Mr. Lugar introduced the following bill; which was read twice and referred to the Committee on ______________________

A BILL

To authorize loan guarantees for the benefit of the Chrysler Corporation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

Section 1. This Act may be cited as the "Chrysler Corporation Loan Guarantee Act of 1979".

DEFINITIONS

Sec. 2. For purposes of this Act--

(1) the term "borrower" means the Chrysler Corporation, any of its subsidiaries or affiliates, or any other entity the Board may designate from time to time which borrows funds for the benefit or use of the Corporation;

(2) the term "Corporation" means the Chrysler Corporation and its subsidiaries and affiliates;

(3) the term "financing plan" means the financing arrangements made by the Corporation in connection with the guarantee.
accordance with section 5 (a) (4);

(6) the term "persons with an existing economic stake in the health of the Corporation" means banks, financial institutions, and other creditors, suppliers, dealers, stockholders, labor unions, employees, management, State, local, and other governments, and others directly deriving benefit from the production, distribution, and sale of products of the Corporation;

(7) the term "labor organization" has the same meaning as in section 2 of the Labor-Management Relations Act of 1947;

(8) the term "wages and benefits" means any direct or indirect compensation paid by the Corporation to employees of the Corporation and shall include, but is not limited to, amounts paid in accordance with wage scales, straight time hourly wage rates, base wage rates, base salary rates, salary scales, and periodic salary grades, overtime premiums, night shift premiums, vacation payments, holiday payments, relocation allowance, call-in pay, bonuses, bereavement pay, jury duty pay, paid absence allowances, short-term military duty pay, paid leaves of absence, holiday pay including personal holidays, and medical, health, accident, sickness, disability, hospitalization, insurance, pension, educational, and supplemental unemployment benefits; and

(9) the term "Board" means the Chrysler Review Board established by section 3.

CHRYSLER REVIEW BOARD

Sec. 3. (a) There is established a Chrysler Review Board
appointed by the President.

(b) The Secretary of the Treasury shall be the chairperson of the Board. Five members of the Board shall constitute a quorum for the transaction of business.

(c) Upon making any determination under section 4, 5, or 6, the Board shall promptly transmit to the appropriate committees of the Congress a written report thereon.

AUTHORITY FOR COMMITMENTS FOR LOAN GUARANTEES

Sec. 4. The Board, on such terms as it deems appropriate, may make commitments to guarantee loans to a borrower only if at the time the commitment is issued, the Board determines that--

(1) the commitment is needed to enable the Corporation to continue to furnish goods or services, and failure to meet such need would adversely and seriously affect the economy of, or employment in, the United States or any region thereof, or competition in the automobile industry in the United States;

(2) (A) the Corporation has submitted to the Board a satisfactory operating plan (including budget and cash flow projections) for the 1980 fiscal year and the next succeeding three fiscal years demonstrating the ability of the Corporation to continue operations as a going concern in the automobile business, and after December 31, 1983, to continue such operations without additional guarantees or other Federal financing; and

(B) the Board has received such assurances regarding the feasibility of the operating plan as it may require;

(3) the Corporation has submitted to the Board a
(A) of which $1,600,000,000 shall be from financial commitments or concessions from persons with an existing economic stake in the health of the Corporation in excess of their outstanding commitments or concessions as of October 17, 1979, or from the issuance of securities in excess of the amount required by subparagraph (F), except that for the purpose of this paragraph, the Corporation may not treat as a concession any amount not expended as a result of the application of section 6 or as a result of any reduction in the interest payable on a loan guarantee under this Act attributable to the added security of a Federal guarantee;

(B) from capital to be obtained through merger, sale of securities, in excess of the amount required by subparagraph (D), or otherwise after October 17, 1979;

(C) from cash to be obtained from the disposition of assets of the Corporation after October 17, 1979; and

(D) from the issuance of $50,000,000 of stock of the Corporation not later than the close of fiscal year 1980;

(4) the Corporation has commitments for all financing contemplated by the financing plan and that such financing is adequate (taking into account the amount of guarantees to be issued) to meet all the Corporation's projected financing needs during the period covered by the financing plan;
the operating plan submitted under paragraph (2) or the financing plan submitted under paragraph (3); and

(6) the financing plan submitted under paragraph (3) provides that expenditures under such financing plan will contribute to the domestic economic viability of the Corporation.

REQUIREMENTS FOR LOAN GUARANTEES

Sec. 5. (a) Loan guarantees may be issued under this Act only pursuant to a commitment issued under section 4. The terms of any such commitment shall provide that a loan guarantee may be issued under this Act only if at the time the loan guarantee is issued, the Board determines that--

(1) credit is not otherwise available to the Corporation under reasonable terms or conditions sufficient to meet its financing needs as reflected in the operating plan;

(2) there is a reasonable prospect of repayment of the loan to be guaranteed in accordance with its terms;

(3) the loan to be guaranteed bears interest at a rate determined by the Board to be reasonable;

(4) the operating plan and the financing plan of the Corporation continue to meet the requirements of section 4 or appropriate revisions to such plans (including extensions of such plans to cover the then current four-year period) have been submitted to the Board to meet such standards;

(5) the Corporation is in compliance with such plans;

(6) the Board has received such assurances regarding the feasibility of such plans and the Corporation's
beginning after December 31, 1980, a revised operating plan and financial plan which cover the four-year period commencing with such fiscal year and which meet the requirements of section 4; and

(B) to prepare and deliver to the Board within one hundred and twenty days of the end of each fiscal year, an analysis reconciling the Corporation's actual performance for such fiscal year with the operating plan and the financial plan for such fiscal year; and

(B) the borrower is in compliance with the terms and conditions of the commitment to issue the guarantees required by the Board pursuant to section 8 (b), except to the extent that such terms and conditions are modified, amended, or waived by the Board.

(b) Any determination by the Board that the conditions established in this Act have been met shall be conclusive, and such determination shall be evidenced by the making of the guarantee for which such determination is required. The validity of any guarantee made by the Board under this Act shall be incontestable in the hands of a holder, except for fraud or material misrepresentation on the part of such holder. The Board is authorized to determine the form in which any guarantee made under this Act shall be issued.

(c) The Board shall prescribe and collect no less frequently than annually a guarantee fee in connection with each guarantee made under this Act. Such fee shall be at least one-half of 1 per centum per annum on the outstanding principal amount of loans guaranteed under this Act computed
between the loan guarantee rate charged and the implicit rate of interest based on the risk involved. All amounts collected by the Board pursuant to this subsection shall be deposited in miscellaneous receipts of the Department of the Treasury.

