EXECUTIVE OFFICE OF THE PRESIDENT

A Look Back at GM, Chrysler and the American Auto Industry

APRIL 21, 2010

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Today's announcements that GM has repaid its remaining $4.7 billion in TARP loans and that Chrysler – after taking one-time charges last year associated with the restructuring – produced an operating profit in the first quarter of 2010 are indications of the positive impact that Obama Administration's financial rescue plan has had on the economy. The contrast between where these companies, and the American auto industry, are today and the situation President Obama faced when he took office is stark:

- In the twelve months before President Obama took office, the auto industry lost nearly 40% of its sales volume. [BEA]. In 2008, the auto industry lost over 400,000 jobs. [BLS].

- By the end of 2008, both GM and Chrysler were on the brink of disorderly liquidations. As the Congressional Oversight Panel explained in a recent report: "[u]nless they could raise billions of dollars in new financing, they faced collapse – a potentially crippling blow to the American economy that Treasury [at that time] estimated would eliminate nearly 1.1 million jobs."[1] Other estimates at the time suggested that the near-term jobs at risk from a disorderly liquidation could be even higher.[2]

- Precise contemporaneous estimates of the direct job losses from disorderly bankruptcies are difficult to estimate, but there is widespread agreement that the indirect consequences from a resulting loss of confidence in the entire economic and financial system could have been much larger. Such risks were of unknown size, but they were real.

- In December 2009, the outgoing President Bush used his authority under the TARP program to extend temporary loans to GM and Chrysler. Likewise, both GMAC and Chrysler Financial received loans to support the ongoing provision of credit to auto consumers and dealers.

In the face of these risks, and in the low-point of the worst economic crisis since the Great Depression, President Obama made a difficult and unpopular choice to support our economy, the American auto industry and American jobs. But he was only willing to put additional tax dollars on the line if these companies and their stakeholders were willing to fundamentally restructure,

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[1] "The Use of TARP Funds in the Support and Reorganization of the Domestic Auto Industry," September 9, 2009.
[2] For example: Mark Zandi, chief economist of Moody's Analytics, estimated that approximately 2.5 million jobs could have been lost. (Testimony before the U.S. Senate Banking Committee, "The State of the Domestic Auto Industry: Part II," Dec. 4, 2008. The Center for Automotive Research estimated that 2.5 – 3.0 million jobs could be lost if there was a major disruption in the Big Three's production. (David Cole, et al., "CAR Research Memorandum: The Impact on the U.S. Economy of a Major Contraction of the Detroit Three Automakers," Center for Automotive Research, Nov. 4, 2008. The calculations in an Economic Policy Institute briefing paper rendered an estimate of up to 3.3 million jobs lost. (Robert E. Scott, "When Giants Fall: Shutdown of one or more U.S. automakers could eliminate up to 3.3 million U.S. jobs," EPI Briefing Paper, Dec. 3, 2008. These studies estimate the direct and indirect jobs at risk, but do not account for the jobs that would have been created at other firms, like Ford or the domestic plants of foreign automakers, had GM and Chrysler no longer been competing with them.

address prior bad business decisions, and chart a path toward long-term financial viability without ongoing government assistance.

In the spring of 2009, GM and Chrysler executed restructurings that many outside observers claimed would be impossible. At the same time, President Obama supported a range of steps to support the auto industry and workers and help support our economic recovery. Now, about a year later, it's important to recognize the distance that has been traveled:

Twelve months ago, GM and Chrysler were on the verge of liquidation.

- Today, GM announced it is repaying its loan to the U.S. Treasury, five years ahead of its maturity date and ahead of the schedule the company announced last year.

- Today, Chrysler announced that, after taking one-time charges last year associated with its restructuring, it achieved an operating profit in the first quarter of 2010, the first quarterly operating profit since the beginning of the economic crisis.

- Chrysler announced that its total cash position strengthened to $7.4 billion due to cash flow of nearly $1.5 billion in the quarter, bringing total available liquidity to $9.8 billion

Twelve months ago, many analysts thought prospects were dim that taxpayers would be repaid a substantial portion of the government's investment in the auto industry.

