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The Detroit News

Friday, November 19, 2010 Metro Final

GOP looks for detail in Snyder tax plan

Lansing — Reworking Michigan's

BY KAREN BOUFFARD

Detroit News Lansing Bureau

Republicans introduced a bill in January, but they're not ready to sign off on Gov.-elect Rick Snyder's plan to drop the Michigan Business Tax in favor of a flat 6 percent corporate tax.



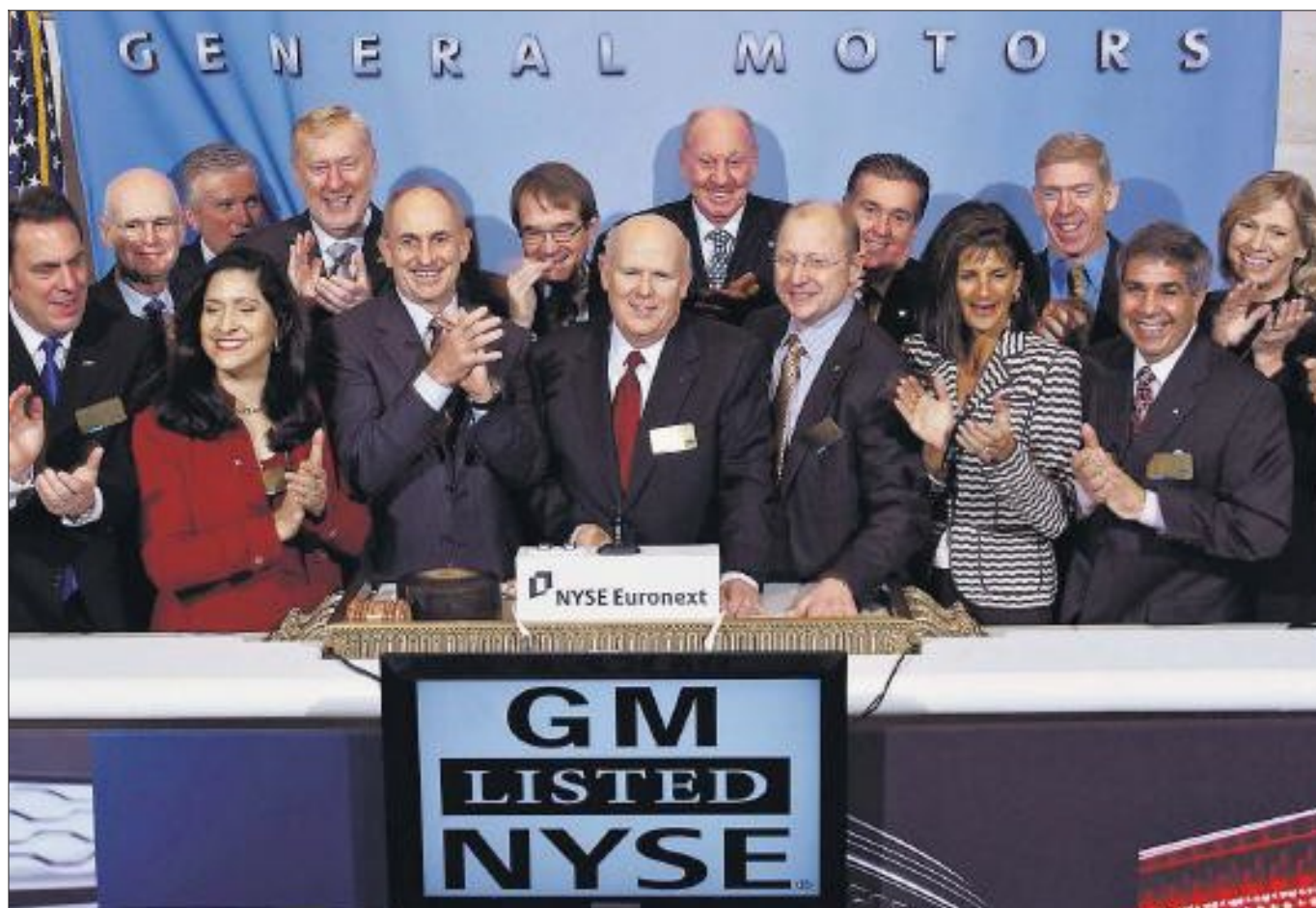
Snyder

The new Legislature is grappling with a lack of detail in the Snyder strategy, and leaders say they want to cost it out and examine their options before jumping on board. Randy Richardville, the new Senate Majority Leader, and House Speaker-elect Jase Bolger, both have corporate backgrounds and say they will bring business principals to the task.

"A lot of people have talked about Snyder having an MBA and having business experience. Well, so do I," Richardville said.

Please see Taxes, Page 15A

GM has smooth ride in return to Wall Street



GM CEO Daniel Akerson, center, rings the opening bell at the New York Stock Exchange Thursday. He's surrounded by GM board leaders, executives and, behind him at left, UAW President Bob King. A roar went up as GM common stock opened at \$35.40.

New York Stock Exchange

Stock rises 3.6% to \$34.19 in first day of trading

U.S. reduces stake in automaker

BY CHRISTINA ROGERS, DAVID SHEPARDSON AND CHRISTINE TIERNEY
The Detroit News

General Motors Co.'s new shares posted a solid gain in their first trading day, as investors welcomed the slimmed-down, newly profitable automaker back to the Big Board less than 18 months after its collapse into bankruptcy.

GM shares opened with a 6 percent jump on the \$33 price set in the initial public offering that raised \$20.1 billion — the largest in U.S. history. The sale roughly halved the government's stake in the company to 33 percent.

