

This Week in Washington



WITH CONGRESSMAN
JO BONNER

Big Three Automakers Ask Washington for Bailout

Last week, the CEOs of the nation's Big Three automakers flew to Washington to make their case to Congress that the American auto industry is headed for bankruptcy and needs \$25 billion in taxpayer money to stay afloat.

To be clear, the \$25 billion in aid they are seeking is on top of the \$25 billion loan package already approved by Congress earlier this year.

Ironically, all three CEOs traveled to the nation's capital on private jets to ask for this funding.

In fact, ABC News reported that the private, roundtrip jet ride of General Motor's CEO, Rick Wagoner, cost an estimated \$20,000, while seats on a Northwest Airlines flight from Detroit to Washington that same day cost \$288 for coach and \$837 for first class.

Apparently, the dire straits facing their companies are not enough to keep these executives from traveling in style.

This fact alone underscores the fact that the American auto industry is out of touch with the American public. For years, the American automakers have maintained the status quo instead of adapting and building more fuel efficient vehicles.

A recent Rasmussen poll found that nearly half of U.S. voters believe it is better for the economy to let companies like GM fail rather than provide government subsidies to keep them in business.

Many experts have come forward arguing that bankruptcy is perhaps the best option for the American automakers.

Distinguished research scholar and lecturer at NYU School of Law, Michael E. Levine, recently wrote the article, "Why Bankruptcy is the Best Option for GM."

Levine points out that with bankruptcy "contracts would have to be bought out.

The company would have to shed many of its fixed obligations. Some obligations will be impossible to cut by voluntary agreement.

GM will run out of cash and out of time."

The only way to solve the cash problem of the Big Three automakers is for them to make major concessions to address the costs that are weighing them down.

Former Massachusetts governor, Mitt Romney, recently wrote an opinion piece in The New York Times arguing that "Detroit needs a turnaround, not a check."

Romney reasoned that "without the bailout, Detroit will need to drastically restructure itself. With it, the automakers will stay the course – the suicidal course of declining market shares, insurmountable labor and retiree burdens, technology atrophy, product inferiority and never-ending job losses."

In his op-ed, Romney also talked of his father, who was CEO of American Motors in the 1950s, and his plan to save the company. He "cut his pay and that of his executive team, he bought

stock in the company, and he went out to factories to talk to workers directly.”

Romney called on the Big Three to “get rid of the planes, the executive dining rooms – all the symbols that breed resentment among the hundreds of thousands who will also be sacrificing to keep the companies afloat.”

Not flying on their companies’ private jets to ask for a handout would certainly be a start.

Additionally, the automakers must explain exactly how this money will be spent and how the companies plan to remain competitive and viable in the years ahead. We cannot throw money at a company that is inevitably doomed to fail.

Congressional leaders have asked the automakers to provide a detailed plan to the American people showing exactly how they plan to spend the taxpayers’ money.

Congress has asked that the plan be submitted by December 2nd in order for Congress to consider possible legislation by the week of December 8th.

A Time to Give Thanks

This week as we take a moment from our busy lives and gather with loved ones to celebrate Thanksgiving, let us remember that we are a nation with much for which to be thankful: our families, our friends, our beautiful country, and the freedom granted to each of us.

It is also important for us to remember the men and women of our armed forces, many of whom are spending Thanksgiving in harm's way.

These brave men and women are keeping our country safe and free through their courage, bravery, and sacrifice. Let us all take a moment not only on Thanksgiving – but every day of the year – to remember our military and their families.

My family and I wish all of you a happy and safe Thanksgiving.

My staff and I work for you. If we can ever be of service, do not hesitate to call my office toll free at 1-800-288-8721.

--30--

*For release the week of Monday, November 24, 2008. For more information
please contact Mike Lewis at (202)225-4931.*