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GM says it's ready to start repaying government

By Sharon Silke Carty, USA TODAY

DETROIT — General Motors said Monday that it's already planning to start paying back its government loans, but experts say not to be too bowled over by the figures.

The automaker is paying the loans out of its government escrow account, money it's had available since the company emerged from bankruptcy. Also, it still isn't making money in North America, its key market.

GM says it lost \$1.15 billion, including one-time items, from July 10 through Sept. 30. GM entered bankruptcy court June 1 and emerged June 10 as a new company. The "old" GM is being liquidated. The loss does appear to be smaller than in recent pre-bankruptcy periods, though the automaker warned that the accounting for the new figures doesn't line up with that of past figures and shouldn't be compared.

The automaker says it plans to accelerate its loan repayment to the U.S. and Canadian governments, beginning by paying out \$1.2 billion in December.

GM went into bankruptcy protection with about \$95 billion in debt and emerged owing \$17 billion. Of that, \$6.7 billion is owed to the U.S. and \$1.4 billion to Canada. If things go according to plan, CEO Fritz Henderson says, GM could pay off all of the \$8.1 billion in government loans by summer. "Today's results provide evidence of a solid foundation we're building for the new GM," Henderson said. "With a healthier balance sheet and a competitive cost structure, our focus is on driving top-line performance."

Before taxpayers get too excited: The loans are a fraction of the \$52 billion the government lent to GM. Most of the \$52 billion was converted to a 61% equity stake in the new company. Only when GM is again a public company and the government's shares can be sold will it get any of that money back.

The automaker still isn't making money in North America, its biggest and most critical market. There, it posted a \$651 million loss, compared with a profit of \$238 million internationally.

"It's reassuring to consumers that, yes, things are changing, and I think they need to keep announcing financials and clearing the air. Otherwise, people assume the worst," says Brad Coulter, a turnaround expert at O'Keefe & Associates. "But I wouldn't call this report positive or negative. It's just too early to tell."

Coulter says GM needs to do what it can to keep the financial markets apprised of its progress. Uncertainty has kept lenders hesitant to make loans to companies that make parts for GM, he says.

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