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UAW's Shortsightedness

By Congressman Joe Pitts

Congress was just brought back to Washington for a second lame duck session to address the dire situation of the Big Three domestic auto manufacturers. The executives from the Big Three were back on Capitol Hill, explaining what the collapse of their businesses would mean for the American economy.

This is no doubt a serious situation. There are many American jobs tied to the domestic auto manufacturing industry. The collapse of the Big Three would have grave consequences for the health of the economy at large, especially at a time of rising unemployment.

The American auto manufacturers have a fundamentally flawed business plan, conceived during a different time, when both their customers and competitors behaved differently than they do today. They have too many product lines that dilute research and development, and perhaps most importantly, they have staggering labor and legacy costs. They need total reorganization, but they don't want that in the form of Chapter 11 bankruptcy.

The Big Three executives believe that no one wants to buy a car from a company that has declared bankruptcy. We wouldn't be able to test this theory unless the companies were in bankruptcy, but this notion puts everyone in a very difficult situation. Chapter 11 is a well constructed process that allows companies to escape pressure from creditors and restructure their business models in a way that provides for future competitiveness, without completely shutting down and laying off their entire workforce.

The House of Representatives passed a version of an auto bailout on Wednesday night on a mostly party-line vote, with Republicans opposing a plan that would hand over \$14 billion in taxpayer money without forcing the kind of difficult reform that has the chance to make the manufacturers competitive again.

In the Senate, where the minority has more power, negotiations continued as reluctant Republican Senators attempted to hammer out a deal that would make domestic auto manufacturers viable. Senator Bob Corker, from Tennessee, had created an alternate plan to the House passed version. The plan would have required concessions from all parties involved, including a huge reduction of debt owed to creditors, and a concession by the United Auto Workers (UAW) to bring their pay in line with the pay of other employees of other companies that build cars here in the United States.

This last provision became the sticking point that broke down negotiations. Senator Corker wanted the union to agree to concessions that would take effect by March 31. The UAW wanted to push that date back until 2011. I find it ironic that the same union officials that share a great deal of responsibility for creating a situation in which the Big

Three cannot compete were willing to torpedo a possible deal in order to eke out two more years of artificially high wages.

Any objective observer would agree that what the Big Three need is the very process laid out by Chapter 11: time to keep creditors at bay while they restructure their businesses in a manner that will make them competitive. A large part of this restructuring will involve bringing the presently inflated salary of UAW employees into line with what their competitors are paying. The UAW were offered a chance to save union jobs by allowing the big three to reorganize and reduce debt, without the stigma of a Chapter 11 filing. Yet they walked away from the table in order to preserve two years of unsustainable salary levels. This seems incredibly short sighted to me.

I drive an American car because I believe in American built products. I want to see these businesses succeed. But without a plan that demands serious, structural changes I cannot support handing out billions of dollars of taxpayer money to simply sustain a business plan that is not viable.

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