- Today, prospects for repayment and a faster than anticipated exit from government involvement in the industry have improved.

- GM's early repayment of its $6.7 billion loan leaves the remaining U.S. government stake in the company at $2.1 billion in preferred stock and 60.8% of the common equity. GM is repaying early to help accelerate its planning process for an IPO, which will be the next milestone in the government exiting its investment in GM.

- Last year Treasury terminated the Warranty Commitment Program, and the Supplier Support Program will wind down this month, returning its full $5 billion investment to the taxpayer with interest.

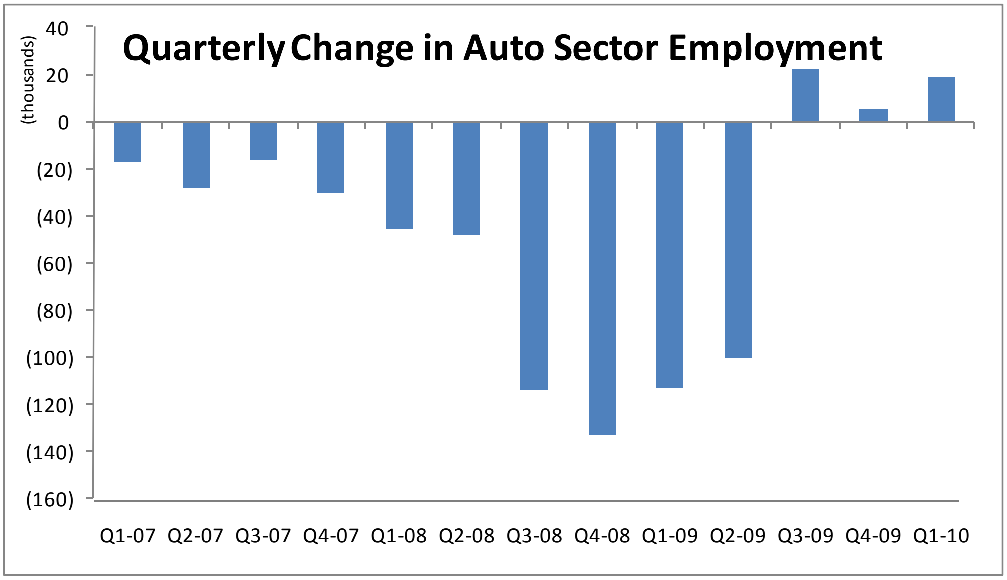
- Chrysler Financial has already fully repaid (with interest) the $1.5 billion TARP loan that it received to support auto financing.

- Overall, the investments made by the prior and current Administration in GM, Chrysler, and GMAC will likely result in some loss, but the U.S. Treasury anticipates it to be much lower than forecast last year.

Twelve months ago, the auto industry had been through a year of wrenching job loss and was facing the prospect of far more severe outcomes. Between March 2008 and March 2009, the industry shed 410,000 jobs. Independent analysts estimated that at least 1 million jobs could have been lost if GM and Chrysler had liquidated.

- Today, employment in the auto industry has stabilized. Since GM exited bankruptcy in early July 2009, the industry has added 45,000 jobs. [BLS]

- This is the strongest nine month period of auto industry job growth since 2000. [BLS]



Source: BLS. Includes employment in auto and parts manufacturing and auto dealers.

- Production of cars and trucks has nearly doubled since the GM and Chrysler plant shutdowns in mid-2009. [Automotive News/Haver Database].

- GM has added shifts at several U.S. facilities since the fall of 2009 to meet growing demand, adding or bringing back more than 4,000 direct jobs.

