

GM's Skid Quickens as Crunch Raises Bankruptcy Threat

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Nov. 11 (Bloomberg) — [General Motors Corp.](#), burning cash as [U.S. sales](#) slide, is being pushed closer to bankruptcy as it waits to learn whether the auto industry will win a new round of government loans.

Only federal aid can prevent a collapse of the biggest U.S. automaker, analysts including Buckingham Research Group's [Joseph Amaturio](#) said before the shares tumbled today for a fifth straight day. Reorganizing in court protection also may not be possible, because the credit crunch has dried up financing.

"Strategic bankruptcy is not an option for GM," said [Mark Oline](#), a credit analyst with Fitch Inc. in Chicago. "This is an issue of operating or not operating."

The prospect of a forced liquidation raises the stakes for GM's quest for new federal borrowing after saying on Nov. 7 it may run out of operating [cash](#) as soon as year's end. GM had \$16.2 billion on hand as of Sept. 30, down from \$21 billion at the end of June, and needs \$11 billion to pay its monthly bills.

"A bankruptcy wouldn't address our immediate liquidity concerns," said [Renee Rashid-Merem](#), a spokeswoman for Detroit-based GM. "It's not an option for GM because it creates more problems than it solves."

GM's U.S. sales, which fell 21 percent last quarter and 45 percent in October, "would be devastated" by a bankruptcy filing, Chief Executive Officer [Rick Wagoner](#) said in a Nov. 7 Bloomberg Television interview. The "unimaginable consequence" of a bankruptcy "motivates us to really come up with cash in every way possible," he said.

Obama-Bush Talks

Wagoner, 55, is cutting jobs and shutting plants after almost [\\$73 billion in losses](#) since the end of 2004. He told trade publication Automotive News that GM needs an aid package before President-elect [Barack Obama](#) takes office in January.

Investors may be concluding that GM won't succeed. The [shares](#) slid 27 cents, or 8 percent, to \$3.09 at 9:45 a.m. in New York Stock Exchange composite trading. That extended yesterday's plunge to a 59-year low after Deutsche Bank AG said the shares may be worthless in a year.

GM, [Ford Motor Co.](#) and Chrysler LLC have asked for \$50 billion in aid to weather the worst

auto market in 17 years, people familiar with the discussions said. That would be in addition to \$25 billion approved in September to help retool plants to build more fuel-efficient vehicles.

'Growing Support'

"There's growing support in Washington, in Congress, to give government assistance to GM and the other automakers," said [Bruce Zirinsky](#), co-chairman of the financial restructuring department of Cadwalader, Wickersham & Taft LLP in New York. "The question is going to be how that gets done and at what price to the shareholders and creditors."

Obama spoke with President [George W. Bush](#) about the urgency for an aid plan at a White House meeting yesterday, aides to the president-elect said.

Earlier, the White House signaled its opposition to a proposal by House Speaker [Nancy Pelosi](#) of California and Senate Majority Leader [Harry Reid](#) of Nevada for Treasury Secretary [Henry Paulson](#) to tap the \$700 billion bank-rescue package to aid automakers.

Democratic lawmakers reject Paulson's arguments that he lacks authority to do so, Senator [Carl Levin](#) of Michigan said yesterday in an interview.

Legislation's Wording

Should Paulson continue to resist using funds from the financial bailout approach, Congress would craft language to help the automakers and add it to the stimulus plan to be considered next week, Levin said. Treasury spokeswoman [Brookly McLaughlin](#) referred questions to the White House.

[Bill Ackman](#), manager of the Pershing Square Capital Management LP hedge fund in New York, said GM shouldn't take government money because "it has been hamstrung for years because it has too much debt and it has contracts that are uneconomic."

Ackman, who said he doesn't have a position in GM securities, said yesterday on the [Charlie Rose](#) show the automaker should file for a so-called prepackaged bankruptcy with financing to keep operating while in court protection.

That may be difficult. Those debtor-in-possession loans have "all but shut down," CreditSights Inc. said yesterday in a report. The loans, which are paid off when companies exit bankruptcy, aren't being made as lenders become more averse to risk, wrote [Chris Taggart](#), a New York-based analyst.

GM would have no choice but to shut down, said [Maryann Keller](#), an independent auto analyst and consultant based in Greenwich, Connecticut. A GM failure that stops production would cost 2.5 million jobs in the U.S. in the first year, according to the Ann Arbor, Michigan-based [Center for Automotive Research](#).

"In this world, you don't go Chapter 11 reorganization," Keller said in an interview. "You go Chapter 7 liquidation."

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