United States Senate
Committee on Banking, Housing, and Urban Affairs
Christopher J. Dodd (D-CT), Chairman

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Statement of Chairman Christopher J. Dodd
Hearing on "Examining the State of the Domestic Automobile Industry"

Remarks as Prepared:

This afternoon, the Committee examines the condition of the domestic automobile industry.

I want to thank Senator Shelby and our other colleagues for accommodating their schedules to allow for this hearing to be scheduled on short notice.

Although we may have different views on the ailments of the auto industry and the remedies for them, I think we can all agree that its fate is an important subject for our Committee's consideration.

Our jurisdiction extends to matters pertaining to economic stabilization and financial aid to commerce and industry. As such, today's hearing is very timely.

The automobile industry has made an urgent request that Congress provide emergency assistance to their companies. Without that assistance, we are told that one or more of the "Big Three" automobile makers could become significantly impaired or collapse altogether. Were that to happen, the repercussions could be severe: hundreds of thousands of people who assemble these automobiles could lose their jobs; many more who supply auto parts could face layoffs, as well; automobile dealerships could be shuttered; and countless others who rely on the auto industry for their livelihoods – from the people who work in restaurants near auto factories to those who clean the offices of auto company executives – could find themselves without a job.

There are those who believe that the partial or total collapse of the domestic automobile industry could have repercussions far beyond those whose work is directly or indirectly connected to that industry. They argue that if this major industry goes down, it could take down huge swaths of the country's economy with it. And in so doing, it could create new and profound risks to the stability of the entire economy – which as we all know is already in a precarious state.

None of us relishes being here today to consider these prospects. That goes for our company witnesses. Their discomfort in coming to the Congress with hat in hand is only exceeded by the fact that they are seeking treatment for wounds that are to a large extent self-inflicted.

No one can say that they didn't see this coming. Their companies have been struggling for years.

They are hemorrhaging jobs. 450,000 have been lost in the last eight years alone.

They are losing market share. For the first time ever, the domestic market share for Ford, Chrysler and GM has slipped below 50 percent, going from 66 percent in 2001 to just 47 percent today.

Their board rooms and executive suites have been famously devoid of vision. Certainly, there have been exceptions. Bill Ford, Jr. was arguably ahead of the market when, in the early years of this decade, he saw a big future for fuel-efficient and alternative-energy vehicles.

But for the most part, the top echelons of the Big Three turned a blind eye to such opportunities. They have been content to not only satisfy but to in many respects drive the demand for inefficient, gas-powered vehicles that Americans have been going broke to gas up.

They have derided hybrid vehicles as making "no economic sense."

They have dismissed the threat of global warming, the role played by their products in creating it, and the strong desire of the American people to do something to stop it.

The prices of GM and Ford shares have been declining steadily and have now reached historic lows.

In short, the automakers have failed to adapt to change – and shareholders are rendering judgment on that fact. They have approached 21st century challenges with a decidedly 20th century mindset – and we are all paying the price.

This is not the first time that the leaders of our automobile industry have presented Congress with a doomsday scenario in connection with a cry for help. It happened in the late 1970's, as well.

At that time, this Committee and the Congress responded with the Chrysler Loan Guarantee Act. That law provided $1.5 billion to Chrysler in loan guarantees to help it avoid bankruptcy. But it did so with several tough conditions. It created a federal oversight board to review and approve funding decisions. It required Chrysler to become more energy-efficient. It prohibited the company from paying dividends on its common or preferred stock. It required buy-outs that resulted in the loss of thousands of jobs. And the company was required to come up with a nearly dollar-for-dollar match in private funds in order to qualify for federal guarantees.

Unlike 1979, however, today arguably the tools already exist to provide meaningful and appropriate assistance to the industry. I am referring to the Emergency Economic Stabilization Act, which was signed into law barely six weeks ago. This legislation confers broad authority on the Secretary of the Treasury – including the authority to purchase "any . . . financial instrument" – such as stock – from "any institution" if necessary "to promote financial market stability."

The Secretary of the Treasury has until now declined to use that authority – focusing the resources of the Act on financial companies.

Similarly, the Federal Reserve has declined to use its authority under Section 13(3) of the Federal Reserve Act to assist the auto industry. That provision allows the Fed to lend to "any individual, partnership, or corporation" if, due to "unusual or exigent circumstances", that person, partnership, or company is unable to secure adequate credit.

Let me say what I have said previously: I support efforts to assist the industry. Not because their leaders necessarily deserve the taxpayers' help. On the contrary, they deserve no more help than do the leaders of financial companies that created the subprime mortgage mess that has exploded into a global financial crisis.

Rather, I support action as a way to minimize the possibility of a destabilizing event in the economy. At a time like this, when our economic future is so tenuous, we must do all we can to ensure stability. None of us wants to look back and ask if we were penny-wise and pound-foolish at a moment of great peril economically.

That said, I am only one out of a hundred members of this body. It will take more than my support to pass meaningful legislation this week or in any week. And by "meaningful", I mean legislation that will provide not only necessary financing to sustain operations. I also mean legislation that imposes tough conditions on auto companies to sustain our planet, and to maintain strict accountability to the taxpayers who are, once again, being asked to make extraordinary sacrifices for those whose actions are costing our nation dearly.

My view is that this moment presents not only a challenge – but an opportunity. An opportunity to reject a subsidy for failed business practices, and instead to generate meaningful, lasting change that transforms a key piece of our manufacturing base for success in the 21st century.

Whatever path we ultimately choose – and we will have differences about what that is – that ought to be our shared goal.

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