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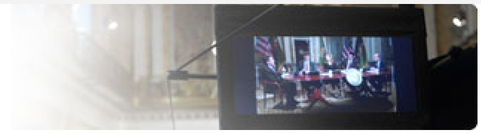

Geithner Op-Ed: ‘A Rescue Worth Fueling’

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WASHINGTON – In an Op-ed to be published in the June 1, 2011 edition of *The Washington Post*, Treasury Secretary Tim Geithner discusses the Obama Administration's successful restructuring of GM and Chrysler.

To read the piece online, visit link. The full text of the piece follows.

A rescue worth fueling
By Timothy Geithner

On June 1, 2009, General Motors filed for bankruptcy, backed by $30 billion in support from the federal government. The same day, in the same New York courthouse, a judge approved Chrysler’s plan to forge an alliance with Fiat and emerge from bankruptcy as a restructured business with an uncertain future.

Two years later, all three American automakers have returned to profitability, the industry has added new shifts and 115,000 jobs, and GM and Chrysler have returned more than 50 percent of the government’s investment. The industry is mounting one of the most improbable turnarounds in recent history.

This outcome was anything but assured. In December 2008, the industry faced the prospect of uncontrolled liquidations just as our financial system was reeling from the worst financial crisis since the Great Depression. President George W. Bush provided more than $17 billion in temporary loans to GM and Chrysler to avert that disaster, but those efforts, while important, were not enough. President Obama took office faced with an industry that was burning and had to determine whether additional government support made sense.

In a series of meetings in early 2009, the administration’s autos team sought to examine an interwoven web of options and to highlight the risks each entailed. The companies needed to make dramatic changes. Years of bad decisions had caused them to progressively lose market share to foreign competitors, and the financial crisis had dried up financing for almost everything, compounding the collapse in demand for vehicles. It was not clear whether there was a responsible way to put taxpayer dollars on the line in a way that helped ensure the companies emerged stronger, not weaker.

The challenges extended beyond GM and Chrysler. The restructuring of these automakers could affect companies throughout the supply chain that employed nearly 400,000 American workers. Ford and other automakers depended on those suppliers, increasing the risk of damage if they liquidated or moved overseas. With the credit markets frozen and no major sources of private financing available, government inaction meant devastating liquidations. Nonetheless, even a federally supported bankruptcy could aggravate the situation by causing car buyers to lose confidence. And the automakers realistically could have taken a long time to emerge from bankruptcy. In the balance hung thousands of auto dealerships nationwide and small businesses in communities with concentrations of auto workers.

It was the uniquely deep linkages between the auto companies and suppliers, dealers and communities that led some experts to estimate that at least 1 million jobs could have been lost if GM and Chrysler went under.

Ultimately, the most difficult decisions centered on Chrysler, which was ailing even more than its larger counterparts and was, we determined, no longer viable as a stand-alone company. The choice was backing Chrysler’s effort to partner with Fiat or letting the company fail. A rich internal debate ensued. Our team presented the president with a range of stark options, including the fact that standing behind Chrysler’s restructuring still gave only a slightly higher than 50 percent chance of long-term success.

Nothing about the president’s call was popular. It may have been more politically expedient to let Chrysler fail. But the president knew that if Chrysler collapsed, tens of thousands of jobs would have been shed in the near term — a body blow to an economy already on the ropes.

In return for government support, we demanded tough concessions from Chrysler and from GM — substantially tougher than had been proposed before. They were forced to go through bankruptcy, clean their balance sheets and adopt stringent plans to move toward profitability. We gave the companies enough space to make sound business decisions and push ahead as they would in a private restructuring. That meant sacrifices across the board — from managers, unions, stockholders, creditors and dealers. These investments offered Chrysler and GM a second chance but also helped the workers, communities and suppliers depending on them.

Today, six years earlier than planned, Chrysler has repaid its outstanding government loans. While it has a long way to go, Chrysler has made enormous strides. Tough decisions, stemming from the restructuring, have helped Chrysler post five consecutive quarters of operating profit. It has announced more than $3 billion in investments in plants and technology since emerging from bankruptcy and is poised to hire back workers.

The story has been similar for GM — and the industry as a whole. The domestic automakers are getting stronger. For the first time since 2004, each has achieved positive quarterly net income.

While it remains unacceptably high, Detroit’s unemployment has fallen nearly one-third over the past two years. The car companies are leading a comeback in American manufacturing. And while we will not get back all of our investments in the industry, we will recover much more than most predicted, and far sooner.

What happens next for Chrysler and GM is up to their executives, managers and workers — just as with any other company. We cannot guarantee their success, and at some point they may stumble. But we’ve given them a better shot. The choice to stop the American automobile industry from unraveling was the right one.

The writer is secretary of the Treasury.