


For Immediate Release
Office of the Press Secretary
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President's Radio Address

 [In Focus: Economy](#)

THE PRESIDENT: Good morning. For years, America's automakers have faced serious challenges – burdensome costs, a shrinking share of the market, and declining profits. In recent months, the global financial crisis has made these challenges even more severe. Now some U.S. auto executives say that their companies are nearing collapse – and that the only way they can buy time to restructure is with help from the Federal government.

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This is a difficult situation that involves fundamental questions about government's proper role. On the one hand, government has a responsibility not to undermine the private enterprise system. On the other hand, government has a responsibility to safeguard the broader health and stability of our economy.

Addressing the challenges in the auto industry requires us to balance these two responsibilities. If we were to allow the free market to take its course now, it would almost certainly lead to disorderly bankruptcy and liquidation for the automakers. Under ordinary economic circumstances, I would say this is the price that failed companies must pay – and I would not favor intervening to prevent automakers from going out of business.

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But these are not ordinary circumstances. In the midst of a financial crisis and a recession, allowing the U.S. auto industry to collapse is not a responsible course of action. The question is how we can best give it a chance to succeed. Some argue the wisest path is to allow the auto companies to reorganize through Chapter 11 provisions of our bankruptcy laws – and provide a Federal loan to keep them operating while they try to restructure. But given the current state of the auto industry, my economic advisors believe that bankruptcy could now lead to its disorderly collapse – sending our economy into a deeper and longer recession.

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A more responsible option is to give auto companies an incentive to restructure outside of bankruptcy – and a brief window in which to do it. My Administration proposed legislation to achieve this, but Congress was unable to get a bill to my desk before adjourning for the year. This means the only way to stave off a collapse of the auto industry is for the executive branch to step in. So yesterday, I announced that the Federal government will grant loans to auto companies, which will provide help to them in two ways.

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First, the loans will give automakers three months to put in place plans to restructure into viable companies – which we believe they are capable of doing. Second, if restructuring cannot be accomplished outside of bankruptcy, the loans will provide time for companies to make the legal and financial preparations necessary for an orderly Chapter 11 process that offers a better prospect of long-term success.

The terms of the loans will require the auto companies to demonstrate how they would become viable. They must pay back all their loans to the government, and show that their firms can earn a profit and achieve a positive net worth. This restructuring will require meaningful concessions from all involved in the auto industry – management, labor unions, creditors, bondholders, dealers, and suppliers. If a company fails to come up with a viable plan by March 31st, it will be required to repay its Federal loans. Taken together, these conditions send a clear message to everyone involved in American automakers: The time to make the hard decisions to become viable is now – or the only option will be bankruptcy.

The actions I'm taking represent a step that we all wish were not necessary. But given the situation, it is the most effective and responsible way to address this challenge facing our Nation. By giving the auto companies a chance to restructure, we will shield the American people from a harsh economic blow at a vulnerable time. And we will give American workers an opportunity to show the world once again that they can meet challenges with ingenuity and determination, and emerge stronger than before.

Thank you for listening.

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