

*United States Senate*  
*Committee on Finance*



*Sen. Chuck Grassley • Iowa*  
*Ranking Member*

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Friday, November 14, 2008

Grassley says taxpayer concerns should be front and center in rush by Pelosi, Reid to bail out automakers

WASHINGTON --- Senator Chuck Grassley said congressional leaders should put front and center the issues of executive pay, excessive corporate spending, alternatives to additional taxpayer-sponsored bailouts, fuel efficiency and new fuels goals, and shared sacrifice when they consider fast-tracking legislation through Congress next week that would inject tens of billions of dollars more into trying to save automakers in Detroit.

The text of Grassley's letter to Senate Majority Leader Harry Reid and House Speaker Nancy Pelosi is below.

Yesterday, Grassley called on the CEOs of Ford Motor Company, General Motors and Chrysler to do what former Chrysler head Lee Iacocca did in cutting his own pay in 1979, when saving his company with the help of federal taxpayers. The text of that letter is also below.

November 14, 2008

The Honorable Harry Reid  
Majority Leader  
United States Senate  
Washington, D.C. 20510

The Honorable Nancy Pelosi  
Speaker  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Majority Leader Reid and Speaker Pelosi:

I understand that the major auto manufacturers have been lobbying you for to fast track legislation through Congress providing them additional financial assistance via loans or through inclusion in the Troubled Asset Relief Program. While I understand the economic turmoil that many U.S. businesses face today, I think it's appropriate to ask those who seek federal government assistance to do everything they can to first cut company expenditures, make internal reforms, and exhaust all alternative avenues to a bailout from the American taxpayers.

Most hardworking, taxpaying citizens would like to see all companies, including the auto manufacturers, pursue alternatives to a federal bailout. For example, some experts believe that Chapter 11 bankruptcy would help companies succeed in the long run by allowing them to reorganize while continuing production. They argue that such an alternative will preserve jobs while a handout would only serve as a band-aid to the problems they have created.

However, should the federal government assist the major auto manufacturers who have failed to make sound business decisions, it's important that any legislation include restrictions on executive salaries, compensation packages, and excessive internal spending.

Most American taxpayers are rightly concerned about the federal government coming to the aid of companies who are in financial trouble, possibly as a result of their own mismanagement and poor business decisions. I agree that it's time to stifle corporate excess and stop rewarding bad business practices so that we are not providing an incentive for irresponsible behavior in the future. Many men and women are pinching pennies just to get by, making sacrifices and changing their lifestyles to stay in their homes, send their children to school, and grow their retirement savings. I think it's highly appropriate, if not absolutely necessary, that the auto manufacturers be required to do the same.

Yesterday, I wrote to the chief executive officers of Ford, General Motors, and Chrysler and asked them to follow in the footsteps of Lee Iacocca. When his company was saved from bankruptcy by the Loan Guarantee Act of 1979, he slashed his yearly salary to just \$1.00 and those of his executives by as much as 10 percent. Lee Iacocca essentially worked for pennies to demonstrate leadership and forcefully prove to his colleagues that he was ready to make the same sacrifices they would have to make in order to reinvigorate Chrysler.

Not only should the chief executives of the major auto manufacturers be required to make sacrifices, but so should union leaders. Lee Iacocca didn't turn Chrysler around on his own. He required union officials to make sacrifices and managed to succeed in renegotiating contracts with the workers. A commitment from the labor unions must come hand in hand with any assistance from the taxpayers.

The legislation should also provide protections so that taxpayer dollars are not being used to fund elaborate retreats and receptions. The auto manufacturers must understand that

taxpayers will not tolerate spending their hard-earned money for champagne brunches, pool-side retreats, and extravagant holiday parties. Provisions to curb excessive spending should be included if legislation is being considered.

Additionally, auto manufacturers participating in any financial assistance program should be asked to make a renewed commitment to developing and producing automobiles with advanced technologies that significantly improve fuel efficiency as well as to embrace alternative fuels more fully than they have done to date. The domestic auto manufacturers have shown leadership in producing flex-fuel vehicles (FFV) and have informally committed to increase FFV production to 50 percent of all vehicles by 2012. However, taxpayer money must be accompanied by enforceable commitments to FFV production and alternative fuel use. Any auto company which accepts federal financial assistance should agree to an enforceable commitment to produce 100 percent FFV's in the shortest possible time frame.

Auto manufacturers have so far been reluctant to embrace the use of mid-level or intermediate blends of alternative fuels. To reduce our dependence on foreign oil and ensure the greatest possible use of alternative fuels as quickly as possible, auto manufacturers must also commit to support and advocate intermediate blends of alternative fuel.