LABOR REQUIREMENTS FOR LOAN GUARANTEES

Sec. 6. (a) No loan may be guaranteed under this Act if the Board determines that--

(1) the Corporation, before September 13, 1982, has entered into, implemented, or continued an agreement with a labor organization which directly or indirectly--

(A) increases wages and benefits beyond the levels and amounts provided or September 13, 1979;

(B) increases wages and benefits according to a cost-of-living allowance or other mechanism providing automatic wage and benefit increases reflecting fluctuations in foreign or domestic consumer price indices relative to price inflation, living costs, or consumer purchasing power;

(C) grants automatic or periodic wage and benefit increases in accordance with an annual improvement factor or a similar mechanism of any kind;

(D) provides wage and benefit increases in excess of the rates or amounts provided by the Corporation on September 13, 1979 relative to incentive job classifications; or

(E) defers any wage and benefit increases; or

(2) for any fiscal year before December 31, 1982, the total annual cost to the Corporation of wages and benefits for employees not represented by a labor
required by law.

(c) Any increase in the wages and benefits of a person employed by the Corporation resulting from reclassification or reevaluation of a job or a promotion effected in order to evade the provisions of this section shall be considered an indirect form of compensation.

LIMITATIONS ON GUARANTEE AUTHORITY

Sec. 7. (a) The authority of the Board to extend guarantees under this Act shall not at any time exceed $1,000,000,000 in the aggregate principle amount outstanding.

(b) During the fiscal year ending on December 31, 1980, not to exceed the lesser of $600,000,000 or 6 2/3 per centum of the amount of non-Federal financial assistance made available and taken into account for the purpose of section 4 (3) (A) shall be available for loan guarantees under this Act.

(c) During the fiscal year ending on December 31, 1981, not to exceed the lesser of--

(1) the sum of (A) $200,000,000, and (B) $600,000,000 reduced by the principal amount of loans guaranteed prior to January 1, 1981 and outstanding on the date on which the guarantees are made under this subsection, or

(2) 6 2/3 per centum of the amount of non-Federal financial assistance taken into account for the purpose of section 4 (3) (A) of this Act, shall be available for loan guarantees under this Act.

(d) During the fiscal year ending on December 31, 1982, not to exceed the sum of--

(1) $100,000,000, and
During the fiscal year ending on December 31, 1983, not to exceed the sum of—

(1) 

$199,090,909; and

(2) 

$99,000,000 reduced by the principal amount of

loans guaranteed prior to January 1, 1983, and

outstanding on the date on which the guarantees are made

under this subsection,

shall be available for loan guarantees under this Act.

Notwithstanding subsections (d) and (e), no guarantee

may be made during fiscal year 1982 or 1983 unless, prior to

the issuance of any commitment during such year, the

Corporation has received at least $200,000,000 in each such

year in financial assistance which may be taken into account

for the purpose of section 4 (3) (A).

TERMS AND CONDITIONS OF LOAN GUARANTEES

Sec. 8. (a) Loans guaranteed under this Act shall be

payable in full not later than December 31, 1990, and the

terms of such loans shall provide that they cannot be

amended, or any provision waived, without the Board's

consent.

(b) Any commitment to issue guarantees entered into

pursuant to this Act shall contain all the affirmative and

negative covenants and other protective provisions that the

Board determines are appropriate. The Board shall require

security for the loans to be guaranteed under this Act,

subordination of existing and future loans to the Corporation

to the loans to be guaranteed, and prohibition of the payment

cf dividends on any common or preferred stock issued by the

Corporation while any guaranteed loan is outstanding.
and copy all accounts, books, records, memorandums, correspondence, and other documents of the Corporation and any other borrower.

(b) Upon request by the Board, the General Accounting Office may make such audits as may be deemed appropriate by the Comptroller General of all accounts, books, records, and transactions of the Corporation and any other borrower. No guarantee may be made under this Act unless and until the Corporation and any other borrower agree, in writing, to allow the General Accounting Office to make such audits. The General Accounting Office shall report annually the results of all such audits to the Congress and the Board.

PROTECTION OF GOVERNMENT'S INTEREST

Sec. 10. (a) The Board shall take such action as may be appropriate to enforce any right accruing to the United States or any officer or agency therefor as a result of the issuance of guarantees under this Act.

(b) The Board shall be entitled to recover from the borrower, or any other person liable therefor, the amount of all payments made pursuant to any guarantee entered into under this Act, and upon making any such payment, the Board shall be subrogated to all the rights of the recipient thereof.

(c) The remedies provided in this Act shall be cumulative and not in limitation of or substitution for any other remedy available to the Board or the United States.

(d) The Board may bring action in any United States district court or any other appropriate court to enforce compliance with the provisions of the Act or any agreement
purposes of chapter 1 of the Internal Revenue Code of 1954 or
if the guarantee provides significant collateral or security
to other obligations, the income from which is so excluded.
(f) If any provision of this Act is held to be invalid,
or the application of such provision to any person or
circumstance, is held to be invalid by a court of competent
jurisdiction, the remainder of this Act, or the application
of such provision to persons or circumstances other than
those as to which it is held invalid, shall not be affected
thereby.

FEDERAL RESERVE BANKS AS RESERVE AGENTS
Sec. 11. Any Federal Reserve bank which is requested to
do so shall act as fiscal agent for the Board. Each such
fiscal agent shall be reimbursed by the Board for all
expenses and losses incurred by it in acting as agent on
behalf of the Board.

REPORTS TO CONGRESS
Sec. 12. The Board shall submit to the Congress
semiannually a full report of its activities under this Act
during fiscal years 1980 and 1981, and annually thereafter so
long as any guaranteed loans are outstanding.

AUTHORIZATION OF APPROPRIATIONS
Sec. 13. (a) There are authorized to be appropriated
beginning October 1, 1979, and to remain available without
fiscal year limitation, such sums as may be necessary to
carry out the provisions of this Act.
(b) Notwithstanding any other provision of this Act, the
authority of the Board to make any guarantee under this Act
shall be limited to the extent such amounts are provided in
1. Provides $4 billion financial aid package.

2. Establishes three member Chrysler Review Board consisting of Secretary of Treasury, Chairman of the Federal Reserve Board, and the Comptroller General.