"American taxpayers are now positioned to recover more than my administration invested in GM," President Barack Obama said at a brief news conference marking GM's return to the private sector after a controversial federal bailout.

Relief was palpable in Washington and Detroit as the government shed its awkward role of majority shareholder of the iconic American automaker.

The stock market's response also vindicated the efforts and sacrifices of GM managers, workers and other stakeholders to revive the automaker, once the biggest company in America.

with a stake in GM," said GM Chief Executive Daniel Akerson, who rang the opening bell on the dais overlooking the New York Stock Exchange trading floor.

Investors hoping for a big bounce in the stock were disappointed, as the shares ended off

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Revamped Chrysler 200 unveiled in L.A.

BUSINESS, 10A

Dream it, do it with new design books

HOMESTYLE, 1H

Preserving past for African-Americans

METRO, 4A

Metro Detroit cheers GM revival

Auto industry rebound, symbolized by stock offering, gives region hope

Almost by surprise, General Motors is spinning a new, unlikely story as the comeback kid, foiling skeptics and winning back hometown fans.

for an excuse to cheer.

"This is a great day for General Motors. It's a great day for Detroit. It's a great day for Michigan. It's a great day for America, and it's all because of you," GM's CEO Dan Akerson announced to gathered employees Thursday at the Renaissance Center, after the biggest initial public offering in U.S. history. The company sold \$20.1 billion in shares — and won back respect.

In Northville, a GM executive who retired just before the company's bankruptcy, surprised himself by scooping up every IPO share.

"I came at this as a true skeptic," says Warren Browne, who pored over the company's prospectus and found himself shocked by the changes. "This is a very strong company, and I never would have said that six months ago."

Even the stock offering underwriters — who bumped up the IPO share price to \$33, when de-

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LAURA BERMAN

MORE INSIDE

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Optimism: Workers, dealers cheer. 8A

Party time: GM makes splash in return. 8A

Impact: Rivals, allies affected by launch. 9A

SEC slaps ex-car czar with \$6.2M fine

Rattner also sued by N.Y. AG over alleged pension deal kickbacks

BY DAVID SHEPARDSON
Detroit News Washington Bureau

New York — Former White House auto czar Steven Rattner agreed Thursday to pay a \$6.2 million fine that settles a federal kickback investigation. But he

defiantly vowed to fight efforts by New York state to ban him from working in the securities industry.

Without admitting wrongdoing, Rattner reached a pact with the Securities and Exchange Commission. He did not, however, come to a deal with New York State Attorney General Andrew Cuomo, who has a separate probe.

Cuomo filed two separate suits

against Rattner and named him in a third pending suit, seeking to fine him \$26 million and ban him forever from the securities industry in New York. That would prevent the former investment banker from working on Wall Street, and cost significant income.

"Steve Rattner was willing to do whatever it took to get his

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David Guralnick / Detroit News

Steve Rattner agreed Thursday to pay a federal fine but vowed to fight suits filed by New York.

Contact us: You can reach the business desk or Business Editor Susan Carney by calling (313) 222-2738, faxing (313) 496-5247 or at scarney@detnews.com.

GENERAL MOTORS' IPO

Fate now in firm's hands

Time for carmaker to put second chance to good use

The beginning of the end of "Government Motors" is spelled IPO. Two years to the day after GM's ousted CEO begged Congress for a bailout, investors bought shares Thursday in a renewed, redirected and financially viable General Motors Co. — essentially halving the government's 61 percent stake in the automaker and heralding a newly competitive era for a Detroit industry

given up for dead.

There are lots of winners here and a not-insignificant number of losers. They include bondholders muscled by the government's speedy bankruptcy cram-down; employees who lost their jobs in swift downsizings and retirees whose expected benefits were reduced; communities whose GM facilities were swept into the old GM and readied for liquidation.

Also damaged is an implicit principle of American capitalism: Governments



DANIEL HOWES

don't seize controlling stakes in private industry except in times of war. Wherever the arc of the newly public GM leads, the costs paid to get it to this point will be a controversial chapter in the history of GM and the presidency. Still, the initial public offering, the largest in U.S. history, merits qualified celebration after years of scant joy here in the Motor City. The IPO stamps an exclamation point on the proposition that predominantly American and Canadian investors see a promising upside in a GM under new manage-

ment and shorn of excess brands, uncompetitive labor costs and crushing debt.

That would have been inconceivable amid the first of several congressional beatings two years ago this week, or in the dark days of GM's bankruptcy in the early summer of 2009, or as the revolving door atop the RenCen swung to produce four CEOs in roughly 18 months.

"We know how we arrived here," CEO Dan Akerson said, less than an hour after buying his own shares on the floor of the

Please see Howes, Page 12A

Roadblocks remain on path to recovery

Carmaker vows to fix debt, European woes

BY CHRISTINA ROGERS
The Detroit News

With its long-awaited initial stock offering in the rearview mirror, General Motors Co. still has some obstacles to full recovery: fixing Europe, paying down debt, and fully embracing smaller, more fuel-efficient cars.

Still, while acknowledging the challenges, CEO Daniel Akerson said Thursday the automaker is "in a much better place than we were a year ago."

GM expects to use proceeds from sales of its preferred shares to pay down liabilities, including pensions. It also said it intends to focus on fixing its flawed European operations. GM has long struggled in this market, where its pretax losses deepened this year by more than \$1 billion.

"We still need to fix Europe," Akerson said last week, when GM reported its third-quarter earnings.

GM is working toward curing its problems in Europe. It shuttered a plant in Antwerp, Belgium, and is trying to better match production with consumer demand — a strategy similar to the one it used to right its operations in North America.

