Bankruptcy depends on bondholders, G.M. chief says
Nick Bunkley

General Motors does not plan to sweeten its debt exchange offer to bondholders, even though its failure would probably push the company into bankruptcy, G.M.'s chief executive said Monday.

Bondholders who hold more than $27 billion in G.M. debt have until May 27 to decide whether they will swap their bonds for shares of a restructured G.M. The company has said it needs 90 percent of the bonds to be exchanged in order to meet Treasury Department guidelines to receive billions of dollars in additional loans. Analysts say that is unlikely to happen.

If not enough bondholders agree to the terms, G.M. is expected to file for bankruptcy protection by June 1.

"We don't have any plan to make modifications at this point," the chief executive, Fritz Henderson, said on a conference call. He added that the terms of the offer were dictated by Treasury officials, who told G.M. it could not give bondholders more than a 10 percent stake in the new company.

G.M. plans to give 89 percent of the company to the Treasury and to a new retiree health care fund for the United Automobile Workers union, 10 percent to bondholders and 1 percent to existing shareholders.

Mr. Henderson reiterated his previous assessment that bankruptcy was "probable" but he played down speculation that such an outcome was inevitable. He also said G.M. hoped to contain a bankruptcy to its United States operations but that a global bankruptcy is possible.

"There still the possibility and an opportunity for it to be done outside of a bankruptcy," he said.

Mr. Henderson declined to comment on the status of talks with the U.A.W. or to respond to the union's complaints that G.M. was shifting vehicle assembly work to factories outside the United States. He said it is too early to specify the 13 plants that G.M. planned to close by the end of next year.

The plant closures are among a number of cost-cutting steps that G.M. is planning by the end of next year. It also is eliminating 21,000 factory jobs and shedding about 2,600 dealerships across the United States. Dealers who will not be part of G.M.'s future should start getting letters telling them the bad news as soon as today.

G.M. is in talks to sell three of its eight brands — Saturn, Saab and Hummer — by the end of this year. A fourth brand, Pontiac, is scheduled to close in 2010.

Mr. Henderson said G.M. was in talks with two of three bidders who want Hummer and that a sale could occur by month's end.

Regardless of everything else in its restructuring plan, G.M.'s ability to avoid bankruptcy appears to hinge on whether bondholders agree to the debt exchange offer. Kip Penniman, a credit analyst with KDP Investment Advisors, said the offer would fail unless the terms are changed in bondholders' favor.

"G.M. did not make the bondholders an offer that was realistic," Mr. Penniman said. "There's no incentive for them to take stock that is essentially worthless while the U.A.W., for a much smaller claim, gets a much more significant stake in the company."

Shares of G.M. were down 7 percent in morning trading.

New York Times, New York, 11 maio 2009, Global Business, online.