



# GM, Chrysler seek nearly \$22 billion more U.S. loans

Wed, Feb 18 2009

By [Kevin Krolicki](#) and [Poornima Gupta](#)

DETROIT (Reuters) - General Motors Corp and Chrysler LLC requested nearly \$22 billion in additional U.S. government loans and said they had reached tentative deals with the United Auto Workers union to reduce labor costs.

The two automakers, which have so far received \$17.4 billion in loans from the U.S. Treasury, also detailed plans to cut jobs and idle plants as part of sweeping restructuring plans submitted under the terms of their federal bailout.

GM said it was making progress on complex deals to reduce some \$48 billion in debt owed to bondholders and the United Auto Workers union but had fallen short of an initial requirement to complete those agreements by Tuesday's deadline for submitting the plans to U.S. officials.

"The president's team will be reviewing these reports closely in the days ahead," White House spokesman Robert Gibbs said in a statement. "It is clear that going forward, more will be required from everyone involved."

GM is seeking an additional \$16.6 billion from the U.S. Treasury -- for a total of up to \$30 billion in loans -- and said it would run out of cash as soon as March without new federal funding.

In addition, GM said it expected to be able to borrow up to \$6 billion from foreign governments and nearly \$8 billion from the U.S. Department of Energy. It warned that without \$1.5 billion from asset sales in 2009 it would need even more cash.

The deepening financial problems for GM and Chrysler present the Obama administration with a tough call.

Pushing the companies into bankruptcy would cost tens of thousands of jobs just as the White House is aiming to head off a deeper recession. But the price tag for saving GM and Chrysler has now ballooned to \$39 billion at a time when Republicans are challenging plans for stepped-up spending and increased debt.

Rep. John Dingell, a Michigan Democrat and staunch industry ally, said government "must do whatever is possible" to preserve the U.S. auto industry.

"The cost of action will be high, but the cost of inaction will be higher," Dingell said in a statement.

Others questioned the soundness of further government support for GM and Chrysler.

"I think this is a perilous road," said Alan Lancz, president of investment firm Alan B Lancz & Associates Inc. "This is a situation where we really have to decide whether we are throwing good money after bad."

At the request of the Obama administration, GM and Chrysler prepared projections claiming the cost to the government of financing a bankruptcy of both could near \$125 billion.

Chrysler CEO Bob Nardelli said the automaker's request for \$9 billion in loans amounted to about \$70 per taxpayer.

If Chrysler were forced to liquidate, the government would have to cover pension and other costs and the bailout tab could hit \$1,200 per taxpayer, he said.

No. 3 U.S. automaker Chrysler sought an additional \$5 billion, on top of the \$4 billion in U.S. loans it has already been granted, saying it expected the brutal downturn in the U.S. market to run another three years.

Each company separately reached a tentative deal with the UAW expected to bring labor costs in line with Japanese automakers operating in the United States. That deal is subject to ratification by some 91,000 hourly workers. Details were not disclosed.

GM shares dropped 13 percent on Tuesday to \$2.18. Analysts said the recent showdown between GM, its bondholders and the UAW underscored the risk of bankruptcy for a company once seen as an icon of American economic strength.

GM and advisers to bondholders representing over \$27 billion in debt have exchanged proposals to reduce that debt in an equity swap, documents submitted to the government show.

Bondholders face U.S. government pressure to swap their debt for compensation equal to roughly one-third of the amount they are owed. Advisers to the creditors have given GM a proposal designed to maximize participation in the equity swap, both sides said.

The UAW is under pressure to take almost \$15 billion in equity in GM and Chrysler rather than cash under a commitment to fund retiree health care.

GM said both deals must be completed by the end of March, the next deadline for the companies to prove they can be viable.

#### AGGRESSIVE COST-CUTTING

In response to signs of a prolonged slump in demand, GM said it would step up cost-cutting, eliminating 47,000 jobs this year and a total of 14 U.S. plants by 2012.

Chrysler, meanwhile, will reduce capacity by 100,000 units and cut 3,000 jobs this year.

GM said its money-losing Swedish subsidiary Saab could be forced into bankruptcy as soon as this month even as GM continues to negotiate support with the Swedish government.

GM also froze expansion plans in Thailand and said it would seek new concessions from its unions in Canada and Europe.

Earlier, Chrysler's former owner, Germany's Daimler, posted a fourth-quarter loss as it wrote down the value of a \$1.5 billion loan to the automaker. Daimler previously wrote off the full value of its 19.9 percent stake in Chrysler.

Under the Chrysler restructuring plan, that \$1.5 billion loan from Daimler and another \$500 million loan from Cerberus would be converted into equity in a recapitalized company.

Efforts by GM to unload assets to raise cash have gone slowly since the automaker announced plans to raise between \$2 billion and \$3 billion from such steps last summer.

GM said it expected to raise \$1.5 billion by selling its AC Delco parts business and a transmission plant in Strasbourg, France.

It said it would phase out its Saturn brand by 2011 with the current run of just-redesigned cars and crossovers. GM also said it could drop its Hummer SUV line in weeks if talks with interested parties fizzle out.

China's Sichuan Auto Industry Group Co, a tiny automaker in southwest China, denied on Tuesday a report that it was interested in buying Hummer.

(\$1=.7908 euro)

(Additional reporting by [Soyoung Kim](#), [David Bailey](#), [Walden Siew](#), [Nick Carey](#), [Victoria Klesty](#), [Angelika Gruber](#), [Love Liman](#), [Gilles Castonguay](#); Editing by [Patrick Fitzgibbons](#), [Matthew Lewis](#), [John Wallace](#), [Andre Grenon](#), [Phil Berlowitz](#))