

Analysis: Strings attached to auto bailout bills

Analysis: Burned by lax terms of financial bailout, lawmakers attach strings to auto rescue

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NEW YORK (Associated Press) - Democrats and Republicans alike want to impose stiff conditions on any bailout of the auto industry, from limiting executive compensation and outlawing dividends to demanding union concessions.

That's a sharp contrast to the big bank bailout, in which Congress and the Bush administration set few restrictions.

Under the \$700 billion financial rescue plan enacted last month, some large banks were even pressured by the administration into accepting money they didn't need or particularly want.

Some banks hoarded the money rather than making new loans. The nation's financial arteries remained clogged. Loans are still hard to get and home-mortgage rates have barely budged. Then the Treasury Department did an about face and announced it was abandoning the original plan to buy bad mortgages and other toxic assets and was investing taxpayer money directly in banks and other financial institutions instead.

Call it buyer's remorse: Lawmakers now seem intent on making amends for what they see as mistakes and shortcomings in the earlier bailout framework by proposing multiple conditions and restrictions on any rescue for Detroit's troubled Big Three automakers.

Senate Democrats on Monday launched a \$25 billion drive to rescue the U.S. auto industry, with a test vote expected as soon as Wednesday.

And while it seems unlikely that they can marshal enough votes in the current lame-duck Congress, the legislation seems certain to be front and center when the new Congress convenes with expanded Democratic majorities and once Barack Obama is sworn in as president on Jan. 20.

Obama himself suggested to President George W. Bush that the administration immediately provide extra help to struggling U.S. automakers when the two met at the White House last week.

"For the auto industry to completely collapse would be a disaster in this kind of environment," Obama said in a "60 Minutes" interview aired Sunday night on CBS.

Obama, too, talked about conditions for "making sure that that assistance is conditioned on labor, management, suppliers, lenders, all of the stakeholders coming together with a plan."

The Senate Democratic plan would give automakers access to \$25 billion in loans from the \$700 billion Wall Street bailout program. In exchange, the government would take an ownership stake in the companies. New limits would be imposed on executive compensation, including a provision barring an executive making more than \$250,000 a year from being paid an additional bonus until the loan was repaid. Companies receiving government loans would be prohibited from paying dividends to shareholders.

The dividend ban might be a moot issue at this time. Both General Motors Corp. and Ford Motor Co. have essentially suspended their dividends. Chrysler LLC is a private company and does not have shareholders.

At the heart of both the Senate measure and a similar one being developed in the House is "something that would be a temporary bridge loan, with very tough conditions, with strong protections for the taxpayer," says Rep. Barney Frank, D-Mass., chairman of the House Financial Services Committee. He's working on legislation to push in the House.

The Bush administration and many Senate Republicans say they are not opposed to a \$25 billion rescue plan for the auto industry, but that it should be separate from Treasury's \$700 billion financial bailout program.

Instead, they are proposing a rewrite of the terms of a \$25 billion loan program approved by Congress in September to help automakers retool their factories so they can manufacture more fuel-efficient vehicles.

"We want the automakers to succeed, and we support using an existing program to help them do so," White House spokeswoman Dana Perino said Monday.

There is a welter of proposed additional conditions being discussed.

Sens. Barbara Mikulski, D-Md., and Kit Bond, R-Mo., have proposed that new vehicle owners be able to deduct sales and excise taxes and the interest on auto loans from their income taxes for one year.

Sen. Richard Shelby of Alabama, the senior Republican on the Senate Banking Committee, opposes bailing out the automakers. But if there is such a bailout "we should see conditions that would fundamentally change the way Detroit does business," he says. Getting rid of present management might be one such condition, he says.

Others are suggesting conditions requiring automakers to meet certain tough new gas-mileage standards.

Rob Shapiro, a top Commerce Department official in the administration of former President Bill Clinton who is on Obama's team of transition advisers, said that if these were good economic times, his view would be to let the automakers fail.

"But demand for everything has collapsed because we're in a deep recession. The movement of the auto industry from dire conditions to near-terminal conditions has been driven by the financial crisis," said Shapiro, now an official with NDN, a think tank formerly known as the New Democratic Network.

EDITOR'S NOTE _ Tom Raum has covered Washington for The Associated Press since 1973, including five presidencies. ■