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AP source: Next prez to shape any GM-Chrysler deal

The Associated Press

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DETROIT: Discussions over potential government funding to facilitate a General Motors acquisition of Chrysler are on hold until after Tuesday's election, and the end result likely will be decided by whoever wins the presidential contest, according to a person briefed on the financing details of the negotiations.

General Motors Corp. and Chrysler LLC were still reviewing numerous options to help the deal, including tapping into a portion of the \$700 billion federal bailout being administered by the Treasury Department, the person said Monday.

"I think it's silly for anyone to count anything out," said the person, who asked not to be identified because the negotiations are private.

Another person briefed on the talks said that despite reports to the contrary, Nissan Motor Co. is still involved in the discussions, although Chrysler's majority owner, Cerberus Capital Management LP, would prefer GM as a single buyer.

That person also spoke on condition of anonymity because the talks are confidential.

Nissan spokesman Fred Standish said he would not comment on speculation about the company's dealings. GM spokesman Greg Martin also declined to comment.

GM and Chrysler have been holding talks to combine their operations in order to survive a punishing economic climate, sliding auto sales and a lack of access to credit for many consumers.

GM is burning through more than \$1 billion per month and analysts have said the company could reach the minimum cash levels required to operate sometime next year. They say Chrysler could go into bankruptcy next year if it doesn't take on a partner or isn't acquired by another automaker, raising the specter of tens of thousands of lost jobs or the need for the government to take over the company's pension obligations.

GM has been lobbying the Bush administration for at least \$10 billion to help the company maintain its operations and finance a deal with Chrysler. GM could use some of the funding to shut down redundant Chrysler operations.

Both presidential contenders have discussed support for the industry. Democrat Barack Obama has said that if elected, he would quickly meet with the leaders of the U.S. automakers and the United Auto Workers union after the election. Republican John McCain has said he would "do whatever I think needs to be done to help out the auto industry."

GM and its allies in Congress have urged the Energy Department to expedite the funding of \$25 billion in loans to help the industry retool assembly plants to build fuel-efficient vehicles. GM could access a portion of the funding.

Rep. Dale Kildee, co-chairman of the House Auto Caucus, said lawmakers were considering doubling the loan funding and reviewing options that could help the industry.

"We have to put the auto industry in the context of the whole economy anything that can be helpful

to help the auto industry will help us sustain the whole economy," Kildee said.

Industry analysts have speculated that GM would need to eliminate duplication to swiftly save cash and may be interested only in Chrysler's minivans and the Jeep brand.

Last week, the governors of six states asked Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke to take "immediate action" to help the domestic automakers and protect the financial fortunes of other industries and jobs connected to carmakers.

Any deal could lead to painful job cuts. An analysis released last week by Grant Thornton LLP predicted a GM-Chrysler combination could shutter half of Chrysler's 14 manufacturing plants and lead to the loss of 12,000 factory jobs and 12,000 administrative ones, some of which already have been announced. It estimated a loss of an additional 50,000 auto supplier jobs.

A separate study by the Anderson Economic Group of East Lansing, Mich., released last week estimated that 25,000 to 35,000 automaker jobs could be cut if a deal is completed, with most of the losses in Michigan. The analysis found that the alternative of Chrysler being sold in pieces would result in many more job cuts than a GM acquisition.

Correction:

Notes:



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