Suryadevara: "Shared sense of purpose"

REBECCA COOK

CFO: GM is becoming more diverse, inclusive

Automaker making 'tough decisions,' Suryadevara says

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DETROIT — With plans to reshape its vehicle lineup, cut its work force, shut down several plants and invest heavily in electric-vehicle production, General Motors is transforming its business model for the future, CFO Dhivya Suryadevara said. That transformation includes cultural shifts within the company.

"We will be taking deliberate, tough decisions that we need to take to position the company for success," Suryadevara said at the Automotive News Leading Women Conference on Wednesday, Oct. 16.

Some decisions are more difficult than others, but each should lead to an "appropriate rate of return," she said. "We can't do all things for everyone at all times and all places. We've got to pick where we play so that we can win in those segments and markets."

GM aims to lead in the industry's transformation, rather than follow the crowd, she said.

Among GM's goals is a more diverse, inclusive culture. Suryadevara is one of several women among GM's top executives, including CEO Mary Barra and Chief Marketing Officer Deborah Wahl.

"I want to leave the legacy that we helped make those critical decisions that set the men and women of General Motors and the entire industry to a position to succeed," Suryadevara said.

The automaker has cultivated a more accountable and team-oriented culture, she said.

Women make up about a quarter of GM's salaried work force, and half of the company's board members are women. "We have more work to do, but it's been a big improvement," Suryadevara told an audience of more than 600 female automotive professionals.

Recruiting a diverse work force is a multistep process, she said. "It needs to percolate every single decision you make in every part of the talent management process."

To retain employees, male or female, leaders should explain how the company's vision applies to them, she said. "Allowing people to have a shared sense of purpose in getting to the vision is very important."

Barra has a strategic vision that incorporates electric and autonomous vehicles but is also people-oriented and cares about GM employees, Suryadevara said.

Employees "want to work incredibly hard to deliver the vision she has set out for us," she said.

Suryadevara suggested giving employees opportunities to learn multiple areas of the business to help their professional growth.

Leaders should ask themselves: "How do we give people the best set of experiences to get to the place they want to get to?" she said.

Suryadevara's career path illustrates that commitment. She rose to CFO and leader of corporate strategy after joining GM as a financial analyst in 2005.

Less than three months after becoming CFO, GM announced a restructuring plan that included slashing 15 percent of its North American salaried jobs and ending production at five North American plants. The moves, announced in late 2018, are expected to cut $6 billion in expenses by 2020.

The complexity of the automotive industry drew Suryadevara to GM and has enticed her to stay.

"This is a business where there is a ton of transformation going on and there's a lot of complicated, challenging progress that you work on," Suryadevara said. "That really drew me to this business because I like those challenging problems." AN

Experts: Dealers should prepare now for new laws

California changes data, warranty rules

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Franchised dealers in California should start preparing now for new laws that likely will lead to more revenue for recall jobs and set new rules for handling customers' data.

The laws, which take effect Jan. 1, could have significant effects on dealers' operations going forward and lead to extra revenue in the service department, experts told *Automotive News*.

California Gov. Gavin Newsom recently signed AB 179, changing the state's dealer franchise law to allow dealers to recover costs for warranty and recall repairs at rates closer to what retail customers pay. He also signed AB 1146, which creates an exception to a new state data privacy law so that automakers and new-car dealers can notify consumers when their vehicles need warranty or recall work.

Both bills were backed by the California New Car Dealers Association. Newsom's predecessor, then-Gov. Jerry Brown, last year vetoed similar changes to the dealer franchise law on the grounds that adopting the complicated reimbursement formula could lead to unforeseen outcomes.

Recall reimbursements

The revision to California's franchise law adds definition to a reimbursement rate for recalls and warranties that previously was based on a "reasonableness" standard, which was vague and skewed the balance of power toward the automaker, said Brian Maas, president of the state dealer association.

In general, dealers could earn almost 40 percent less when doing recall and warranty jobs because automakers reimbursed at lower rates than what retail customers paid, he has said.