3. Provides for a three year wage and benefit freeze for Chrysler workers and management with an increase in medical and pension benefits for union employees. At the end of the second year the Board could permit Chrysler to negotiate a wage increase for employees in the third year of the plan if the Board found that the full $4 billion package wasn't needed to maintain the corporation as a going concern and meet all tests of viability.

4. Provides $1.25 billion in federal loan guarantees over a four year period.

5. Requires that the Board certify that:
   -- Chrysler has a six year financing plan that will meet its needs.
   -- Commitments of the resources needed to fulfill the plan have been made.
   -- $1.438 billion in private resources is available.
   -- Existing creditors must waive their rights to recover under prior credit commitments. The Board can waive the federal government's right to a superior creditor position on any new loans and, thereby, have equal status to other lenders.
   -- Credit is not otherwise available.
   -- There is a reasonable prospect of repayment.

6. Provides for a $250 million common stock issue to employees under the terms of an ESOP.

7. Establishes yearly limits for the issuance of loan guarantees.

8. Establishes a requirement that in 1980 and 1981 any federal guarantees issued must be used in conjunction with private funds. In those years non-government sources will always be committed to a greater degree than federal loan guarantees. In 1982 and 1983 all private funds committed for these years must be utilized prior to the issuance of federal guarantees.

9. Prohibits any dividends from being paid until all guaranteed loans are paid in full.

10. Limits the term of the loan guarantees to a maximum of ten years.

11. Provides for frequent reports to Congress.

12. Provides for full access to Chrysler financial records for GAO and the Review Board.

13. Establishes goals that each participant in the financial plan is expected to meet: 500 million from US banks, $150 million from foreign banks, 300 million from the sale of assets, 250 million from state and local governments, $180 million from suppliers and dealers, and $100 million in the form of capital.

14. More closely defines the terms; (operating plan, commitment, concession, etc.)
Lugar's Compromise

At issue all along in Chrysler Corp.'s plea for
government assistance has been the question of
what employees and stockholders of the company
are themselves ready to sacrifice to save their
own jobs and investments.

Until last week it would appear they would be
willing to give up precious little. If so, why should
the taxpayers try to help?

But now, by virtue of a plan being offered to
the full U.S. Senate this week by Sen. Richard G.
Lugar (R-Ind.) and Sen. Paul Tsongas (D-Mass.),
there may be a workable way to see that both
employees and shareholders do their part in return
for a possible government loan guarantee.

Under the Lugar-Tsongas proposals, the total
new money available from all sources would
increase to $4 billion while the government-
guaranteed amount would drop to $1.25 billion.
The Carter administration proposed a $5 billion
package with a $1.5 billion federal guarantee.

Most importantly, all employees, including those
in management, would have to agree to
wage freezes of at least two and possibly three
years. And a portion of the financing would have
to come out of a new stock issue which would
dilute the value of present stock holdings.

There would be more taxpayer protections in
the Lugar-Tsongas measure, with a seven-
member review body empowered to enforce the
terms of the package.

The idea would be to protect the taxpayers'
from excessive risk and at the same time discur
age other troubled corporations from seeking a
similar deal.

While there are still serious questions about
Chrysler's ability to perform even with the mas
tive infusion of new money, the Lugar-Tsongas
bill is the best approach yet to a bad situation.

For the sake of the more than 14,000 Chrysler
employees in Indiana, the plan deserves a fair
hearing.

Tribune-Star
12-5-79
Mr. PROXIMIRE. Mr. President, yesterday, the Senate Banking Committee reported the Chrysler loan guarantee legislation. I voted against it because I oppose bailing out failing firms. But the bill from the committee does provide a far better chance for Chrysler to survive. It does require much greater sacrifice on the part of the interested parties that would save a failing Chrysler. It provides a precedent that may be something more discouraging in dissuading other failing firms from lining up for Federal bailout when they get into trouble. It requires a somewhat lesser contribution from the taxpayer and considerably more protection for the taxpayer in the event of a Chrysler collapse.

For all these improvements, Senator Richard Lucas and Senator Paul Tsongas deserve very great credit. They have brought together a coalition that supports aid for this nation's 10th largest firm, employing over 100,000 people, and ask that, absent their efforts, in my judgment, would not be forthcoming at all.

Putting this kind of constructive package together is one of the most difficult but perhaps the most creative kinds of legislative work that we as Members of Congress can do. Senator Lucas, who did the same kind of remarkable work in putting together the New York City package, and Senator Tsongas, who demonstrated a really brilliant understanding of the complexities of the tough issue, deserve great thanks not only from the Chrysler family of dealers, suppliers, workers, creditors, and stockholders, but from the country as a whole.

This legislation is far from perfect. It could fail in the House or Senate. Even if enacted, it could still not save a corporation that is in extremely grave condition. But it is a noble effort, and Senators Lucas and Tsongas deserve our gratitude.

Mr. President, I ask unanimous consent that a New York Times editorial of yesterday, entitled: "A Shrewd Compromise for Chrysler," be printed at this point in the Record.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

A SENSIBLE COMPROMISE FOR CHRYSLER

As outlined by the White House, the Federal loan guarantee program for Chrysler is a cheap ride. Neither Chrysler's stockholders nor its employees would be asked to make major sacrifices. But two members of the Senate Banking Committee-Richard Lugar, a conservative Republican from Indiana, and Paul Tsongas, a liberal Democrat from Massachusetts-have a better idea.

They suggest a bail-out program that would require those who stand to lose the most from Chrysler's demise to bear most of the burden of the rescue. That is least the public should demand as the price of taxpayer support.

President Carter's plan calls for $5.5 billion in loan guarantees to be matched by an equal amount from private sources. But little of that needed private money would come from Chrysler's unionized employees, who are determined to hold on to the recently negotiated wage increases. They won a $4.13 billion package that would increase Chrysler's labor costs to about $30 an hour by 1982. Chrysler's stockholders would be sheltered, too; the company plans to borrow most of the private money it needs from banks, dealers, suppliers and communities with Chrysler plants.

The Lugar-Tsongas plan would redirect the risks. The Senators want to offer Chrysler $2.35 billion in Federal loan guarantees. But in return, every Chrysler employee would have to accept a wage freeze. And the company would have to raise a total of $2.8 billion from private sources, including the sale of stock. If, through such shared sacrifice, Chrysler prospered, everyone would win. Chrysler stock, though diluted by more stock sales, would still be worth more than new. The workers would keep their high-paying jobs and, by a provision in the Lugar-Tsongas proposal, receive $500 million in preferred stock at a deferred compensation.

