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## The White House

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June 01, 2009

# Remarks by the President on General Motors Restructuring

**THE WHITE HOUSE**

Office of the Press Secretary

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For Immediate Release

June 1, 2009

## **REMARKS BY THE PRESIDENT ON GENERAL MOTORS RESTRUCTURING**

Grand Foyer

11:51 A.M. EDT

THE PRESIDENT: Good morning, everybody. Just over two months ago, I spoke with you in this same spot about the challenges facing our auto industry, and I laid out what needed to be done to save two of America's most storied automakers -- General Motors and Chrysler.

These companies were facing a crisis decades in the making, and having relied on loans from the previous administration, were asking for more.

From the beginning, I made it clear that I would not put any more tax dollars on the line if it meant perpetuating the bad business decisions that had led these companies to seek help in the first place. I refused to let these companies become permanent wards of the state, kept afloat on an endless supply of taxpayer money. In other words, I refused to kick the can down the road.

But I also recognized the importance of a viable auto industry to the well-being of families and communities across our industrial Midwest and across the United States. In the midst of a deep recession and financial crisis, the collapse of these companies would have been devastating for countless Americans, and done enormous damage to our economy -- beyond the auto industry. It was also clear that if GM and Chrysler remade and retooled themselves for the 21st century, it would be good for American workers, good for American manufacturing, and good for America's economy.

I decided, then, that if GM and Chrysler and their stakeholders were willing to sacrifice for their companies' survival and success; if they were willing to take the difficult, but necessary steps to restructure, and make themselves stronger, leaner, and more competitive, then the United States government would stand behind them.

The original restructuring plans submitted by GM and Chrysler earlier this year did not call for the sweeping changes these companies needed to survive -- and I couldn't in good conscience proceed on that basis. So we gave them a chance to develop a stronger plan that would put them on a path toward long-term viability. The 60 days GM had to submit its revised plans have now elapsed, and I want to say a few words about where we are and what steps will be taken going forward. But before I do, I want to give you an update on where things stand with Chrysler.

When my administration took office and began going over Chrysler's books, the future of this great American car company was uncertain. In fact, it was not clear whether it had any future at all. But after consulting with my Auto Task Force, industry experts, and financial advisors, and after asking many tough questions, I became convinced that if Chrysler were willing to undergo a restructuring, and if it were able to form a partnership with a viable global car company, then Chrysler could get a new lease on life.

Well, that more promising scenario has now come to pass. Today, after taking a number of painful steps, and moving through a quick, efficient, and fair bankruptcy process, a new, stronger Chrysler is poised to complete its alliance with Fiat. Just 31 days after Chrysler's Chapter 11 bankruptcy filing, a court has approved the Chrysler-Fiat alliance, paving the way for a new Chrysler to emerge from bankruptcy in the next few days.

What happens next is in the hands of their executives, managers, and workers -- as it is for any private company. But what the completion of this alliance means is that tens of thousands of jobs that would have been lost if Chrysler had liquidated will now be saved, and that consumers have no reason at all to worry about a restructuring -- even one as painful as what Chrysler underwent.

And keep in mind -- many experts said that a quick, surgical bankruptcy was impossible. They were wrong. Others predicted that Chrysler's decision to enter bankruptcy would lead to an immediate collapse in consumer confidence that would send car sales over a cliff. They were wrong, as well. In fact, Chrysler sold more cars in May than it did in April, in part because consumers were comforted by our extraordinary commitment to stand behind a quick bankruptcy process. All in all, it's a dramatic -- an outcome dramatically better than what appeared likely when this process began.

Now the situation we found at General Motors was very different from what we found at Chrysler -- largely because GM is a different kind of company. It is much larger and much more complex, with operations all over the globe. In this context, GM's management team -- including its new CEO, Fritz Henderson, its interim chairman, Kent Kresa, and all of their colleagues -- have worked -- has worked tirelessly to produce a plan that meets the strict standards I laid out at the beginning: to streamline GM's brands, clean up GM's balance sheet, and make it possible for GM to compete and succeed.

Working with my Auto Task Force, GM and its stakeholders have produced a viable, achievable plan that will give this iconic American company a chance to rise again. It's a plan tailored to the realities of today's auto market; a plan that positions GM to move toward profitability, even if it takes longer than expected for our economy to fully recover; and it's a plan that builds on GM's recent progress in making better cars. As this plan takes effect, GM will start building a larger share of its cars here at home, including fuel-efficient cars. In fact, if all goes according to plan, the share of GM cars sold in the United States that are made here will actually grow for the first time in three decades.

Now, any time a business as large as General Motors goes through a restructuring, it is extremely difficult to find common ground among all of the company's stakeholders. But while

the deal that has been worked out is tough, it is also fair.

It will require the United Auto Workers to make further cuts in compensation and retiree health care benefits -- painful sacrifices on top of all that they have already done.

It will require GM shareholders to give up the remaining value of their shares -- just as they would have had to do in any private restructuring of this kind.

And it will also provide unsecured bondholders with an equitable outcome -- an outcome that will let them recover more than the current value of their claims, and substantially more than they would have recovered if the government had not intervened and GM had liquidated.

That's why a majority of GM's bondholders already support this deal.

