



## AMERICANS FOR LIMITED GOVERNMENT

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November 17<sup>th</sup>, 2008

To House Speaker Nancy Pelosi, House Republican Leader John Boehner, Senate Majority Leader Harry Reid, Senate Minority Leader Mitch McConnell, and President-Elect Barack Obama:

It is our understanding that Congress will this week be voting on \$25 billion of taxpayer loan guarantees to the U.S. automakers GM, Chrysler, and Ford to ostensibly prevent these companies in their present form from collapsing. It is with grave concern that Americans for Limited Government receives this news, and it is on behalf of our more than 300,000 members nationwide that I now urge you to reject such a flawed approach.

The automotive industry's problems cannot and should not be passed on to the American taxpayer. And they will only be compounded if the federal government now offers billions of dollars of taxpayer-financed loan guarantees to companies that would otherwise file for bankruptcy.

These taxpayer loans will, by design, perpetuate these companies in their present form. However, it is the very present forms of each company that must be addressed and resolved by market forces, a process that will not occur if government gets in the way of bankruptcy.

Once the federal government makes a decision *not* to allow these companies to go into bankruptcy, it will have started down the road of creating an entitlement for all of the unions' coerced wages, pensions and health care benefits. And it will open the door to yet more industries who will come looking for taxpayer-financed federal welfare in these hard economic times. That is a path down which you dare not take the American people.

Should you however decide to take yet more money from the American people to pay for this unwanted and unwarranted bailout, then quite simply, all parties that caused this auto wreck must now be the ones to pay for it.

The price of a bailout—if there must be a bailout—must be that the excessive union contracts are null and void. It must be that labor costs be more competitive across the industry. It must be that the UAW's iron grip is removed from the throats of the companies it is squeezing.

The legislation now facing Congress addresses loan guarantees and limits on executive compensation for the Big Three—Speaker Pelosi has explicitly called for “even stronger limits on executive compensation”—but does nothing to rein in the unions. Everybody knows that the extreme

terms that the UAW has extracted from the industry for decades on end are its greatest weakness, and that the industry will indeed fail if it cannot now bring the union excesses under control.

On average, compensation for unionized workers for the Big Three total about \$73.20 per hour compared to the non-unionized Toyota's \$48 per hour. The UAW has systematically made each of these companies nearly unmanageable by extracting bloated retirement and health care packages that no other company could ever withstand, no matter how profitable.

The legacy costs that go into building a car are simply insurmountable. Some estimates find that on average, these costs—which include pensions and health care benefits—can add about \$1,500 per vehicle produced. These, combined with poor management, have made automakers uncompetitive against foreign automakers.

Of course, all of these problems could be equitably addressed—at no cost at all to the American taxpayer—simply as a result of bankruptcy, making Chapter 11 the superior option.

Bankruptcy would allow the automakers to be reorganized, and new labor terms to be worked out. The companies would be recapitalized without any taxpayer funding by private investors. New, modern factories would be built, and the U.S. auto industry would enter the 21st century, instead of perpetuating obsolescence.

The U.S. auto industry will remain uncompetitive, overburdened with legacy costs, and run in its current form if the government attempts to prevent it from failing. Worse, the American taxpayer will be saddled with the costs of perpetuating this hobbled industry in its present form. This is unacceptable, and it is insulting.

To now proceed to add the auto industry to the mix of socializing risk would be the ultimate insult to taxpayers. It would tell those taxpayers that Congress, once re-election has been assured, does not listen to taxpayer concerns. On the contrary, the American people are keeping a close watch at just how responsible as stewards of public funds the current Congress really is.

I know you will not let them down.

Sincerely,

A handwritten signature in cursive script that reads "William A. Wilson".

William Wilson  
President  
Americans for Limited Government