

# General Motors profits dive, aims to reopen US plants May 18

May 6 2020, by John Biers

---



General Motors said it aims to reopen most US and Canadian manufacturing operations on May 18 as it reported a steep drop in first-quarter earnings due to the coronavirus

General Motors said Wednesday it aims to reopen most US and

Canadian manufacturing operations on May 18 as it reported a steep drop in first-quarter earnings due to the coronavirus.

The company plans to ramp its plants back up gradually, implementing hygiene and monitoring practices from GM factories now building ventilators and protective masks to confront the health crisis.

"We'll start in a very cadenced and thoughtful way of first shift then growing to two or three shifts, depending on the plant and the demand," said Chief Executive Mary Barra.

The US auto giant reported that first-quarter earnings plunged 86 percent to \$294 million on a 6.2 percent decline in revenues to \$32.7 billion.

Still, GM was the only one of Detroit's "Big Three" to post a profit during the period, and shares rose sharply.

Global car sales fell by more than one-fifth during the quarter, with the biggest hit in China, where the coronavirus raged for much of the period.

Car sales also declined in the United States, although the impact was mitigated by gains in GM's full-size pickups.

Analysts expect a bigger decline in US sales in the second quarter. Many GM dealers are open for service and online car sales, but retail operations are skeletal otherwise.

GM estimated the overall hit from the coronavirus in the first quarter at \$1.4 billion.

## **Revamped plants**

Barra said the company has been working closely with unions and government officials on the plans for the restart.

People entering factories will do a self-assessment questionnaire and have their temperature screened. Other protocols require frequent hand washing, additional cleaning of stations, physical distancing standards and the wearing of a mask.

"The three primary focuses are keeping people who are sick or potentially sick out of the plant, maintaining an environment and then if someone is asymptomatic and is in that plant, a very targeted way to clean and do contact tracing to limit the exposure," Barra said.

"Over the last several weeks, we've been able to demonstrate that's been quite successful."

The United Auto Workers praised "great" steps to reconfigure plants and will continue to monitor the situation, said UAW President Rory Gamble.

"We continue to advocate for as much testing as possible at the current time and eventually full-testing when available," Gamble said.

"As for the start date, the companies contractually make that decision and we all knew this day would come. Our UAW focus and role is and will continue to be on health and safety protocols to protect our members."

## **Online sales**

GM executives said they were focused on ramping up construction of popular pickup and sport-utility vehicles that have continued to sell fairly well, especially away from the coasts of the United States in the

interior of the country.

Executives acknowledged that they ramped up sales incentives of some of the vehicles during the quarter, but said they were in response to offerings from rivals and were committed to "disciplined" practices.

The auto giant offered zero-percent financial for up to 84 months during the quarter, according to Cox Automotive.

In the US, some 800 additional dealers have launched GM's "Shop. Click. Drive." service, meaning that around 85 percent of the company's dealers now have the program.

Online sales jumped by 40 percent, said Chief Financial Officer Dhivya Suryadevara, but during a briefing with reporters she acknowledged the second quarter "will be tough" overall.

Suryadevara said the company was seeing a "stronger recovery" in China, with much more retail traffic in April after the market bottomed out in February at the height of China's coronavirus outbreak.

With the hit from shuttered production plants and lower car sales, GM has taken steps to retain cash and boost liquidity.

The company, which in April suspended its dividend, ended the quarter with \$33.4 billion in liquidity.

Shares rose 3.0 percent to \$21.89.

© 2020 AFP

Citation: General Motors profits dive, aims to reopen US plants May 18 (2020, May 6) retrieved 9 April 2024 from <https://techxplore.com/news/2020-05-motors-profits-aims-reopen.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.