

GM GETS ITS LOAN; NO BANKRUPTCY FOR NOW

✘ When it was announced Sunday that President Obama had decided against appointing an "Auto Czar", instead opting for a panel of Administration financial experts including, but not limited to, Treasury Secretary Timothy Geithner, National Economic Council Director Lawrence Summers and Ron Bloom, it pretty much signaled that the Administration was going to continue to work with GM as an existing, functioning entity instead of forcing them into bankruptcy.

Monday night, that was borne out. From Reuters:

The U.S. government will release \$4 billion in additional aid to General Motors Corp (GM.N) on Tuesday as planned, a White House aide said on Monday, ahead of the deadline for the automaker to submit a new survival plan.

The aide said GM's smaller rival Chrysler LLC's request for additional aid would be treated as a new request and dealt with separately.

GM is seeking concessions from the United Auto Workers union and creditors under the terms of its \$13.4 billion federal bailout. It must submit a restructuring plan to U.S. officials on Tuesday showing how it can cut costs and pay back the loans.

Now that does not mean that the moment is over for GM, far from it. The company still has ongoing crucial negotiations with the auto workers union (UAW) that must be completed, and must formally submit its grand restructuring plan. The plan will not be fully known until officially submitted and made public, which is likely not to occur until the markets close

tomorrow, but early details reveal a framework for a radically different General Motors in the future:

G.M. will file what is expected to be the largest restructuring plan of its 100-year history on Tuesday, a step it must take to justify its use of a \$13.4 billion loan package from the federal government.

The plan will outline in considerable detail, over as many as 900 pages, how G.M. will further cut its work force, shutter more factories in North America and reduce its lineup of brands to just four, from eight, according to executives knowledgeable about its contents. The remaining core brands will be Chevrolet, Cadillac, GMC and Buick.

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The plan will also probably include revisions in executive compensation and targets for cutting dealers and brands like Saturn and Pontiac.

Similar discussions are underway with Chrysler, which also has a deadline tomorrow to submit its restructuring plan; details of the plan or government commitment are not yet forthcoming.