

11/29/79

OPENING STATEMENT OF SENATOR PAUL TSONGAS

I am hopeful that the Senate Banking Committee can today take action to support new legislation providing assistance to the Chrysler Corporation. This legislative package, which was developed jointly by Senator Lugar, and myself, involves all aspects of the private sector, minimizes the risks to the American taxpayer, and insures the long-term viability of the Corporation.

Subsequent to the introduction of the Administration's proposal, some of us on this Committee determined that major changes would be necessary in order for us to support federal aid to Chrysler Corporation. I certainly do not consider this legislation a static document. Nevertheless this legislation substantially improves the Administration's proposal.

If one thought pervaded the many hours of testimony and discussion in the Banking Committee, it was that any federal aid to the Chrysler Corporation by the federal government should entail minimum federal involvement, and minimum federal risk. This legislation would, I believe, go a long way toward meeting those objectives:

*The legislation requires \$2.75 billion in private commitments in order to trigger \$1.25 billion in federal loan guarantees. It improves on the Administration's private commitment requirements by more than two to one.

*The legislation eliminates the waiver of subordination of federal loans to private creditors. Thus, the taxpayer's loans retain a senior position in the event of a corporation failure.

*The legislation calls for a total package of \$4.0 billion--an increase of \$1 billion over the administration's proposal. The bleak picture for energy and the economy, exacerbated by the Iranian situation, leads me to the conclusion that Mr. Iacocca and Mr. Miller have been overly optimistic in their projections for the automobile market. I believe that a \$4.0 billion package is essential to protect Chrysler's future.

*In addition, the legislation sets tough goals for increased commitments from non-federal participants, while giving the Board the authority to negotiate those funding levels.

***Banks will be asked to meet a goal of \$400 million in new funds and \$100 million in renegotiation of existing loans.

***Dealers and suppliers will be asked to provide a total of \$180 million in new capital and price concessions.

***Management and workers will be asked to accept a wage freeze. However, the legislation calls for \$88 billion in employee benefits as well as \$250 million in owner-contributed stock.

***State and local governments will be asked to contribute \$250 million in loans, loan guarantees and tax incentives.

***Additional private sector revenues which will contribute to the private sector commitment include \$150 million that Chrysler Corporation has indicated it will negotiate with Canada, \$50 million from the public offering of stock, and \$300 million from the sale of assets.

*Finally, the Board which negotiates guarantees and oversees the implementation of Chrysler's operating plan and financial management plan will be enlarged to include the Secretary of the Treasury, the Comptroller of the Currency, and the Chairman of the Federal Reserve Board.

I have made my feelings clear on this issue from the very beginning. I am not willing to inflict the same hardships on Detroit, Michigan or New Castle, Indiana as were inflicted on cities in my State of Massachusetts when the textile and shoe industries folded in the 50's.

But there is a large difference between sympathy and subsidy. I believe the legislation makes a serious effort to address Chrysler's problem and to provide a solution without making a gift of the taxpayers' money.

I have been encouraged by the dialogue among members of the committee on this issue. Many of us sincerely want to assist Chrysler and make the corporation well. But I believe that we owe it to the taxpayers to be responsible and tough in providing that assistance.