



The Washington Post

A Foreign Buyer Could Put Saturn's Image Into Orbit

Dealer Network, Built by Deep Roots In America, Rouses Interest Abroad

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Thursday, May 21, 2009

General Motor's sale of Saturn could put an end to the brand's American-made image.

A few potential buyers are considering tapping Saturn's strong dealer network to distribute vehicles made by foreign manufacturers into the United States. Such a move would transform a brand that was designed to reinvent how Americans built and sold cars.

And it could add to concerns about American auto jobs shifting overseas. Already the United Auto Workers and some lawmakers have protested GM's plan to import more cars built in such low-wage countries as Mexico, China and South Korea.

This week, GM sent the sale's term sheets to about 12 interested parties. The automaker has hired Stephen Girsky, a former Wall Street auto analyst and GM adviser, to review bids.

GM is committed to providing Saturn with cars through 2011, the end of its model life cycle. After that, it's up to a new owner to supply its 380 Saturn dealerships with cars. The dealer network is a brand strength. A Saturn dealer, not individual showrooms, controls a regional market, ensuring that neighbors won't undercut one another on prices because they share an owner.

One prospective bidder, Telesto Ventures, said it is talking to multiple foreign manufacturers about importing vehicles. Telesto, whose investors include private-equity firm Black Oak Partners, intends to turn dealerships into broader retailers that sell a number of fuel-efficient vehicles, not just one brand.

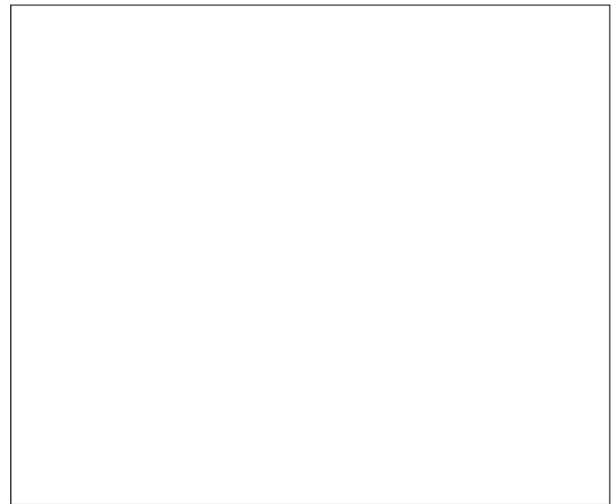
Saturn would provide "manufacturers outside the United States an entry-level channel to bring in products," said John Pappanastos, chief executive of Enterprise Financial Group, which is leading the acquisition effort for Telesto. Over time such partnerships would "build their volumes and build their interest in putting manufacturing facilities here," he said.

California consulting firm Lazarus Team imagines a company that exclusively sells plug-in electric vehicles. Lazarus is looking for an automaker to build those vehicles, but aims to keep Saturn's price point, which averages around \$25,000.

"We want to revert back to the best parts of Saturn," said Gint Federas, the firm's chief entrepreneurial officer and founder. "Dealers will have a lot of say on what cars come down line. They're the ones listening to customers and hearing what they want."

Roger Penske, owner of an Indy racing team and a number of dealerships, has expressed interest in the Saturn dealer network and possibly in finding a foreign manufacturer to supply vehicles. Penske has hired former

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Chrysler president Tom LaSorda as a consultant, according to Bloomberg News.

French carmaker Renault, Japan's Nissan and other foreign automakers have also been rumored to be interested in Saturn's U.S. distribution.

Thomas A. Kochan, an MIT professor who wrote a book about Saturn, said a foreign partnership faces tall hurdles.

"They're kidding themselves if they think dealers themselves can sustain the brand," he said. "This was a tightly integrated model. People related to Saturn because of the aura of the company as an American company."

Tom Zimbrick, a member of Saturn's franchise operating team, did not rule out the possibility that future Saturn cars would be made in North America.

"I don't think the door is necessary closed on where product sourcing is," said Zimbrick, who owns dealerships in Wisconsin and Illinois. "It could be here, it could be overseas. They're weighing that now as they look at proposals."

Many of Saturn cars are based on designs from GM's German unit Opel, which is also for sale. Yesterday, three bidders submitted plans to acquire or invest in Opel: Italy's Fiat, Canadian parts supplier [Magna International](#) and New York private-equity firm Ripplewood Holdings.

Saturn's fate these days is quite a turnabout given its roots.

In 1985, GM's chairman Roger B. Smith launched the small-car experiment, saying it was the "key to GM's long-term competitiveness, survival and success as a domestic producer." The brand would "change the way we design, engineer, manufacture and sell cars," he said.

For a while Saturn successfully competed with Japanese rivals. Thanks to its unique dealer arrangement, it introduced "no haggle, no hassle" car buying, in which people paid the posted sticker price.

The company prided itself on a collaborative culture, where dealers and workers regularly gave input into the products. The union relaxed work rules that had pigeonholed workers into one kind of job. Instead of pensions, employees got 401(k)s. Raises were based on performance, not negotiations.

"The sad part is that they didn't learn very much from it," Kochan said. "They didn't stay committed to the organization once initial champions retired."

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