"The blueprint for addressing our issues in Europe is basically similar to what we did in the United States and Canada," Akerson said Thursday.

He noted GM's one strength in Europe — its car and truck lineup — which he described as being in "good shape."

With the changes, the auto-

Please see Recovery, Page 9A



Spencer Platt / Getty Images

GM's Daniel Akerson says its U.S. and European plans are similar.



Photos by Robin Buckson / The Detroit News

GM technician Dennis Welker, left, talking with colleague Craig Gloger on Thursday at the automaker's Technical Center in Warren, said he thinks the company is headed in the right direction. "But it's still about public perception," he said.

GM workers, dealers hope a 'new day' is dawning

Historic stock sale raises expectations for job security

BY RONEISHA MULLEN
The Detroit News

Detroit — General Motors Co. CEO Daniel Akerson arrived at the Renaissance Center on Thursday evening to the applause and cheers of several hundred employees gathered in the lobby and balconies of the GM headquarters building to celebrate its stock launch.

He wanted to deliver his personal thanks to the workers for helping the company "achieve the impossible dream" of traveling from bankruptcy to the New York Stock Exchange in less than a year and a half.

"The resiliency and character of the employees of this company is what has brought General Motors to where it is today," Akerson said. "Thanks to your hard work and commitment, it feels like a new day has dawned for the new General Motors."

The RenCen event ended a day when GM workers, suppliers and dealers welcomed the automaker's recovery.



"GM is on a roll. We're going to make it to the top," said Charles Ware, an electronics technician for the company.

Earlier in the day, workers at the automaker's Warren facility were buzzing about what they believe is GM's big "comeback."

"GM is on a roll. We're going to make it to the top," said Charles Ware, an electronics

technician at GM's Warren Technical Center. "We're going to get our name back. No doubt about it."

The enthusiasm continued later at GM's two-hour event at its Detroit headquarters, which featured live music and food, including a celebration cake.

Partygoers at the RenCen cheered as Akerson highlighted some of their company's recent achievements, including three consecutive quarters of profitability.

"Sixteen months ago, we were pretty much flat on our backs," Akerson told the audience. "But we picked ourselves up and got back in the game."

Guests at the private affair included state Senate Majority Leader Mike Bishop; Detroit Public School Emergency Financial Manager Robert Bobb; Warren Mayor Jim Fouts; and partners and stakeholders in the company, as well as United Auto Workers union representatives and GM suppliers.

While some employees saw the stock sale as a sign that the company is "turning around positively," others saw it as a sense of

Please see New day, Page 9A

Celebration marks return to N.Y. Stock Exchange

BY DAVID SHEPARDSON
Detroit News Washington Bureau

New York — Before General Motors could go public with its stock, it had one last thing to get right Thursday: parking six cars.

Before 7 a.m. in cool, clear fall weather, GM employees practiced a half-dozen times driving a fleet of six GM cars to the front of the New York Stock Exchange on Wall Street: a Chevrolet Volt, Chevrolet Camaro, Buick Regal, Chevrolet Cruze, Cadillac CTS and GMC 2500 pickup. The drive was for a CEO photo-op to be held after GM's stock opened.

The front of the exchange, where GM

had traded as the largest company in America for 75 years before bankruptcy last year forced its delisting, was covered in a giant General Motors sign.

Along with the vehicles, GM CEO Daniel Akerson arrived early at the exchange, entering through a back entrance and spending nearly two hours shuttling between TV interviews — an effort to convince investors to buy the stock.

The 17-member GM team led by Akerson had an 8:45 a.m. formal breakfast in the exchange boardroom with NYSE CEO Duncan Niederauer, who told him it was a

Please see Return, Page 13A

DEBUTS KEEP COMING AT L.A. AUTO SHOW



Robyn Beck / Getty Images

Chrysler President Olivier Francois introduces the new Chrysler Town & Country on Thursday at the Los Angeles Auto Show. More stories, 10A

Dow Jones	11,181.23 173.35	▲
Nasdaq	2,514.40 38.39	▲
S&P 500	1,196.69 18.10	▲
Wilshire	12,580.74 192.98	▲
GM	\$34.19 33.44	▲
Ford	\$16.12 0.56	▼

Baggage, fleet workers reject union at Delta

Minneapolis — Unions lost their second big vote at Delta Air Lines on Thursday, with fleet service workers rejecting the union that had represented the same group at Northwest Airlines.

The voting by 13,104 baggage handlers and other fleet service workers ended with 52.5 percent of them voting for no union representation by the International Association of Machinists and Aerospace Workers, according to the National Mediation Board. Delta is mostly nonunion except its pilots, but labor got a foot in the door when Delta absorbed heavily unionized Northwest in 2008.

Fed mortgage program dropping homeowners

Washington — More than half of the 1.4 million homeowners who enrolled in the Obama administration's flagship mortgage-relief program have fallen out.

The program is intended to help those at risk of foreclosure by lowering their monthly mortgage payments. But the Treasury Department report said 54 percent of those who had tried to get their monthly mortgage payments lowered have been dropped from the program through October.



Damian Dovarganes / Associated Press

Soft clothing and appliance sales weighed down revenue for Sears.

Sears Holding Corp. reports 3Q loss

Sears Holdings Corp.'s third-quarter loss shot up to \$218 million from \$127 million a year ago, affected by weak revenue at its long-suffering Sears chain, hurt by poor sales of appliances and clothing.

Business at its Kmart discount stores held up better, but they still saw a key revenue measure — revenue at stores open at least a year — edge downward 0.7 percent.

