



November 25, 2008



The Honorable Christopher J. Dodd  
Chairman, Committee on Banking,  
Housing and Urban Affairs  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

We are writing to express the Bush Administration's views with respect to financing assistance for the automobile industry. As you are aware, the Administration has expressed support for legislation to accelerate the availability of already-appropriated funds to automobile and component manufacturers, and to enable their use to facilitate the restructuring vital to the American auto industry's future.

Central to this process is the concept of financial viability. In the loan program for automobile and component manufacturers authorized by Section 136 of the Energy Independence and Security Act of 2007, Congress specifically required that the recipients of Federal loans be "financially viable." We are pleased by recent statements of the Democratic Leadership expressing agreement that the financial viability of a company should remain a critical test upon which taxpayer-financed assistance is conditioned.

The Administration gave a great deal of thought to the appropriate definition of "financial viability" when drafting the interim final regulations to implement the section 136 loan program; those regulations were issued by the Department of Energy on November 5, 2008. The regulations require that in order to be found "financially viable," an applicant must demonstrate a reasonable prospect that it will be able to make payments of principal and interest on the loan as they become due, and that the applicant has a positive net present value taking all existing and future costs into account.

Moreover, to demonstrate long-term viability for a bridge loan, a firm must have a product mix and cost structure that is competitive in the U.S. marketplace. A satisfactory plan for viability, therefore, should address the factors that drive overall competitiveness, such as labor, management, and legacy costs; debt structure; dealer network costs; capacity utilization; fuel efficiency standards; and plans for new and existing products.

Application of this standard to Federal financing support would protect taxpayers and ensure that loan recipients are on a sustainable and financially sound path. We look forward to working with you in furtherance of these objectives as legislation moves forward.

Sincerely,

  
Carlos Gutierrez, Secretary  
U.S. Department of Commerce

  
Samuel W. Bodman, Secretary  
U.S. Department of Energy



November 25, 2008

The Honorable Barney Frank  
Chairman, Committee on Financial  
Services  
U.S. House of Representatives  
Washington, DC 20515

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Handwritten signature of Carlos Gutierrez in black ink.

Carlos Gutierrez, Secretary  
U.S. Department of Commerce

Handwritten signature of Samuel W. Bodman in black ink.

Samuel W. Bodman, Secretary  
U.S. Department of Energy