

“A Good Hand”

Remarks by Robert A. Lutz

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Thank you, Dave [Cole], and hello, everyone.

It's great to be back in Traverse City — it's been about five years so I was due for a return engagement at this event.

You know, when Dave's organization asked me to come up and speak, they said I could talk about pretty much whatever I wanted, so long as it wasn't a big GM commercial.

Frankly, I was appalled.

I said, "Dave, I would never do that. What do you think, I'm going to just march into the room and tell a bunch of respected business people, champions of industry, and members of the press that they should all be buying GM products? I would never do that."

[Visual flashes on screen: "Buy GM!"]

I would never presume to tell an audience like this that GM is the best automaker on earth and just expect you to take me at my word!

[Visual flashes on screen: "GM = Best!"]

[As RAL delivers the next couple sentences, a slide montage of a dozen or so of GM's newest products cycles through onscreen...]

I said, "Dave, are you really afraid that I'm going to come down there and show picture after picture of our great, award-winning GM products, and crassly turn a nice event into a big sell job?"

Frankly, I was a little disappointed that Dave and the organizers of this otherwise classy event would ever worry about me doing such a thing.

[Product shots cycle ends...]

So, have no fear, I would not sully this event's good name with something as tawdry and insensitive as a blatant GM plug.

[pause]

Oh, all right, I'm bluffing... that is what I'm going to do today.

But before I do, speaking of bluffing...

A guy walks in to a poker game and is stunned to see a dog sitting there playing.

The dog's paws are full of cards, he's got a cigar dangling from his snout, he's tossing chips in to cover his bet...

And the guy says, "That has got to be the most amazing dog I've ever seen!"

And one of the other players says, "Ah, he's not so amazing. He's a lousy poker player — every time he has a good hand he wags his tail!"

[pause]

Well, I think that's what we have at GM these days... a good hand. The problem is, too few people call us on it to see what we've got.

In fact, we seem to draw more than our fair of criticism, considering how good our hand is.

And it's not just us — all the domestic automakers seem to be targets of criticism that I would classify as, if not totally unwarranted, then at least overzealous.

Before you dismiss that as, oh here's Bob whining and getting defensive again... let me just ask you... how many times in recent months have you seen some so-called expert use the phrase "Detroit Dinosaurs"?

We have been routinely dismissed as dumb, unprepared, anachronistic... an endangered species. It's left me incredulous.

Are we to believe that three independent companies, with three completely diverse global management teams, grounded by three different and independent boards... all at once nearly imploded because they were all just the same level of stupid at the same time?

Are we to believe there aren't *any* macroeconomic factors contributing to this situation? Are we to believe there are no other outside factors driving the domestic industry in a certain direction? Factors that may not necessarily affect the import manufacturers in the same way?

If you listen to these “experts” you’d have to conclude that... no, this really is just buffoonery on the part of a bunch of greedy, short-sighted U.S. car company executives.

Well, I know that’s not true, and I know a lot of you know it too, and it’s time somebody said it.

But the truth is... just saying it is not good enough. You need a course of action, too. And at GM, we have action, direction, and commitment. And, like I said, we have a pretty good hand.

When I look at where this company is now, as compared to even five years ago, I’m blown away... and I’m immensely proud of it.

Going forward, this industry is on the cusp of radical change... a transformation. That’s why the theme up here at the conference is “Discontinuous Change.”

And General Motors is ready to meet this challenge, because GM, fortunately for us, is a company that already has a head start in the area of transformation.

GM is in the midst of radical, cultural change, down to its very core, the likes of which I’ve never seen in my more than 40 years in this business. And I’ve seen a lot... Like Casey Stengel once said, “There comes a time in every man’s life, and I’ve had a lot of them.”

GM is a company that has cultivated a bone-deep commitment to product excellence, and to technology leadership.

In short, we’re committed to playing our hand from a position of strength. And that’s no bluff. If you could see my tail, you’d know it’s wagging — just take my word for it...

Let’s talk about just some of the cards we hold...

We announced our financials last week. You saw the numbers — we’re not where we’d like to be yet, but we’re certainly on the right track.

