

Opening Statement of Ranking Member Spencer Bachus, Full Committee Hearing, Review of Industry Plans to Stabilize the Financial Condition of the American Automobile Industry

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I want to begin by noting that before the present financial crisis hit, many of the trends for the domestic auto industry were actually positive. The quality of the Big Three's products has improved in recent years; costs are coming down; and the unions have made concessions. Perception has not caught up to reality. The reality is: Detroit is now making good cars.

Politics and profitable businesses don't mix. Congress cannot manage any one of these companies, and shouldn't try to. For example, congressional leaders have announced their intentions to mandate that the Big 3 build a "Green Car." It is a wonderful vision, and America needs a vision. But we also must be practical and realistic if our goal is a solvent and profitable domestic automobile industry. As evidence I offer the Toyota Prius. By all reports it is a fine automobile and a welcome contribution to our quest for energy independence. However, Toyota loses money on every one it produces.

Our number one obligation must be to the taxpayer. But we must also recognize that a failure of GM or Chrysler would have a detrimental effect on America, particularly at a time when our economy is already under severe stress.

All of us should remember that government has no money of its own. In order to give it first has to take -from the American people. As I have said since day one, taking from the vast majority of citizens whose wages, health benefits, and pension plans are substantially less generous than those of the management and labor force at the Big 3 appears neither right nor fair.

Personally, the only course I could possibly endorse would be limited transitional assistance to allow the American domestic automobile industry to return to solvency and profitability. But then only if there is a reasonable expectation of success.

I am convinced that short of a protected restructuring of General Motors and Chrysler, the domestic automobile industry will not be successfully remade and there will be no lasting solution to the considerable challenges that it faces. Such a restructuring is essential not only for GM and Chrysler, but for the future of Ford and the hundreds of companies which supply and support all automobile makers in the United States, foreign and domestic.

That is why I have invited Professor Edward Altman to testify at today's hearing. Professor Altman proposes not a bailout or a bridge loan, but a restructuring that promises to place the U.S. auto industry on a path to long-term viability. Professor Altman's solution, or one like it, certainly appears to be preferable to the continued deterioration and ultimate failure of the domestic automobile industry with its devastating consequences for the country, the economy, and the workers and families whose jobs, pensions, and healthcare benefits are dependent on the industry.

It is a solution not by Congress but by the industry itself, with a supporting role by the U.S. government, preferably through the participation of those financial institutions which received hundreds of billions of dollars of taxpayer money under TARP or various Federal Reserve credit facilities intended to be used for loans to American businesses and manufacturers. In the event taxpayer dollars are still necessary to support the restructuring, monies already appropriated under the 136 program could be utilized.

What we need is a solution, not a first installment.

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