

Give automakers help that works

by *The Detroit News*

The collapse of the automobile industry isn't just a Detroit problem anymore. February sales reports were devastating for automakers worldwide. The once invincible Japanese duo of Toyota and Honda saw their monthly sales drop nearly 40 percent, joining Ford, General Motors and Chrysler in posting results that one industry executive, in a tremendous understatement, called "unsustainable."

Overall, the market for new cars fell by more than 1.1 million vehicles from February 2008, or a 41 percent decline.

Whether or not they work in the auto industry, the dismal posting is of concern to all taxpayers. The federal government is now a full partner in GM and Chrysler because of the more than \$17 billion in government loans to those two companies. The government isn't doing enough to protect that taxpayer investment.

The most important thing the Obama administration could do to boost auto sales is to pursue a more effective policy for thawing the credit markets. Too many would-be buyers are being turned away from dealerships because they can't get car loans.

The Obama administration, like the Bush administration before it, has attacked the credit crisis in fits and starts but has yet to find the right formula to restart the money flow. Nothing it could do would have more impact on the economy than to find a fix for the credit markets.

U.S. Reps. Thad McCotter, R-Mich., and Gary Peters, D-Mich., called on the Treasury Department Wednesday to assure that some of the \$200 billion targeted to free up consumer loans actually makes it into car dealerships. They are concerned that banks are reluctant to loan the money to dealers, considering them too high risk.

The White House also missed an opportunity to help automakers in the recently passed stimulus package. The nearly \$800 billion program includes tax deductions for sales taxes on new automobile purchases.

But it allowed Congress to strip out a broader tax deduction for the interest payments on auto loans. Allowing both the sales tax and the interest deductions would have made new car purchases more affordable and enticed wary buyers into dealerships.

Germany bucked the trend of plummeting auto sales in February largely because the government there

offered car buyers a tax break of nearly \$4,000 for trading an old car in for a new one.

Obama has taken the approach that the solution for what ails the domestic automakers is a heavier federal hand in running the companies and shaping their product line-up.

But the universal wheezing of the industry indicates there's nothing unique about the Big Three's troubles. The entire industry is on the skids.

What's needed from Washington is not more advice on making cars, but more attention to breaking the credit freeze and giving consumers stronger tax incentives for buying vehicles.
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