Michigan Heart added to St. Joseph roster

The St. Joseph Mercy Health System said Thursday it plans to acquire Ann Arbor-based Michigan Heart, a physician-owned cardiovascular practice with 326 employees and eight southeastern Michigan locations, by year's end. It is the second physician acquisition announced by the seven-hospital health system in the past month.

New jobless benefit applicants leveling off

Washington — The number of people applying for unemployment benefits barely rose last week, offering some hope the job market may be improving.

Initial claims for jobless aid increased by 2,000 to a seasonally adjusted 439,000, the Labor Department said Thursday.

Staff and wire reports



"We are obviously committed to receive a fair return but we are also committed to exiting this as soon as practical."

—Ron Bloom, senior U.S. Treasury adviser, commenting on the government's GM stake



"What's happening with the GM offering only makes me feel better. The pricing is good, and the fact that the market likes it is good."

—Sergio Marchionne, CEO of Fiat SpA, and Chrysler Group LLC

"We will only get our money back if we are very patient and if GM performs very well. GM will really have to hit the ball out of the park in the next couple of years."

—Joe Phillippi of AutoTrends, Inc.



"It is now widely recognized that the taxpayers' investment not only helped save jobs during the worst economic crisis in a generation but also gave the auto industry a solid foundation on which to build."

—Treasury Secretary Timothy F. Geithner



"It allows a leaner and more focused GM to continue on the path set out by their strong executive team to make the best cars and trucks in the world by the best workers in the world, and just as importantly, grow jobs and bring economic opportunity to Michigan."

—U.S. Rep. Mike Rogers, R-Brighton

"It is good for the taxpayer, good for the industry, good for business. It's going to lift everyone and instill confidence that the industry is coming back. If people are willing to buy stock in an auto company, they are probably willing to buy cars."

—Jim O'Sullivan, CEO of Mazda North America

Shanghai Auto buys 1% stake

BY CHRISTINE TIERNEY
The Detroit News

General Motors Co.'s Chinese venture partner Shanghai Automotive Industry Corp. confirmed Thursday that it had bought a 1 percent stake in the Detroit automaker for \$500 million.

"This investment is made on the basis of the good, strategic partnership between the two

parties and their confidence in GM's development prospects," state-controlled SAIC said.

Foreign-based investors expressed strong interest in GM's initial public offering, but ended up with 10 percent of the GM stock sold in the IPO, Chief Financial Officer Christopher Liddell said on a conference call.

"Ninety percent of the shares were allocated domestically,"

Liddell said.

"There were sovereign wealth funds that did take some shares, but it was pretty modest in the end."

Sovereign wealth funds are state-owned investment funds.

Shanghai Automotive announced weeks ago that it was open to buying shares in GM, its venture partner since 1997.

The two automakers teamed

up in China, where foreign companies are allowed to produce cars only in ventures with domestic car companies.

They have been successful in China, selling more than 2 million vehicles this year, and they are now joining forces to target India's booming car market.

"GM is an important strategic partner of SAIC Group," the Chinese automaker said in a state-

ment.

"The good partnership between the two sides for a win-win situation of mutual benefit and mutual trust has been in existence for more than a decade."

Shanghai Automotive is the controlling shareholder of SAIC Motor Corp., which is acquiring 15.15 million GM shares at \$33 apiece, through its SAIC Motor HK Investment Ltd. unit.

GM IPO success affects rivals, allies

Ford, American Axle lose as investors may be pulling out profits

BY BRIAN J. O'CONNOR
Detroit News Finance Editor

The rising tide of General Motors Co.'s IPO lifted most boats Thursday, but not all — especially not the shares of crosstown rival Ford Motor Co.

Overall, the market had an up day for several reasons beyond the excitement about GM's return to the big board. Several other initial public stock offerings came to market, and there was good economic news in the United States and Europe.

But shares of companies in the auto manufacturing sector clearly reflected GM's post-bankruptcy stock debut. Almost all auto-related shares saw a boost of about 1 percent to as much as 7.3 percent by the end of trading.

"Whether it was GM, the auto industry or Obama, I don't think it could have gone more perfectly today," said Jonathan Citrin,

Most auto stocks soar

The initial public offering of General Motors Co. stock helped boost the performance of most automotive stocks Thursday, but not crosstown Ford Motor Co. and some suppliers.

Gainers	Closing price	Change	Percentage change
Commercial Vehicle Group Inc.	\$14.07	\$0.96	7.32%
Shiloh Industries Inc.	11.27	0.53	4.93
Modine Manufacturing Co.	14.51	0.68	4.92
Twin Disc Inc.	23.84	0.93	4.06
Tenneco Inc.	36.21	1.41	4.05
ParkOhio Holdings Corp.	17.80	0.64	3.73
Stoneridge Inc.	13.16	0.45	3.54
Dana Holding Corp.	14.92	0.49	3.4
Coast Distribution System Inc.	4.00	0.13	3.36
Tata Motors Ltd.	32.74	1.05	3.31
Losers	Closing price	Change	Percentage change
Ford Motor Co.	\$16.12	-\$0.56	-3.36%
American Axle and Manufacturing Holdings Inc.	\$10.87	-0.31	-2.77
TRW Automotive Holdings Corp.	\$47.78	-0.39	-0.81
Lear Corp.	\$87.42	-0.21	-0.24

Source: Morningstar Inc.

The Detroit News

CEO of the Citrin Group investment advisers in Birmingham. "I can't think of a better way for an IPO to come out."