This bill is one with which everyone should be able to live. It would give Chrysler a good chance to survive. Yet it would ask for enough sacrifices to disabuse other failing firms from rushing to apply for Federal rescue. It is a compromise between a giant Federal giveaway and a decidedly cold shoulder. We hope Congress sees the wisdom of this combination.

Mr. STEVENS. Mr. President, today's New York Times contains an editorial supportive of the new proposal offered by Senator Lugar to resolve the Chrysler financing problem.

The distinguished junior Senator from Indiana has displayed an uncanny ability to effect compromises in areas of extreme sensitivity and controversy, and it appears that he has again suggested a workable plan of action with respect to the Chrysler situation. Although I have not decided what to do about this financing problem, it is my intention to give careful attention to the various proposals, particularly the one endorsed by my good friend from Indiana.

I commend him and his colleagues (Mr. Tsongas), for their diligence in this matter.
Key Senator Predicting Chrysler Aid Compromise

By Lance Gay
Washington Star Staff Writer

Hoping to shortcut the legislative process, the Republican floor manager of the Senate's proposed Chrysler bailout has said he is willing to compromise on key differences with the House.

Sen. Richard Lugar, R-Ind., said that although the House compromise proposal is not acceptable, some agreement could be reached on how much Chrysler employees will be required to sacrifice.

"By implication, I'm surely saying that," he said. "When this moves, it's going to have to move fast and we have to be sure that we have the votes of a majority."

The key difference between the House and the Senate is a requirement in the legislation from the Senate Banking Committee to freeze wages of unionized employees for three years, that would save some $1.07 billion. Rather than a wage freeze, the House version requires the unions to save the company $400 million; it does not specify how this is to be done.

Lugar told reporters in the Senate Press Gallery yesterday that he and other Senate leaders on the Chrysler UA will support the legislation are willing to compromise on the $607 million difference.

"I'm still trying to keep this alive," he said, warning that some who he agreed to support the Senate Banking Committee version might defect if the legislation undergoes a major rewriting.

Lugar said he would like to see the House and Senate write parallel legislation to narrow the differences when they go to a conference committee.

Donald Stillman, a spokesman for the United Auto Workers Union, said the union hopes to avoid any reopening of the recently approved contract with Chrysler.

He pointed out that the pact is international and Canadian members would balk at having its terms dictated by the U.S. Congress. Further, Stillman said, any pact that provides less for Chrysler workers than other automakers would result in an exodus of engineers and other skilled workers from Chrysler.

Stillman said the UAW is unhappy with the House's $400 million proposal and said Congress, by concentrating on the current contract, "has singled out one group to carry the entire sacrifice.

SEN. RICHARD LUGAR

UAW President Douglas Fraser, who moved to a Washington hotel to lobby for the legislation, said last night that while he is not enthusiastic about the compromise proposal, he is willing to fight for it. "I think this is just about the limit beyond which we cannot go," he said.

The House is slated to begin debate on the measure tomorrow with a vote next Tuesday. The Senate proposal is slated to come up after completion of the windfall profits bill, which could be as early as Friday.

The Banking Committee version, put together by Lugar and Sen. Paul Tsongas, D-Mass., would provide Chrysler with some $4 billion in cash flow — $1.25 billion federal loan guarantee, $1.46 billion in new financing and loan concessions from banks, financial institutions and state and local governments, and $1.32 billion in wage freezes.

The House version, put together by Rep. James Blanchard, D-Mich., provides for $3.3 billion in cash flow — $1.5 billion loan guarantee, $1.48 billion in outside private financing and $400 million in concessions from the UAW, including the $203 million in concessions the UAW has already given Chrysler in the recent contract.
Our opinion

Chrysler aid plan workable

The plan for aid to the financially ailing Chrysler Corporation, co-authored by Indiana Senator Richard Lugar, which passed the Senate Banking Committee last week by a 10-4 vote is the best yet proposed.

The Lugar plan incorporates both give and take that, if adopted, would enhance Chrysler's chances of economic survival and limit the possibility that federal loan guarantees would go for naught.

Its advantage over President Carter's bail-out plan is that it requires substantial commitment from Chrysler, its employees and its creditors in exchange for help.

The plan would impose a three-year wage freeze on Chrysler employees that could be lifted earlier if the company begins showing a profit. Chrysler, however, would be required to give $250 million worth of stock to employees, to give them a vested interest in seeing that Chrysler becomes profitable.

Chrysler would also be required to raise $1.43 million from private sources, including $500 million from U.S. banks and creditors, $150 million from foreign banks, $300 million from sale of assets, $250 million from state and local governments, $180 million from suppliers and dealers and $50 million from sale of new stock.

The beauty of the Lugar plan, which he co-authored with Sen. Paul Tsongas, D-Mass., is that it significantly broadens the involvement of those who will have a vested interest in seeing that Chrysler is successful in restoring its economic vitality.

The company's employees, the United Auto Workers, the creditors, the dealers, the stockholders, the state and local governments where plants are located will have such a commitment that all will be motivated by the single purpose of seeing that Chrysler succeeds.

The Herald-Tribune's initial opposition to the Chrysler bail-out plan stemmed from the uncertainty that it was doing anything more than delaying the inevitable, that the risk was only on the part of the taxpayers with little sacrifice on the part of those who stand to realize the biggest gains of success, and the precedent that was being set for the future when similar requests from other troubled companies could be anticipated.

The Lugar-Tsongas proposal overcomes each of these obstacles, significantly enhancing the chance of Chrysler's recovery, spreading the risk and establishing stringent guidelines for companies that find themselves in similar situations in the future.

The proposal requires significant sacrifices from many, but the burden has been spread evenly, and none of the sacrifices are as painful as would be an absolute Chrysler failure.
A Shrewd Compromise for Chrysler

As outlined by the White House, the Federal loan guarantee program for Chrysler is a cheap ride. Neither Chrysler's stockholders nor its employees would be asked to make major sacrifices. But two members of the Senate Banking Committee — Richard Lugar, a conservative Republican from Indiana, and Paul Tsongas, a liberal Democrat from Massachusetts — have a better idea. They suggest a bail-out program that would require those who stand to lose the most from Chrysler's demise to bear most of the burden of the rescue. That is the least the public should demand as the price of taxpayer support.

President Carter's plan calls for $1.5 billion in loan guarantees to be matched by an equal amount from private sources. But little of that matching private money would come from Chrysler's unionized employees, who are determined to hold on to their recently negotiated wage increases. They won a $1.3 billion package that would increase Chrysler's labor costs to about $20 an hour by 1982. Chrysler's stockholders would be sheltered, too; the company plans to borrow most of the private money it needs from banks, dealers, suppliers and communities with Chrysler plants.

