

GM'S DICK CHENEY AND TARP LOANS AND CHINESE CARS

Yesterday, GM announced that Ed Whitacre would stay on as CEO, meaning Whitacre had pulled off the same stunt Dick Cheney pulled in 2000 when Cheney searched and searched and searched only to discover he was the best man for the job.

"I certainly didn't come into this with that intention," Whitacre, 68, told reporters yesterday in Detroit. "You sort of get pulled in. I didn't know this was going to happen to me. In fact, I planned for it not to happen."

[snip]

"The longer Whitacre was in that role, the more comfortable he became," said Maryann N. Keller, senior adviser with Casesa Shapiro Group LLC in New York. "Circumstances propelled this decision. No one else would take that job with Whitacre in that role as an aggressive chairman and with a new CFO already in place."

Directors reviewed the progress of the CEO search at the Jan. 13 meeting in Detroit, their regular monthly gathering, two people familiar with the matter said.

Initial efforts by GM's search firm, Spencer Stuart, didn't turn up any top prospects with manufacturing experience whom the automaker wanted to hire over Whitacre, said the person familiar with those deliberations. The board also concluded that Whitacre had taken critical steps for GM's recovery and that more change would be disruptive, the people said.

Directors held a special meeting last week by telephone during which Whitacre's hiring was made official, the people said. Whitacre said the search for a permanent chief had gone on for a "pretty good while" before being called off.

Michael Millican, a spokesman for Spencer Stuart, said the firm "never comments on a search." Ron Bloom, the chief adviser for the U.S. Treasury's auto task force, told reporters the government wasn't involved in Whitacre's hiring as CEO. Chris Preuss, a GM spokesman, declined to comment on the process.

Which I guess makes it high time for me to share my sinking suspicions from the North American International Auto Show.

The (crappy) video above is the Chevrolet Press Conference—which introduced the new Chevrolet Aveo. Though no one much commented on the visuals, it was the story many Americans want GM to tell: there they were with four viable small cars, all with the styling that has long been missing from GM's smaller cars. When the Cruze is introduced later this year, it will even lead the segment in gas mileage until the new Civic, with the same mileage, comes out a few months later.

Sounds great, doesn't it? Just what people have been demanding from GM.

But then, just after the press conference, I asked Margaret Brooks, who is in charge of Chevy's small cars, how the Aveo and the Spark would be differentiated, when they would be introduced into the US market, and where the Spark would be made (in the announcement, GM boasted that the Aveo will be built in Orion Township here in MI), I got no answers. (In a follow-up, they later said that Aveo would be introduced in late 2011, which is pretty

aggressive for something that is at concept right now). So I asked Brooks, straight out: "But the Spark won't be made in China, will it?" Brooks: "We haven't decided yet." "But not China?" "We haven't decided yet."

As you might recall, the Spark was introduced in the US in early 2009. At the time, GM told its federal overlords that it would be importing 51,000 Sparks into the US starting in 2011. But once UAW balked, they negotiated a promise to build subcompacts here in the US.

General Motors Corp. agreed not to import Chinese-made subcompact cars to the U.S. as part of its concession deal with the United Auto Workers, union President Ron Gettelfinger said Thursday.

Instead, the company will build up to 160,000 of the cars per year at an existing U.S. factory and sell them in the U.S., Gettelfinger said in a telephone interview with The Associated Press.

GM had said in documents submitted to Congress that it planned to produce up to 51,000 subcompacts per year in China and ship them to the U.S. starting in 2011.

But now they say they don't know—which is not at all credible if they really plan on importing the Chevy Spark by 2011, which is what they initially announced. If they don't have the factory picked (as they have for the Aveo), then they'll be building it in one of their existing factories.

There's one more wrinkle to this, which gets me back to GM's Dick Cheney.

One of the reasons some are bullish on Whitacre is because he has made really aggressive promises to pay back the taxpayers ASAP. Those promises were repeated in yesterday's

announcements.

Ending a hunt for a fourth CEO in less than a year avoids a potential distraction as GM rushes to meet Whitacre's goal of posting a 2010 profit and paying back \$5.7 billion from the Detroit automaker's U.S.-backed bankruptcy last year. GM has already repaid \$1 billion.

[snip]

The U.S. government remains GM's largest shareholder, with a 61 percent stake. Those holdings include the \$5.7 billion in outstanding loans that Whitacre said he intends to repay by June as well as other debt converted to equity. GM is also planning a stock offering, possibly in the fourth quarter, that would allow the government to liquidate some of its equity.

Whitacre seems to be working with the same haste as Citi's and BoA's executives to pay money back. As with the banks, it's not at all clear he should be paying the money back, yet. Perhaps like the banks, Whitacre is aiming to develop the kind of freedom of movement that you lack when you owe taxpayers a bunch of money.

You see, my spidey sense can't help but see how the timing would work out: you pay off the TARP money (but not the tens of billions in equity) before you announce where you're going to source the Spark that is already in process. If that were to happen, taxpayers would be justifiably furious—if their bailout served only to fund the first auto company importing cars from China. But it would mean the Obama Administration could throw its hands up—much as they are right now, with the banks—and say they don't want to micromanage any of these big corporations.

Mind you, I don't have confirmation this is what GM plans. I've talked to the UAW and the offices of four members of Congress (three of those from

MI), and they've not heard about this.

But there's something about Whitacre—that goes beyond his past participation in illegal wiretapping of Americans as CEO of AT&T, and goes beyond his Cheney-esque self-selection—that makes me queasy.