

# GM Korea fights lower sales, rising costs

New CEO's goal: Double-digit domestic share

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SEOUL — Changing times mean changing tactics for General Motors' massive South Korean hub, which is being hammered by a double whammy of slumping exports and surging costs.

To offset slowing overseas shipments, GM Korea Co. is trying to boost sales at home, where South Korean consumers are buying foreign brands at record levels. The push comes after bosses in Detroit installed a new local CEO from outside the auto industry in a bet he can breathe inno-

vation into GM's Korean business.

James Kim was poached from Microsoft Korea in June 2015 and named CEO on Jan. 1. He replaces veteran engineering and production guru Sergio Rocha, who was transferred to South America.

Kim's task is tough: Find new demand for vehicles churned out by GM Korea's four assembly plants and work with an oft-



**Kim: CEO has a tough task.**

contentious union to rein in costs.

"My years of experience in the IT industry provide the company a different perspective in terms of its business and sales," Kim said in a written reply to questions from *Automotive News*. "My previous experience is also important as the entire automotive industry heads into a new era of mobility where information technology is crucially required."

GM Korea lost one of its reasons for being when headquarters decided in late 2013 to pull the plug on Chevrolet in Europe. In recent years, GM Korea's assem-



**The South Korea-made Chevrolet Malibu sedan has helped increase GM Korea's domestic sales.**

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**Warren Truck Assembly in Michigan, current home to the Ram 1500, is 78 years old.**

## Did FCA get cold feet on converting truck plant?

Costly overhaul would be needed for Jeep Wagoneers

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DETROIT — Fiat Chrysler may be reconsidering plans to convert its ancient Warren Truck Assembly Plant in suburban Detroit to produce luxury Jeep SUVs once the plant stops making Ram 1500 pickups in 2018.

At a press event last month in nearby Sterling Heights, Mich., FCA CEO Sergio Marchionne seemed to cast doubt on what would be a costly plan to convert the 78-year-old truck plant from body-on-frame to unibody construction.



**Marchionne: Wagoneer "still earmarked."**

"We're looking at ways to continue to utilize Warren in a significant way," Marchionne told reporters. Warren Truck, he said, is "a very old plant ... that needs significant investment."

During negotiations with the UAW in 2015, FCA officials told the union negotiators that the automaker planned to build the upcoming Jeep Wagoneer and Grand Wagoneer luxury SUVs, which will share a platform with the next-generation Jeep Grand Cherokee and debut in 2019, at Warren. The Ram 1500 was intended to move to nearby Sterling Heights Assembly Plant in 2018.

An overhaul would be necessary to bring the Warren plant into modern times.

Warren Truck was built during the Great Depression and was an integral part of Chrysler's massive "Dodge City" complex. Located about 8 miles from downtown Detroit — and outside the

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**"They wouldn't believe that if you milk this cow too much it's going to drop over dead sometime. And it was Chapter 11 where they finally believed us."**

Bob Lutz, former General Motors vice chairman

# BAILOUT REVISITED

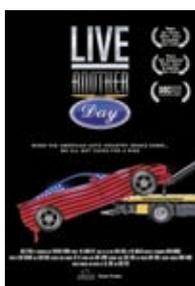
Documentary recounts industry rescue — and ponders the future

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DETROIT — The first thing Didier Pietri wants you to know about *Live Another Day*, the film about the 2008-09 auto industry bailout he co-directed with Bill Burke, is that "this is no Michael Moore movie, where we tell you what the point of view is before the first interview."

Indeed, Pietri and Burke take great pains to maintain neutrality as they compress two years of tumultuous, convoluted history into 104 minutes of riveting documentary footage. The movie, bound to spur rethinking of the bailout during the

### NEWS ANALYSIS



2016 presidential election, opens in theaters nationwide on Friday, Sept. 16.

"If Donald Trump sees this movie, he'll have a lot to say about it," said Jay Alix, Detroit corporate restructuring

specialist who helped engineer General Motors' survival plan. He spoke last week at a media screening here.

The directors provide no narrative voiceover, leaving it to the real actors who took part in the events to tell their versions of the tale, which seems like ancient history as the industry hurtles pell-mell into the autonomous car era.

In the directors' retelling, based on former *Wall Street Journal* reporter Paul Ingrassia's 2010 book *Crash Course*, one culprit looms over all others in the auto industry's near-death experience — the UAW.

