

November 18, 2008

South bucks auto bailout

State's senators say restructuring needed

By Jenny Munro
BUSINESS WRITER

South Carolina's U.S. senators have joined the Bush administration and lawmakers from states along the Southern auto belt -- comprising mainly European and Asian manufacturers -- in opposing in a financial bailout for Detroit's Big Three car companies.

A plan pitched by Democrats would give General Motors, Ford and Chrysler access to \$25 billion from the \$700 billion set aside for rescuing financial companies.

Only a couple of Republicans supported the plan Monday, according to the Detroit Free Press, and at least a dozen GOP votes would be needed to shut off debate on the bill.

Sen Jim DeMint, R-S.C., said pouring money into Big Three bank accounts won't save the domestic manufacturers, that their only chance is heavy restructuring to eliminate what he called archaic work rules and to reduce pay and legacy costs.

"When our economy was at its best a few years ago and credit was easy, the Big Three were losing money," he said. "It would be naive and irresponsible to think money would solve their problems. This is a union bailout rather than an auto bailout. "

Sen. Lindsey Graham, R-S.C., "has expressed real reservations" about the Democratic plan, said Kevin Bishop, Graham's spokesman. "Bailing out the auto industry without reforming its structure may not be a game changer."

The Democrats' bill was expected to come to the Senate floor Monday night, with the Big Three's CEOs on Capitol Hill on Tuesday.

The Bush administration favors allowing the car companies to take \$25 billion in previously approved loans for the development of fuel-efficient vehicles and use that money for immediate needs. Congressional Democrats said that would be shortsighted and would further delay domestic competitiveness.

Nearly 100 CEOs of auto-supplier companies sent letters to each member of Congress, citing the need for credit markets to start moving and access to new capital to help protect the automotive and supplier jobs at risk in the current crisis.

The letter called for immediate financial assistance to the auto industry, including the supplier industry. It also urged establishment of a loan program for vehicle manufacturers and suppliers.

"The vehicle manufacturers and the supplier industry are interwoven," said Bob McKenna, president of the Motor & Equipment Manufacturers Association. "Addressing the current financial challenges the automotive industry faces is not a bailout but will help provide a framework and structure for protecting these valuable domestic manufacturing jobs."

A Greenville attorney whose clients include car companies and auto suppliers said problems confronting the Big Three weren't caused by the financial crisis or the recession, but were exacerbated by sales slowdowns resulting from the financial turmoil.

"The request for bailout funds is a complex issue and on the surface I don't see how this will resolve the underlying issues," said Jimmie Stewart, a partner in the Ogletree, Deakins, Nash, Smoak & Stewart firm. "There's nothing they can do for long-term survival until they get competitive."

U.S. Rep. Bob Inglis, R-Greenville, said he could "support a package for the auto industry if it eliminated the outdated union work rules" and reduced compensation to reasonable levels.

Citing BMW Manufacturing Co. in Greer, which employs 4,500 permanent employees, he said, "We can make cars in America, and we can make money-making cars in America."

Bankruptcy is an option for the Big Three, DeMint said, because it protects "viable companies so they can restructure without being consumed by their creditors or unions. I believe GM is viable if they're restructured." He added, "I think the (domestic) industry will eventually disappear if they don't restructure."
