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## Recession reports - GM exits bankruptcy

Wednesday, 15 Jul, 2009

Reuters reported that a new General Motors emerged from bankruptcy protection, far more quickly than most industry watchers had expected, as a leaner automaker pledging to win back American consumers and pay back taxpayers.

A whirlwind 40 day bankruptcy for GM concluded with the closing of a deal that sold key operations to a new company that is majority owned by the US Treasury. The closing documents were signed by representatives of the government and GM executives at the law firm of Weil, Gotshal & Manges, GM's bankruptcy counsel.

The development, which follows a similar fast track reorganization of Chrysler, represented a victory for the Obama administration and its commitment to save jobs and prevent a liquidation of the largest US automaker.

At the same time, the US government has taken on substantial new risks as a 60% owner of the new GM with a USD 50 billion equity investment and USD 10 billion in debt and perpetual preferred shares.

Analysts said that the government intervention had given GM a new chance and sharply lower operating costs but left management facing deep challenges given the weak economy and GM's long running slide in market share.

Bankruptcy slashed GM's debt and healthcare obligations and brought down labor costs to be on par with Japanese competitors led by Toyota Motor Corporation.

GM also eliminated the North American executive team overseeing operations in its troubled home market which had caused the automaker to lose more than USD 80 billion since 2005.

The new GM will have slashed its debt and healthcare obligations by USD 48 billion, dropped almost 40% of the dealers from an unprofitable network and moved to sell laggard brands such as Saab, Saturn and Hummer.

(Sourced from [www.reuters.com](http://www.reuters.com))

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