

Washington, D.C. - *Congressman David Price released the following statement to constituents who have contacted him regarding legislation to offer federal assistance for U.S. automakers, which failed in the Senate on December 11.*

Thank you for contacting me regarding emergency federal assistance for the U.S. automobile industry.

As you know, the top executives of the "Big Three" testified before the House Financial Services Committee on November 19 to make their case for federal assistance to the industry. At that time, I believe they failed to justify an infusion of federal funds and that any future decision on assistance should depend on whether a rescue plan would be 1) necessary to prevent significant damage to the broader economy, and 2) composed in a way that forced the companies to restructure and achieve sustainability. However, because of the dire economic consequences of inaction and the strict conditions required of participating auto companies, I supported a bipartisan compromise to provide bridge loans to the industry when Congress reconvened to consider assistance to automakers on December 10.

I agree with many of the criticisms of the long-term management of General Motors, Ford, and Chrysler, and have no interest in rewarding poor business decisions. Because of the auto industry's unique role and enormous footprint within the national economy, however, allowing it to collapse would be highly irresponsible and costly for all Americans. A typical Chapter 11 bankruptcy, as imposed on several airlines, would almost certainly lead to complete failure of any auto company, with consumers unlikely to purchase vehicles with no future guarantee of honored warranties, resale values, parts, or service. A new analysis by the Economic Policy Institute (EPI) concludes that the bankruptcy of one or more U.S. automakers would shut down a significant portion of the industry, leading to a wave of bankruptcies and plant closures throughout the manufacturing and service sectors of the economy. EPI estimates that the first wave would eliminate 3.3 million jobs nationally and 95,600 jobs in North Carolina. This option would also hit taxpayers heavily, with increased government obligations for unemployment benefits and the assumption of pension payments. Those expenses plus tax losses are estimated to cost more than \$150 billion for the just the first three years following the bankruptcy of the Big Three.

The compromise legislation passed by the House (H.R. 7321) had many of the positive aspects of a structured, or prepackaged, bankruptcy while avoiding some of the dangerous consequences of a Chapter 11 filing. Like a structured bankruptcy, it would have required a

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far-reaching restructuring and an equitable distribution of concessions among management, workers, creditors, and other stakeholders. In exchange for bridge loans, H.R. 7321 would have required auto companies to submit long-term restructuring plans by March 31 to demonstrate how they could achieve a net positive value, reorganize their debts, repay the loans, and comply with fuel efficiency and emissions standards. The administrator of the program, commonly referred to as the "car czar," would have been authorized to recall any loans made to companies who did not provide satisfactory restructuring plans. It is important to note that the \$14 billion in bridge loans which the bill would have authorized would have come from an existing fund within the Department of Energy, meaning that it did not represent any new spending. I voted for H.R. 7321, and it passed the House by a vote of 237 to 170.

On December 11, the Senate failed to pass its version of legislation to assist automakers, effectively shutting down congressional action on the issue. However, the White House has indicated that Administration may use funds from the Troubled Asset Relief Program (TARP) enacted in October to provide bridge loans to the industry and avert the expected collapse. I hope the Administration attaches strict requirements to any loan that force restructuring of the auto companies, as would have been accomplished under H.R. 7321, and will push for vigorous oversight of any federal assistance program in the new Congress.

The economic well-being of the American people will continue to be my top priority in Congress. Thank you again for contacting me, and please continue to keep in touch on this and other issues of concern.

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