Throughout this process, I wanted to ensure that none of GM's stakeholders receives special treatment because of our government's involvement. That's why I instructed my Auto Task Force to treat all of GM's stakeholders fairly and to ensure that this restructuring was carried out in a way that was consistent with past precedent -- and it was.

What we have, then, is a credible plan that is full of promise. But GM can't put this plan into effect on its own. Executing this plan will require a substantial amount of money that only a government can provide. Considering GM's extensive operations within their borders, the governments of Canada and Ontario have agreed to do their part with an investment in GM's future, and I want to thank them for doing so. I also want to thank the government of Germany for working diligently to reach a Memorandum of Understanding on the sale of a major stake in GM's European Division and for providing interim funding that will make it possible for that transaction to be finalized.

But of course GM is an American company with tens of thousands of employees in this country, and responsibility for its future ultimately rests with us. That's why our government will be making a significant additional investment of about \$30 billion in GM -- an investment that will entitle American taxpayers to ownership of about 60 percent of the new GM.

Now, let me talk about this. I recognize that this may give some Americans pause. So let me explain as clearly as possible why we are making this investment. We inherited a financial crisis unlike any that we've seen in our time. This crisis crippled private capital markets and forced us to take steps in our financial system -- and with our auto companies -- that we would not have otherwise even considered. These steps have put our government in the unwelcome position of owning large stakes in private companies for the simple and compelling reason that their survival and the success of our overall economy depend on it.

Understand we're making these investments not because I want to spend the American people's tax dollars, but because I want to protect them. Instead of taking so much stock in GM, we could have simply offered the company more loans. But for years, GM has been buried under an unsustainable mountain of debt. And piling an irresponsibly large debt on top of the new GM would mean simply repeating the mistakes of the past. So we are acting as reluctant shareholders -- because that is the only way to help GM succeed.

What we are not doing -- what I have no interest in doing -- is running GM. GM will be run by a private board of directors and management team with a track record in American

manufacturing that reflects a commitment to innovation and quality. They -- and not the government -- will call the shots and make the decisions about how to turn this company around. The federal government will refrain from exercising its rights as a shareholder in all but the most fundamental corporate decisions. When a difficult decision has to be made on matters like where to open a new plant or what type of new car to make, the new GM, not the United States government, will make that decision.

In short, our goal is to get GM back on its feet, take a hands-off approach, and get out quickly. Exiting a restructuring of this scale, however, requires not only new investment. It also requires giving GM a chance to start anew by clearing away the massive past debts that are weighing the company down. And that's why earlier today, GM did what Chrysler has successfully done and filed for Chapter 11 bankruptcy with the support of its key stakeholders and the United States government.

In all likelihood, this process will take more time for GM than it did for Chrysler because GM is a bigger, more complex company. But Chrysler's extraordinary success reaffirms my confidence that GM will emerge from its bankruptcy process quickly, and as a stronger and more competitive company. And I want to remind everyone that if you are considering buying a GM car during this period of restructuring, your warranties will be safe and government-backed.

So I'm confident that the steps I'm announcing today will mark the end of an old GM, and the beginning of a new GM; a new GM that can produce the high-quality, safe, and fuel-efficient cars of tomorrow; that can lead America towards an energy independent future; and that is once more a symbol of America's success.

But I want to be honest with you. Building a leaner GM will come at a cost. It will take a painful toll on many Americans who have relied on General Motors throughout the generations. So I want to say a word directly to all the men and women watching today, wondering what all of this will mean as far as their own lives are concerned.

I know you've already seen more than your fair share of hard times. We saw 400,000 jobs lost in the auto industry in the year before this restructuring even began. I will not pretend the hard times are over. Difficult days lie ahead. More jobs will be lost. More plants will close. More dealerships will shut their doors, and so will many parts suppliers.

But I want you to know that what you're doing is making a sacrifice for the next generation -- a sacrifice you may not have chosen to make, but a sacrifice you were nevertheless called to make so that your children and all of our children can grow up in an America that still makes things; that still builds cars; that still strives for a better future.

As our autoworkers and auto communities pass through these difficult times, we, as a nation, must do our part. That's why, in March, I appointed Ed Montgomery Director of Recovery for Auto Communities and Workers. That's why two weeks ago Ed announced a green jobs training program for autoworkers in hard-hit communities. And that's why last week Ed and Karen Mills, my Small Business Administration chief, traveled to Indiana to announce a new plan to provide loans to auto, RV, and boat dealers to help finance floor plans. That's why we

are accelerating the purchase of a federal fleet of cars to jumpstart demand and give the industry a boost at a time when it needs one. And that's why I'm calling on Congress to pass fleet modernization legislation that can provide a credit to consumers who turn in old cars and purchase cleaner, more fuel-efficient cars. These are important steps on the long road to overcoming a problem that didn't happen overnight and will not be solved overnight.

I recognize that today's news carries a particular importance because it's not just any company we're talking about -- it's GM. It's a company that's not only been a source of income, but a source of pride for generations of autoworkers and generations of Americans. But while the GM of the future will be different from the GM of the past, I am absolutely confident that if well managed, a new GM will emerge that can provide a new generation of Americans with a chance to live out their dreams, that can out-compete automakers around the world, and that can once again be an integral part of America's economic future. And when that happens, we can truly say that what is good for General Motors and all who work there is good for the United States of America.

Thank you, everybody.

END

12:07 P.M. EDT



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