

Autos Bailout Update

Bailout Task Force Takes Shape - ALERT

- **The White House announced that a task force (headed by Tim Geithner and Larry Summers) will lead the Administration's auto sector bailout, instead of a single car czar.** Ron Bloom, a USW advisor with a financial background, was also named by the WSJ as being a likely member of the task force. In general, we like the composition of this task force and continue to believe a Treasury-controlled bailout has a better chance of delivering a healthier long-term restructuring than a team directly under Congress' control given the sizable political influence dealers wield at the congressional level.
- **GM's Plan.** News reports suggest GM will submit a plan that involves several plant closings (and "additional" cost savings). What GM is likely to submit to US Treasury today is likely to be more of a wish list of savings/concessions rather than a list of already-achieved savings/concessions (discussions with bondholders and the UAW still seem far from complete, and fairly difficult).
- **As we mentioned in a note recently, we think the chances of a bankruptcy are higher than what we would have envisaged a few months ago,** partly because of what seems like slow-moving stakeholder concessions (which could politically corner the Obama administration), and partly because we sense some senior Administration officials have evolved to the view that the risk to GM's revenues of a (gov't funded) Cht. 11 bankruptcy is probably now lessened (though still significant) than it was in Q4.08 as the consumer has learned about various proposals such as gov't supported DIP loan / warranty. Advise increased caution across the entire sector as bailout related news flow regains attention.

Automobile Manufacture

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