

**John Smith Remarks
Management Briefing Seminars
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“Let’s Rock!”

Thank you, David [Cole], and good morning, everyone.

**It’s a pleasure to be a part of the Management Briefing Seminar,
especially on its 40th anniversary.**

**I’m here today to tell you that General Motors is moving forward, with
great urgency and focus, to fundamentally change and improve the
way we do business.**

**We understand if you react to that with skepticism, and we realize
that the proof will be in the pudding. . . . the product pudding, to be
specific. I’m here to tell you that we are ready to rock in the product
arena ... but more on this in a moment.**

It is clear to all that we presently have our hands full in the all-important U.S. business, but we've moved quickly, have set in motion a number of recovery strategies, some of which are already bearing fruit. There is more to do, and we're about doing it, most importantly in the product arena. We are still the market leader, and by a wider margin than was true a year ago at this time. Yes, others have drawn closer but we believe our portfolio, the core of which will soon change substantially, across important and growing categories, will capture the imaginations of higher numbers of American consumers.

Our U.S. market share is flat year to date, after declining in each of the last two years. Looking only at retail sales, the story is different —and better— as our retail share is up six-tenths of a share point. Importantly, this reflects year over year gains by all of our newest cars and trucks, and continued strength in the important and ever-growing truck side of the business, despite a relatively older product line compared to competition.

And that is soon to change, we think for the better.

Over the next two years, GM will introduce 20 new or significantly renewed products in North America alone. This effort touches more than half of our sales volume, and includes the core of our industry-leading truck line up.

Before I discuss these products further, let me note that our business elsewhere in the world is coming along nicely, with our global market share up two-tenths of a point over last year.

We've seen strong performances in our Latin American region, and in Asia Pacific, where industry growth in the years ahead is concentrated. We're also seeing rather bright light at the end of a several-year-long tunnel for our important European business, with Opel getting its styling and quality mojo back, as illustrated by increasing market share.

I wanted to comment briefly on all of our regions so that you would be reminded that we are doing well in more areas than not, and also to note that GM has had, for quite some time, a very large footprint around the world.

But, admittedly, it has been a rather independent lot, with regions developing product plans and supporting architectures that haven't allowed us to take full advantage of our size. . .or our global design, engineering and manufacturing capability. . .or our full product portfolio. . .and, by extension, our true speed to market potential.

At the end of the path we're now on, this Global Product Development path led by Bob Lutz, of which I'm a part heading up Global Product Planning, the numbers of architectures will be cut roughly in half. That means we'll achieve better economies of scale in our sourcing. That means our engineering and manufacturing costs per entry will decline. We will, finally, plumb the full depths of the competitive advantage that is our unmatched size.

Now, from where I sit, this will be additive to a few other things we also do quite well, in areas important to customers — like quality, like fuel economy, like safety, and in other areas important to us as well, like safety for the employees in our plants.

In the area of initial quality, GM is the leading manufacturer in the North America, operating the top 3 plants, and 6 of the top 10.

In the area of long term quality, GM is the leading manufacturer with more category winners and more podium finishes.

In the area of fuel economy, GM is the leading manufacturer offering more category-leading vehicles than any competitor, and half again as many as number two in this regard.

In the area of safety, GM has a long history of leadership and innovation, and the only full-line manufacturer to publicly commit to putting vehicle stability control systems across its entire line up. And, with standard OnStar, no manufacturer offers as complete a safety package providing protections before, during and after an accident.

Some here are probably thinking, 'but does all that stuff matter if the products aren't interesting?' Good point, thanks for asking.

For two weeks in June, we showed a rather generous sampling of soon-to-be introduced vehicles to a number of automotive journalists in GM's Design Dome. We did this because we believe what's in the pipeline is good stuff... surprisingly good stuff compared to points of view implicit in many critiques of our company during most of the last quarter.

And the reaction to these forthcoming products was overwhelmingly positive.

[Choice media quotes about the design dome event cycle on screen and, if desired, JFS can read aloud any or all ...

“Coming from GM: Cars that Can ...and the result is a hot new lineup.”

– Business Week

“GM is about to unleash an important element of its turnaround effort: A slew of new, better-looking vehicles.”

– Wall Street Journal

“The all-new Cadillac CTS is likely to give BMW and Mercedes-Benz engineers heart palpitations...”

– Detroit News

“GM’s got its styling mojo back.”

– Edmunds.com.]

Now, I recognize that no amount of words can help you visualize and become excited about these new cars, trucks and crossovers. Since a picture is worth a thousand words, I’ve arranged for a rather quick slide show of many of the products so you, too, might have a taste of what’s coming. Let me respectfully ask that you keep your camera-equipped cell phones in your pockets.

(slide show)

Aren’t those just spectacular. . . and very snappy, in a way, if you ask me!

