

## Big 3 US carmakers cold-shouldered

Written by Julie Hirschfield Davis, SAPA-AP

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Desperate U.S. automakers ran into fresh obstacles from skeptical "lawmakers as they appealed with rising urgency - and a new dose of humility - for a \$34 billion bailout. Without help, said one senator, "we're looking at a death sentence."

With lawmakers in both parties pressing the automakers to consider a pre-negotiated bankruptcy - something they have consistently shunned - the Big Three were contemplating a government-run restructuring that could yield results similar to bankruptcy, including massive downsizing, in return for the bailout billions. But there was no assurance they could get even that. And that wasn't all the unwelcome news. Congressional officials said Thursday that one leading proposal - to tap an already approved fund set aside for making cars environmentally efficient - wouldn't give the carmakers nearly as much money as they say they need.

The auto executives pleaded with lawmakers at a contentious Capitol Hill hearing - their second round in less than a month - for emergency aid before year's end. But with time running out on the current Congress, skepticism about the bailout appeared to be as strong as ever. "In all due respect, folks, I don't think there's faith that the next ... three months will work out, given the past history," said Democratic Sen. Charles E. Schumer. "No thinking person thinks that all three companies can survive," said Republican Sen. Bob Corker of Tennessee. Chris Dodd, chairman of the Banking Committee, was the senator who spoke of a death sentence - though he also said, "We're not going to leave town without trying" to help. The auto executives are to make their case at a House hearing on Friday, and Congress could take up rescue legislation next week in an emergency session.

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But Democratic congressional leaders were leaning on the White House to act on its own. House Speaker Nancy Pelosi and Senate Majority Leader Harry Reid wrote to President George W. Bush on Thursday asking him, as they have repeatedly, to use the \$700 billion Wall Street rescue fund to help the auto makers - something the administration has consistently refused to do. They argued that such a course was justified because of the potential for grave harm to the financial sector in the event of a carmaker collapse. Auto state lawmakers went further, threatening to block the administration's access to the second half of the financial bailout fund unless it made "a firm commitment to assist working Americans and save American jobs."

The clear implication was that no more Wall Street aid would be available without help for the Big Three. "I think they'll read between the lines," said Rep. Fred Upton, who teamed with Democratic Rep. John Dingell, also of Michigan, in a letter to colleagues outlining their position. Under legislation enacted in October creating the financial industry rescue program, Congress can vote to block the Treasury Department from accessing the second \$350 billion, although it would need a two-thirds supermajority to do so over a presidential veto. Bush, too, voiced skepticism about an auto rescue package. "No matter how important the autos are to our economy, we don't want to put good money after bad. In other words, we want to make sure that the plan they develop is one that ensures their long-term viability for the sake of the taxpayer," he said in an interview with NBC News. President-elect Barack Obama was keeping his distance, prompting Rep. Barney Frank, who has been dealing with both the financial bailout and the auto rescue proposal to say Obama is "going to have to be more assertive than he's been." Frank is chairman of the House Financial Services Committee, which will conduct Friday's hearing.

Repentant after a botched first crack at bailout pleas, the executives from General Motors Corp., Ford Motor Co. and Chrysler LLC all agreed during Thursday's session that a multibillion-dollar bailout deal would include a supervisory government board that could order major overhauls of the companies if deemed necessary for survival. United Auto Workers union President Ron Gettelfinger, aligned with the industry in pressing for the aid warned that without action by Congress: "I believe we could lose General Motors by the end of this month." He said the situation was dire and time was of the essence. The Big Three CEOs apologized for past blunders. "We made mistakes, which we're learning from," GM chief Rick Wagoner said. Ford CEO Alan Mulally also acknowledged missteps, saying his company's approach once was "If you build it, they will come." But as a result of the misjudgments, he said, "we are really focused."

The Bush administration wants the aid to be drawn from an existing \$25 billion program to help the industry retool its plants to make their vehicles more fuel-efficient. But congressional budget analysts said Thursday that would yield only \$7.5 billion in short-term loans. The auto

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executives made the trip from Detroit in new-model hybrid autos made by their respective companies, two weeks after a first appeal for \$25 billion in which they were chided for flying on private jets to beg for money.

Chrysler CEO Bob Nardelli promised that his company, recipient of a previous government-subsidized rescue loan in the 1970s that it repaid, would reimburse taxpayers by 2012 this time and would devote itself to manufacturing "fuel-efficient cars and trucks that people want to buy." Asked whether the carmakers would agree to a setup like the one established for Chrysler's 1979 bailout, with a federal restructuring trustee who had some of the same powers as a bankruptcy court, all three executives indicated they would. Ford's Mulally added, "I probably need to think about that a little bit. It sounds right, but I just don't know all of the implications."

Lawmakers still complained of sticker shock, noting that the bailout's price tag had jumped \$9 billion since the trio last appeared. Sen. Richard Shelby of Alabama, the senior Republican on the Banking Committee, pressed the automakers to explain why, and explain how the sum would not simply "prop up a failed business model for a few months ... and how are you going to pay it back?" Democrats, too, questioned whether an auto bailout would amount to investing taxpayer money in a failing enterprise. "Be honest and tell me ... just tell me if things stay the way they are now, are you going to be back in a year" asking for more money? asked Sen. Jon Tester.

Protesters who briefly interrupted the hearing were a reminder of what polls show is thin public support for a rescue. "The bailout is a sellout!" demonstrators chanted as they were escorted from the hearing room by police. Gene L. Dodaro, the top official at Congress' watchdog agency - the Government Accountability Office - agreed with Dodd that the financial industry rescue fund set up in October "is worded broadly enough" to permit it to be tapped for the automakers. Dodaro testified that the Federal Reserve also has the authority under existing law to make loans to the domestic auto industry if it so chooses. Dodd said that both Treasury Secretary Henry Paulson and Fed Chairman Ben Bernanke had been invited to testify at Thursday's hearing but had declined. He later criticized the treasury chief for traveling to China at a time of economic peril in the U.S. "Time to come home - we have a serious problem here," Dodd said. "I need the Federal Reserve to step up as well."

Though the current total request is \$34 billion, Ford's proposal says it might have to come back with a second request for an additional \$4 billion if the recession persists into 2010, raising the total even higher. --- Associated Press writers Ken Thomas and Tom Raum contributed to this report.