The Lugar-Tsongas plan would redirect the risks. The Senators want to offer Chrysler $1.25 billion in Federal loan guarantees. But in return, every Chrysler employee would have to accept a wage freeze. And the company would have to raise a total of $2.5 billion from private sources, including the sale of stock. If, through such shared sacrifice, Chrysler prospered, everyone would win. Chrysler stock, though diluted by more stock sales, would still be worth more than now. The workers would keep their high-paying jobs and, by a provision in the Lugar-Tsongas proposal, receive $250 million in preferred stock as deferred compensation.

This bill is one with which everyone should be able to live. It would give Chrysler a good chance to survive. Yet it would ask for enough sacrifice to discourage other failing firms from rushing to apply for Federal rescue. It is a compromise between a giant Federal giveaway and a decidedly cold shoulder. We hope Congress sees the wisdom of this combination.
Quayle Backs Lugar Plan For Chrysler

Rep. Dan Quayle, R-Ind., an announced candidate for the Republican U.S. Senate nomination, said today he supports the plan of U.S. Sen. Richard Lugar, R-Ind., to give Federal loan guarantees to the Chrysler Corporation.

Quayle said he would ask the House Banking Committee to reconsider its action earlier approving a Chrysler aid plan proposed by the Carter administration.

The Lugar plan, Quayle said, "would require both management and on-line workers to sacrifice wage increases for three years in exchange for a $1.25 billion Federal loan guarantee for Chrysler."

Chrysler workers, forgoing wage boosts for three years, would share in $250 million in common stock.

When asked if Chrysler workers who are members of the United Automobile Workers hadn't already made substantial financial concessions in their new contract, Quayle said, "they'd rather have a job" and added, "we're looking at protection of jobs."

He called the Lugar program for assistance to Chrysler "unprecedented legislation for an unprecedented situation" and did not directly answer a question as to whether Chrysler workers could buy groceries with stock they might get. He insisted the Lugar plan is fair to Chrysler workers, even though their income would remain static for possibly three years.

The Lugar legislation would scrap the contract already negotiated between Chrysler Corp. and its UAW employees, Quayle said, and if company and union did not agree to the Lugar plan carrying the $1.25 billion loan guarantee, "there would be none," meaning no loan guarantee.

Chrysler is in financial trouble, Quayle said, because of "excessive and unrealistic regulations" that have materially damaged the American auto industry by increasing the cost of production and therefore consumer prices for the automobiles.

"While I do not challenge the need for reasonable emission controls, I do object to the unrealistic timetables for compliance with these controls dictated by unelected Federal bureaucrats," Quayle told reporters in a press conference in his headquarters here.

He said he doesn't know if Roger Marsh, executive director of the State Highway Department, will enter the race against him, but that obviously the Quayle candidacy was helped by the Saturday withdrawal of Hosea "Pete" Hudson, former state insurance commissioner.
Bowen Favors Lugar's Aid Plan for Chrysler

INDIANAPOLIS (AP) — The financially ailing Chrysler Corp. deserves federal aid only if it takes steps on its own to remain in business, Gov. Otis R. Bowen says.

Bowen said Thursday he was pleased the Senate Banking Committee adopted as a starting point in preparing its Chrysler aid package a plan developed by Sens. Richard Lugar, R-Ind., and Paul Tsongas, D-Mass., instead of President Carter's version.

The Lugar-Tsongas plan to provide the ailing automaker with a $1.25 billion federal loan guarantee package would put tougher restrictions on the money than the Carter plan.

The Lugar proposal would require Chrysler to raise more of its own money without guarantees and would require employees, including management, to agree to a three-year wage freeze.

"We can't just dole them out," Bowen said. "Everybody should have an opportunity to fail or succeed."

Bowen said he supports aid to Chrysler under conditions such as the Lugar bill, which would require the automaker to make its own sacrifices to qualify for assistance.

Bowen said there is little Indiana can do to aid directly the financially troubled company. But he said the state's fleet of vehicles is now made up of about 80 percent Chrysler products.
Lugar played key role in Chrysler loan bill

By LINDA SARRIO

WASHINGTON — Indiana's junior senator kept his cards close to the chest during most of the Senate Banking Committee's debate on legislation to guarantee loans to the financially stricken Chrysler Corp.

In fact, Sen. Richard Lugar didn't show his hand until two days before the committee was scheduled to mark up a Chrysler bail-out package.

However, the complex if somewhat belated aid package that the Indiana Republican finally proposed has essentially become the Chrysler bill that will be offered to the full Senate in a few weeks.

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Continued from Page B 1

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Misery for Many in Senate's Chrysler Bailout Bill

By William H. Jones
Washington Post Staff Writer

If the Senate Banking Committee has its way in the attempt to save Chrysler Corp., the company's workers will become part-owners, and almost everyone involved will feel pain.

Under the terms of the extraordinary bill the committee approved Thursday night:

* Employees would give up almost all the nearly one-third pay increase they are supposed to get over the next three years. This would cost them about one-sixth of their present purchasing power each year at current inflation rates.

* Stockholders would have to give up 40 percent of their share in the company to the employees. The workers, in return for deferring their raises, would become owners.

* Banks which now hold $400 million in shaky loans to Chrysler would have to lend it $400 million more and make other concessions, or risk seeing the company go under because of no government aid.

No party to the Chrysler crisis is very happy with this proposed solution. But with time running out—the company probably will run out of money by late January without some outside help—the Senate committee's bill or one like it may become law anyway.

And there is this consolation for those affected: they have little to lose. If the company folds, the workers will not get their raises, the banks can kiss their loans goodbye, and Chrysler's stock, already depressed to $6 a share, will be worthless. If the bailout succeeds, the 60 percent the shareholders will have left may be worth more than the 100 percent they have now.

In addition to its other terms, the bill would give the Treasury secretary, joined by the comptroller general and chairman of the Federal Reserve Board, a considerable role in the management of Chrysler.

Even if the committee bill is softened as it moves along, some of the fundamental rearrangements it demands are considered likely to survive.

Reported out by a vote of 10 to 4, the committee bill is the work of what Chairman William Proxmire (D-Wis.) called his "two wide receivers"—Sens. Richard Lugar (R-Ind.) and Paul Tsongas (D-Mass.), respectively a moderate Republican and a liberal Democrat who sit literally at far ends of the committee semi-circle. Their main idea was to make sure parties other than taxpayers assumed most of the risk in resurrecting the company.

