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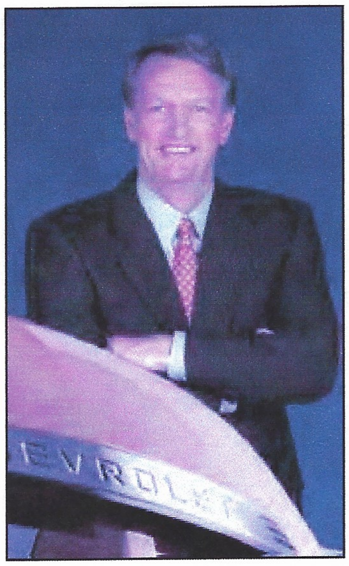
15 Minutes with GM CEO Rick Wagoner

Taking the reigns on the road to recovery.



AI: How dire was GM's state when you became CFO in 1

RW: I remember Jack's famous words: "Stop the bleeding." We had to get tl to a point where it wasn't pouring cash out the door every month.

AI: You also had to improve product and product develc

RW: We've significantly improved the quality of our product and the breadth of our portfolio. We've moved from six or seven product development organi the U.S. to one, and that's yielding all sorts of efficiencies. In manufacturing we've moved from the worst in the U.S., by a significant margin, to right up t the best.

AI: You've had problems with relationships – suppliers, the UAW — along the way.

RW: This is an industry in a period of great change and the stress that comp brings. What has been happening with suppliers is the competitive dose of c we've all gotten in the last five years. The supply base has been under mass pressure to get more value for less money, because that's what we're gettin consumers. With dealers, we were butting heads for a while, but I think that significantly improved. With the UAW, we had a number of strikes, and the r was tense, but that's back on a very constructive track.

AI: You're plowing millions into fuel cells but not competing yet in hybrids.

RW: We were going hard on the electric vehicle, and after that we said we needed to bet on something that can be competitive in all areas — regulatory, consumer needs and business. So we've been working very hard on the fuel can't afford to leave the hybrid field open. We've reached out more and more into technology to maintain GM as an leader

AI: How can you stop the bleeding of market share to off-shore brands?

RW: One answer is simple: we need the best products and cost efficiencies so we can stay tough. The second piec need to fight to make sure we have a level playing field. We've been outspoken on things like valuation of the yen - Japanese Central Bank inappropriately and excessively using their strong reserve position to purposely drive the ye weaker, which is directly moving manufacturing jobs from the U.S. to Japan. We should not have to compete again Another fair playing field area is the cost of health care, which is a very big issue for the entire U.S. economy: I thin accurate in saying that none of the countries we compete against has a healthcare setup like the U.S. and a health burden placed on their manufacturers.

AI: What are the major ongoing challenges?

RW: One is that we have to rebuild our balance sheet, which means we have to generate cash. That is driving a lot business strategies, to make sure we keep enough cash going in to do product, to keep our share up so we can ke production up so we can keep the machine running and generate cash. The other big challenge relates to the comp tough pricing and the lack of profitability we see in the auto business. We've got to do even better products to get s little pricing power and get to segments fast where it's more profitable. And we need to run the operating side of the very adroitly: quality, manufacturing efficiency, the right manning levels, everyone working on value-added activities

Gary

objectives — last year. That is second highest in the industry behind Honda, and this year we're expecting it to be e

His biggest challenges going forward? "Maintaining a healthy level of growth with top-level profitability. We're reach midpoint of our 3-year 'Nissan 180' plan [which succeeded the original revival plan in May, '02]. Zero debt was reac year, and we're ahead of our goal of 8 percent operating margin. Our main goal now is achieving one million additic support of our profitability. In 2003, for the first time since 1990, we'll cross more than 3 million cars sold without try market share or volume than we deserve. By the end of Nissan 180 [in 2005], we should be above 3,600,000 vehic based on new products and new geographical zones [including China] where we've been investing. We have a lon but we have enough product, plans and determination to get there."

Like GM's, Nissan's dramatic recovery is well along but remains a work in progress. Fiat's and Mitsubishi's are at th gate; Ford's and the Chrysler Group's are mid-course. Conventional wisdom says the planet has more automakers capacity than global demand can support, and that some must inevitably fail. It's the law of the car-biz jungle.

Consider the effect on the U.S. economy if one of our two remaining independent survivors dies outright, or is killec consumed by an off-shore predator. Consider the effect on European economies if Ghosn's plan had failed and dra Renault down with it.

No-one wants to be next to fail, which is why successful turnaround artists such as Smith and Ghosn are more thar healthy compensation and why national governments should be motivated to help their major industrial companies Since the unforgiving auto business is unlikely to get easier any time soon, survival will remain a 24/7 struggle for e with no room for complacency or costly mistakes.

Whoever stumbles next may not find such a hero and a path to recovery.

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