

Auto industry

1979 Chrysler bailout holds lessons

Company, union both gave in a little

ASSOCIATED PRESS
When Chrysler teetered on the brink of bankruptcy in 1979, the automaker spent months building support for a \$1.5 billion loan guarantee that helped save the company and tens of thousands of jobs.

Nearly 30 years later, the U.S. auto industry is getting only weeks to make its case.

Still, the Chrysler chapter offers lessons to the executives of General Motors Corp., Ford Motor Co. and Chrysler LLC, as well as the United Auto Workers union, as they try to win support in Congress for a stalled \$25 billion rescue plan.

Chrysler secured the loan guarantees in 1979 because labor, management and other stakeholders all made concessions, analysts and lawmakers said. The company also benefited from the salesmanship of its chairman, Lee Iacocca, as well as a broad coalition of supporters and a larger hold of the domestic auto market.

“The loan guarantee wasn’t just handed to them on a silver platter,” said Charles Hyde, author of “Riding the Roller Coaster: A History of the Chrysler Corporation.”

Contrast that to the two days of high-profile hearings this past week when automakers stumbled and congressional leaders told them to come back after Thanksgiving with a better case. Detroit’s chief executives arrived aboard private jets, denied culpability for the jam their companies are in and blamed their problems on the economic downturn. The UAW said it had already taken wage and benefit concessions in 2007 and declined to endorse new givebacks.

“We’re asking the taxpayers to throw money in. We’re not asking management to do anything,” said Sen. Charles E. Grassley, Iowa Republican, who supported the Chrysler deal as a House member. “We’re not asking unions to do



Chrysler Chairman Lee Iacocca testifies in 1979 before the House banking committee. Three decades later, the U.S. auto industry is back in Washington seeking another bailout.

anything, and we aren’t asking government to do anything except throw the money in.”

Chrysler’s efforts in 1979 did not get off to a fast start, either. Struggling with its largest-ever quarterly loss, a fleet of inefficient cars and high gas prices, Chairman John Riccardo appealed to the Carter administration that July for \$1 billion to stabilize the company and protect its 250,000 workers.

Mr. Hyde, a Wayne State University history professor, said many people forget that Chrysler was forced to come up with \$2 billion in concessions from unions, white-collar employees, dealers, suppliers and banks as part of the deal. State and local governments connected to plants provided tax concessions, and Chrysler was required to adhere to tight government supervision after they received the loans.

Sen. Richard G. Lugar, the Indiana Republican who helped write the 1979 legislation with Sen. Paul Tsongas, Massachusetts Democrat, remembered that UAW President Douglas Fraser told

him that his union “never made concessions — never” and Chrysler’s leaders were “equally cavalier about it.”

But Mr. Lugar said Congress approached the Chrysler loans “pragmatically — that there would need to be substantial changes in the offerings by Chrysler, likewise substantial changes in the labor agreement with the UAW.”

Mr. Riccardo announced his resignation in September and was replaced by Mr. Iacocca, a master salesman who introduced the wildly popular Ford Mustang in the 1960s. Mr. Iacocca agreed to work for a \$1 a year until Chrysler turned a profit. He traveled between Detroit and Washington on commercial airlines.

“You don’t fly around on your private jet when you’re asking the government for a big loan,” said Reginald Stuart, who covered the 1979 rescue as the New York Times’ Detroit bureau chief and wrote a book about it.

Mr. Iacocca teamed with Detroit Mayor Coleman Young to make the case for the loans. Together, they served as a

“one-two punch,” Mr. Stuart said in an interview, bringing in the Urban League and National Association for the Advancement of Colored People to their cause and organizing a grass-roots campaign by business and city leaders, dealerships, auto suppliers and others.

Former Michigan Gov. James Blanchard, as a congressman, spent five months helping steer the Chrysler loan guarantees through the House. “They don’t have this kind of time now, in my opinion,” he said.

U.S. automakers also face a different market now. None of the Japanese companies had started building cars in the United States in 1979, and Detroit’s automakers held more than three-fourths of the market. Cars carrying foreign nameplates represented 49 percent of U.S. sales last year.

Now, Mr. Hyde says, “The minute you leave Detroit, most of the rest of the county says, ‘We’re not against the auto industry, we’re only against those backward Detroit companies.’”

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