



AMERICANS FOR LIMITED GOVERNMENT

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Dear Member of Congress:

We the undersigned public interest organizations representing millions of members and supporters nationwide hereby call upon you to reject the petition of the “Big Three” automakers for a taxpayer bailout.

We ask you, instead, to urge the Big Three to declare bankruptcy under Chapter 11, Title 11 of the United States Code, replace their current failed management, and terminate all contracts with the United Auto Workers (UAW) union.

The \$34 billion taxpayer bailout for which the Big Three are now asking is an unfair imposition upon the American people who are in no way responsible for, and should not face the consequences of, the profligate behavior of Big Three corporate and UAW union management. Working in conspicuous tandem, management of the Big Three and the UAW spent decades running up bills they knew could not be paid. It is now they, and not the American people, who should learn the irrevocable lesson that such actions have consequences.

Let us quickly put to rest three specious arguments the proponents of a taxpayer bailout are spinning in order to dip into the Federal treasury:

1. *“A taxpayer bailout will enable the Big Three to reorganize and become solvent under current union work rules and restrictions.”*

This, clearly, is a deliberate misrepresentation.

Under the current Big Three-UAW contract structure, UAW members are paid \$75 an hour in wages and benefits. That is almost triple the earnings of the average private sector worker, who would now be forced to pay for the union member’s exorbitant income.

In addition, under the current contract, UAW members are entitled to a JOBS Bank program that pays them nearly a full salary not to work. And they are provided a 30-and-out package that allows them to retire with generous pension benefits after just 30 years of work, irrespective of age.

No amount of taxpayer bailout largesse will ever enable the Big Three to operate profitably under such onerous union dictates. Only through Chapter 11 will the Big Three be able to renegotiate a contractual structure with its own workers, union or not, in keeping with sound business principles.

2. *“A declaration of bankruptcy will cause the American people to lose faith in the Big Three and no longer buy their cars.”*

Frankly, this is ludicrous.

The fact is, one of the reasons the Big Three is in such desperate financial straits is that the American people have already lost faith in the automakers and no longer buy their cars. Largely because of executive mismanagement and union greed, American cars are more expensive and less reliable than many, if not most, foreign cars.

Were the Big Three to tighten its belt, focus on modifying its product rather than padding executive pay, and reduce worker wages to come more closely in line with the national average, Americans may adjust their buying patterns accordingly.

Certainly, robbing the taxpayer to fund further management/union malfeasance is not going to endear the carmakers to the American consumer.

3. *“Declaring bankruptcy will mean an end to the Big Three’s operations, and that would be catastrophic.”*

The first contention is simply false – and the second is shamelessly hyperbolic.

Firms routinely continue operations while in the bankruptcy process. That is why the Chapter 11 alternative was created in the first place. The truth is, if the Big Three cannot survive with all of the rigorous protections of Chapter 11 bankruptcy at their disposal, perhaps they simply should not survive at all. And either way, they should not continue to survive at the taxpayers’ expense.

Furthermore, the intact survival of the Big Three is in no way a prerequisite for a sound recovery of the U.S. economy. Liquidation is not a synonym for vaporization. Should the Big Three go the way of countless thousands of other companies, large and small, over the centuries, the firms’ assets will be sold to others who will, in all likelihood make a far more productive use of them.

There are countless other reasons why the American taxpayer should not be forced by the members of Congress to bail out the Big Three automakers and their UAW cohorts in malfeasance. Chief among those is the fact that by the automakers’ own admission, if sales do not turn around rapidly, the current \$34 billion bailout will not suffice. They will be back within months, if not weeks, to again drink from the taxpayer trough.

Suffice it to say this: The Federal government, having indulged in irresponsible spending of its own, is already in the red. And borrowing to lend – and then sticking the taxpayer with the bill -- is not a fiscally responsible proposition.

Again, on behalf of our members nationwide, we the undersigned urge you to reject the Big Three request for a taxpayer bailout. Instead, we ask you to encourage them to declare bankruptcy and set their houses in order.

Sincerely,

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