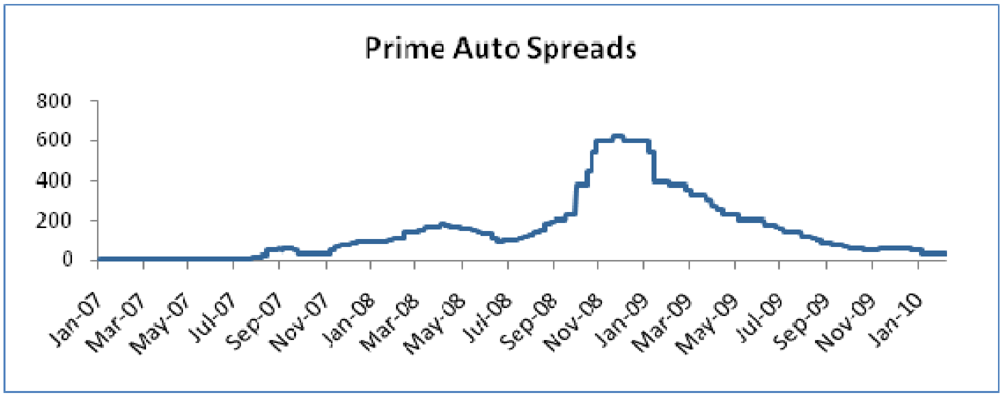
- Chrysler has added a shift or re-hired workers at three U.S. facilities, adding or bringing back more than 1,000 jobs.

While the recent stabilization in auto industry employment stands in stark contrast to projections made a year ago, the employment situation in the American economy as a whole remains unacceptably weak. The Administration remains committed to taking aggressive steps to accelerate the pace of job creation in the months ahead that will support job growth in the economy as a whole.

Twelve months ago, it was extremely difficult for consumers to get auto loans or for dealers to get financing to support their businesses. Some estimates suggest that the contraction in the auto finance market reduced auto sales by 1.5 – 2.5 million cars per year.[3] *Secondary market ABS spreads widened to nearly 600 basis points, auto securitizations ceased, and leasing vanished due to lack of available credit.*

- The Treasury Department's Term Asset Backed Securities Loan Facility (TALF) helped to unfreeze the auto financing market. Through TALF, automotive finance companies have raised over $41.5 billion of securities to-date backed by retail auto loans and leases since the program's launch in February 2009. Through January 2010, the Federal Reserve estimates that TALF supported more than 2.6 million individual auto loans and leases.

- With the support of TALF and broader financial stabilization, secondary market ABS spreads have narrowed to pre-crisis levels, auto securitizations can be completed without government assistance, and lease penetration rates have begun to increase. Dealer floor plan ABS spreads have narrowed, but continue to remain above historical levels.



Source: Prime auto fixed AAA 3 Year spreads to swaps.

Twelve months ago, auto suppliers faced the risk of uncontrolled liquidations across the sector. 54 supplier-related bankruptcies occurred in 2009 as the industry went through a painful restructuring. Based on industry surveys, suppliers broke even at a North American production level of 10.2 million vehicles.

- Today, in part due to the support provided by the Treasury Department's Automotive Supplier Support Program (ASSP), the auto supply base appears to have stabilized: based on industry surveys, only 10% of suppliers are in violation of their debt covenants, bankruptcy filings have largely subsided since October 2009.

- Suppliers are now breaking even at a North American production level of 9.3 million vehicles. The ASSP terminated as scheduled in early April, having been repaid in full including interest.

[3] Estimates of the impact of diminished credit on SAARs include 2.6 million units (Barclays), 1 to 1.5 million units (the Fed) and 1.6 million units in 2009 and 3.1 million units in 2010 (AutoNation).

Twelve months ago, vehicle sales were at their lowest level since 1970; average annualized sales in the first quarter of 2009 were approximately 9.5 million units.

- Today, U.S. sales have begun to rebound with annualized sales of 11.8 million vehicles in March. Analysts are currently forecasting 2010 sales of 11.5 – 12.5 million units.

- Recent evidence analyzed by the Council of Economic Advisers shows that Cash for Clunkers was more successful than previously anticipated at shifting spending from future periods when the economy is likely to be stronger, to the present when such demand was needed.