One obvious problem now is whether the United Auto Workers would reopen recently concluded negotiations and concur in a wage freeze.

UAW lobbyist Howard Paster described the committee's wage freeze as "so unfair as to be unacceptable," and described himself as "less optimistic" than before about final passage of a plan the UAW can accept which would save Chrysler: He said "anti-union" senators "are laying the burden on us for saving the company ... if the price of preserving the company and their jobs is not to feed their families and to give up their homes, it may not be worth paying." Advocates of employee-ownership say giving Chrysler workers 60 percent of the common stock "would have a good effect on productivity."

Paster said the UAW doesn't oppose the stock plan but said it is not a "fair tradeoff" for losing more than $1 billion of wages and benefits. "The stock equals less than a dollar for every five being asked to give up," he said.

Currently, the only major U.S. corporation with substantial ownership by workers is retail giant Sears, Roebuck & Co., of which employees own about 20 percent of common stock.

Stock ownership supporters, who have been growing in number in the Senate under the leadership of Finance Committee Chairman Russell Long (D-La.), argue that workers will get dividends as well as ownership when financial health returns to Chrysler.

Chrysler executives, who have not been enthusiastic about employee ownership, said they could "live with" most of the Senate bill.

In the House, meanwhile, Chrysler dealers are buttonholing members on behalf of the House Banking Committee's $1.5 billion loan guarantees package, which includes a $50 million employee-ownership plan but no wage freeze. A floor vote had been scheduled for next week but congressional sources said the bill was pulled off the calendar "for a time," to gather more support. At a meeting of the House Republican Policy Committee, sharply divided members took no stand on the bill at all.

The House developments indicate some trouble for the aid package but passage is expected, with some amendments.

Assistant House Majority Leader John Brademas (D-Ind.) said he expects floor action in about two weeks. Senate action would follow—close to a projected Dec. 21 adjournment date.
Lugar Picks a Path

You might never consider the "countryboy" image to fit Hoosier Richard Lugar. Even if he is from the Indiana cornbelt and even if Hoosiers are considered a bit backward, the state's junior senator is after all a former big city mayor and went to Oxford on a Rhodes scholarship.

As a freshman in the U.S. Senate, you also might not expect him to be so influential so soon on the Senate Banking Committee dealing with such complex issues as bailing out New York City or Chrysler Corp.

But that's where he is already. And Hoosiers can be proud of the respect he obviously commands.

The latest feather in his cap came Thursday as the banking committee voted 10-5 to accept a compromise developed by Lugar and Massachusetts Democrat Paul Tsongas to help the nearly bankrupt automobile company. It would require Chrysler and its employees to make sacrifices if the taxpayers are to put up money as suggested by President Carter. The president proposed $1.5 billion to guarantee twice that much in loans to Chrysler. The Lugar plan calls for $1 billion as the federal share in aid totaling $4.1 billion — but it requires a freeze on wages of both management and union workers at the company, and a $50 million stock issue that will dilute current stockholders' interest by 15 to 20 percent.

"The administration's plan is a pure 'bail-out,'" said the Hoosier senator. "My plan would help Chrysler more with less risk to the taxpayers."

If the national government is ever to participate in aiding either New York City or Chrysler Corp., this is the sort of creative thinking needed more often in Washington. It helps to have a Hoosier with commonsense to pick out the path.
Lugar played key role in Chrysler loan bill

By LINDA SARRIO  States News Service

WASHINGTON — Indiana's junior senator kept his cards close to the chest during most of the Senate Banking Committee's debate on legislation to guarantee loans to the financially stricken Chrysler Corp.

In fact, Sen. Richard Lugar didn't show his hand until two days before the committee was scheduled to mark up a Chrysler bail-out package.

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As the virtual author of the banking committee's loan-guarantee legislation, with help from Sen. Paul Tsongas, D-Mass., Lugar can take credit for finding a workable compromise acceptable to
1. Provides $4 billion financial aid package.

2. Establishes three member Chrysler Review Board consisting of Secretary of Treasury, Chairman of the Federal Reserve Board, and the Comptroller General.

3. Provides for a three year wage and benefit freeze for Chrysler workers and management with an increase in medical and pension benefits for union employees. At the end of the second year the Board could permit Chrysler to negotiate a wage increase for employees in the third year of the plan if the Board found that the full $4 billion package wasn't needed to maintain the corporation as a going concern and meet all tests of viability.

4. Provides $1.25 billion in federal loan guarantees over a four year period.

5. Requires that the Board certify that:
   --Chrysler has a six year financing plan that will meet its needs.
   --Commitments of the resources needed to fulfill the plan have been made.
   --$1.438 billion in private resources is available.
   --Existing creditors must waive their rights to recover under prior credit commitments. The Board can waive the Federal government's right to a superior creditor position on any new loans and, thereby, have equal status to other lenders.
   --Credit is not otherwise available.
   --There is a reasonable prospect of repayment.

6. Provides for a $250 million common stock issue to employees under the terms of an ESOP.

7. Establishes yearly limits for the issuance of loan guarantees.

8. Establishes a requirement that in 1980 and 1981, any federal guarantees issued must be used in conjunction with private funds. In those years non-government sources will always be committed to greater degree than federal loan guarantees. In 1982 and 1983 all private funds committed for these years must be utilized prior to the issuance of federal guarantees.

9. Prohibits any dividends from being paid until all guaranteed loans are paid in full.

10. Limits the term of the loan guarantees to a maximum of ten years.

11. Provides for frequent reports to Congress.

12. Provides for full access to Chrysler financial records for GAO and the Review Board.

13. Establishes goals that each participant in the financial plan is expected to meet: 500 million from US banks, $150 billion from foreign banks, 300 million from the sale of assets, 250 million from state and local governments, $180 million from suppliers and dealers, and $100 million in the form of capital.

14. More closely defines the terms; (operating plan, commitment, concession, etc.)
### BANKING COMMITTEE BILL ON CHRYSLER

(in millions)

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<tbody>
<tr>
<td>Federal Guaranteed Loans(^a)</td>
<td>783(^d)</td>
<td>261(^e)</td>
<td>103(^f)</td>
<td>103(^g)</td>
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<tr>
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<td>1006</td>
<td>924</td>
<td>218</td>
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<tr>
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<td>3782</td>
<td>4000</td>
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\(^a\)Issued after conditions imposed by legislation.

