

Remarks by
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Canadian Club of Toronto
Luncheon Address

(CHECK AGAINST DELIVERY)

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Thank you, Nancy. I have been looking forward to today's luncheon with the Canadian Club of Toronto. I have to tell you, I am really enjoying working in Canada. In fact, I celebrated my one-year anniversary as President of General Motors of Canada earlier this month.

Now, in one year I've learned a lot about Canada, such as Canadian winters can be mild as last year, or a pile of snow and cold. I know that you need to stick with the Leafs when they are skating well and maybe not so well. And when it comes to Canadian politics, sometimes you are in and sometimes you are out ...and sometimes you just don't know where you stand! All in all, I still have much to learn and experience, but thanks to all my friends and colleagues for helping me thus far.

It's a great time to be in the auto industry – as a manufacturer, supplier, dealer and as a consumer. Never before has the industry experienced this level of competitive activity and pure excitement...and General Motors, I'm proud to say, is definitely firing on all cylinders!

Together with the CAW and our business partners, our Oshawa Assembly plants are setting industry benchmarks for quality, productivity, capacity utilization, and safety. We're launching segment-leading new products at the pace of one every month, our dealers and retailers are driving our sales back over 30% market share, and we're continuing to improve our financial results.

In addition, to ensure a strong Canadian auto sector for the future, we're working with our fellow industry stakeholders and federal and provincial governments on a new automotive strategy to enhance Canada's opportunity to earn new jobs and investment in our industry. And General Motors has a long-term strategic vision, along with a plan, that could take the automobile out of the environmental equation.

It's a new era in the global automotive industry and General Motors is determined to lead. Today, I want to share with you how GM is changing to meet the evolving needs of our customers and society. This is a new General Motors.

Let's start with our product line-up. In our business, innovative exciting cars and trucks are our lifeblood. Customers look for new products that anticipate their needs, but also give that little something extra. Most customers want a car or truck that will put a little joy in the driving experience. We call it "gotta have" products.

In the past year, GM has been right on target as we've brought to market vehicles as diverse and exciting as the Hummer H2, Saab 9-3, and the 50th anniversary Corvette. In 2003, we are launching new entries for each of our divisions - - to highlight a few, the Saturn Ion Coupe, the Cadillac SRX crossover, the Chevrolet Malibu, the Pontiac Grand Prix, the Buick Rainier sport utility and the GMC Canyon pickup.

Over the course of this year, we'll be starting production on 20 new models, adding 12 new special editions and 8 significantly new powertrains. In fact, we'll be turning over almost a quarter of our total product lineup. No other competitor can match GM's pace of new product innovation...and this new product parade will continue over the next several years.

But it's not just the volume of new product offerings - it's the quality, technology and emotional appeal that they provide. Cadillac's product renaissance is already well underway with the Escalade and CTS - but wait until the new Cadillac XLR roadster hits our streets this summer! We are laser focused on re-establishing Cadillac as the brand that dreams are made of.

At the other end of the market, Chevrolet continues to grow sales of the Cavalier - - offering fresh styling and performance at great value. The Pontiac Vibe was named the Canadian Automotive Journalists' multi-purpose vehicle of the year as it combines the best of a car and a van in a sporty package with AWD.

As GM generates enthusiasm with our new products, we are also committed to moving the needle in terms of environmental performance. Today, smog-causing emissions from cars are reduced by as much as 99% from uncontrolled levels - but the industry is not stopping there.

We have just completed discussions with the Government of Canada on new emissions standards to be introduced in 2004 that have been harmonized with the U.S. and will take us even further in terms of reducing smog-causing emissions NOx and particulate matter by 60-70%.

In addition, reducing the emissions from our manufacturing plants is a high priority. GM by example has reduced greenhouse gas emissions by over 30% since 1990. For reference, Canada's target under the Kyoto Protocol is a 6% reduction below 1990 levels. For our performance, GM Canada has been recognized as a "Gold Champion" by the Voluntary Challenge Registry.

In terms of fuel economy, GM has been an industry leader. Since Natural Resources Canada first started giving out annual segment vehicle fuel efficiency awards in 1999, we have won 18 of 43 categories – or just under half of all the awards, including 3 of 9 segments last year. The Pontiac Vibe won in the mid-size category, the Chevrolet Impala took the full-size category and the Chevrolet Venture, Pontiac Montana and Oldsmobile Silhouette took top honours in the van category. We are a company that takes our responsibility for the environment very seriously.

Looking forward, we are aggressively developing new technologies and we have a very specific plan in place for the near term, mid-term and long term to achieve our vision of being part of the solution to our country's and the world's environmental challenges.

This plan is based on three key principles:

First, we have to offer products that customers really want to buy – not have to buy. After all, if no one buys your products, your cleaner technology has no real impact.

Second, we need to meet our basic business objectives. We need to sell vehicles at prices that customers are willing to pay and at which we can make a fair return.

Third, as an entire industry, we have a responsibility to improve vehicle emissions and fuel economy.

So how do these principles translate into action for GM? The first step is to incorporate new technologies that continue to improve the efficiency of the internal combustion engine.

Displacement on demand is one of the key technologies that we're reintroducing to the market with reliable, new electronics and software.