As you consider proposals to bail out the auto manufacturers, I hope you will keep these thoughts in mind. A blank check for the auto manufacturers is unacceptable. Legislation that puts more burden on the taxpayers should be accompanied by accountability, reform, and commitments to improve the industry's sustainability. Without such protections and personal sacrifices, a bailout will only create a moral hazard that our nation cannot afford.

Sincerely,

Charles E. Grassley  
United States Senator

November 13, 2008

Mr. Alan R. Mulally  
President and Chief Executive Officer  
Ford Motor Company  
1 American Road  
Dearborn, Michigan 48126-2798

Mr. G. Richard Wagoner, Jr.  
Chairman and Chief Executive Officer  
General Motors  
300 Renaissance Center  
Detroit, Michigan 48265

Mr. Robert Nardelli  
Chairman and Chief Executive Officer  
Chrysler  
1000 Chrysler Drive  
Auburn Hills, Michigan 48326-2766

Dear Mr. Mulally, Mr. Wagoner and Mr. Nardelli:

I understand that your company has been lobbying the Department of Treasury and congressional leaders for additional financial assistance via loans or through inclusion in the Troubled Asset Relief Program. While I understand the economic turmoil that many American businesses face today, I think it's appropriate to ask those who seek a bailout from the federal government to do everything they can to first cut internal expenditures, including and especially executive salaries and compensation packages.

Most hardworking, taxpaying citizens would like to see all companies, including yours, pursue alternatives to a federal bailout. For example, some experts believe that Chapter 11 bankruptcy would help companies succeed in the long run by allowing them to reorganize while continuing production. They argue that such an alternative will preserve jobs while a handout would only serve as a band-aid to the problems caused by a lack of innovation in your industry.

However, should the federal government assist your company and other auto manufacturers who have failed to make sound business decisions, it's important to remember that any funding you receive is money from the pockets of American taxpayers. Many men and women are pinching pennies just to get by, making sacrifices and changing their lifestyles to stay in their homes, send their children to school, and grow their retirement savings. I think it's highly appropriate, if not absolutely necessary, that you do the same.

Most American taxpayers are rightly concerned about the federal government coming to the aid of companies who are in financial trouble, possibly as a result of their own mismanagement and poor business decisions. I agree that it's time to stifle corporate excess and stop rewarding bad business practices so that we are not providing an incentive for irresponsible behavior in the future. That is why I have asked the Treasury Department and the Federal Reserve to rein in the executive compensation, travel, and other expenses of the companies and banks that are getting federal financial aid.

As you and your colleagues continue to seek federal financial assistance, I urge you to keep in mind the actions taken by former Chrysler Chief Executive Officer Lee Iacocca. When his company was saved from bankruptcy by the Loan Guarantee Act of 1979, he slashed his yearly salary to just \$1.00 and those of his executives by as much as 10 percent. Lee Iacocca essentially worked for pennies to demonstrate leadership and forcefully prove to his colleagues that he was ready to make the same sacrifices they would have to make in order to reinvigorate Chrysler. Allow me to quote straight from Mr. Iacocca:

“I began by reducing my own salary to \$1.00 a year. Leadership means setting an example. When you find yourself in a position of leadership, people follow your every move. I don’t mean they invade your privacy, although there’s some of that, too. But when the leader talks, people listen. And when the leader acts, people watch. So you have to be careful about everything you say and everything you do. I didn’t take \$1.00 a year to be a martyr. I took it because I had to go into the pits. I took it so that when I went to Doug Fraser, the union president, I could look him in the eye and say, ‘Here’s what I want from you guys as your share,’ and he couldn’t come back to me and ask: ‘You SOB, what sacrifice have *you* made?’ That’s why I did it, for good, cold, pragmatic reasons. I wanted our employees and our suppliers to be thinking: ‘I can follow a guy who sets that kind of example.’”

Mr. Iacocca stated that a government-backed loan was not the only thing that saved Chrysler when it was on its deathbed. Rather, it was the “equality of sacrifice” that allowed Chrysler to survive and return to profits. He stated, “It wasn’t the loans that saved us, although we needed them badly. It was the hundreds of millions of dollars that were given up by everybody involved.”

As you attempt to lead your company out of the red, and especially if you intend to do so with the assistance of federal funds, I urge you to emulate Mr. Iacocca and be the first employees of your companies to make a personal sacrifice. Hardworking American taxpayers, including me, expect it.

Sincerely,

Charles E. Grassley  
United States Senator