General Motors to liquidate Saturn brand

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General Motors announced plans to shut down its Saturn brand after a deal with former racecar driver and Detroit billionaire Roger Penske unexpectedly collapsed Wednesday. The decision will lead to the closure of 350 dealerships across the US and the elimination of 13,000 dealership jobs, along with the positions of thousands of production workers.

In May, the owner of Penske Automotive, one of the largest car dealership networks in the world, with 150 franchises in the US and 160 others internationally, announced his intention to buy the Saturn brand from the automaker. Penske planned on only distributing, not manufacturing, Saturn vehicles, and said a completion of the deal would hinge on finding an international automaker to take over production from GM by 2011.

The deal fell apart after the Renault-Nissan Alliance decided Wednesday not to proceed with plans to supply the vehicles for Saturn, a source told the *Detroit News*. Renault's South Korean subsidiary Samsung was expected to produce the vehicles. Without naming the company, Penske Automotive Group said the board of directors at the manufacturer had rejected the deal.

Responding to the news, Fritz Henderson, GM chief executive officer, said in a statement, "This is very disappointing news and comes after months of hard work by hundreds of dedicated employees and Saturn retailers who tried to make the new Saturn a reality."

Asked whether GM would seek another buyer, Thomas Pyden, a GM spokesman, told the *Detroit Free Press*, "I guess never say never, but our focus now is on implementing the wind-down agreements and working with our Saturn retailers to be as transparent and cooperative as possible through the process."

The *Detroit News* reported that GM said it would give dealers money to gradually shutter their stores and sell remaining inventory before the franchise agreements expire at the end of October 2010. Saturn dealers came to an arrangement this year with GM that allowed their franchise agreements to expire, a GM spokesman told the newspaper.

Saturn dealers, who were expecting word of a final deal, were devastated. "Wow, I'm, like, in shock," Stuart Lasser, who owns three Saturn outlets in New Jersey, told the *Detroit News*. "We've been hanging in there literally eight to ten months, waiting for this to happen, and now it's not happening."

With the US car market shrinking from 16 million units for most of the decade to an expected 9.3 million this year—and Saturn on track to sell fewer than 100,000 cars, down from 286,000 in 1994--there were few buyers. "In Mr. Penske's view," the *New York Times* reported at the time, "Saturn is a potential jewel to be plucked from the scrap heap of GM's bankruptcy."

The sell-off of Saturn was part of the forced restructuring of GM ordered by the Obama administration to drastically reduce the size of the 100-year-old company and restore it to profitability for investors. Under the terms of the plan, GM will close 14 plants and eliminate 21,000 of its remaining 62,000 hourly workers by the end of next year. In addition, the company is closing 2,300 dealerships nationwide, which will affect another 100,000 workers.

With the help of the United Auto Workers, the "new GM" that has emerged from bankruptcy will be freed from paying retiree health care obligations and will see its employees, once among the highest paid industrial workers in the world, transformed into a cheap labor work force.

The *Detroit News* reported that "sources close to the negotiations said some members of GM's board were concerned that the deal would create a competitor to the US automaker's remaining mass market car brands." With the company majority-owned by the US government, it is possible that the Obama administration torpedoed the deal in order to protect the US auto market from additional foreign competition.

GM established Saturn as a separate division in 1990 to compete with smaller, more fuel-efficient imports from Japan. It was marketed as a “different kind of car company,” with a brand new manufacturing facility distant from Detroit. The production plant in Spring Hill, Tennessee boasted a “flexible” labor agreement with the UAW.

The concessions-laden contract signed by the UAW was based on “Buy American” nationalism and the corporatist outlook of “labor-management partnership.” Saturn was promoted as a model for similar agreements with the Detroit auto makers, which were used to suppress any resistance by workers to the destruction of jobs, working conditions and living standards.

The UAW argued that “outmoded” labor relations were making US car companies uncompetitive. On this basis, the union transformed itself into a direct tool of the corporations and the government. In return for its services, it has been given a substantial ownership stake in the restructured auto companies.

The shutdown of Saturn will have devastating social consequences. The town of Spring Hill, Tennessee, about 35 miles south of Nashville, saw its population jump more than 1,600 percent in the almost 20 years since GM built the first Saturn there in June 1990.

In June 2009, the 2,500 workers at the plant—which once employed 7,000--were told the factory would close November 25. Another 500 workers at the distribution center there now face the same fate. The Spring Hill plant provides local governments with about $2 million a year, local newspapers say.

Thousands of workers building Saturn models elsewhere in North America and Europe also face potential job cuts.

* The mid-size Saturn Aura is built at GM’s Fairfax plant in Kansas City, Kansas.

* The small crossover Saturn Vue is made in Ramos Arizpe, Mexico.

* The full-size SUV Saturn Outlook is built in the Delta Township Assembly plant near Lansing, Michigan.

* The compact Saturn Astra is mainly produced at GM’s European Opel division plants in Antwerp, Belgium and Bochum, Germany. Smaller volumes are also produced in São Caetano do Sul, Brazil; Port Elizabeth, South Africa; Gliwice, Poland; Togliatti, Russia; Zaporoshje, Ukraine; and Ellesmere Port, England.

The collapse of the Saturn deal takes place as US auto sales once again plummet, following the brief uptick resulting from the government-subsidized “cash for clunkers” program.

Last month, GM sales fell 45 percent as compared to September 2008. Chrysler sales fell 42 percent. Ford was down 7 percent since this time last year, but a staggering 37 percent from August, when the “cash for clunkers” program was in full swing. Japanese automaker Honda saw its sales fall 20 percent.

Aaron Bragman, an industry analyst with IHS Global Insight, told the *Detroit Free Press* that Penske’s failure to line up a manufacturer could be telling “as to what the world thinks of the prospects for the US market.” Potential investors could be looking at the US market and seeing “far more growth opportunities” in places such as Brazil, China or elsewhere in Asia, he said.

A new report suggested that global auto sales could start to rebound in 2010, but it would take at least five years for sales to return to previous levels in the US, Europe and Japan. Citing the loss of household wealth and the economic insecurity facing young workers and those nearing retirement, CSM Worldwide reported, “The U.S. market is not going to rebound as it has in the past,” when vehicle sales could expand by 4 million or 5 million from the lowest point in the cycle to the highest.”

Greeting the liquidation of Saturn, *Wall Street Journal* correspondent Evan Newmark wrote on his blog: “Welcome to the new, frugal America … The sad truth is that the US car market simply can’t support Saturn. And we will find out soon enough that it can’t support Chrysler, either.”