



November 16, 2008

Options all grim for GM's workers

Jobs will be lost no matter what solution is found to woes

Barbara Wieland
bwieland@lsj.com

Bailout. Bankruptcy. Merger.

Those are terms being bandied about as lawmakers, analysts and others try to figure out how to help keep automakers in business.

Too bad "none of the above" isn't an option.

General Motors Corp. and its two Detroit-area rivals - Ford Motor Co. and Chrysler LLC - face grim futures as Congress prepares to take up a multibillion-dollar-bailout package Monday. Plunging sales brought on by gas prices that topped \$4 a gallon earlier this year and a continuing credit crunch have battered the industry.

Locally, GM's dire situation has raised the most concern. With about 6,000 workers at four facilities in the Lansing area - up to 700 of whom will lose their jobs early next year amid a companywide layoff - and more who work at suppliers, the Detroit automaker's survival is as crucial here as it is nationwide.

Lansing Mayor Virg Bernero is headed to Washington on Monday to plead the region's case in support of a rescue package. So is Mike Green, head of UAW Local 652, which represents workers at GM's Lansing Grand River Assembly and Lansing Regional Stamping facilities, as well as the local operations of parts makers JCIM LLC, Android Industries and Ryder Logistics.

Last month, GM's sales tumbled 45 percent. The company lost \$2.5 billion in the third quarter, and it says it could run out of cash this year.

"This situation is unsustainable," wrote Ken Cole, GM's vice president of government relations, in a letter to Congress.

Here's a look at what a GM bailout, bankruptcy or merger might mean for the automaker and for mid-Michigan:

BAILOUT

As the auto industry and the United Auto Workers union that represents its hourly workers sees it, federal assistance is the best option. Beyond shoring up automakers' finances, it likely would mean the fewest job cuts.

GM and some of its suppliers are asking workers to send letters supporting government aid to their elected officials in Washington.

But many critics decry the bailout. Some say GM and the other Detroit-area automakers should pay the price for bad management decisions, while others argue bailing out the auto industry sets a bad precedent.

The U.S. Department of Energy already has pledged \$25 billion in loans to the auto industry to offset the cost of developing new technology.

But Detroit says that's not enough. Cole, in pleading the case for GM, says another \$25 billion is needed. The money would pay wages, buy materials and equipment and fund development of new vehicles, among other things.

"I don't like to think of it as a bailout. It's a bridge loan," said Brian Fredline, president of UAW Local 602, which represents hourly workers at GM's Lansing Delta Township plant.

Fredline said the money would allow GM to keep operating over the next few months.

Then, new vehicles, including the sporty Chevrolet Camaro and Chevrolet Volt plug-in hybrid, will help turn around business, he said.

But money from the government likely would have strings attached, said Michigan State University professor Charles Ballard.

"The government may offer the \$25 billion, but say you have to replace the (chief executive officer)," Ballard said.

House Speaker Nancy Pelosi on Saturday outlined the conditions the House would attach to a bailout, saying the U.S. auto industry would be required to meet new fuel-efficiency standards, produce advanced vehicles and restructure their operations "to ensure their long-term economic viability."

Pelosi, D-Calif., did not disclose the amount of funding House leaders intend to seek for the industry, but she said the funding should come from the \$700 billion financial bailout approved by Congress in October.

In an interview to be aired today, President-elect Barack Obama told CBS' "60 Minutes" that he believes aid is needed, but that it should be provided as part of a long-term plan for a "sustainable U.S. auto industry" - not simply as a blank check.

Ilhan Geckil, senior consultant at the Anderson Economic Group in East Lansing, said help from the government is the most likely of the three possible scenarios. But, he cautioned, "it's a temporary solution."

"They can use it for a turnaround, but long-term, they might need more help," he said.

A bailout is the wrong way to go because it won't secure the eventual success of the businesses, said Gary Chaison, professor of labor relations at Clark University in Worcester, Mass.

"It will keep the companies afloat, but it won't assure they'll get to shore," he said.

BANKRUPTCY

If a bailout is the industry's favored solution, bankruptcy would be its doomsday scenario. If GM - or any other automaker - wound up in Chapter 11 bankruptcy reorganization, it would keep operating under protection from creditors while trying to get a handle on its finances.

However, some are concerned that consumers, worried about the company's future, would be unlikely to buy cars, trucks and SUVs from an automaker in bankruptcy. Sales would probably plummet, making a bad situation worse.

"No one is sure if an automaker can go bankrupt and pull itself out," Chaison said.

More troubling, from a labor standpoint: A bankruptcy judge could void GM's contract with the UAW. Wages and benefits could be slashed - or lost, should the company fail.

"The UAW's worst nightmare would be a bankruptcy," Chaison said.

Should the domestic auto industry collapse, it would be devastating to Michigan and the nation, GM's Cole said.

"The industry faces a loss of 3 million jobs across the country," Cole wrote in his letter. "The Wall Street crisis (that started in September) pales in comparison if any portion of America's auto industry were to collapse."

If all three automakers were to collapse, the Ann Arbor-based Center for Automotive Research estimates there would be a loss of \$150.7 billion in personal income in the first year following the collapse. The federal government would stand to lose \$60 billion in tax income that year.

MERGER

Only a few weeks ago, it seemed GM and Chrysler were headed toward a marriage. Chrysler has cash GM wants, and Chrysler owner Cerberus Capital Management LP wants out of the carmaking business.

But the deal hit a snag when the federal government refused to pony up \$10 billion to help fund the merger. The government refused with good reason, Chaison said.

"Essentially, it would be two drowning men trying to save each other and one of them can't swim," he quipped.

But Geckil said the deal isn't dead in the water, even though GM said it was done trying after reporting its third-quarter loss.

"It is a strategic move to get ground support for the deal," Geckil said.

But a merger could bring its own trouble.

In many cases, jobs are lost as company operations are blended. In this case, some Chrysler plants would close as GM consolidates production.

"We assume that two or three Chrysler plants would close in Michigan and one GM plant elsewhere," Geckil said.

Auburn Hills, where Chrysler is based, "would be a ghost town," Ballard said.

However, Lansing might benefit under a merger. With two newer assembly plants - Lansing Grand River and Lansing Delta Township - some Chrysler production could be shifted to those sites.

Even so, the UAW hasn't thrown support behind a merger because of potential job losses, Fredline said.

"A merger would be good for the company, not so good for the union," he said.

But, Fredline said, there will likely be pain no matter which direction GM goes.

"There are going to be jobs lost no matter how this shakes out," Fredline said.

The Associated Press contributed to this report.

Additional Facts

What it means

JOBS

- **Bailout:** A bailout likely would affect the fewest number of jobs.
- **Bankruptcy:** A bankruptcy judge could void union contracts under a Chapter 11 reorganization. All jobs would be lost under a Chapter 7 liquidation.
- **Merger:** Massive job losses would be likely as GM folds Chrysler into its operations. Some factories would close.

PRODUCT

- **Bailout:** Funds from the government could allow GM to proceed with product development that has been put on hold for lack of money.
- **Bankruptcy:** Spending on development may be reined in; consumers may be reluctant to buy cars from a company that has sought bankruptcy protection.
- **Merger:** GM likely would keep Chrysler's Jeep line and minivans, and some less-popular GM products would be discontinued.

PROGNOSIS

- **Bailout:** Automakers hope a bridge loan from the government will allow them to keep operating until business conditions improve.
 - **Bankruptcy:** It's unknown whether a car company that enters bankruptcy will emerge from it - the company could fold.
 - **Merger:** It's unclear whether a merger would truly help GM or only be a Band-Aid.
-