Now, the law will require manufacturers' reimbursement rate to dealerships for parts and labor on warranties and recalls to be set at "rates equal to the franchisee's retail labor rate and retail parts rate," according to the legislation. Dealers will calculate those rates using a formula that draws on data from past repair jobs.

Bellavia: A lot of money at stake

Williams: "This is not greed."

"It sounds simple. It's a rather tedious and time-consuming process," said Len Bellavia, founding partner of Bellavia Blatt PC, a law firm based in Mineola, N.Y., that represents franchised auto dealers in all 50 states.

Bellavia said at least 30 states have clearly defined reimbursement formulas in state law, similar to California's. The change could mean an extra $10,000 a month in revenue for an average franchised dealer, he said. Dealers will have to formally apply to their manufacturers to make the change.

"It's a staggering amount of money, and once dealers become educated as to how the process works, most of them jump on board," Bellavia told *Automotive News*.

Tully Williams, fixed ops director for the Niello Co. in Sacramento, Calif., estimated that the new warranty reimbursement rates could bring in an additional $5,000 to $10,000 per month at each of the group's 10 stores.

That revenue likely will help the fixed ops departments boost profit margins, which is needed because service technicians are scarce and salaries are rising to attract and retain them, Williams said.

"We might feel a little more comfortable" with the extra cushion, he said.

"I would hope [the manufacturers] realize that this is not greed that we're asking for," Williams added. "This is just help running our day-to-day store, and we are reinvesting that into our people and our facilities."

The Alliance of Automobile Manufacturers and the Association of

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Ally, Wells Fargo originations up by over $1 billion

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Two of the largest U.S. auto lenders, Ally Financial Inc. and Wells Fargo, each grew auto originations by more than $1 billion in the third quarter.

The lenders are thriving in a robust used-vehicle market with rising loan values. Wells Fargo originations, 70 percent of which are for used vehicles, jumped $2.1 billion, or 45 percent, to $6.9 billion as the company regains ground in auto lending after a dramatic pullback a few years ago. Ally's growth also benefited from leases and originations related to new General Motors vehicles.

Ally originated $9.3 billion in auto loans and leases, an increase of almost $1.2 billion, or 14 percent.

CFO Jenn LaClair told *Automotive News* that Ally's credit application flow through dealers surged 11 percent from a year earlier to a third-quarter record of 3.2 million. Ally's dealer relationships, which sit at 18,000 franchised and used dealerships, have grown for 22 consecutive quarters, LaClair added.

"As you continue to grow both the quantity and the quality of those relationships, you can continue to see really strong flows," LaClair said.

Still, there's room for improvement. The company, which has long-standing ties to GM and Fiat Chrysler Automobiles dealers, is looking for growth with other brands, which generated $1.2 billion in auto loans for Ally in the last quarter, a 20 percent jump from a year earlier.

Meanwhile, Wells Fargo's auto portfolio benefited significantly from year-over-year comparisons, according to Executive Vice President Laura Schupbach, who is head of Wells Fargo Auto.

"Last year, we were still on a downward trajectory. We started to grow again in the second quarter of this year," Schupbach said.

The lender dialed back auto loan originations during a major restructuring that began in 2016. It ceded market share to focus on operational inefficiencies and dealership relationships. The changes involved consolidating 57 business offices across the country into four regional hubs. But the lender is quickly recuperating.

In the third quarter, auto volume grew, about 1 percent, as originations outpaced consumer paydowns — meaning the company grew its portfolio at a faster rate than consumers paid off their loans. This happened last quarter for the first time since the third quarter of 2016.

Schupbach said there were no set goals for when Wells Fargo's growth will stabilize.

"We're always recalibrating to make sure that we're operating within Wells Fargo's risk appetite. We're able to make sure that customers are getting loans they can afford, and it's not detrimental to them financially. So we don't talk in terms of, here is our dollar amount, here is a goal we're going for," Schupbach said. "What we're really focused on is improving the business and the way that we interact with dealers and customers. And as we do that, the volumes will come." AN