

Ex-Auto Czar: U.S. Could Get Back \$40 Billion Of GM Bailout

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DETROIT (AP) — The U.S. government could get back \$40 billion of its \$50 billion investment in General Motors Co., and the difference will have been well spent because it prevented mass job losses and at least a regional depression in the Midwest, the former head of the autos task force said Monday.

Steven Rattner, who ran the task force as GM and Chrysler Group LLC went through government-funded bankruptcy protection last year, also told a conference on the auto industry in Detroit Monday that GM and Chrysler have performed better than he expected they would a year ago.

His comments came on the same day that Ron Bloom, who now oversees the government's autos investment as President Barack Obama's senior counselor for manufacturing, said in Lansing, Mich., that GM and Chrysler are moving in the right direction.

"These companies have been given the unique opportunity to start over and they're seizing it with both hands," Bloom said during a speech at a Michigan Manufacturers Association event. "It takes time to turn a supertanker, but the talented and energetic directors and management teams and employees at GM and Chrysler have already made a lot of progress."

Bloom said GM is doing "a little bit better than we had forecast" but noted that forecast was "fairly conservative."

"No one is declaring 'mission accomplished' but they are clearly moving in the right direction," Bloom said.

Rattner, speaking at a seminar hosted by the Detroit branch of the Federal Reserve, said both companies have exceeded the federal government's expectations in sales, cost cutting and restructuring.

"I think on balance it is probably going as expected and better than we feared," Rattner told reporters. "These companies have hit or exceeded all the milestones that we had, so I feel good about it," he said.

GM and Chrysler combined received about \$62 billion in federal aid to stay alive and fund their bankruptcies in 2008 and 2009.

Rattner said during his speech that based on public statements by GM executives, GM has a good possibility of making a quarterly profit when it announces first-quarter earnings later this month. He said that based on the trading price of old

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

GM's bonds last week, the government is likely to recover around \$40 billion.

Old GM includes the closed plants and other assets left behind when the company went through bankruptcy protection. Old GM bondholders have some recovery rights when new GM sells stock to the public, perhaps later this year.

The government owns 61 percent of GM and will get some of its money back when the stock is sold. GM repaid \$6.7 billion of the government loans last month.

For about \$10 billion, the government managed to save hundreds of thousands of jobs and severe economic troubles, Rattner said.

"I would suggest that that's a pretty effective cost of government stimulus," he said.

While both companies are performing better, they still face bumps in the road to full recovery, Rattner said.

Both have far less debt than they had before bankruptcy and can break even at a U.S. auto sales rate that is much lower than the 12 million predicted for this year. U.S. auto sales last year came in at a 30-year low of 10.4 million vehicles.

Rattner encouraged the audience to be patient with both companies and give them enough time to remake themselves.

He praised GM Chairman and CEO Ed Whitacre for making executive changes and altering the slow-moving culture of the automaker. But he said he has concerns about Chrysler because it has to revamp most of its product line.

He also criticized Congress for passing legislation requiring arbitration for dealers that were cut by GM and Chrysler as part of their restructuring. Although Rattner said he didn't think it ultimately will affect the companies' profitability, he said everyone agreed during the process that politics should not be part of the companies' decisions.

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Martin contributed from Lansing, Mich.

Source URL (retrieved on 03/30/2015 - 10:40am):

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