Unless your name was Ford. Shares of the only one of Detroit's Big Three to escape the re-

cession without a government-backed bankruptcy reorganization closed down 56 cents a share, for a loss of 3.4 percent, making it the biggest of the few auto sector losers Thursday.

Ford has been a darling of the

sector, up more than 60 percent so far this year. Some analysts feel GM's balance sheet may be more attractive, since it shed most of its debt in Chapter 11 while Ford still carries a large load of IOUs. Others speculate that after months of being the hot auto stock, Ford's star cooled a bit in the shadow of the newest stock on the block.

"A lot of people have made money on Ford," Citrin said. "My guess is that investors are pulling their profits out of Ford and going to ride GM for a while."

But if being a competitor of GM's didn't allow you to bask in the glow of the IPO, neither did being one of the carmaker's allies. The day's second-biggest loss among auto-related stocks went to American Axle and Manufacturing Holdings Inc., which lost 31 cents per share and gets more than 75 percent of its business from GM.

But Axle, like Ford, may have just been giving back some gains it made in the months of hype preceding GM's IPO, when both companies were seen as prime alternative plays to standing in

line for coveted shares of the GM offering — especially after the coming out price was raised from \$26-29 a share to \$33.

"The play was in buying the suppliers, especially after they raised the price," said Alan B. Lantz, president of investment advisers Alan B. Lantz & Associates Inc. in Toledo.

The bulk of suppliers that saw shares rise Thursday may have gotten an additional boost out of GM when the automaker said it is considering a bond issue.

"The talk about a bond component is positive for suppliers," Lantz said. "The more capital GM has to spend, the more business the suppliers will get."

All in all, the day's market activity reflects a growing interest in the recovering auto sector as a growth play, explained Tom Spillane, a partner and co-chairman of the auto industry team at Foley & Lardner LLP in Detroit.

"It shows optimism in the current state of the industry and the future," Spillane said. "It's really a growth industry now."

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New day

Continued from Page 8A

job security.

"This means longevity. It's a relief," said Joseph Miksitz, exterior design engineer for GM. "It's nice to have some confidence again. I'm somewhat optimistic now."

Georgina Schajter, senior buyer for the automaker, said the company's turnaround is good news not only for GM, but the whole country.

"This is one time as a country we pulled together to help one of our own," Schajter said. "That's something for everyone to celebrate."

'A second life'

In Warren, many workers chatted about the sale as they headed back to work around noon Thursday.

"I hope this is going to work," said technician Dennis Welker, as he returned with two co-workers.

"I think we're headed in the right direction, but it's still about public perception."

Sean Lo, a styling designer for GM, bought "a few" shares of



Robin Buckson / The Detroit News

GM quality control inspector Bernie DeVold said he had to invest in the stock. "It's my company. I've got to back them up," he said.

stock shortly after the market opened. Lo said he "believes in the company."

"It's like a second life we've been given," Lo said. "I'm betting on my future, too."

The same feeling was shared across town during shift change at the Detroit-Hamtramck Assembly Plant, where the Chevy Volt is built. Employees coming and leaving from work honked their car horns and cheered, excited about the IPO sale.

"I'm so happy," said Scott Ferguson of Dearborn. "They're so lean and mean now it's unbe-

lievable. I think it's going to pay off for us in the long run."

Pricey for workers

Many of the assembly plant workers said they couldn't afford to invest in the stock, but were excited for the company.

Bernie DeVold, a quality control inspector at the plant, said GM needs the money, so he had to invest. "It's my company. I've got to back them up," DeVold said.

"We work hard and make a good product. This is a great thing for us."

In the showroom at George Matick Chevrolet in Redford Township, GM's return to the big board was celebrated with red, white, blue and a few yellow helium-filled balloons hovering over cars, sport utility vehicles and trucks.

"I hope the economy will follow suit with the jump in the stock price and that people will start seeing a lot of increased confidence in the market, and we will see a lot of uptick in traffic to go with it," said Matick general sales manager Paul Zimmermann.

In Lansing, a half-dozen people watched the trading begin on a small TV in an upstairs, cafeteria-style room at United Auto Workers Local 652. The union represents workers at a nearby Cadillac factory.

"That's great news — the biggest (U.S.) IPO ever," said Mike Green, the local union president whose family includes four generations of GM workers. "It's good to see her on the ticker tape again, isn't it?"

Green already had his order in to buy GM stock.

"It's investing in your own future," he added.

Associated Press contributed.

Chevy plans green fund

BY CHRISTINA ROGERS
The Detroit News

Detroit — Chevrolet plans to invest \$40 billion to advance energy-saving projects across the nation in an effort to rid the planet of 8 million metric tons of carbon dioxide, General Motors Co. said Thursday.

Communities and schools are eligible for the funding. The investments will be rolled out over the next three to five years. Projects include installing solar panels, putting up wind turbine farms, and weatherizing schools and other buildings.

"GM has made great progress in reducing our environmental impact, but we know we can do more," GM CEO Dan Akerson said in a statement.

GM estimates the investments will help offset emissions from the Chevrolets it sells. The 8-million-metric-ton reduction equals emissions from 1.9 million cars and trucks, the company said.

The announcement came hours after trading commenced on the new GM's shares.

Recovery

Continued from Page 8A

maker hopes to break even in Europe and even turn a profit there by 2012, Akerson said.

The company is focusing on paying down its debt, fully funding pensions and tying up its balance sheets, said Chief Financial Officer Chris Liddell.

GM, having shed billions of dollars in debt during bankruptcy, continues to wrestle with its pension obligations. The shortfall is \$29.4 billion.

Liddell said GM plans to take on a "modest" amount of debt next year to help establish credit, but its goal is to be debt-free, with fully funded pensions, in a few years.

