

NEWSROOM

Pelosi, Reid Send Letter to U.S. Auto Executives Calling for Credible Restructuring Plan

NOVEMBER 21, 2008 BLOG

Speaker Pelosi and Leader Harry Reid today sent the following letter to the Big Three U.S. auto executives, calling on them to "submit a credible restructuring plan that results in a viable industry, with quality jobs, and economic opportunity for the 21st century while protecting taxpayer investments" by December 2nd:

November 21, 2008

Dear Messrs Wagoner, Mulally, and Nardelli:

We recognize the importance of the domestic automobile industry and are committed to working with you to ensure its viability in the years to come. One in 10 American jobs is related to auto manufacturing; our national security depends on the industry's technologies and manufacturing capacity; and our competitiveness in a global economy depends on its pursuit of excellence.

As you know, Congress has provided President Bush, the Chairman of the Federal Reserve, and the Treasury Department the authority they need under the Emergency Economic Stabilization Act (EESA) as well as other authorities to provide short-term financial assistance to the auto companies.

Unfortunately, the Bush Administration and the Federal Reserve have thus far declined to use their powers to improve our nation's financial stability by assisting the auto industry. Notwithstanding existing authorities, this Congress is prepared to consider additional legislation that would give the assistance you seek, provided that you submit a credible restructuring plan that results in a viable industry, with quality jobs, and economic opportunity for the 21st century while protecting taxpayer investments.

In order for Congress to act in a timely manner, this plan must be presented to Congress by December 2nd, specifically to Senate Banking Committee Chairman Christopher Dodd and Financial Services Committee Chairman Barney Frank.

It is critical that you meet this deadline since we have announced we are prepared to come back into session the week of December 8 to consider legislation to assist your industry. We intend to give pertinent agencies within the executive branch, the Government Accountability Office, the Board of Governors of the Federal Reserve, as well as outside experts, the opportunity to comment on your work.

The plan must:

Provide a forthright, documented assessment of the auto companies' current operating cash position, short-term liquidity needs to continue operations as a going-concern, and how they will meet the financing needs associated with the plan to ensure the companies' long-term viability as they retool for the future;

Provide varying estimates of the terms of the loan requested with varying assumptions including that of automobile sales at current rates, at slightly improved rates, and at worse rates;

Provide for specific measures designed to ensure transparency and accountability, including regular reporting to, and information-sharing with, any federal government oversight mechanisms established to safeguard taxpayer investments;

Protect taxpayers by granting the most senior status for any government loans provided, ensuring that taxpayers get paid back first;

Assure that taxpayers benefit as corporate conditions improve and shareholder value increases through the provision of warrants or other mechanisms;

Bar the payment of dividends and excessive executive compensation, including bonuses and golden parachutes by companies receiving taxpayer assistance;

Include proposals to address the payment of health care and pension obligations;

Demonstrate the auto companies' ability to achieve the fuel efficiency requirements set forth in the Energy Independence and Security Act of 2007, and become a long-term global leader in the production of energy-efficient advanced technology vehicles; and

Require that government loans be immediately callable if long-term plan benchmarks are not met.

The auto companies' shareholders, business partners, and prospective benefactors--the American people--deserve to see a plan that is accountable to taxpayers and that is viable for the long-term. In return for their additional burden, taxpayers also deserve to see top

automobile executives making significant sacrifices and major changes to their way of doing business.

We look forward to working with you to ensure a viable American automobile manufacturing sector for decades to come. If we are successful, we can ensure a brighter future for the automobile industry, our nation, and our planet.

Thank you for your prompt attention to this matter.

Sincerely,

Nancy Pelosi

Speaker of the House

Harry Reid

Senate Majority Leader