



GM, Ford burned through \$14.6 billion in third quarter

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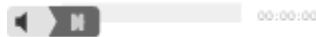
DETROIT -- Bleak earnings reports by two of Michigan's three automakers show the domestic auto industry is edging perilously close to the abyss.

General Motors Corp. and Ford Motor Co. said Friday they burned through a combined \$14.6 billion in cash for the third quarter ending Sept. 30, increasing the chances the automakers will become insolvent by early next year.



AUTO INSIDER

Rick Haglund talks to MLive.com about what's next for the Big Three and why federal money is a necessity for the auto industry to survive.



GM also reported it was suspending merger talks with privately-held Chrysler LLC, which analysts said dramatically raises the risk of a Chrysler failure.

"The high-stakes poker game just got higher," said Patrick Anderson, president of the East Lansing-based Anderson Economic Group, which predicted last month that a GM-Chrysler merger was likely in order to save both automakers from bankruptcy.

Ford and GM also said they were taking extreme measures to conserve cash, including cutting thousands of jobs and slashing spending.

"This is the worst global capital crisis in 70 years," GM Chief Financial Officer Ray Young said in a conference call.

GM posted a net loss of \$2.5 billion and went through \$6.9 billion in cash, leaving it with just \$16.2 billion in cash reserves.

Ford reported a net loss of \$129 million in the third quarter, but said it had an operating loss of \$2.7 billion and it burned through \$7.7 billion in cash.

Without federal assistance or a quick improvement in the economy, GM said it might not have enough cash to run its business by early next year.

In his first news conference Friday in Chicago, President-elect Barack Obama pledged to aid the troubled industry.

"I've made it a high priority to work on additional policy options to help the auto industry adjust and weather the financial crisis, and succeed in producing fuel-efficient cars here in the United States of America," he said.

Obama, the Democratic U.S. senator from Illinois, spoke after meeting with his economic transition team, which includes Michigan Gov. Jennifer Granholm.

She said the team would soon meet with the automakers to discuss giving them emergency bridge loans.

"This industry can be the bridge to the energy future this administration would like to see," she said.

GM Chairman Rick Wagoner reiterated that his company was not contemplating bankruptcy, but said the automaker needed cash fast from the federal government to keep from running out of money by early next year.

"We're convinced that the consequences of bankruptcy would be dire and extend far beyond GM," he said in a conference call. "We're taking every action we possibly can to avoid it."

Wagoner, Ford Chairman Alan Mulally and Chrysler chief Robert Nardelli have been lobbying for aid from Washington, but have yet to get a commitment

The three companies and the United Auto Workers union asked Congress this week for \$25 billion in loans to help make it through the economic decline and \$25 billion to meet some health-care obligations for 780,000 retirees and dependents.

While the U.S. Department of Energy has finalized rules for distributing \$25 billion to the automakers to help build fuel-efficient vehicles, that money can't be used for general business purposes.

"There's been an unbelievable amount of confusion about this issue," Wagoner said.

GM said it would try to create an additional \$5 billion in liquidity by the end of 2009 by cutting North American salaried employment by 10 percent, trimming \$2.5 billion from product development and cutting \$1.5 billion in spending in domestic auto operations.

Key new vehicles, including the Chevrolet Volt hybrid and Chevrolet Cruze compact are still on track for introduction in 2010, GM President Fritz Henderson said.

GM also said it would indefinitely lay off about 3,600 hourly workers and increase down time at 10 assembly plants, including in Lansing, Hamtramck and Orion Township, early next year.

Ford said it would cut nearly 2,300 North American salaried jobs by the end of January as a result of its deteriorating domestic auto business.

Additionally, Ford said it would eliminate merit pay increases for North American salaried workers next year and suspend matching funds for U.S. salaried employees in the automaker's savings and stock investment plans.

Cuts also will occur in Ford's engineering, manufacturing, information technology and advertising costs "through greater global efficiencies," the company said in a statement.

Chrysler will continue to "explore multiple strategic alliances or partnerships as we investigate growth opportunities around the world that would aid in our return to profitability," Nardelli said in a statement.

GM stock closed Friday at \$4.36 per share, down 44 cents on the New York Stock Exchange. Ford stock closed at \$2.02, up 4 cents on the New York Stock Exchange.

-- *Lansing Bureau staff writer Peter Luke contributed to this report.*

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