



Following President Bush's announcement regarding an auto industry rescue plan, this morning, Cerberus Capital Management (the owner of Chrysler) issued a [press release](#) which says, in part:

In connection with the loan to be provided by Treasury, Cerberus has agreed to utilize the first \$2 billion of proceeds from Chrysler Financial to backstop the loan allocated to Chrysler automotive. In addition to this, Cerberus believes that concessions by all relevant constituencies will be required to facilitate a full restructuring and recapitalization of Chrysler.

In order to achieve that goal Cerberus has advised the Treasury that it would contribute its equity in Chrysler automotive to labor and creditors as currency to facilitate the accommodations necessary to affect the restructuring. Unless

Chrysler's labor costs can achieve parity with the foreign transplants, and without the restructuring of Chrysler's debt, Chrysler cannot be restored to long-term health and the government loan will be unlikely to be fully repaid.

In other words, Cerberus will essentially sell the automaker ("contribute its equity") to the unions and its creditors. This is really no surprise, and echoes the frustrations expressed by several lawmakers in the past two weeks. The firm had taken Chrysler private with the intent of splitting off the profitable Chrysler Financial and then dumping the Chrysler Automotive. The recent economic upheaval has soured those plans, until now. With the intervention of the government, Cerberus now feels it is in a position to simply walk away from Chrysler Automotive by essentially dumping it on the unions and creditors.

[Cerberus](#), which for those of you not familiar with mythology, is the name in Greek and Roman myths of a three headed dog which guards the gates of Hades, to prevent those who have crossed the [River Styx](#) from escaping back to the land of the living, seems to be living up to that name. They have led their unions and creditors across a financial River Styx, and is now taking steps to ensure that they will never return to the land of the living. Only we risk being dragged along...