

Statement of Congressman Michael N. Castle
House Financial Services Committee
Hearing on the Financial Condition of the American Automobile Industry
November 19, 2008

MR. CASTLE. Thank you, Chairman Frank and Ranking Member Bachus, for holding this very important hearing. I would also like to thank our panel of distinguished witnesses for their presence here today.

In Delaware last month, Chrysler and GM announced plans to cut nearly 2,000 jobs, or six percent of my state's entire manufacturing workforce, lost in a matter of a few months.

Now we are facing a threat of hundreds of thousands job losses, if not a few million, if Congress doesn't act. What I do not understand is if the auto industry has recognized what brought us to this point. I would like to think that the culture of this US industry has learned from its competitors around the world and is both willing and capable of building fuel efficient vehicles that Americans want to buy. To many of us, necessary innovation means going even farther than the current fuel economy standards, especially for fleet vehicles, and embracing the states which are working to enact higher standards of efficiency than the federal government.

The simple fact is that Americans are confronted with fluctuating energy prices and environmental concerns are demanding clean, fuel-efficient, and affordable vehicles. I have personally delivered this message to automakers repeatedly, as I know many lawmakers have, but many believe we have been ignored. While I recognize some of the steps that have been taken to produce higher-mileage automobiles, the root of the problem is far from solved. I am not convinced that this industry fully recognizes the path to long-term viability.

I would ask each of the CEOs before us today-- before any federal assistance is even considered, to describe their short-term business model and plan for long-term viability, including plans for how it will adapt to a market that demands greater innovation and fuel efficiency. Most importantly, I would like to hear what you each see as the major failures of the American auto industry and what will be done to change that course. Can you outline what others in the industry have done to avoid your same fate? Also-- realizing that it is likely very easy for you to spend \$25 billion, can you each present specific costs associated with fixing your current model and what are the prospects for success if you are to receive federal assistance?

I also want to thoroughly explore the role that your financing businesses had in offering consumer loans. It seems to me that your financing business model has suffered a fate not unlike other lenders. So, I need the witnesses to differentiate between these problems -- vehicle manufacturing and finance -- and detail exactly what they would fix with billions of dollars that they are requesting. Finally, Mr. Chairman, I wonder if we are working our way into WTO issues if our actions are challenged?

It is vital that this process is transparent and accountable to those paying this bill, the American taxpayers. Any assistance should be tied to a guarantee of warrants from each participating company and a ban on corporate bonuses, golden parachutes, or other payouts for executives and stockholders. I find it completely reprehensible that troubled companies asking for assistance may be planning on awarding multi-million dollar bonuses to executives. We continue to see some in the financial industry acting carelessly, even after receiving federal assistance and I think we should consider restitution for this lack of judgement.

Finally, I am not convinced that federal assistance, in any form, can sustain the American automobile industry at this time. However, as this Committee continues to review the request of protecting these companies, and more importantly, millions of American jobs, I urge us to make certain that any assistance is strongly guarded to ensure taxpayer dollars are only spent if we can ensure this industry is capable of thriving on its own.

Thank you, I yield back my time.