

## **U.S. expected to give more money to automakers**

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The Obama administration will probably extend more short-term aid to General Motors and Chrysler on Monday, but will impose a strict deadline for bondholders and union workers to make concessions that would help the ailing automakers become viable businesses and avert bankruptcy.



*Milestones in the Carmakers' Crisis*

President Obama's auto task force is expected to say that despite its recommendation of more federal assistance for G.M. and Chrysler, bankruptcy could still be a possibility for either company, according to people close to the discussions.

The task force was in its final stages Friday of determining how to keep the two Detroit companies afloat. Meanwhile, the automakers were negotiating retiree health care costs with the United Automobile Workers union, and their debt burden with bondholders and lenders.

But both immediate and longer-term help will be tied to completing the restructurings that G.M. and Chrysler began after receiving \$17.4 billion in federal loans.

The administration is expected to set a short deadline — weeks rather than months — to compel the automakers, their lenders and the U.A.W. to reach agreement.

Both G.M. and Chrysler are close to exhausting the loans they received since December. Without more aid soon, the companies could run out of cash to run their vast operations, which employ about 140,000 workers in the United States.

The Obama administration has concluded that both G.M. and Chrysler still require what the president on Thursday called "drastic" and "painful" actions to fix their businesses.

G.M.'s request for up to \$16.6 billion more in federal loans will be treated separately from Chrysler's request for an additional \$5 billion, according to administration officials who asked not to be quoted because the deliberations were continuing.

So far, neither company has satisfied the requirements of the original loan agreements with the Bush administration — in particular, the substitution of company stock for 50 percent of the cost of funding retiree health care and reducing their unsecured debt levels by two-thirds.

Mr. Obama, who has been meeting with his advisers in recent days to reach his decision, is planning a formal announcement on Monday at the White House.

The White House press secretary, Robert Gibbs, said Friday that the president would not only outline a plan to keep the companies operating in the short term, but would address long-term viability as well.

"How do these companies get through the global recession that sees a great decrease in demand for the product?" Mr. Gibbs said. "And how, when we emerge from recession to

recovery, how do we have a sustainable path that makes good business decisions not just for one year but for many years?"

Mr. Obama met twice on Thursday with Steven Rattner and Ronald Bloom, the former investment bankers who lead the auto task force, but there are still some remaining issues to be resolved before Monday's announcement, Mr. Gibbs said. Mr. Obama left Friday for Camp David, the presidential retreat, and will make the final decision on his plan there, Mr. Gibbs said.

The announcement on Monday will usher in a more intensive period of oversight by the government of G.M. and Chrysler, which lost a combined \$38 billion in 2008, when United States vehicle sales fell to their lowest level in more than 25 years.

The third Detroit car company, Ford Motor Company, has, so far, not sought direct federal assistance. Ford, which lost more than \$14 billion last year, has repeatedly said it had enough cash to finance its own broad restructuring efforts.

Mr. Obama and his top auto advisers have stressed that the administration would do everything in its power to prevent a sudden bankruptcy of the big automakers, which could set off cascading failures throughout the industry's extensive supply chain and dealer networks.

"We need to preserve a U.S. auto industry," the president said Thursday in a town hall event conducted over the Internet. "We will provide them with some help."

But the president's task force will continue to consider a government-managed bankruptcy as a final resort for both G.M. and Chrysler, according to people familiar with the deliberations.

The threat of bankruptcy is intended to accelerate talks between the troubled automakers and their biggest creditors.

Under the terms of its original loans, G.M. must substitute company stock for half of the \$20 billion it owes to a new health care trust for retired union workers and surviving spouses.

G.M. also needs to reduce its \$27 billion in unsecured debt by two-thirds. So far, a committee representing some bondholders has balked at an offer estimated at as low as 15 cents on the dollar value of the bonds.

The company declined to comment Friday on the talks, except to say they were continuing, according to a G.M. spokeswoman.

Chrysler is facing similar terms with its lenders and the union.

People familiar with the task force discussions said the Monday announcement would set very specific targets and conditions for G.M. and Chrysler to meet separately.

The companies are due to submit their own progress reports on the restructuring plans they initially gave the government last month.

G.M., however, may be forced to alter its plan somewhat. The plan currently calls for the elimination of 47,000 jobs worldwide and a significant reduction in brands, models and dealerships.

Chrysler has released one plan to exist as a stand-alone company, and an alternative one that includes joining forces with the Italian auto company Fiat.

The task force has not ruled out supporting a Fiat alliance for Chrysler but is intent on keeping all options open for the company, including revival of previous merger talks between Chrysler and G.M. at some point.

Administration officials have said the bailout of the automakers is at a turning point, and the task force would intensify its oversight of G.M. and Chrysler until talks with the union and bondholders reached a conclusion.

Those officials also said the administration had no intention of nationalizing the auto companies or taking direct control of their managements.

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