Same goes for our sales numbers... Yes, sales were down in North America for July, but that was the case industry-wide. As a result, our market share was the second-highest for the year so far, with very little in the way of incentives, compared with much of our competition.

And, if there's a faster-growing auto company outside of North America, I'd like to know who it is. How many of these conferences have you been to? And how many times have you heard someone get up here and talk about global — global sales, global program management, global production, globalization ...

Well, it turns out that was all *true!* It's a *global industry*, and we're on the way to doing something for the third year in a row that we'd never done before, and that's sell more cars and trucks outside North America than we do here.

We're on pace to sell more than 5 million units outside North America for the first time ever. We're on a record-breaking pace in three of our four regions.

Just a decade ago, 80 percent of global auto industry sales came in the developed markets of the U.S., Canada, Australia, Japan and Western Europe. Right now, that number is about 62 percent... and falling.

We've identified and targeted 11 emerging markets around the world where we've directed our investment focus over the past few years... places like China, India, Russia, Eastern Europe, Latin America and the Middle East.

Those markets are up 17 percent so far this year, and we think these 11 markets by year's end will be comparable on a sales volume basis to North America, for the first time in history.

In North America, our turnaround continues to take hold, and from where I sit, we've improved nearly every facet of our business.

Our manufacturing productivity has improved. Our relationship with suppliers, based on key independent surveys, is dramatically better and among the best in the industry, and Bo Andersson will speak more about that later today.

Our quality and dependability are also improved. In fact, the latest J.D. Power Vehicle Dependability Study was released just this morning, and for the first time in a dozen years, Lexus is not alone atop the standings — it's tied with Buick. And Cadillac is right behind them at number three.

That speaks volumes about the improved reliability of our vehicles, and it explains why we are confident enough to offer what we feel is still the best warranty coverage in the business.

And the new cars and trucks covered by that warranty are head and shoulders above what they used to be. The people who know about such things — the motoring press — have recognized this. They voted the Saturn Aura North American Car of the Year; they voted the Chevy Silverado North American Truck of the Year. And the reviews for our newest vehicles continue to be largely positive.

Here's what Road & Track said about the Cadillac CTS, for example: "Boiled down to what matters most to the basic car, the new CTS – with its excellent powertrain, great handling, substantially improved interior and dramatic new styling – succeeds on all levels."

And Motor Trend had a similar evaluation: "[CTS] is not just the best-handling Caddy in history, but probably the best-handling American sedan ever."

Our new crossover vehicles – the Buick Enclave, GMC Acadia and Saturn Outlook – are selling extremely well. We sold 10,000 of them in July. And we have high hopes for the soon-to-arrive Chevrolet Malibu, and for all the other cars and trucks and crossovers we have in the pipeline.

And, what's more, the card we have up our sleeve in terms of advanced technology and propulsion, well, that's what really has me thinking we have a good hand. In poker lingo, we are "all in."

Look, we know Washington still has some cards to play. We think there is a better, more balanced way to improve fuel economy standards than unrealistic, extreme and expensive CAFÉ increases. But we'll be ready to play whatever hand we're dealt; we're not going to fold.

We've said time and time again, we want to be part of the solution to society's energy issues... as a matter of energy efficiency, as a matter of national security, and as a matter of environmental responsibility. We're committed.

At GM, we believe that no one solution is right for every part of the world, or even every consumer in any given market. So our approach is simple: offer as many choices as possible, to as many consumers as possible.

And regardless of the fuel, regardless of the technology, our goal remains the same – the best possible fuel economy for whatever type of vehicle our customers choose.

That's why we offer more cars that get 30 mpg highway than any other automaker. That's why we offer the most fuel-efficient full-size pickups and SUVs on the market.

That's why we have more than 2 million vehicles on the road today that can run on ethanol... and we have a lot more coming.

The simple fact is... the most cost-effective solution for changing the CO2 footprint of the automobile, and reducing dependence on foreign oil, is ethanol. Period.

And if you want to talk hybrids, we'll introduce four more hybrids in the U.S. this year. In fact, beginning with the current launch of the Saturn Aura Green Line, we'll introduce 16 hybrids in the next four years – one every three months.

