ Growth in Emerging Markets                  | ✓         |
| ■ Strengthen Liquidity                        |           |
| ■ Address Current Challenges                  |           |

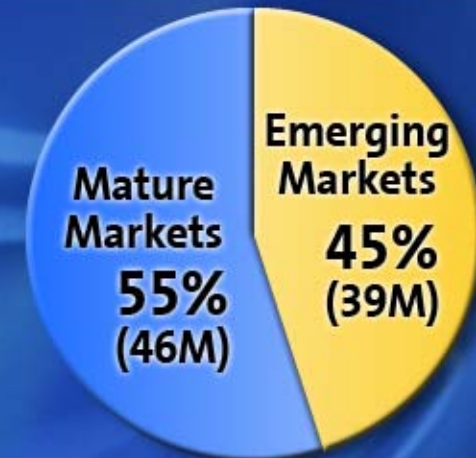
# Growth in Emerging Markets

*Pursuing Opportunities Abroad*

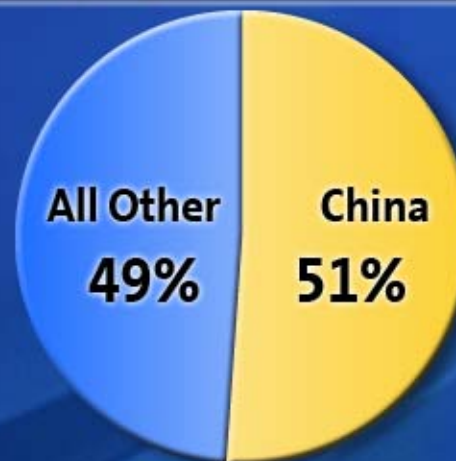
**2007 (71M)**



**2012 (85M)**



**2007-2012  
Emerging Markets Growth**



# *Growth in Emerging Markets*

## *Pursuing Opportunities Abroad*

<i>Units 000s</i>	Industry Sales			GM Sales		
	2002	2007	% Growth	2002	2007	% Growth
<b>Emerging Markets</b>						
China	3,370	8,470	151%	140	1,030	636%
Russia	1,210	2,710	124%	5	260	5100%
Brazil	1,450	2,460	70%	330	500	52%
India	890	1,990	124%	10	60	500%
Other*	6,380	11,290	77%	780	1,290	65%
<b>Total Emerging Markets</b>	<b>13,300</b>	<b>26,920</b>	<b>102%</b>	<b>1,265</b>	<b>3,140</b>	<b>148%</b>

\* Other includes Mexico, Thailand, Turkey, South Africa, etc.

# *Managing Risk in Emerging Markets*

- Interesting challenges from Treasury / Corporate finance perspective
  - Close linkages between business and government
  - Investment decisions need to consider political uncertainty and regime outlook
  - Funding and liquidity present challenges in local markets
  - Increasing exposure to soft currencies
- Corporate Governance and Internal Controls
  - Limited transparency and non-compliant business practices prior to ownership
  - Difficult to attract and retain competent finance personnel

# *Turnaround Plan and Transformation of GM*

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| ■ Growth in Emerging Markets                  | ✓         |
| ■ Strengthen Liquidity                        | ✓         |
| ■ Address Current Challenges                  |           |

# *Strengthen Liquidity*

*Liquidity Up \$7B in 2 Years*

- Adjusted Operating Cash Flow improved \$6.2B from '05 to '07
- GMAC sale – net \$9.4B received to date
- Divested non-core equity holdings – \$3.1B
- Allison Transmission sale – \$5.4B
- Restructured \$4.6B credit facility and access to over \$7B of unused credit facilities

**Year-end gross liquidity from \$20.4B in 2005 to \$27.3B in 2007**

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## ■ Other Corporate Priorities

■ Growth in Emerging Markets



■ Strengthen Liquidity



■ Address Current Challenges



# *Address Current Challenges*

- GMAC

- Delphi

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# *Why is GMTO a Successful Organization?*

- Comprehensive mandate to manage risks, optimize capital structure, cover funding needs, and support corporate initiatives
- In addition to core treasury activities, involvement in most of GM's key challenges and strategic priorities
- Treasury activities managed centrally with regional activities focused on servicing GM customers globally
- Special focus on people development
  - On-the job training through rotational program
  - Promotion-based incentive system
- Strong GMTO alumni network provides excellent placement opportunities and fosters GM “one company” culture