"We used to be a \$100 billion finance company and \$100 billion pension plan with a small car company attached," Liddell said. "We have to get away from that model."

GM has relied heavily on its truck business for profits in recent years. But Akerson said the automaker intends to bulk up

its small car lineup in North America, where this year's sales are up 22.1 percent for its four remaining brands.

Fortunately for GM, the wind is at its back. Auto sales are on the upswing, and GM is turning heads with two new cars on the market: the compact Chevrolet Cruze and the range-extending electric Volt.

The Detroit automaker also has a strong foothold in China, the world's fastest-growing auto market, is making inroads in India and Brazil, and has hot sellers in North America, such as the new Buick Regal and Chevrolet Equinox.

"If you look at the various tentacles of GM, it has worldwide bases to build from, not only in North America, but globally," said Dennis Virag, president of Ann Arbor-based Automotive Consulting Group.

The reduction in the government's stake also is good for GM's marketability, but the U.S. Treasury will call the shots on future stock sales, Akerson said. The government still owns 500 million shares, a 33 percent stake in the automaker.

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GM

Continued from Page 1A

their highs, in a market that recently has been unsettled by debt jitters in Europe.

Trading under its old "GM" ticker symbol, the automaker's stock closed at \$34.19, up 3.6 percent in extremely heavy trading, with 447 million shares changing hands. The overall market gained 1.6 percent on the day.

Thursday's closing share price values GM at \$51.3 billion, compared with Ford Motor Co.'s market capitalization of \$56 billion.

Taxpayers benefit most

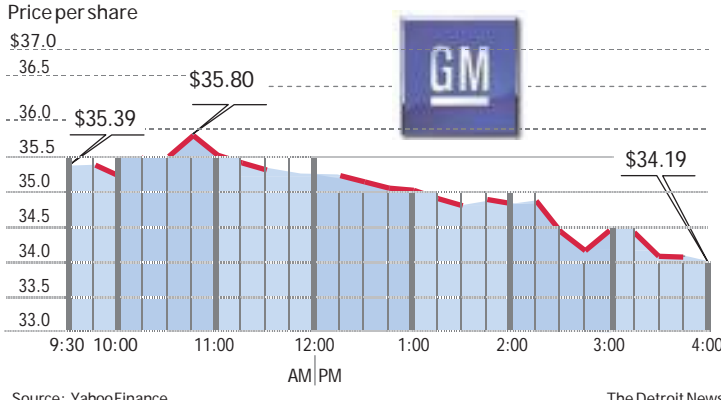
Finance experts said the stock's modest gain shows that GM's underwriters, the top names on Wall Street, accurately gauged investor demand.

"It seems Morgan Stanley guessed right on the price," said Matthew Rhodes-Kropf, associate professor at Harvard Business School. "You expect a small gain. If you get too big a gain, you worry they left money on the table."

GM executives and underwriters initially said shares would be priced in a range between \$26 and \$29 but set a final

GM's first trading day

General Motors Co. stock jumped off to a fast start but ended the day lower than the opening price.



Source: YahooFinance

The Detroit News

\$33 price Wednesday.

As a result, analysts said American taxpayers were the big beneficiaries of the IPO.

GM Vice Chairman Steve Girsky, a former Wall Street analyst, said the government approached the deal as any investor would. "They saw demand and got a higher price and they took advantage of the window," he said.

GM and its underwriters pitched the IPO aggressively, holding more than 85 meetings with U.S. and foreign investors during a two-week road show.

Girsky said the message was straightforward: "The business

model has changed — it's a lower cost — and the business model allows you to make money in a soft market. We put great products on the road and people are starting to buy them."

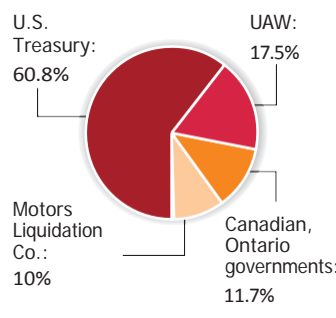
GM has reported three consecutive profitable quarters even though the U.S. market is still weak, with industry sales expected to total 11.5 million cars and light trucks this year, down from a peak above 17 million vehicles.

About 90 percent of the IPO was sold to U.S. investors, with individual investors accounting for nearly a fifth of buyers — their largest participation ever in such

GM shareholders

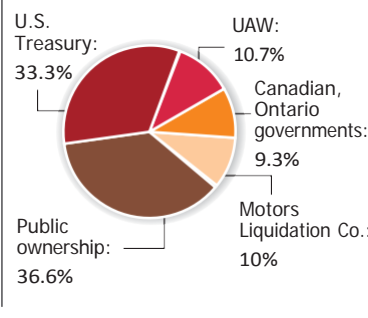
The automaker's \$20.1 billion stock sale on Wednesday helped the U.S. Treasury, United Auto Workers' VEBA and Canadian and Ontario governments dial down their ownership stake in GM; individuals and big institutional investors now own 36.6 percent of the company.

Before IPO



Source: GeneralMotors

After IPO



The Detroit News

a sale, said GM Chief Financial Officer Christopher Liddell. Only 10 percent was reserved for foreign investors. GM's main venture partner in China, Shanghai Automotive Industry Corp., confirmed it bought a 1 percent GM stake for \$500 million.

'Anew GeneralMotors'

Chrysler Group LLC CEO Sergio Marchionne was heartened by GM's IPO. Chrysler also was bailed out, and hopes to return to the market next year.

"What's happening with the GM offering only makes me feel better," he said in Los Angeles.

