GM'S BEG: THE WAITING IS MAKING IT WORSE

I just got done listening to Diane Rehm's show on the auto begs (it was terrible, frankly); there was a great deal of skepticism whether the auto companies would get any government help this month.

Aside from the fact that GM is asking for $4 billion for operations through the end of the month and an additional $4 billion for January, there's another reason a bridge loan can't wait.

> According to very recent market research (conducted by CNW Marketing Research), more than 30% of consumers who considered a GM vehicle and purchased a competitive product instead cited the possibility of GM bankruptcy as the top reason for **not** buying a GM product. This is more than double the percentage of the next highest reason.
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> To highlight this point, both the Baseline and Downside Scenarios outlined in this submission assume that consumers will consider GM products and services on their merits, and without regard to concerns relating to the company's viability. If this assumption is not true, and concerns regarding the company's viability continue to weigh on purchase decisions (as they clearly did in November 2008), the company expects to that first-quarter 2009 cash outflows would be materially **worse** than even the Downside Scenario. As such, clarity and prompt action adds real value to the company and to consumers.

GM's sales dropped 41% from last November's numbers; Chrysler's sales dropped 47% (the industry as a whole dropped 37%, with Ford having one of the smallest drops). In other words, all this discussion of whether or not to let GM or Chrysler go bankrupt is making it more likely that they'll go bankrupt, because they're not even keeping pace with the industry's severely contracted sales numbers.

That doesn't mean Congress will get something passed right away. But it does raise the stakes for this week's hearings.