\(^b\)Includes UAW wages and some benefits, non-UAW and management wages, excludes ERISA benefits required by law, excludes management benefits for lack of data, excludes new medical and pension benefits.

\(^c\)Non-guaranteed loans and non-wage commitments.

\(^d\)Issued on a 7-8 ratio to private non-wage commitments.

\(^e\)Issued on a 7-8 ratio to private non-wage commitments.

\(^f\)Issued after private loans and non-wage commitments.

\(^g\)Issued after private loans and non-wage commitments.
There has been much discussion of the level of assistance Chrysler needs to survive the period 1980-1983. It is a vital discussion because a guaranteed loan package without sufficient resources will result in the unfortunate situation of a Chrysler bankruptcy and the loss of a substantial amount of the federal loan guarantees. Thus on the face of it, there appears to be little question that we should err on the side of too much money rather than too little.

Before one can debate the issues one must confront the fact that there are no certainties when considering the future of the auto industry. We are experiencing a change in energy supply and energy prices unparalleled in the history of the auto industry. It is a change of such magnitude and complexity that none of the past assumptions or methodology for projections still holds true.

The assertion about the lack of reliability in projections has been corroborated by the fact that all the forecasting companies have dropped their estimates for this year on a monthly basis as the year has progressed. Each new sales period brings new lows and an accompanying reduction in the sales projections for the next period.

The second major argument for a larger financial package is made by Chrysler itself. The company attributes its present plight to "three key factors over which it has no control." These include (1) Federal regulatory requirements in the areas of pollution control, safety and fuel economy, which are claimed to put a smaller company like Chrysler at a competitive disadvantage because the per-unit capital cost of compliance is greater; (2) this year's gas shortages, which cut severely into the market for Chrysler's most profitable vehicles--large cars, vans, and light trucks; and (3) economic recession accompanied by a relatively large decline in car and truck sales across the board.

It seems certain that none of those three factors will be changed soon. Federal regulatory requirements will not abate; in fact, they may increase. All attempts to reduce the regulatory burden have met with failure in the Congress. This week alone Chrysler was fined $18 million for environmental violations. Chrysler can expect more complex and difficult regulatory problems in the future.

Gas shortages blamed for this year's disastrously low sales were assumed to be over. However, that assumption has no basis in fact. The Middle East continues to show every indication of perpetual instability and unpredictability.

Economic recessions, like car sales, are hard to predict. One fundamental cause of low car sales this year has been the uncertain future of the economy and a continued recession. Analysts, earlier in the year, had predicted an end of the recession by the middle of first quarter of 1980. No one currently expects an end to the recession before the third quarter of 1980. Moreover, interest rates have softened only slightly and have not shown any sign of dropping dramatically in the next three months.
The Department of Treasury/Chrysler estimates that $3 billion is the maximum needed for Chrysler over the next four years does not stand up under analysis. The first problem with the estimates is that they are based on four erroneous assumptions.

The Treasury proposal assumes, "the downturn...is expected to bottom out in the first quarter of 1980 as unemployment climbs and the rate of inflation abates." It is now clear that the downturn will not "bottom out" in the first quarter. Most estimates predict that the upturn will not occur until the third quarter.

The Treasury proposal assumes that gas prices will increase evenly at approximately 15% per year and there will be an ample supply of gasoline. This estimate was made prior to the Iranian crisis and now appears to be absolutely incorrect. Even if we assume no disruption in the Mid East, a ridiculous assumption, gas prices will still rise faster than 15% a year if the Administration's proposed 50¢ a gallon gasoline tax is adopted or the White House's mandatory rationing finally passes.

If either of those take effect we will see a repeat of the auto sales disaster of last spring, which was caused by a shortage of only 3-4 percent. Thus we have the Administration acting to ensure that their own proposal cannot work.

Beyond the U.S. government's actions, it is safe to say that we have no assurance that the supply of oil from the Middle East will be uninterrupted. Since the Treasury proposal, we have lost our supply from Iran, seen a serious crisis in Saudi Arabia, and heard of cutbacks in Libya. Our supply is precarious at best and if the supply is disrupted by as little as 4% there will be an accompanying auto sales panic. Auto sales are highly sensitive to changes in gasoline supply and price.

The Treasury proposal assumes that by 1981 inflation will be only 6.5%. Can anyone who has seen the durability of inflation this year be sure that we are to see a significant drop soon? A 50% decrease seems impossible as we face next year's multi-billion dollar federal deficit, wildly increasing fuel prices, monetary growth that has resisted the highest Federal Reserve Interest rate in history, and the lowest productivity rate in post World War II history. A drop of 50% in the inflation rate is very unlikely to occur.

It is not only the wrong-headed assumptions of the Treasury Department that indicate a need for substantially more than $3 billion in resources for Chrysler. The Treasury analysis itself proves that the total cash needs are greater than $3 billion. In an attachment to his testimony before the Senate Banking Committee, Secretary Miller states that $3 billion will be the peak need only if there is a $1 billion capital spending reduction. He admits that such a reduction will result in "a reduction in the variable profit margin, decreased production efficiency, and possibly reduced appeal of product offerings." Three results which will put Chrysler in a worse position to compete
with Ford and GM. And, may, in the long run, force Chrysler into bankruptcy. Page 10 of the attachment to Miller's statement states that $3 billion with a potential $1 billion capital spending cut provides,

... a zone of flexibility for meeting adversity. However, it should be noted that the automotive industry is highly subject to economic cycles and some contingency should be included in any financing plan of this nature. Additional contingency amounts might be realized through additional funding or alternatively through further product action modifications. However, at some point Chrysler's capital structure and capacity to pay debt service charges will limit the amount that it can borrow.

Miller states in his own testimony that $3 billion may very well not be sufficient even with a $1 billion spending cut. The $3 billion dollar estimate was chosen not because it was correct but rather because it represented the highest debt service that Chrysler could support. Secretary Miller is right, $3 billion is the highest level of debt service Chrysler can afford. Thus the Senate Banking Committee legislation provides the extra resources needed through a wage freeze. A wage freeze will increase Chrysler's profit margin, decrease its borrowing needs, and give a margin for adversity that meets the true needs of the corporation.

On top of all these problems, price increases for foreign car imports averaged 3% this year while domestic car prices increased by more than 10%. The spread threatens to grow larger as inflation, low productivity rates, and balance of payment deficits continue to plague the American economy.