Every company has good stuff coming. But the response to the private previews was very positive, certainly reassuring, and affirming of our own instincts that we have more momentum in the all-important product arena than we have previously been given credit for. And we're spending more, not less, on new products globally — \$8 billion, to be exact — \$1 billion more than last year.

We believe we have raised the level of our game but, of course, the market will be the final judge. And, as good as the response to the Dome Show was, we want even better.

Apart from the scale, speed and investment advantages we'll derive and pass along to consumers from doing product development globally, doing 'better' means employing the same passion that drove inspirations like Cadillac's renaissance, Opel's Zafira and new Astra models, Hummer's H3, Pontiac's Solstice, and our full-size pickups, the segment-leading, industrial-strength Energizer Bunnies that seem to outlast competitive replacements.

The plan for further leveraging the Solstice component set Mark Reuss outlined for you earlier this week is a great example of passion, and creativity, at work.

Mark explained how to develop a family of low-volume, 'halo' products and deliver a successful business case for them in the process. The Solstice is a beautiful car to be sure, certain to cause a commotion in the marketplace, and it's changing how people think about Pontiac, and GM. By itself, however, it would be difficult to justify.

We've been able to move the 'numbers' in our favor with really superb work by Design in creating very different vehicles for other brands. That's evident in the forthcoming Saturn Sky, and in a similar roadster for Opel and Vauxhall in Europe, and potentially some other very fun future products as well.

We can leverage high-volume products the same way, with even better results. For instance, we have a new family of small cars under development. In each individual region, the volumes aren't enough by themselves to justify a program, at least not a profitable one. But add all the regions together and you have a terrific case for it.

When this vehicle debuts in a few years it will be sold in North America, Europe and Asia, as a notchback, a hatchback and a multi-activity vehicle, and we'll build in the vicinity of 700,000 units in total, for global sale.

Another great example is the plan we have for Saturn, which Jill Lajdziak explained Tuesday. We've been pretty public with our intentions to double Saturn's lineup, and we'll do so rather quickly – and generate tremendous cost savings in the process—because of our global approach to product development.

Several of Saturn's future products will be developed simultaneously with those for other GM brands. Some here might be concerned something important to the brand might get lost in all of this. I don't think so, and you only have to recall the Detroit Motor Show where the Saturn Aura and Saturn Sky made their public debuts. The response was just outstanding.

Those two vehicles go ‘live’ next year, and will electrify the Saturn showroom, a showroom that customers continue to value for its unique, no-haggle experience despite years of a somewhat dated and limited portfolio. But Saturn customers will have even more to chew on next year as a third new model—the Outlook—also makes its debut.

A mid-size, three-row crossover, with a decent hint of sport utility functionality and flair, this model will further expand Saturn’s reach in the marketplace. It’s never been seen in public before and it’s a great honor to show you this important new addition to Saturn’s portfolio.

(show visual)

Isn’t it just terrific? I know you’ll agree it’s not what you expected!

If you haven’t guessed already, we have big plans to take a stronger position in the growing crossover segment. Some believe that we’ve made some questionable portfolio choices, and are behind ... perhaps irretrievably so.

How about a different perspective? I heard the same thing years ago when Cadillac announced the first Escalade. We were dead last to that market. That was then. Escalade now leads the segment, supporting the notion that ‘best’ matters more than ‘first’.

So, back to crossovers. Six years ago, we had none ... at least by our definition ... and our share was, hence, zero. Now, we have six different models, sell about 430,000 units annually, and hold 15% share ... having taken some from those who were ‘first’, by the way.

Four years from now, we'll have 14 crossovers, accounting for about 800,000 units annually, give or take, representing about 1 of every 5 GM vehicles sold. Of course, our plans are subject to change, in this case only upwards.

Why? Because that's what consumers want. They want something different, more in tune with their increasingly active lifestyles and self-images... a further blending and refining of select attributes they know and prefer from separate car and truck experiences, with clear advantages in fuel efficiency.

Our full-size utilities, already the most fuel efficient entries in the category, will be even more so when the new ones debut. How about adding about 1-2 mpg to today's segment-leading performance?!

The story only gets better when those vehicles are purchased with GM's patented two-mode full hybrid system, available in 2007. This system, while not the first hybrid on the market, will be the best as it will provide benefits across the full range of driving conditions, and a 25 percent fuel efficiency gain with no loss in towing capacity.

This new hybrid system is a better mousetrap. The addition of a second hybrid mode to the drive system improves efficiency, and reduces the need for large electric motors found in typical single-mode systems. And we're putting it on our largest vehicles first, where it will have the greatest effect on fuel consumption.

Consumers have voted with their wallets in favor of trucks for some time now, and our new full-size utilities will provide fuel economy better than many competitive mid- and –small utilities on the market. With these improvements, and the further gains made possible by our hybrid system, we'll be offering folks the spacious and highly functional ride they want, with very respectable operating costs.

