

# Automotive News

## UAW accord won't lessen chance of GM bankruptcy, analysts say

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DETROIT (Reuters) -- The UAW's agreement with General Motors won't diminish prospects for a GM bankruptcy filing, analysts and other experts said. Here are some comments on the deal announced today.

**David Bitterman, managing director, Huron Consulting Group:**

"Sounds incremental. Is it enough to keep them out of bankruptcy? I'd be skeptical of that.

"My immediate reaction is it is constructive and may facilitate a quicker trip through bankruptcy, but it doesn't alleviate them of a broken balance sheet and a lack of credit at the moment."

**Erich Merkle, independent auto analyst, Grand Rapids, Mich.:**

"I like the fact that there is an agreement that has been reached, but I don't know that this keeps General Motors out of bankruptcy. What they are looking for from the bondholders is an incredibly onerous concession.

"That may just help them pave the way for a bankruptcy, provided that in bankruptcy the government and GM honor this UAW contract. They have got the UAW on board now.

"I think they are going into bankruptcy ... to clear out their debt and get rid of dealer count."

**Scott Peltz, managing director, RSM McGladrey, Chicago:**

"They've estimated that the labor costs in a GM car are about 7 percent of the total cost, and one of the issues that was really burdening GM was the legacy costs of post retirees, and to the extent that those are eliminated or seriously reduced, that would make a huge difference as to the ability to restructure.

"I'm convinced that they have no choice but to file bankruptcy. To the extent that you have constituencies with whom you've made an agreement prior to filing, it makes the outcome that much easier to achieve.

"But you've got to remember the number of parties here ... Any party you can get on board is helpful but you've got so many moving parts."

**Dennis Virag, president, Automotive Consulting Group, Ann Arbor, Mich.:**

"It's a step forward for General Motors, but I think the real issue is with the creditors. I don't think there was any doubt that the UAW and GM were going to come to an agreement, much like they did with Chrysler, especially with government intervention. "The real key to success in avoiding bankruptcy is going to be agreement with the creditors. That is a much more difficult challenge, and not likely to be settled before the deadline."

**Pete Hastings, analyst, Morgan Keegan, Memphis, Tenn.:**

"I think it's more focused on the union rather than the bondholders. I think the bond exchange that's on the table right now is dead on arrival, so unless the deal is somehow sweetened then there's no way they're going to get the 90 percent approval that they need."

"All this is just positioning in my view for the bankruptcy filing that we expect to happen in the relatively near future."

**Michael Sheldon, chief market strategist, RDM Financial, Westport, Conn.:**

"Any agreement they reach with the union is certainly positive, no question about it, but I think the bigger issue still remains working with the bondholders to get 90 percent of them to agree to do a debt for equity swap to avoid bankruptcy."

**Michael Williams, dean, Touro College's Graduate School of Business, New York:**

"It's absolutely expected. None of this is a mystery."

"It may postpone (bankruptcy) a bit. However, I don't think it is enough to not have a bankruptcy occur."

"There is a possibility that (UAW getting a stake in GM) may happen. You cannot separate these industries as you might other industries -- they are too inbred. So I believe there is a possibility of that."