"The pricing is good, and the fact that the market likes it is good."

The timing of GM's IPO was good, Rhodes-Kropf said. "The automakers in general have been on a tear," he said. Ford shares recently hit a six-year high, but finished down on Thursday.

The government could be out of GM entirely in the next couple of years, Steven Rattner, the former White House adviser on the bailout, said this week in Detroit.

For the government to recoup the \$50 billion it lent GM, it would have to sell its remaining stake in the company at an average price of \$52.80 per share.

In total, GM expects to raise \$23.1 billion, including \$5 billion in preferred stock, from the first round. Some of the proceeds from the preferred share sales will help GM reduce its pension obligations and other debts.

Obama acknowledged the hardships that GM and other companies have been through.

"These last two years haven't been easy on anybody," he said. "They haven't been without pain or sacrifice, as the tough restructuring of GM reminds us."

From GM's headquarters in downtown Detroit, to New York, where the company marked its return to the stock market, GM executives and employees expressed tremendous relief.

Mark Reuss, head of GM's North American operations and son of a former GM president, thanked taxpayers for giving the company a second chance.

Akerson bought about 800 shares, and other GM executives invested, too.

"Today is the birth of a new General Motors," said Bob King, president of the United Auto Workers, which made concessions to keep GM afloat.

"It's a dramatically different company poised to be successful."

Alisa Priddle contributed.

Berman

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mand soared — failed to anticipate the world's ravenous appetite for shares in the new General Motors.

Somehow, a company derided for arrogance and a bloated cost structure two years ago is today's darling from Wall Street — where shares closed at \$34.19 — to Warren.

"I'm exuberant," said Warren Mayor James Fouts, who is still lobbying for GM to move its headquarters from Detroit to the GM Tech Center in his city. "What's good for General Motors is good for Warren."

Two years ago today, Fouts imagined Warren sinking with the suburb's biggest taxpayer: As the nation's largest auto compa-

ny founded in 2008, "We were teetering on the brink of disaster," he recalled.

On Nov. 19, 2008, the Big Three's CEOs were tongue-lashed by Congress, held up as public scapegoats for a nation reeling from Wall Street woes. "Couldn't they have jet-pooled?" sneered one congressman, as the executives testified on Capitol Hill, seeking an infusion of U.S. taxpayer cash.

If that was a low point, GM didn't hit true bottom until seven months later, declaring bankruptcy and sealing the envelope of Michigan gloom.

Thursday's IPO — which returned GM to Wall Street's Big Board — put some gloss on GM's ongoing revival. It also restored some of Detroit's lost luster, evoking memories when "Detroit" served as shorthand for American manufacturing might,

not international code for urban disappointment and decay.

"There's pride again," said Robert Mulcahy, a Wyandotte independent financial adviser, with a lilt in his voice. He cautioned clients Thursday to wait for a less exuberant day to buy GM stock. Even so, a couple of his clients insisted on buying, including a retiree whose "old" GM stock became worthless and was determined to do better this time.

"There's so much excitement surrounding the IPO," Mulcahy said. "It's a great thing."

Oakland County Executive L. Brooks Patterson saluted GM's stock opener as "exciting for Detroit and Michigan," while pointing out that compelling news is also made by Chrysler's new \$15,000 compact car and "the Mulally miracle," a reference to Ford CEO Alan Mulally.

"So the news is positive for a change," Patterson said.

Even the most enthusiastic observers have been sobered by the events of the last two years. If there's a desire to celebrate, there's a recognition that it needs to be tempered with caution and commitment to work ahead.

For all the hype, and the 447 million shares traded Thursday, the IPO represents only a partial return from the company's "government motors" status.

"You can't change the past," said Browne, who worked in Europe and South America in the last 20 years of his GM career and was part of a management team that ultimately failed. "You have to look forward. And the forward looks good."

With the revival of the famous ticker symbol revived, Detroit regains a yardstick to

measure GM's financial performance in the real world of finance. With the global embrace of that famous two-letter GM

symbol, Detroit as a region senses a long-awaited whiff of hope.

Detroit News Staff Writer Roneisha Mullen contributed.

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Ford to cut its Mazda stake to 3.5%

Blue Oval no longer the top shareholder

BY ALISA PRIDDLE
The Detroit News

Los Angeles — Mazda Motor Corp. does not expect any immediate impact from Ford Motor Co.'s decision to sell more of its stake in the Japanese automaker.

Ford's stake in Mazda will be reduced to 3.5 percent from the current 11 percent when the transaction is completed today, Ford said in a filing with the Securities Exchange Commission on Thursday.

The share sale is worth about \$370 million. The automakers did not disclose potential buyers.

The Dearborn automaker said the move gives it more freedom to grow in emerging markets, such as China where Ford is working to grow its manufacturing presence and sales.

Until late 2008, Ford had 33.4 percent of Mazda but financial distress led to a selloff down to 13 percent. Ford lost \$14.8 billion in 2008 and approached the federal government about aid but declined a bailout. General Motors and Chrysler did accept aid and had brief stints in bankruptcy.

Ford has since roared back, earning \$1.7 billion in the third quarter.

While its stake in Mazda is smaller, Ford said it expects to remain one of Mazda's largest shareholders — Ford has been Mazda's largest shareholder since 1979 — and the two will continue to work together. Chase Manhattan Bank becomes the largest shareholder.

The automakers have engineered vehicles together that have succeeded for both, including the Ford Fusion and Mazda 6, and the Mazda 2 and Ford Fiesta.

In a statement, the automakers said they will stop jointly developing vehicles but technology sharing will continue.

