

Give Bridge Loans to Auto Industry

By Musafir

Let's be clear, a bridge loan is not the same thing as a bailout. Industries get into trouble from time to time, especially during lean economic times. Today, the financial markets are in a precarious position due to the mortgage meltdown. People are not buying cars and the money supply has dried up for those who would be willing to buy a car. The global car industry is in recession. France, Sweden, India and other countries are helping their auto industries with cash infusions. In the U.S. not only the U.S. car manufacturers but all other manufacturers are experiencing a 30 to 40 percent downturn in sales.

The critics of the bridge loan cite the loss of market share by the U.S. companies as a reason for their unworthiness of getting a bridge loan. They do not realize that when you have a global and free economy where everyone is trying to import vehicles into the U.S, the market share will naturally be diluted. On a global basis, GM alone sells more than 9 million cars worldwide. That is nothing to sneeze at. Even at home, despite the global competition, GM outsells its nearest rival by 1.2 million vehicles annually.

GM has more cars getting 30 miles per gallon than any other auto company in the world and has the largest fleet of hybrid vehicles in the industry. Chevy makes the Malibu and Ford makes the Fusion, both rated above the Camry and Accord by a J.D. Power independent survey on initial quality. In the 2009 model year, Ford will introduce the Hybrid Fusion whose 39 mpg is the best for a midsize, beating the Camry Hybrid. Ford's Focus beats the Corolla and Chevy's Cobalt beats the Civic. GM is coming out with the Volt and many other fuel efficient cars and trucks including hydrogen cars. If we do not give them the bridge loan, our competitiveness will suffer at a very crucial juncture.

The folks who want to criticize the U.S auto industry do so for three reasons, ignorance, self interest and jealousy. Some are ignorant because they know only what is revealed to them by the media. Some have self interest because their state may have foreign transplants and they do not care for the national interest. Some are jealous of the good income and life provided to the employees of the auto industry. The same sentiment is reflected by our southern Senators and many in the (failed) financial establishments.

Don't forget about the contribution of the U.S. auto industry to the nation. While employing millions of people directly and indirectly, the U.S. auto industry kept America rolling after the 9/11 attacks. Post-9/11, the Detroit three and Harley Davidson gave \$40 million-plus emergency vehicles to the recovery efforts. Now it's our turn to keep America rolling by giving the bridge loan to our own auto industry.

The Big Three are in big trouble, and they have themselves to thank for it. November 19th, the CEO's of the major auto makers flew to Washington in three separate private jets to ask

U.S. Auto Makers Should File Chapter 11

By Bala Prasad

for a \$25 billion handout. Without it they claimed they could fail by the middle of 2009 — costing millions of jobs and triggering a depression like no other.

In the height of irony and poor taste the executives flew to Washington on \$50 million jets to ask for a handout. The jobs we taxpayers are expected to save are jobs that pay three times the average American worker's earnings. Consider the small fact that these guys have made cars for a decade that are so overpriced, many taxpayers cannot even afford them. Fortunately, Congress refused to hand money to the auto makers without seeing a clear plan for moving ahead.

Once again on December 4th the auto makers pleaded their case for a comprehensive taxpayer-funded bailout. Strangely, the originally requested \$25 billion bailout request increased to \$34 billion. In a blatant publicity stunt, the three CEO's left their private jets at home, traveling to Washington in their companies' most fuel efficient hybrid. They begged senators and congressmen two days for a handout.

More distressing, the second panhandling visit lacked a coherent plan to make their respective businesses viable. Congress should have said no. Now that the automakers get a share of the \$700 billion recovery, who will be the next to claim they cannot fail? American Express, Capital One, Discover and Visa, are lining up.

The solution was for the Big Three to go into Chapter 11 bankruptcy. Then they would have to cast out the two most responsible entities: their management and union contracts. Ford and GM management continued to push for building SUVs that were popular until the gas prices surged. When people start looking for better mileage, they often buy Japanese cars. In bankruptcy, U.S. automakers would have had to change their business model to get more eco-friendly cars ready for the market.

In the 1980s, the average Detroit auto worker made 240 times of the average of an industrial worker. Today, Detroit auto workers make more than Japanese auto workers based in the southern U.S. During the debate over the prescription drug program for Medicare, one of the biggest lobbyists for it was Ford. According to one independent study, they were second only to the federal government as a health care provider for seniors. Overreaching unions killed the goose by making it lay a golden egg every time they asked for something. Recently, the head of the UAW said they won't be making concessions. How much of the \$25 billion will the UAW want? Sales are anywhere from 30 to 36 percent this year, with the economy continuing to struggle, these numbers are bound to get worse. The big question is whether or not the automobile industry will take taxpayer money with them when they go down.