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Pelosi says Congress won't let Big 3 carmakers go bankrupt

By Kevin G. Hall and David Lightman | McClatchy Newspapers

WASHINGTON — Their fates now in the hands of lawmakers, Detroit's Big Three automakers are girding for congressional hearings later this week to determine if they'll receive a \$34 billion government bailout or face the prospect that at least one of them might go bankrupt.

An estimated 3 million jobs are tied directly or indirectly to the fortunes of General Motors, Ford and Chrysler.

On Tuesday they presented their plans for how they'd use government rescue money and how they plan to return to profitability. The chief executives of Ford and GM reportedly were driving to Washington in fuel-efficient cars to signal their support for accelerating production of vehicles that get better gas mileage.

The automakers promised to downsize their manufacturing operations, move faster to improve fuel economy, speed their efforts to make hybrid cars, trim their dealership networks and rein in executive pay.

Underscoring their plight, the Big Three posted their worst sales month this year in November, with Chrysler's down 47 percent, GM's down 41 percent and Ford's down 31 percent. However, Detroit's Japan-based competitors didn't fare much better: November sales for Nissan, Toyota and Honda fell by a third or more.

Despite what's sure to be a tough battle in Congress, the troubled automakers got an important nod late Tuesday from House Speaker Nancy Pelosi, D-Calif., who said that no U.S. carmaker would be allowed to fall into bankruptcy.

"I believe that an intervention will happen. It's pretty clear that bankruptcy is not an option. Everybody is disadvantaged by bankruptcy, including our economy," she said.

Senate Majority Leader Harry Reid, D-Nev., agreed.

"I want to do what we can to save the automobile industry — it's part of what we have left of our manufacturing base," he said.

Ultimately the question is not where Congress can find the money, Reid said, but "whether there is accountability and viability. We're already spending a lot of money on a lot of things. We can't be throwing good money after bad."

GM said it needs \$4 billion by the end of December to remain in the black, and as much as \$18 billion total to remain in business. It said it expects to have "full labor cost competitiveness" in the U.S. with overseas-based automakers such as Nissan and Toyota by 2012.

Translation: GM expects more concessions from the United Autoworkers union.

Ahead of congressional hearings on Thursday and Friday, the Big Three and heads of the UAW planned an emergency meeting Wednesday to focus on shared cost cutting that would involve further labor concessions. The bailout math also changed on Tuesday. An earlier call for \$25 billion rose to at least \$34 billion, as Ford asked for \$9 billion, GM sought \$18 billion and Chrysler asked for \$7 billion. GM and Chrysler may have to seek bankruptcy protection soon if they don't get a short-term loan, analysts have warned.

Skepticism remains widespread in Congress — a vivid reminder of the uphill battle needed to pass the \$700 billion rescue package for the financial sector in October.

Both Reid and Pelosi signaled Tuesday that a special energy loan program cited as a possible source for auto-bailout funds could face trouble. However, Pelosi, who opposes using that program because it would set back environmental goals, said that letting one or more of the companies go bankrupt also isn't an option.

Pelosi wants to use money from the \$700 billion October financial-sector bailout, but the Bush administration wants that money limited to banks and other financial institutions. Pelosi wouldn't offer a specific alternative, but spokesman Brendan Daly said more money could be appropriated. He said many other options are being discussed.

Hearings Thursday and Friday before Senate and House committees will be crucial in determining not only the shape of any package, but whether it can gain the public support that's been lacking.

Sen. Carl Levin, D-Mich., voiced confidence that the automakers' new plans would do the job.

"These are comprehensive and detailed road maps," said Levin, an ardent supporter of his state's auto industry, adding that he was sure that "these plans will satisfy the Congress."

Pelosi, though, wanted to see and hear more. She said the plans needed to fill several requirements, including a precise commitment to a more fuel-efficient future, long-term viability and accountability to taxpayers, and a new business plan that among other things would curb executive compensation.

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