

Michaud Statement on Auto Industry Financing and Restructuring Act

Wednesday, December 10 2008

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This legislation provides bridge loans to domestic automakers by amending an already authorized and funded program that was aimed at encouraging the retooling of the auto industry. I reluctantly supported this bill.

It's clear that the automakers will have to make sacrifices in order to restructure and innovate. I understand that even with the assistance that this bill offers that there will still be serious challenges, including layoffs, over the coming months as these companies restructure. But these bridge loans make sure that our country's automakers get the chance to do the right thing. The program will help maintain the manufacturing capacity of the United States, which is important not only to our economy, but also to our national defense. Without this lifeline, they would not have the ability to do this. And if we did nothing and the auto companies fail, it is estimated that the cost to government for things like lost employment could be tens of billions of dollars. Pension liabilities alone could add about \$10 billion to the federal government's already deficit laden Pension Benefit Guaranty Corporation.

One in ten American jobs is linked to the domestic auto industry, and it is a key pillar in a manufacturing sector that is so critical to our competitiveness in the long term. If the Big Three were to fail, thousands of jobs in Maine and millions throughout our country would be at risk. Maine small businesses and smaller parts suppliers and manufacturers in the supply network would also be at risk. The ripple affects would be tremendous. At the end of the day, not acting would be unacceptable.

This bridge loan program is very different than the Wall Street bailout. This program is already funded through existing appropriations and would not constitute new spending. It is a reprogramming of existing funding. Taxpayer protections are something that I have always demanded, and I am pleased that changes have been made to reflect my concerns and those of other skeptical Members of Congress. The bill we voted on contains better protections for taxpayers. For example, taxpayers would be first in line for repayment if an automaker fails after receiving a bridge loan.

But auto manufacturing is not the only sector hurting in our economy. Paper, steel, machine shops, and small- and medium-sized manufacturers of all kinds are hurting. Unfair foreign trade and economic practices are ravaging our economy.

At the heart of this matter are issues that have been ignored for too long, including Value Added Tax systems (VAT), China currency manipulation, and unfair trade agreements.

For example, under VAT our domestic manufacturers do not compete on a level playing field. Unfair foreign trade practices, such as VAT, are used to discriminate against American cars, trucks, and auto parts, as well as thousands of other products, by over 150 of our trading partners. I have introduced legislation to address this problem and will continue to push with other Members of Congress for its adoption.

It is no small wonder that Detroit cannot export effectively from the United States and must set up foreign operations to counter the effects of VAT, currency manipulation and other unfair foreign trade practices. In addition to addressing these issues, we need to incentivize the purchase of American made cars and trucks. This starts with Detroit building competitive vehicles and could include tax incentives for consumers who buy them.

We must look at the long term. The bridge loans give us time to create a long-term restructuring plan to put the Big Three on firm footing. This alone does not provide the solution. We need to be looking at the underlying problems if we are truly going to remain competitive, create jobs, and improve our economy.