

Give GM, Chrysler some breathing room

by *The Detroit News*

General Motors Corp. and Chrysler LLC appear to be getting something they really need from the Obama administration: a little breathing room. The clock is ticking toward the March 31 deadline for the automakers to prove their viability to the federal government. That means renegotiating labor contracts, restructuring debt and making new deals with suppliers.

But leaders of President Barack Obama's auto task force now say that deadline isn't likely to be enforced, taking away a gun from the heads of Chrysler and GM and allowing them more time to carefully put together their new business plans.

It makes sense for the government to provide that flexibility. No one will be able to say for certain whether the two automakers are viable until the administration thaws the credit freeze and Americans regain confidence in the economy.

The auto industry is not suffering as much from a failed business strategy as it is from the inability of its customers to get loans and the wariness of consumers to make big purchases.

Steven Rattner, the private equity executive who heads the task force, also has taken bankruptcy off the table as a solution for what ails the two manufacturers. Rattner said Chrysler and GM, with the government's help, ought to be able to fix their problems without filing for bankruptcy.

That should make the companies' suppliers, investors and potential customers somewhat more comfortable. Bankruptcy talk has had a horrible impact on GM's stock and made suppliers of both companies nervous about their own futures.

Consumers also are not enthusiastic about purchasing a vehicle they intend to keep for five years or longer from a company that may not be around to provide parts and service.

Notching down the urgency level a bit ought to give everyone the room they need to make sound decisions.

The task force can do one more thing for the automakers: Approve the next round of loans to help them continue operating until the market rebounds. Rattner has before him \$22 billion in loan requests from GM and Chrysler, and acknowledges they need the money.

But taxpayer backlash to bailouts makes additional loans dicey. The money would be well used.

Chrysler, which needs \$5 billion by the end of the month, says it is making progress in its alliance talks with the Italian automaker Fiat.

The alliance would allow Chrysler to cut its expenses and expand its markets, and place it back on the road to profitability.

GM has showrooms filled with attractive product and is negotiating a new labor pact with the United Auto Workers union that should sharply reduce its operating costs. Once consumers start buying vehicles again, it should be in good shape.

There's a light out there at the end of this tunnel. If GM and Chrysler are given the time and the help they need to reach it, the entire economy will benefit.

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