

GM Strikes Tentative Deal To Sell Hummer Brand

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NEW YORK (AP) — General Motors Corp. took two key steps toward its downsizing on Tuesday, striking a tentative agreement to sell its Hummer brand and obtaining the first payout of federal loans for its European division.

Detroit-based GM said it has reached a memorandum of understanding with a buyer for Hummer, though it did not name the buyer or the price. The automaker said the sale will likely save more than 3,000 U.S. jobs in manufacturing, engineering and at various Hummer dealerships.

"We're not today in a position to be able to identify a buyer. It was part of the agreement," GM Chief Executive Fritz Henderson told CBS's "The Early Show." "We believe the buyer is quite capable of closing."

Separately, the German government on Tuesday said it paid out the first euro300 million (\$425 million) in bridge loans to GM's Adam Opel GmbH division. The loans are part of a deal to shrink GM's stake in Opel and shield it from GM's bankruptcy protection filing in the U.S.

Over the weekend, the German government agreed to lend GM's Opel unit \$2.1 billion. The loans are necessary to close a deal in which Canadian auto parts maker Magna International Inc. and Russian-owned Sberbank will acquire 55 percent of Opel.

GM, which filed for Chapter 11 bankruptcy protection in New York on Monday, is racing to remake itself as a smaller, leaner automaker. It is hoping to follow the lead of fellow U.S. automaker Chrysler LLC by transforming its most profitable assets into a new company in just 30 days and emerging from bankruptcy protection soon after.

But GM is much larger and complex than its Auburn Hills, Mich.-based rival and isn't up against Chrysler LLC's tight June 15 deadline with Fiat.

Sharon Lindstrom, managing director at business consulting firm Protiviti, said the companies pose different challenges. But as with Chrysler, she notes that the Treasury Department made sure many of GM's moving parts were in order ahead of time so a quick bankruptcy reorganization might be possible.

"They had a lot of their ducks in a row because the terms of the government financing forced them to get all the parties to the table in a very, very short period of time," Lindstrom said.

In addition to Hummer, GM has been trying to sell its Saab and Saturn brands. It will also phase out its Pontiac brand, concentrating on its Chevrolet, Cadillac, Buick and

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GMC nameplates.

A sale of the Hummer brand had been expected. Chief Executive Fritz Henderson had said in April that the automaker was expecting final bids from three potential buyers within the month.

GM nailed down deals with its union and a majority of its bondholders and arranged to sell off most of its Opel operations in Europe in order to appear in court Monday with a near-complete plan to quickly emerge with a chance to become profitable.

The government has said it expects GM to come out of bankruptcy protection within 60 to 90 days. By comparison, the judge overseeing Chrysler's case approved the sale of its assets to a group led by Italy's Fiat Group SpA in just over a month. Some industry observers think Chrysler could emerge as early as this week.

During Monday's hearing GM Attorney Harvey Miller stressed the magnitude of the case and the importance of moving GM through court oversight as fast as possible. He noted that the automaker only has about \$2 billion in cash left.

"If there's going to be a recovery of value, it's absolutely crucial that a sale take place as soon as possible," Miller said in his opening statement.

The automaker wants to sell the bulk of its assets to a new company in which the U.S. government will take a 60 percent ownership stake. The Canadian government would take 12.5 percent of the "New GM," with the United Auto Workers union getting 17.5 percent and unsecured bondholders receiving 10 percent. Existing GM shareholders are expected to be wiped out.

Attorneys for GM stakeholders packed the stuffy courtroom well ahead of the automaker's first-day Chapter 11 hearing. U.S. Judge Robert Gerber moved swiftly through the agenda's more than 25 mostly procedural motions.

Gerber set GM's sale hearing for June 30, putting it on a path similar to that of Chrysler. Objections are due on June 19, with any competing bids required to be submitted by June 22.

Gerber also gave GM immediate access to \$15 billion in government financing to get it through the next few weeks, and interim approval for use of a total \$33.3 billion in financing, with final approval slated to be ruled on June 25. The funds are contingent on GM's sale being approved by July 10. Gerber also approved motions allowing the company to pay certain prebankruptcy wages, along with supplier and shipping costs.

The sheer size of GM makes it a more complicated case than Chrysler.

GM made twice as many vehicles as Chrysler's 1.5 million last year and employs 235,000 people compared with Chrysler's 54,000. GM also has plants and operations in many more countries, meaning it will likely have to strike separate deals to navigate the bankruptcy laws of those places.

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GM Chief Executive Fritz Henderson said GM has learned a few things by watching Chrysler's case.

"Certainly the court showed that it can address 363 (sale) transactions in an expeditious fashion," Henderson said at a press conference Monday. "Particularly in our case with what will be a very large 363 transaction."

GM's filing for Chapter 11 bankruptcy protection is the largest ever for an industrial company. GM, which said it has \$172.81 billion in debt and \$82.29 billion in assets, had received about \$20 billion in low-interest loans before entering bankruptcy protection.

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