But our investment in crossovers will give those same customers unmatched choice across the sport utility spectrum, with both fully framed and body-frame integral choices, top to bottom. In other words, however the market develops, we'll be there.

One last point—we remain committed to fuel cells as the right and proper propulsion system 'end game' for this business of ours. But that's a large topic, and Uwe Grebe from GM Powertrain will be with you tomorrow, providing you aren't on a jet ski.

(pause)

I've talked some about our company, about global product development, and most importantly about forthcoming products for North America.

I'd like to conclude with some further commentary about North America because it is our biggest challenge and the area of most interest to all of you.

Hot product is the most important lever we are pulling, and our industry has plenty of history to illustrate how other brands, flat on their backsides, have stood straight and tall in relatively short order when they bring good stuff to the market.

Cadillac was one such brand within our own four walls. I know this story rather well. It wasn't given much of a chance not so many years ago. Things are different now, better. Why? Well, think about Cadillac's portfolio in 1997, and think about it now.

Uniquely styled, high performing, high quality products ... and true to the brand pedigree. I don't want to suggest Cadillac is yet where it should be, but it is significantly transformed and of interest to more luxury consumers than anyone thought possible. It is also the model for all of our brands.

Where Cadillac is one bookend for General Motors, representing the best we can be, Chevrolet is the other ... the all-important, full-line volume brand. The other brands, properly focused, can fill in between GM's two bookends and offer more good and distinct choices than any other competitor on the field.

Cadillac's daring, unique and unapologetic design language continues to evolve, and in the direction of the riveting Cadillac 16 concept... at least, that seems to be the animated opinion of our Dome Show guests in June.

Chevrolet will be GM's full-line brand, offering great choices in all categories. It has a unique opportunity to revisit and reclaim that spirited, breezy sense of self so well deployed in the late '50s and 60's, but in a manner in touch with today's sensibilities. A brand in recent years defined by its strong truck presence, Chevy's car and crossover offerings will no longer play second fiddle, design-wise, and its portfolio will grow.

The Buick-Pontiac-GMC channel will see three... more focused and complementary brands... sort of like three unique, specialized outfitters sitting side by side in a dedicated mini mall.

Pontiac will offer the sexier, more athletic and higher performing models; GMC will continue to offer an expanded assortment of professional grade trucks and crossovers that it's already developed a reputation for; and Buick will leverage its great pedigree with vehicles featuring graceful exteriors, finely crafted and soothing interiors, and industry-leading quality and refinement. Already the fifth-largest channel in the market today, we believe BPG — as a group — will be an attractive and growing retail environment for a wide variety of new vehicle intenders.

We've talked about Saturn some already but I want to reemphasize Saturn's great reputation for customer service. Saturn retailers are ready to rock when the Aura, Sky and Outlook roll into their showrooms next year. Saturn's following is going to grow, which will be good for GM as Saturn has consistently proven to be a terrific conquest brand.

Hummer and Saab round out our approach to the premium end of the market, both brands enjoying strong reputations and proving, like Saturn, to be exceptionally attractive to competitive owners. Their portfolios will grow as well, to some extent trading upon our global capabilities in product development.

We have the right ideas for our brands and, as illustrated in the Dome Show in June, products that will "deliver" accordingly. Many of our media friends seem to think so too and, while I might not agree with them all the time, I think they have this one right!

Other important parts of the business are getting a lot of attention, too, like capacity utilization... cost reduction... spiraling health care costs... as they all matter to achieving the kinds of shareholder returns and cashflow that support growing the business globally, which is where our interests and ambitions ultimately lie.

We don't underestimate the challenges we face, nor the intentions of the other 12, heavily armed combatants on the same playing field. We are a company of great accomplishment, over many decades. We have faced challenges before, and overcome them, and we will do so again.

Having 37 years with General Motors, I can say I have seen a lot of this first hand, and am now witness to our exploration of the final frontier, organizationally. The company is thinking, planning and executing now as a global entity. We will be better, faster and more effective for it, and customers will ultimately be the beneficiaries.

The 'one company' feeling is widely held, and bringing the best out of us and into our products. We have energetic, smart, diverse men and women, sharing ideas and concepts globally and with increasing speed, striving to be the best, just like their predecessors.

Those of you watching television the past couple of months have likely seen our 'Employee Pricing for All' advertising. I hope you understood the offer, of course, and better yet took advantage of it, but I also hope you felt something else as you observed our employees, not actors, deliver the message.

We're proud of our company, and clear eyed about what we need to do, and about what we want to do. I hope to drive this point home with the newest message from GM's employees, which debuts tomorrow night.

(show commercial)

Month by month, our cars and trucks are getting better and better, our people are excited about them and dedicated to moving the company forward.

We're ready to rock!

Thanks for listening, and thanks for having me.