*Live Another Day* opens with an ac-



**"Live Another Day" co-director Didier Pietri, right, photography director Bryan Greenberg, center, and camera operator Sebastian Boada record for the documentary.**

count of the union's crucial role in helping workers improve atrocious working conditions in the industry's formative years, creating, in the words of labor expert Harley Shaiken of the University of California at Berkeley, "the most important model ever to roll off an assembly line in Detroit — the middle class."

But over time, the union's work rules, myriad job classifications and premium

health care made it impossible for the Detroit carmakers to compete with insurgent Japanese rivals such as Toyota. The UAW's Jobs Bank, created to help workers maintain viable lives in a cyclical industry, enabled thousands to get paid for not working.

"The union went from protecting the

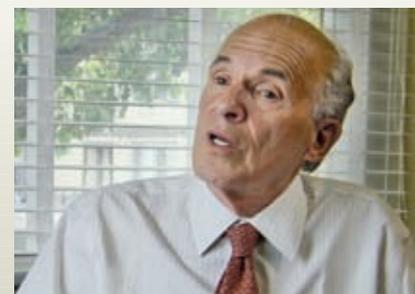
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**Jay Alix: Trump would have a lot to say.**



**Rattner: "Arrived with a toxic cocktail"?**



**Shaiken: UAW created the middle class.**

# Catastrophic floods and the ABCs of giving

## Auction company aids Louisiana victims

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Auction Broadcasting Co. aims to raise up to \$150,000 to benefit its 13 employees and other residents in the Baton Rouge, La., area who lost homes and belongings during catastrophic floods last month. It's already almost halfway to that goal.

Early last week, ABC President Jason Hockett — \$70,000 check in hand — traveled from the company's Indianapolis headquarters to Baton Rouge to meet with officials at a local church that will distribute the funds to displaced families.

Donations from ABC employees as well as dealers, consignors and others who do business with the auction company will be matched

by ABC, Hockett said, bringing the potential total to \$300,000.

ABC's eight auction sites, including ABC Baton Rouge, which was undamaged during the floods, will accept donations through September. During the week of Sept. 7, ABC employees at all sites wore T-shirts emblazoned with "Louisiana Strong" in support of flood victims.

All ABC auction lobbies have signs tracking the donation total. Hockett hopes the T-shirts and signs will encourage customers to give generously.

"Some will see this and be compelled to give, and as a family business and as Christians, our whole philosophy is giving," he said. "We're constantly giving to people



Signs tracking the donation total are in all ABC auction lobbies.

in need overseas, in Africa, India and other locations, but when you

see your own people and the need in your own backyard, we want them to know that we love them and we're here to support them."

ABC and others have donated to flood-impacted employees. ABC employees in Baton Rouge who were unable to get to work because of the floods were paid their salaries. Those who lost their homes were given \$1,000 gift cards to help cover immediate needs.

ABC's homeless employees also received \$500 gift cards from the National Auto Auction Association and stand to benefit from a pledge by a consignor to donate \$10 to the fund for every vehicle the consignor sells in September.

The \$70,000 was collected at ABC's auction sites from employees, dealers and others.

Hockett witnessed some of the deluge firsthand. He and his wife, Paula, were in Baton Rouge helping their son, Joe, who is the auction's fleet and lease manager, and his wife move into their first new home. Hockett saw people frantically loading possessions into their vehicles before evacuating their homes, just as Joe was moving in.

"I'd never seen rain quite like that," Hockett said. "It never stopped."

The rain and flooding was so fierce that the flight home that Hockett and wife were supposed to take was canceled. They drove to New Orleans — just before the highway out of Baton Rouge was closed — and got a flight home.

Though Joe Hockett's new neighborhood was evacuated, his home was spared. **AN**

## KOREA Wild card: Relations with labor union

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bly plants have accounted for as much as 20 percent of GM's worldwide sales volume. But Chevy's European retreat saddled GM Korea with excess capacity of 150,000 vehicles a year.

By boosting sales in Korea and finding new export markets, Rocha helped recoup some of that volume. For example, GM Korea now exports the Chevrolet Trax and Buick Encore subcompact crossovers and the Chevrolet Spark minicar to the U.S.

But its factories are still running far below their combined straight-time capacity of 758,000 vehicles a year. Indeed, exports slumped to 463,468 vehicles in 2015, from a record 828,144 in 2007.

On the plus side, GM Korea's domestic sales climbed 2.6 percent to a record 158,404 in 2015. Sales are on pace for another record in 2016, rising 21 percent to 101,139 through July, the company said.

