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White House: GM, Chrysler Plans Not Viable GM CEO Wagoner Steps Down At White House Request

NEW YORK (AP) — The White House says neither GM nor Chrysler submitted acceptable plans to receive more bailout money, setting the stage for a crisis in Detroit and putting in motion what could be the final two months of two American auto giants.

President Barack Obama and his top advisers have determined that neither company is viable and that taxpayers will not spend untold billions more to keep the pair of automakers open forever. In a last-ditch effort, the administration gave each company a brief deadline to try one last time to convince Washington it is worth saving, said senior administration officials who spoke on the condition of anonymity to more bluntly discuss the decision.

Obama was set to make the announcement at 11 a.m. Monday in the White House's foyer.

In an interview with CBS' "Face the Nation" broadcast Sunday, Obama said the companies must do more to receive additional financial aid from the government.

"We think we can have a successful U.S. auto industry. But it's got to be one that's realistically designed to weather this storm and to emerge -- at the other end -- much more lean, mean and competitive than it currently is," Obama said.

Frustrated administration officials said Chrysler cannot function as an independent company under its current plan. They have given Chrysler a 30-day window to complete a proposed partnership with Italian automaker Fiat SpA, and will offer up to \$6 billion to the companies if they can negotiate a deal before time runs out.

If a Chrysler-Fiat union cannot be completed, Washington plans to walk away, leave Chrysler destined for a complete sell-off. No other money is available.

For GM, the administration offered 60 days of operating money to restructure. A frantic top-to-bottom effort began Sunday after CEO Rick Wagoner resigned under pressure from the White House.

Fritz Henderson, GM's president and chief operating officer, became the new CEO, a Treasury Department source said. Board member Kent Kresa, the former chairman and CEO of defense contractor Northrop Grumman Corp., will be interim chairman of the GM board.

One official said a majority of the GM board was expected to step down.

Wagoner, 56, has repeatedly said he believed it was better for him to lead GM through its crisis, but he has faced sharp criticism on Capitol Hill for what many lawmakers regard as years of missteps, mistakes and arrogance by the Detroit Three automakers.

Wagoner joined GM in 1977, serving in several capacities in the U.S., Brazil and Europe. He became president and chief executive in 2000 and has served as chairman and CEO since May 2003.

Wagoner, in an interview with The Associated Press in December, declined to speculate on suggestions from some members of Congress that GM's leadership team should step down as part of any rescue package.

"I'm doing what I do because it adds a lot of value to the company," Wagoner said in a Dec. 4 interview as GM sought federal aid from the Bush administration. "It's not clear to me that experience in this industry should be viewed as a negative, but I'm going to do what's right for the company and I'll do it in consultation with the (GM) board (of directors)."

Obama advisers saw public outrage come to an ugly head in recent weeks, as populist anger escalated over bonuses paid to American International Group executives. They realized Americans are frustrated with the economy and its business leaders; they also said they would not invest one dollar more than was necessary to keep the companies alive and would walk away if it looked impossible.

Officials said GM had not made good on promises made in exchange for \$13.4 billion in government loans, although there are no plans to call in those loans.

Administration officials still believe GM's chances are good, given its global brand and its research potential. Officials say they are confident GM can put together a plan that will keep production lines moving in the coming years. They planned to send a team to Detroit to help with that restructuring.

Chrysler, meanwhile, has survived on \$4 billion in federal aid during this economic downturn and the worst decline in auto sales in 27 years.

In progress reports filed with the government in February, GM asked for \$16.6 billion more and Chrysler wanted \$5 billion more. The White House balked and instead started a countdown clock.

Administration officials acknowledged the short turnaround time was harsh; one described it as a nanosecond in a business cycle.

Two people familiar with the plan said officials will demand further sacrifices from the automakers and bankruptcy would still be possible if the automakers failed to restructure. Those officials spoke on condition of anonymity because they were not authorized to make details public.

Administration officials said they hoped large-scale bankruptcy could be avoided, especially if it might be stretched over many years. Any efforts to use the bankruptcy courts would have to be targeted and aggressive and must not prolong a restructuring process, they said.



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Chairman and Chief Executive Officer of General Motors, Richard "Rick" Wagoner, listens as President Barack Obama speaks at the Business Roundtable March 12, 2009, at a hotel in Washington, DC. (File)
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GM and Chrysler, which employ about 140,000 workers in the U.S., face a Tuesday deadline to submit completed restructuring plans, but neither company is expected to finish its work.

GM owes roughly \$28 billion to bondholders. Chrysler owes about \$7 billion in first- and second-term debt, mainly to banks. GM owes about \$20 billion to its retiree health care trust, while Chrysler owes \$10.6 billion.

An exasperated administration official noted that the companies had not done enough to reduce debt; in some cases, it actually increased during this restructuring and review process.

In February, GM said it intended to cut 47,000 jobs around the globe, or almost 20 percent of its work force, close hundreds of dealerships and focus on four core brands -- Chevrolet, Cadillac, GMC and Buick.

In an effort to bolster consumer confidence, Obama planned to announce government backing of warranties for GM and Chrysler vehicles. An administration official said there is no price tag yet associated with that promise.

Aides note that Obama inherited the auto mess from his predecessor, President George W. Bush.

Under the terms of a loan agreement reached during the last administration, GM and Chrysler are pushing the United Auto Workers to accept shares of stock in exchange for half of the payments into a union-run trust fund for retiree health care. They also want labor costs from the union to be competitive with Japanese automakers with U.S. operations.

Little progress has been made between the companies and the union.

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