

THE (DRAFT) AUTO BRIDGE LOAN PLAN

Here's a copy of the draft plan. It closely resembles what we've been hearing: the designation of an "auto czar" (AC—though it is called a President's Designee) who will dispense funds to those auto companies that need it, with the requirement that by March 31, the companies restructure with the oversight of the AC. The AC is empowered to assist in negotiations with retirees, unions, dealers, and creditors right now, but can come back to Congress and ask for more authority if need be (presumably, in case this person had to make bankruptcy court type decisions). The taxpayers get warrants and or a piece of Cerberus in exchange for their trouble.

Note, the AC must be picked by the first of the year. In other words, George Bush, not Barack Obama, will get to choose the AC.

Here are the other interesting details:

There's one clause which I've dubbed the "Nancy Pelosi clause" requiring the car companies to drop their suits against increased emissions standards in CA and other states:

(g) WITHDRAWAL FROM CERTAIN ACTIONS.—The terms of any financial assistance under this Act shall prohibit the eligible automobile manufacturer from participating in, pursuing, funding, or supporting in any way, any legal challenge (existing or contemplated) to State laws concerning greenhouse gas emission standards.

And there's a clause which I've dubbed the "Atrios clause" requiring car companies to consider moving some of their SUV capacity into producing transit vehicles:

(a) IN GENERAL.—Each eligible automobile manufacturer which receives financial

assistance under this Act shall conduct an analysis of potential uses of any excess production capacity (especially those of former sport utility vehicle producers) to make vehicles for sale to public transit agencies, including—

(1) the current and projected demand for bus and rail cars by American public transit agencies;

(2) the potential growth for both sales and supplies to such agencies in the short, medium, and long term;

(3) a description of existing "Buy America" provisions, and data provided by the Federal Transit Administration regarding the use or request of waivers from such provisions; and

And there's a provision I'll call the "Delta/Northwest clause" which requires the car makers to get rid of their corporate planes:

(4) DIVESTITURE.—During the period in which any financial assistance provided under this Act to any eligible automobile manufacturer is outstanding, the eligible automobile manufacturer may not own or lease any private passenger aircraft, or any interest in any such aircraft, except that such eligible automobile manufacturer shall not be treated as being in violation of this provision with respect to any aircraft or interest in any aircraft that was owned or held by the manufacturer immediately before receiving such assistance, as long as the recipient demonstrates to the satisfaction of the President's designee that all reasonable steps are being taken to sell or divest such aircraft or interest.

This has the perhaps onerous but probably salutary effect of making it harder for auto

company employees to make trips to suppliers in Northern Mexico. (I wonder whether that means that Cerberus—or just Chrysler—has to lose the corporate plane? What will Dan Quayle do if he has to fly commercial???)

And finally, the bill gives the AC veto power over acquisitions or sales worth more than \$25 million:

(1) DUTY TO INFORM.—During the period in which any loan extended under this Act remains outstanding, the eligible automobile manufacturer which received such loan shall promptly inform the President's designee of—

(A) any asset sale, investment, contract, commitment, or other transaction proposed to be entered into by such eligible automobile manufacturer that has a value in excess of \$25,000,000; and

(B) any other material change in the financial condition of such eligible automobile manufacturer.

(2) AUTHORITY OF THE PRESIDENT'S DESIGNEE.—During the period in which any loan extended under this Act remains outstanding, the President's designee may—

(A) review any asset sale, investment, contract, commitment, or other transaction described in paragraph (1); and

(B) prohibit the eligible automobile manufacturer which received the loan from consummating any such proposed sale, investment, contract, commitment, or other transaction.

This will prevent Cerberus from selling Chrysler to Dongfeng. I also predict it will lead to some very fascinating hearings in which GM and Ford

explain the importance in investing in factories
in places like Russia.

That's my quick read. Now let's see if they can
get 60 Senators to go along...