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GM: Throwing out more babies?

EDITORIAL

JUDGING BY THE REACTION on the stock market and among pundits, the decision of General Motors to ?unallocate? its Oshawa assembly plant and four others in the northeastern United States was a wise one.

Investors applauded the plans to slash thousands of jobs and cancel half a dozen car models, GM's stock jumping nearly 6% by noon Monday after the company said the restructuring would result in annual savings of roughly $6 billion by 2020.

?The actions we are taking today continue our transformation to be highly agile, resilient and profitable, while giving us the flexibility to invest in the future,? said Mary Barra, GM's chairman and CEO, in a statement. ?We recognize the need to stay in front of changing market conditions and customer preferences to position our company for long-term success.?

In Canada, the announcement was greeted by a mixture of anger and frustration, with Prime Minister Justin Trudeau and Ontario Premier Doug Ford for once seeming to agree that there was little their governments could do beyond helping retrain the thousands of laid-off workers at GM and the untold numbers of other firms affected by the closure of a plant that once had more than 20,000 employees.

Unlike the situation 10 years ago, when the two levels of government loaned GM and Chrysler billions of dollars to help them avoid bankruptcy, this time GM is profitable and not seeking help from governments here or elsewhere.

Mr. Trudeau tweeted that he had spoken to GM chief executive Mary Barra and expressed his ?deep disappointment at the closure.? And Premier Ford said that when he spoke with the president of GM Canada on Sunday, he asked: ?What can we do? What do we have to do?? and the reply was, ?The ship has already left the dock.?

In an editorial Tuesday, The Globe and Mail termed those responses ?depressing but realistic,? noting that GM has more manufacturing capacity than sales and several factories are consequently operating well below capacity, and was significantly downsizing operations around the world.

GM's decision has been to refocus its operations on what's selling now ? trucks and sports utility vehicles (SUVs) ? and what it will need in the future, namely electric and self-driving cars.

We have no doubt that some plant closures made sense, and clearly the Oshawa plant was relatively old and currently designed to be able to assemble several different types of cars and trucks, some of which have been unpopular, such as the full-size Chev Impala. But GM also plans to stop production of almost all its cars, including the relatively popular Chevy Cruze, a Buick and two Cadillac models, some of which are now assembled at Oshawa.

This brings to mind the old warning, ?Don't throw the baby out with the bathwater,? the idiomatic expression for an avoidable error in which something good is eliminated when trying to get rid of something bad, or in other words, rejecting the favorable along with the unfavorable.

One thing that should be clear is that there was some linkage between GM's continuing loss of market share and its decision in 2009 to end production of Pontiacs and Oldsmobiles. (Its share of the U.S. market plummeted from 50.7 per cent in 1962 to 17 per cent in 2016.)

Is there any reason to doubt that the same thing will happen with the planned elimination of another six models of Chevs and Cadillacs?

What likelihood is there that any current owners of these discontinued cars will choose a GM SUV rather than another manufacturer's car?

We note that no similar fate has befallen the Toyota Corolla or the Honda Civic.