

LIVEBLOG OF THE DAN QUAYLE BAILOUT

Word is George Bush is going to give money to GM and Chrysler. He is expected to put the money through their credit arms: GMAC and Chrysler Finance.

In other words, Cerberus (otherish known as Dan Quayle and John Snow and a bunch of other wired Republicans) will get some benefit out of this. You know, a juicy reward for having made a piss poor decision in buying Chrysler in the first place?!?!?

Capitalism at its finest.

Here's the plan, which is basically Bob Corker's plan, with an escape hatch.

Purpose: The terms and conditions of the financing provided by the Treasury Department will facilitate restructuring of our domestic auto industry, prevent disorderly bankruptcies during a time of economic difficulty, and protect the taxpayer by ensuring that only financially viable firms receive financing.

Amount: Auto manufacturers will be provided with \$13.4 B in short-term financing from the TARP, with an additional \$4 B available in February, contingent upon drawing down the second tranche of TARP funds.

Viability Requirement: The firms must use these funds to become financially viable. Taxpayers will not be asked to provide financing for firms that do not become viable. If the firms have not attained viability by March 31, 2009, the loan will be called and all funds returned to the Treasury.

Definition of Viability: A firm will only be deemed viable if it has a

positive net present value, taking into account all current and future costs, and can fully repay the government loan.

Binding Terms and Conditions: The binding terms and conditions established by the Treasury will mirror those that were voted favorably by a majority of both Houses of Congress, including:

Firms must provide warrants for non-voting stock.

Firms must accept limits on executive compensation and eliminate perks such as corporate jets. Debt owed to the government would be senior to other debts, to the extent permitted by law. Firms must allow the government to examine their books and records. Firms must report and the government has the power to block any large transactions (> \$100 M). Firms must comply with applicable Federal fuel efficiency and emissions requirements. Firms must not issue new dividends while they owe government debt. Targets: The terms and conditions established by Treasury will include additional targets that were the subject of Congressional negotiations but did not come to a vote, including:

Reduce debts by 2/3 via a debt for equity exchange. Make one-half of VEBA payments in the form of stock.

Eliminate the jobs bank.

Work rules that are competitive with transplant auto manufacturers by 12/31/09.

Wages that are competitive with those of transplant auto manufacturers by 12/31/09.

These terms and conditions would be non-binding in the sense that negotiations can deviate from the quantitative targets above, providing that the firm reports the reasons for these deviations and makes the business case to achieve long-term viability in spite of the deviations. In addition, the firm will be required to conclude new agreements with its other major stakeholders, including dealers and suppliers, by March 31, 2009.

Here's Bush: Involves fundamental questions about role of government. Safeguard economy, and free market. If we were allowed to let the free market work now, it would lead to disorderly bankruptcy. I would say "this is the price that failed companies must pay. These are not ordinary circumstances. Allowing the US auto industry to collapse is not a responsible course. How can we best give it a path to succeed. Allow it to reorg through bankruptcy?

Bush says his plan is "similar" to that that had majority support from Congress (but doesn't note he's talking about Corker's legislation, not the House's).

Money drawn from TARP.

Emphasizes retirement, debt, and wages to be competitive to foreign automakers. Automakers and unions must understand what is at stake. Send a clear message to everyone involved: the time to make hard decisions to become viable is now. The only option is bankruptcy. Given the situation, it is the most effective and responsible way to address the problems that face this issue.

Done. I believe they call this "bloody mary thirty"?

Incidentally, Bush did NOT say he was delivering the money through the finance arms—so it might be the Corker's Last Laugh Bailout, not the Dan Quayle Bailout.