

BIG AUTO MUSICAL CHAIRS

Okay, I didn't see this one coming.

General Motors is staring imminent bankruptcy dead in the eye:

In April, the automaker drew another \$2 billion and has said it would expect to need another \$2.6 billion from the U.S. Treasury before the June 1 deadline. That would take GM's debt to the U.S. government to \$18 billion.

GM has asked its three major creditor groups to write off at least \$43 billion in debt in exchange for ownership stakes in a restructured company.

GM bondholders, who are owed \$27 billion, have also been offered new stock in exchange for writing off debt in a bond exchange the automaker launched last week.

GM is targeting a reduction of at least \$24 billion, or 90 percent, of its bond debt under the plan and has warned that it could be forced into bankruptcy if that cannot be achieved.

Read the entire article, it is a bleak picture for the General.

Good golly that sounds dire, I wonder what new ideas are afoot to reign in the size and voracious appetite for spending at GM? Well, glad you asked, because they want to acquire a significant stake in Fiat!

Four years after paying \$2 billion to extricate itself from a partnership with Fiat, General Motors is seeking a stake in the Italian automaker in exchange for its Latin American and European operations.

General Motors is eager to cede control of its money-losing Opel unit in Germany. But Fiat has also expressed interest in G.M.'s other European operations as well as its historically profitable Latin American business, though the possible terms of such a deal have not been discussed publicly.

G.M., despite its precarious financial position, now feels it has a bargaining chip with its Latin American unit, and is negotiating with Fiat over what it might get in return.

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But G.M. executives are holding out for at least 30 percent of the Fiat Auto Group, according to these people, who said they were not authorized to comment publicly because the discussions are fluid.

Fiat. You know, the same Fiat that is supposedly saving Chrysler by merging with it. A merger, by the way that is effectively being subsidized by the bailout funds from the US taxpayers. And they are going to cut a deal with GM, who is surviving almost exclusively by the good graces of the US taxpayer.

And here is a nice little kicker, Fiat is looking for a bailout from the German government to assist them with the floundering Opel division they would pick up from GM in the putative deal:

Mr. Marchionne has suggested that closing down plants isn't a realistic option in Europe, where many workers are shielded by contracts that make it costly for companies to lay off workers. During a recent conference call with analysts, Mr. Marchionne said he preferred cutting back production at some plants rather than shutting them down entirely.

Fiat is also likely to seek government aid from Berlin to prop up the potential alliance while Fiat retools Opel's operations, according to a person familiar with the matter. Fiat, which is saddled with €6.6 billion, or \$8.8 billion, in debt, doesn't have the money to finance potential partners. Mr. Marchionne refused to put money into its alliance with Chrysler, swapping Fiat technology for a 20% stake in the Detroit auto maker.

Now, in fairness, on paper these moves don't necessarily look as silly as you might think, there are at least plausibly achievable goals behind the musical chairs. Maybe. (I am still not really sold on the viability of Fiat/Chrysler though). But it is a bit curious that all this wheeling n dealing is being contemplated on the public dole. I wonder what Obama and those genius ~~auto~~ Wall Street czars think?