Essentially, it's a "smart engine" that only uses the number of cylinders required to supply the amount of power that's needed at any given time. When you're accelerating from a stop sign or pressing hard on the pedal to pass, all eight cylinders of a V-8 engine will kick in.

But if you're cruising along comfortably at highway speed, the engine will let four of the cylinders take a break with the other four cylinders comfortably providing the power you require.

These engines will debut in our large trucks and sport-utility vehicles as part of GM's Vortec V8 engine family in 2004. This innovative technology will boost the fuel economy of these vehicles by 8% on average, and up to 25% in certain real-world driving conditions.

The next step is our mid-term plan for hybrid vehicles. Our approach is to bring hybrid powertrains to mainstream markets – and across a wide variety of vehicle types.

GM will offer consumers three different hybrid propulsion systems on more than a dozen of our most popular models. We'll bring the environmentally friendly technology to the vehicles of their choice.

In fact, **if** every customer selects the hybrid option that we'll make available on all the vehicles in our multi-year hybrid plan, we will be providing more than one million hybrid vehicles per year.

Hybrids work by combining the power of internal combustion engines with the efficiency of electric motors and battery storage, along with neat technologies like regenerative braking.

The vehicle gets more kilometers out of each litre by automatically stopping the engine at idle and storing the energy generated by the motor during deceleration.

These will be vehicles "without performance compromise." The hybrid systems will create savings in fuel economy of over 15%, depending on the vehicle application.

So what vehicles are in our hybrid plan? Starting with Chevrolet and GMC full-size pickup trucks in 2004, we'll add an Advanced Hybrid System Saturn VUE in the latter half of 2005. Then in 2006, we'll take another step forward with a belt-alternator-starter system with a continuously variable transmission in the new Chevrolet Equinox. Then in 2007, we'll offer this system on the Chevrolet Malibu.

This is the most serious commitment to environmental improvement that any manufacturer has announced to date. Long term, we see hydrogen fuel cells as the ultimate answer – and we're continuing to invest heavily in developing this technology. Hydrogenics in Mississauga and General Hydrogen in Vancouver are two key partners with GM in bringing this vision to reality.

Now, we are leading the way – but we can't do it alone. We'll need consumers to consider these new alternatives – and because these new technologies add additional cost, we'll need governments to assist in building market acceptance with incentives to encourage customers to purchase the new hybrid and fuel cell technologies. What's required is a true partnership approach.

In fact, partnership with governments at each level is critical to the overall future of Canada's automotive industry. To ensure that Canada continues to have a thriving auto industry for the coming decades, we've come together to form the Canadian Automotive Partnership Council or CAPC.

CAPC includes the CEO's of all the assemblers in Canada, with representatives of the auto parts industry, the CAW, dealers, the aftermarket and academia. Federal Industry Minister Alan Rock, Ontario Enterprise, Opportunity and Innovation Minister Jim Flaherty and Quebec Industry and Commerce Minister Lucie Papineau are all at the table as partners. I am very pleased to Co-Chair this initiative along with Don Walker of Intier Automotive.

Since our first meeting in September of 2002, we have had a number of policy groups working hard to develop recommendations to strengthen the global competitiveness of Canada's automotive industry. We have a good foundation in Canada, but it is clear that we need to have a clear competitive advantage ... an edge ... in order to continue to attract investment and jobs to Canada.

At our December meeting, we summarized a preliminary set of recommendations on fiscal and investment policy, regulatory harmonization, human resources, innovation and border infrastructure.

We are already making progress. As you know, the Windsor-Detroit crossing is the lifeline for assembly plants and parts suppliers in this country. Almost 80% of the truck traffic carrying parts uses this artery, which supports over C\$140 billion annually in Canada / U.S. automotive trade.

We are very pleased that the federal and Ontario Government announced that they would invest \$300 million over the next several years to enhance highway infrastructure in the Windsor area leading to this crossing. This is a critical first step towards streamlining border processes and expanding the capacity to accommodate current needs and facilitate future growth.

Many of CAPC's recommendations are just overall sound business policies that should enhance Canada's performance across every industry sector.

For example, a key recommendation in terms of fiscal policy is for the federal and provincial governments to eliminate capital taxes as quickly as possible. Capital taxes penalize new investment and can impede productivity and innovation advances. We are very hopeful that the governments take this recommendation into account as they formulate their next budgets.

Yes, this is a dynamic business in rapidly changing times. At GM, it feels great to be on a roll with great new "gotta have" products, outstanding performance across our operations and a strategic plan in support of our commitment to the environment.

This is a General Motors on the move – our employees and business partners are energized and are looking forward to taking on the many challenges coming our way. I am confident that this has the potential to be another strong year for GM.

I invite you to find out why. I encourage you the next time you're thinking about leasing or buying an automobile to visit your nearest Chevrolet-Oldsmobile, Pontiac-Buick-GMC, Cadillac or Saturn-Saab-Isuzu dealer to see how we're changing and why what we've got is right for you.

We thank our loyal GM customers, but I think some of you may be surprised if you give us a look - and we'd love to have your business.

All the best to each one of you for a safe and successful 2003!

Thank you.