

## GM's woes will ripple in San Gabriel Valley

By Ryan Carter Staff Writer

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General Motors filed for Chapter 11 bankruptcy protection Monday, making way for the federal government to take a majority share in the company and to shrink it to a more sustainable size.

### Photo Gallery: GM will seek bankruptcy protection

The bankruptcy is the fourth-largest in U.S. history and the biggest for an industrial company. As a result of the filing, more than one-third of GM's employees will lose their jobs and 40 percent of its dealerships will close.

"The General Motors board of directors authorized the filing of a Chapter 11 case with regret that this path proved necessary despite the best efforts of so many," GM Chairman Kent Kresa said in a written statement. "Today marks a new beginning for General Motors. ... The board is confident that this New GM can operate successfully in the intensely competitive U.S. market and around the world."



GM President and CEO Frederick Henderson appears on a television screen on the trading floor of the New York Stock Exchange Monday, June 1, 2009 to announce that GM will seek bankruptcy protection (AP

It was a lack of that confidence, sparked by rapidly rising gasoline prices and the global economic downturn, that caused the auto sales markets to crash over the last year. Things went from bad to worse in Detroit and all over the U.S., even the San Gabriel Valley.

With sales off as much as 50percent and the government pumping in \$20billion in low-interest loans, GM had to submit a plan to slash costs by Monday's deadline. But despite union and bondholder concessions, it could not save itself from the economy's toll. Gasoline prices last year in Southern California rose to more than \$4.60 a gallon. Credit tightened, and declining consumer confidence left GM \$172.81billion in debt, with \$82.9billion in assets.

A year of such headlines deadened the impact for some observers - and even came with a sigh of relief.

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"As a dealer, I'm glad it's finally over," said John Symes, owner of Symes Automotive Group in Pasadena and the Southern California director of the National Automobile Dealers Association. "We can now find out which direction we're going in."

In the short-term, that direction means warranty coverage, service and customer support will continue, and plants will continue making cars and trucks. Employees will be paid, the company said. GMAC Financial Services will continue providing auto financing to GM and Chrysler dealers and customers. Workers' pensions will remain safe.

But over the longer term, the effects will ripple throughout the country and in the San Gabriel Valley. The number of dealerships will continue to shrink, and the survivors will get smaller. Unemployment will rise and parts suppliers will likely take a hit, said Brad Kemp, director of regional research at Beacon Economics in Los Angeles.

"It's not going to be a clearly visible effect. It will take time," he said. "Many regions are dealing with consolidation already."

The San Gabriel Valley and Whittier areas are among them. Whittier Chrysler Jeep and Dodge closed its doors in June, followed by El Monte Chrysler Jeep Dodge in September. Those closures came on the heels of Board Ford's closure in December. In July, Pasadena Ford announced it would accept a buyout by its parent company. As local dealerships disappear, so do

jobs and much needed sales-tax revenue for local cities.

D. Thomas Steves and his family have banded together to save their 57-year-old Don Steves Chevrolet in La Habra. GM's bankruptcy announcement was something Steves said he would not have imagined. Just a few years ago, sales were booming.

"We never thought this was going to happen," he said.

But Steves - who was not among the list of GM dealers who received a letter that their business would be closed - said he was confident that GM could emerge a better company, focused on core brands - Chevrolet, Cadillac, GMC and Buick.

So too was President Barack Obama, who now heads a government that will own 60percent of GM under its restructuring plan. Under that plan, GM would cut 21,000 employees - about 34percent of its work force - and close 2,600 dealerships.

The Canadian government would take a 12.5 percent stake in the company, the UAW would get a 17.5percent stake, and bondholders would end up with the remaining 10percent. Existing stockholders would be wiped out.

Ultimately, the plan will lead to a more nimble GM that will make more efficient cars, Obama said.

The actions Monday were part of a "viable,

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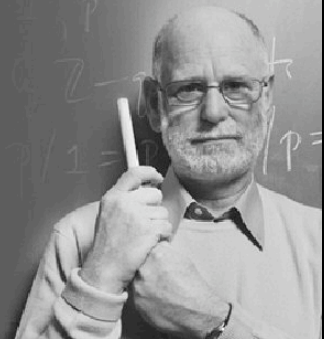


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achievable plan that will give this iconic company a chance to rise again," Obama said in a news conference.

Rising again will hinge on the company's ability to get a step ahead in the green movement, with products like the under-development Chevy Volt electric car, Kemp said. Still, the government can't push demand for such cars. Consumers have to want them.

"This is a step toward getting consumers to change," Kemp said.

Despite its majority stake, the government will stay out of managing the company, Obama said.

Rep. Adam Schiff, D-Pasadena, said he hoped so.

"This is probably a necessary evil," he said. "It's hard to see how (bankruptcy) could have been avoided. The worst thing would have been if GM completely disappeared."

The government needs to get in and out of the automotive business quickly, Schiff said, adding that if the company makes cars the public wants, it gives taxpayers a reasonable chance of getting their money back.

Such heavy government involvement, which will continue with another \$30 billion infusion from the Treasury, was a point of contention in the months leading to Monday's announcement.

"Unfortunately, government control over GM or

the auto industry as a whole is not likely to make it more successful, or to give the taxpayers any real return on their money," said Rep. David Dreier, R-Glendora.

GM also will get \$9.5 billion from Canada. It could emerge from bankruptcy in 60 to 90 days, company officials said.

GM shares closed at 75 cents on Monday, after dipping to 27 cents, the lowest price in the company's 101-year history.

The Associated Press contributed to this story.

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