

## **Support for the Auto Industry is in America's Best Interest**

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**Support for the auto industry allows it to continue its transformation and progress that began well before the current economic crisis.**

- U.S.-based auto manufacturers, in conjunction with the UAW, have taken **major actions to restructure their business to be fully competitive.**
- Latest **UAW agreement (Fall 2007) provides solid basis for cost competitiveness...**We are restructuring our companies, reducing costs, improving quality, increasing productivity...all the tough, necessary actions that will help us emerge as a stronger, more competitive company.
- We've negotiated new agreements with our UAW partners that have rewritten the rules of competition in our business... **our cumulative structural cost reduction from 2006-10 will be approximately \$13-14 billion** and have responded in an **innovative way to reduce our so-called "legacy" costs** associated with pensions and retiree healthcare.
- **Starting in 2010**, we expect our cash spending on U.S. pensions and retiree healthcare to decline to about \$1 billion per year. That's a **savings of about \$6 billion a year...** which makes us dramatically more competitive...
- GM has been **streamlining its U.S. operations.** It has **reduced its U.S. salaried workforce from 44,000 in 2000 to 32,000 in mid-2008**, and its **hourly workforce from 132,000 to 72,000 during the same period.**
- In response to the recent economic crisis, GM is further tightening its belt. The company recently **took additional actions to reduce salaried employment costs by 20 percent, eliminate raises and discretionary bonus for executive and management employees**, and suspend the 401k match for salaried employees.
- We led the Harbor report for manufacturing productivity with more of our plants leading their respective segments than any other.

**Support allows continuing product and technology investment necessary for future competitiveness...we've also heard the call for more fuel-efficient passenger cars.**

- Recent product launches (like Chevy Malibu) confirm U.S. industry's **commitment to product excellence.**

- **Major commitment to cars / crossover** (18 of GM's next 19 launches, 13 of last 15).
- **Our new products are winning acclaim:** Saturn Aura and Chevrolet Malibu won North America Car of the Year. The Cadillac CTS was Motor Trend Car of the Year. The 2 Mode Hybrid Chevy Tahoe—a full size SUV that seats seven with great towing capability—gets the same highway gas mileage as a Toyota Camry and received Green Car of the Year at the LA Auto Show.
- **Quality also now viewed as fully competitive...with lower warranty costs** and with the new Chevy Malibu, Cadillac CTS, Saturn Outlook and Chevy Silverado recognized by both J.D. Power and Consumer Reports.
- At GM, we offer **17 models achieving 30 MPG highway or better** – twice our nearest competitor.

**Support enables growth in U.S. technological capability/leadership in key new propulsion areas and strengthens the nation's energy security...the U.S. cannot allow its current dependence on foreign petroleum to be replaced with foreign-sourced and developed technologies.**

- **The Chevy Volt changes the rules of the game** by creating an entirely new propulsion category - Extended Range EV. Range is 40 miles on pure electric and zero emissions...with **most commuters never using a drop of gas.**
- A healthy domestic auto industry is **key to US R&D preeminence** - government support will maintain US leadership in overall R&D spending for years to come
  - Without the R&D spending of domestic auto companies, the US would fall behind Europe in overall R&D spending according Booz Allen's recent report on the "Global Innovation 1000"
  - Booz Allen has rated GM at the top-ranked US company in global R&D spending in 2008 at \$8.1 billion – ranked second across all companies globally
- The domestic auto industry is **driving the investments in advanced biofuels**
  - Funding for development of cellulosic ethanol and other advanced biofuels rests on the prospect of a large market for high level ethanol blends like E85 in flex fuel vehicles.
  - The domestic auto companies have committed to make half of their fleets FFVs or biofuel capable diesels by 2012 – no other automakers have made any similar commitments.
- The domestic auto industry is **making the US a center for hybrid technology**

- GM has 8 hybrids in the market using technology developed in the U.S. – 20 are planned by 2012.
- Chrysler, Daimler and BMW are partnering with GM to further deploy GM's domestically developed hybrid technology to the marketplace.
- The domestic auto industry is the only industry capable of **standing up a domestic advanced battery industry**
  - While many recognize the importance energy storage technologies in the 21<sup>st</sup> century, only the auto industry had the potential purchasing power to drive the location of advanced battery manufacturing – and only the domestic auto industry can drive that investment in the US.
- The domestic auto industry is the only industry **sustaining development of a domestic fuel cell industry.**
  - Leading nations like Japan and Germany are planning to begin early commercialization of fuel cells around 2015.
  - The domestic auto industry is progressing on a similar timeline, but without US automakers, all of the critical fuel cell components will come from abroad.
  - GM has spend over a billion and a half dollars to develop fuel cell vehicles, AND a largely domestic supply base for this fledgling industry.
- Domestically developed **advanced automotive technology is an important path to US export growth**
  - GM has exported its domestically developed “Belt-Alternator Hybrid” system to China to power the first Chinese hybrid vehicle
- Collapse of the auto industry would result in a **devastating economic and competitive scenario for the nation.**
  - Risk of “Domino Effect” due to common supply base and overlapping dealer ownership.

**Support enables the industry to bridge what is arguably one of the country's most difficult economic periods and to weather a financial storm not of its own making.**

- U.S. credit freeze and essentially **closed capital market resulting in a liquidity squeeze**, at a time when manufacturers' **cash flow from operations are devastated by plummeting consumer demand.**
- However, **balance sheets are weakened due to restructuring costs, heavy pension and health care payments**, large product and technology investments.

- **Failure is not an option** for the U.S. auto industry, nor for any of the three domestic automakers.
  - **Failure of one automaker would trigger a domino effect on the supply chain and the finance subsidiaries and on other domestic automakers.**

## **Auto industry is a national asset and a critical economic component that runs straight through Main Street...**

- Almost **4% of U.S. gross domestic product** is auto-related and represents 10% of U.S. industrial production by value. **One out of every 10 U.S. jobs** is auto-related, and auto workers receive **\$335 billion annually in compensation**. Specifically, GM, Ford and Chrysler account for roughly 70 percent of U.S. auto production and are estimated to support around **five million jobs across all 50 states**.
- Over the last two decades, America's domestic auto industry has **invested nearly a quarter of a trillion dollars in the U.S.**, including \$10 billion alone last year. The industry also spends **\$12 billion annually in R&D** in U.S., which is among the top industries such as aerospace, medical equipment and computer/electronic industries.
- **Supports maintenance and growth of supply base.** The auto industry **purchased last year \$156 billion in U.S. auto parts** supporting jobs in all 50 states and is the largest purchaser of U.S. steel, aluminum, iron, copper, plastics, rubber and electronic and computer chips.
- Enables auto industry to **continue to meet extensive obligations**...Families depend on a healthy industry that provides **healthcare benefits to two million Americans and supports nearly 800,000 retirees and spouses with pension benefits**.
- **Enables thousands of dealers to survive and prosper**...Throughout towns in every state in America, **over 20,000 automobile dealers** provide high paying jobs for over **1 million employees**.
- Autos account for **\$690 billion, or about 20% of all U.S. retail sales**.
- Auto sales generate more than **\$10 billion dollars of annual tax revenue** (sales tax, registration fees, payroll taxes) which for many states is among their top sources for revenue.
- Many **U.S. financial firms are staked to a healthy auto industry** because many have provided credit to manufacturers, hold their bonds and have financed the purchase of their vehicles. Millions of Americans also hold **auto stocks and/or bonds that are held in mutual funds, 401(k) plans and pensions**.