Domestic sales have been helped by the launch of the redesigned Spark hatchback and Malibu sedan, both of which are manufactured locally, and by importing the Impala sedan and Camaro sports car. GM Korea is widening its offering of Cadillacs with the addition of the XT5 crossover and CT6 sedan this month.

The goal, Kim said, is to boost local market share into the double digits this year and keep it there. GM's share of a South Korean market dominated by homegrown giants Hyundai and Kia was 9.5 percent through July, the company said. GM Korea achieved an all-time high market share of 10.7 per-

cent in 2006.

Imports have gradually carved out a larger share of Korea's car market. Imports claimed 15 percent of sales through July, down from 16 percent in all of 2015 but up from 14 percent in all of 2014, according to the Korea Automobile Importers and Distributors Association. Imports claimed a 10 percent share in 2012, after rising steadily from 0.4 percent of the market in 2000.

"The Korean market is very stable and not subject to external variables," Kim said, noting that the company has not been caught up in South Korea's diesel emissions dragnet, a crackdown by regulators that has torpedoed rival Volkswagen's business in the country.

"We are aiming to expand our sales this year for the double-digit market share in Korea as part of our focus on sustainable growth," said Kim, who studied at the University of California at Los Angeles before getting his MBA from Harvard Business School. Kim is chairman of the American Chamber of Commerce in Korea.

GM Korea has also restructured its local dealer network to improve sales.

One wild card remains: relations with GM's labor union. This year, monthslong contract talks focused on wages were punctuated by sporadic strikes.

"The rising cost of labor represents a major challenge for Korean industry overall," Kim said. "The cost of labor has drastically increased in recent years and has eroded the benefit of the company's high level of productivity."

Controlling costs will help GM Korea keep its workload and its jobs, he said.

"If GM Korea and our union can enhance the company's competitiveness," Kim said, "we will have adequate manufacturing potential for the longer term." **AN**



GM Korea's CEO must find new demand for vehicles produced by GM Korea's four assembly plants, including its Bupyeong plant, left.



The Renaissance Center, home of General Motors' headquarters, rises above the streets of Detroit.

## MOVIE Wagoner shown as a brilliant exec caught in a maelstrom

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rights of workers to featherbedding," said Ingrassia. Bob Lutz, former GM vice chairman, told the directors: "They wouldn't believe that if you milk this cow too much it's going to drop over dead sometime. And it was Chapter 11 where they finally believed us."

Ron Gettelfinger, UAW president at the time, declined to be interviewed. The interviewers did talk to his successor, Bob King, who acknowledged that perhaps the companies and the union weren't adequately prepared for global competition. But the directors, speaking to reporters at the media screening, said they found the interview "frustrating" because King was reluctant to talk of past events and wanted to focus on the future.

### Unsung hero

The directors faced a challenge distilling the complicated and still-debated survival stories of GM and Chrysler.

It's painful to revisit footage of former GM CEO Rick Wagoner blinking awkwardly as he testifies before Congress in 2008. But the film portrays Wagoner, who declined to appear on camera, as a brilliant, compassionate executive caught in the maelstrom of events beyond his control.

"How does Steve Rattner [leader of the Obama administration's auto task force] fire the CEO of General Motors?" asks Thomas Lauria, head of global restructuring at law firm White & Case, speaking of the administration's decision to fire the CEO as the price of federal assistance.

Rattner "arrived with a toxic cocktail of ignorance on the one part, and arrogance on the other," said William Holstein, author of the 2009 book *Why GM Matters*.

Rattner, quoted at length, defends his role and



Co-directors Bill Burke, left, and Didier Pietri take pains to maintain neutrality in their documentary.

that of the task force. But the movie credits note he subsequently paid \$16 million to the Securities and Exchange Commission to settle lawsuits by the state of New York and the SEC over a kickback scheme.

Ron Bloom, an auto task force member and Rattner's successor as its leader, comes across as a more sympathetic figure, a man who believes the task force got most things right in saving the industry, whose collapse could have sent the global economy into depression.

### Master negotiator

Sergio Marchionne, now CEO of Fiat Chrysler Automobiles, is portrayed as a master negotiator who persuaded the government to let Fiat take over Chrysler for essentially nothing.

Hanging over the film is a question: Could such a disaster happen again?

The directors seem to provide their own answer, concluding the film solemnly with a quote from philosopher George Santayana: "Those who do not remember the past are condemned to repeat it." **AN**