Later this year we'll introduce the industry's first "two-mode" hybrid SUVs, which will get 40 percent better city fuel economy than their gasoline-only counterparts.

No other company besides the ones that share our two-mode system can do that on fullsize SUVs or pickups... regardless of race, creed, color or national origin, or whether or not the name of the company begins with a T.

They can't do it.

Down the road, we're developing several new technologies that promise even greater fuel efficiency, including a "plug-in" version of our Saturn Vue Green Line hybrid.

Drivers will be able to recharge their plug-in Vue at a standard electrical outlet, and get up to double the gas mileage of any SUV on the road today.

We're also developing fuel cell vehicles like our Chevy Sequel concept, which can travel 300 emissions-free miles on a single tank of hydrogen. This fall, we'll have the largest customer-driven fuel-cell test fleet in the world, more than 100 Chevy Equinox fuel cells.

And we have a company-wide commitment to production of the Chevrolet Volt, which I'm personally as excited about as anything I've ever done.

Volt combines many of these technologies in one vehicle. It's the first example of an innovative new GM propulsion system called "E-Flex."

As you probably know, the “E” stands for “electric,” because all E-Flex vehicles will run on electricity. And E-Flex is “flexible” because the electricity can come from many different sources, such as a small motor running on bio-fuel, a hydrogen fuel cell, or even directly from the power grid.

By offering a system that drives vehicles with any of these fuels, E-Flex will provide our customers around the globe with a single elegant solution to tomorrow’s energy issues.

Frank Weber [*VAY-ber*], our global vehicle line executive for E-Flex, will be here tomorrow to talk more about that program and give you a further update on our progress.

As you’re probably aware, before we get to play the E-Flex card, we need further advancement in battery technology. And we’re making great progress there.

But before I go any further, I have a product demonstration for you...

[RAL picks up helicopter/remote and does a quick flying demonstration, getting it to hover just over the podium so the cameras can get it on-screen.]

How bout that? And to think the PR guys were worried I’d send this thing spinning out of control into the crowd!

Sadly, this is not one of our future products... but it is available today... and it is powered by a lithium-ion battery.

Imagine that battery technology... small enough and light enough to power this helicopter, which weighs next to nothing, as it flies through the air with the greatest of ease.

Now imagine that technology in a battery pack powerful enough, yet small and lightweight, to power your car for 40 miles, with no gasoline or any other energy source needed.

That’s why we have so much faith in this technology.

And that’s why we have reached an important agreement with a much-respected company that makes lithium-ion batteries that power helicopters like this one.

GM and A123Systems are announcing today that we have agreed to co-develop A123’s cells with their nanophosphate battery chemistry for a long-lasting, safe and powerful battery for use in our E-Flex system.

This is a great strategic agreement for us, and it's going to help us get E-Flex — and vehicles like the Volt — on the road sooner.

Breakthrough battery technology will drive future automotive propulsion, and the company that aligns with the best strategic partners will win. That's what is so important about this deal.

Whether we're talking about the future of the Volt, or the plug-in hybrid Vue I mentioned before, or a fuel cell-powered vehicle... we need to understand the fundamental battery cell performance.

The contract calls for GM and A123 to develop battery cells to meet the specific requirements of E-Flex. A123 is a forerunner in nanophosphate-based cell technology, which, compared to other lithium-ion battery chemistries, provides higher power output, longer life, and safer operations over the life of the battery.

And we are developing this battery technology, along with our partners, concurrent to doing engineering and development work on Volt and other vehicles that will use E-Flex.

A123 joins our roster of highly capable and competent partners, including Continental Automotive and Compact Power Inc., a subsidiary of LG Chem.

Believe me, electrically driven vehicles represent the next great paradigm shift in the automotive industry. And we plan to act on this opportunity created by the rapid advancement in battery cell technology by companies such as A123Systems and LG Chem.

The innovation behind this battery development and these vehicle programs is what has me convinced that, in this poker game, we feel like we have a winning hand.

You can count on me to spread the word about that...

And I really hope that word does get out, and our critics look at us with newly opened eyes... because otherwise I may just come back up here in five years and really do a GM commercial!

Thank you very much for your kind attention...