U.S. auto producers make a solid case for federal aid

by The Detroit News

Detroit's automakers are facing the financial equivalent of Hurricane Katrina. The reports submitted by General Motors Corp. and Chrysler LLC to justify their federal loans show the extent of the changes they've already made â€” and what they are prepared to do to survive.

They should be given that chance. There are still some hang-ups. Final deals with bondholders and the United Auto Workers are incomplete. They are working diligently to come to agreement. When the process is completed, they will be different companies, and Michigan will be a different state.

The new reports detail the brutal surgery needed by GM and Chrysler to survive in some form. GM now says it will eliminate 47,000 workers this year, including 20,000 in the United States. It will close a total of 14 plants in the next three years, and reduce its core vehicle offerings to four brands: Chevrolet, Cadillac, GMC and Buick.

Chrysler has already entered into a tentative alliance with Italy's Fiat. It plans to cut 3,000 jobs, discontinue three models, shutter the plant capacity for 100,000 vehicles and sell $300 million in unprofitable assets.

But with the worst auto market in nearly three decades, the firms are bleeding cash. In the wake of the adoption of an economic stimulus package that approaches a trillion dollars, GM and Chrysler are seeking about $27 billion in additional working capital.

While the automakers have engaged sophisticated advisers on bankruptcy, that must remain their final and least attractive option. Auto executives have repeatedly said the effects of bankruptcy would be devastating. Buyers would worry about purchasing their cars.

The domestic auto industry's critics are as vocal as they are diverse, but its economic impact on the national economy is huge. Auto manufacturing and related industries normally employ 3 million workers in this nation, and spin off several additional jobs for each direct job.

The implosion of the U.S. auto industry would be a financial disaster.

As a number of Michigan's representatives in Congress, the auto industry also plays a vital role in national defense and applied technology and science.

Congress and the administration should see in these reports a good faith effort by companies struggling to survive.

They've already made huge sacrifices and they're willing to make more. They are demanding wrenching, painful changes of their investors and their employees.

And ultimately, the pain of these changes will be felt by Detroit, Michigan and large swaths of the industrial heart of the nation.

And that's if they're successful in obtaining continued federal support.

If the federal government is wise, it will continue to provide these firms with the support they need to retrench and retool so they can compete in an unforgiving world economy.

If the government fails to provide the necessary aid, the consequences, not just for this state, but also for the nation, may be too difficult to imagine.

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