"I don't expect to see much change at all," said Robert Davis, head of quality, research and development for Mazda, in an interview at the L.A. Auto Show, where Mazda unveiled a Mazda 5 and a concept to show its future design direction.

Davis said the partnership between the two automakers was strong when Ford had 33.4 percent of Mazda "and at 13 percent and 11 percent and I expect it to be strong at 3.5 percent."

The Mazda 6 is built in the same Flat Rock assembly plant as the Ford Mustang and the two have joint ventures to make cars in Thailand and China.

Mazda North America CEO Jim O'Sullivan said those ventures are expected to continue.

"We have a 30-year relationship that continues to be strong," O'Sullivan said.

Howes

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New York Stock Exchange. "We know what we've done wrong, and we've learned from that."

Let's hope so. Because critics of GM and the moves by two presidential administrations to rescue GM and its smaller cross-town rival, Chrysler Group LLC, figure the feds won't truly relinquish their control over the nation's largest automaker. And if they do, the legacy of arrogance, bad habits and union entitlement eventually will sink GM for good.

Don't bet on it.

Change to believe in

The Unraveling of 2008 pushed Detroit's automakers — all three of them — to the brink, the closest thing to economic Armageddon this 100-year-plus industry has ever faced. However often armchair critics say they "don't believe" collapse was imminent, too many insiders, analysts, bankers and union officials understood the stakes because they knew the industry.

That kind of brush with mortality can change behavior, fundamentally, if the lessons are heeded. It can steel a new class of leaders who break from the slow incrementalism of their predecessors, acknowledge their dire predicaments and use accepted business principles to move their companies in radically new directions.

Ford Motor Co.'s Alan Mulally moved first, borrowing \$23 billion while he could to put the



GM execs including Dan Akerson, with red necktie, and Stephen Girsky, front right, celebrate outside the New York Stock Exchange.

Emile Wamsteker

Blue Oval on pace this year to be the world's most profitable automaker. And GM is emulating the example, after taking a \$50 billion infusion from American taxpayers via the U.S. Treasury.

But the progress, namely at GM, didn't begin with terms set by the Bush White House or Treasury's bailout or the conditions laid down by President Barack Obama or the quick-rinse bankruptcy or the reconstituted board of directors or a succession of CEOs. Each of those helped finish a job already begun by a GM whose senior management has moved on.

The enthusiasm surrounding the IPO — the heightened demand from investors, the receptivity to GM's pitch, the fact that smart money people are placing bets on the company's global business plan — is vindication of an inherited long-term strategy sharpened by the new guys.

And more. To hear CFO Chris Liddell share GM's vision for a "fortress balance sheet" in which the greatest destroyer of capital in American industrial history now aims to carry no debt and field fully funded pension funds is, well, evidence of a new era at

GM. Same for the growth prospects he touts.

Is new Detroit emerging?

To hear Akerson say that profit margins are running in the "7- to 8-percent range," but they could be higher in a stronger market, is emblematic of a GM that's serious about delivering world-class cars and trucks profitably instead of operating like a bloated arm of the federal government.

To hear United Auto Workers President Bob King tell CNBC that the "methods for achieving" dignity, job security and new investment for his members "in the past don't work in a global economy" is to hear reality. "We will," he added, "find ways to give our members a fair shake and keep General Motors competitive, both."

This is not your father's Detroit, though saying so is not at all enough. The new GM, its combined management team of longtimers and outsiders and

King's UAW — not to mention the cars and trucks — will be judged by what they do in the months and years ahead, how they handle adversity.

Akerson, Liddell and Vice-Chairman Steve Girsky know numbers and Wall Street, but each of them is new (or comparatively so) to the rigors of running a global auto company that sells more vehicles outside the United States than inside. Will they prove equally adept as Ford's Mulally & Co. at managing engineering, marketing and manufacturing, at reviving their European operations, at under promising and over delivering?

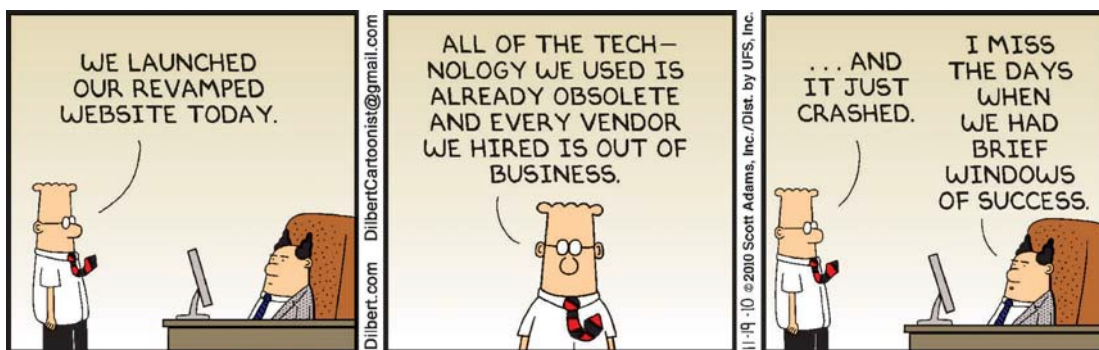
King, the thoughtful new president of the union, has a sophisticated understanding of the industry, insiders say. But his members are likely to see eye-popping profits as national contract talks approach next year. Can he reap more rewards for them without inflating competitive labor costs and undercutting a key reason for reinvesting in Detroit?

In the end, slaying the worst of the bad, old Detroit ways, the habits and mindset that culminated in collapse, depends what real people actually do. On Thursday, the GM family officially got a second chance and it's up to them to do something good with it.


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