The conclusion of this analysis is not to predict an "accurate to the penny" resource level for Chrysler. Such an estimate is impossible to make. However, it is not impossible to conclude that substantially more than $3 billion is needed for Chrysler to survive. It is clear that the assumptions in the Treasury proposal are false, and overly optimistic. It is equally clear that $3 billion would be sufficient only if the Chrysler Corporation cut the capital spending that is vital to their future. They must cut capital spending and thus decrease the corporation's efficiency, lower the already abysmally low profit margin, and make economy changes in their products. Chrysler will be forced to worsen their competitive position at a time when they can least afford to do so. They must be weaker competitively at a time when their survival depends on competitive strength.

It is impossible to accept the Treasury Department's proposal of $3 billion. It is too low and it will doom the Chrysler Corporation to failure if it is accepted.

The weaknesses of the Treasury proposal are the strengths of the Banking Committee legislation. The Banking Committee bill provides $4 billion in total resources. A level of assistance that is much
closer to the level that may very well be required. And it is assistance that will not unduly burden the corporation with debt it cannot afford or worsen its competitive position. One third of the assistance is in the form of wage savings. It is assistance that does not require high interest rates and improves Chrysler's profit margin. Thirty-five percent of the cost of an automobile is labor cost. If a three year wage freeze is adopted, Chrysler will be able to increase its profit by about 10% or reduce the price of a car by 10% and thus achieve the market penetration it needs.

We do not know how much assistance Chrysler needs; no one does. But it does seem clear that $3 billion is the absolute minimum Chrysler will need and will probably need substantially more. If one is serious about legislation to achieve long term health for Chrysler then one must provide a level of assistance consistent with the needs of the Chrysler Corporation.
visit to the federal treasury would be relatively painless. UAW spokesmen claimed that their members, who are currently paid 42% more than the national average wage (the average annual cost to Chrysler per employee for wages and benefits is $26,000 under the old contract) would "starve" and "lose their homes." Extreme rhetoric aside, these condemnations ignore this fact of life, spelled out by our Chairman Bill Proxmire on the Senate floor: without a new and creative approach during last week's critical moments, hopes for Chrysler aid were dead, and the company probably dead along with them.

On two test votes in the Banking Committee, the plan pushed by Chrysler, its union, and the Carter Administration lost by votes of 10-4 and 10-5. In the House, the same plan was described variously as 40, 50, or 60 votes short of a majority and was held back from a potentially fatal floor vote. The Administration plan is losing for two basic reasons: it won't work and it won't sell.

The original legislation offered no genuine prospect of saving Chrysler. Based on clearly overoptimistic assumptions about the economy, new car sales, and Chrysler's market share, it seemed designed only to buy time -- maybe the election year of 1980.

Secondly, the Administration plan was not publicly saleable. Fully deserving of the overused term "bailout," it exacted insufficient sacrifices from the parties in interest; overjeopardized the federal taxpayers relative to the private parties; and constituted an open invitation to other ailing private companies to make similar applications. Congressmen might have pacified corporate and union lobbyists by holding their noses and voting for such a bill, but the reaction of their constituents would be far less favorable as
the terms of this poorly crafted bail-out became better known.

I have no patience with a company arguing that the prosperity of greater sales and market share are just around the corner when all the evidence is to the contrary; nor with a union which expects to persuade taxpayers into subsidizing a $1.3 billion pay raise at a corporation which is about to go out of business. Unless legislative action is forthcoming soon, we will be debating the fine points of collective bargaining philosophy around closed loan windows and extended unemployment lines next February.

The bargain obtained by the bill I offered with my Democratic colleague, Senator Paul Tsongas (whose current rating by the AFL-CIO is a strong 88%), may be too strenuous for Chrysler and its friends, but unless our plan or something similar advances, I predict that nothing will. Wage freezes and stock dilution are not my idea of desirable social policy, especially when inflation is running at 1% per month. But the evidence is ample that we must move ahead now on a plan which offers real hope of long-term survival to Chrysler and real hope of public approval to its proponents.

The case which Paul Tsongas and I believe we are offering is something far more exciting and constructive than the salvage of a hopeless wreck. We offer the best chance to preserve 140,000 jobs and the economic life blood of several communities in a cooperative effort in which the American public is a partner and not a patsy. We offer a bold, unprecedented experiment in worker ownership of a giant corporation, with all the advantage for incentive and productivity which advocates of that concept expect.

In short, we offer a remedy to match the malady -- something quite "extraordinary."
December 11, 1979

Dear Colleague:

Before the Senate recesses for Christmas, it will consider the Chrysler Corporation Loan Guarantee Act of 1979 (S. 2094). The legislation as reported by the Senate Banking Committee provides sufficient guarantees to allow Chrysler to continue operations, fully protects the taxpayer, and involves those who stand to benefit to the fullest extent possible. It is strong legislation which I will support on the floor.

Three points need to be emphasized prior to the debate of the bill by the entire Senate:

1. substantially more than $3 billion in total assistance is needed.
2. The bill as reported allows adequate flexibility and sufficient compensation for workers.
3. There are not alternative jobs for the Chrysler employees.

S. 2094 provides $4 billion in total financing to the Chrysler Corporation. The additional $1 billion over the Administration’s proposal is needed to provide the resources necessary to sustain Chrysler during the transition of the company. Attached is an analysis of the financing needs of the corporation which concludes that substantially more than $3 billion is needed due to faulty economic assumptions, overly optimistic market assumptions, and reliance upon unreliable market analysis tools.

S. 2094 does not punish workers. Chrysler workers are among the highest compensated workers in the world. The legislation freezes wages and some benefits for three years, unless the Chrysler Review Board determines that the full resources of the financial plan are not needed after the second year. After such a determination, as much as $700 million in frozen wages and benefits could be returned to the workers. In other words, 53% of the total frozen wages could be available to the workers if Chrysler was on its way to full financial health.

Moreover, the workers are not asked to risk their wages on a short term recovery that may not occur. Employees will be given $250 million of stock which (at today's prices) is equal to almost 40% of the outstanding stock. If the stock rises to its book value, which is likely if the company is successful, then almost $410 million in capital gains will accrue to the workers. Thus, the bill does provide incentives and rewards to workers who choose to assist the company in its recovery.

S. 2094 will certainly cause more hardship for workers than would a bill which did not prevent wage increases. However the choice is not between sacrifice or lack of sacrifice. The choice is between jobs or no jobs. Ford and General Motors have already laid off 81,000 workers, as many workers as the entire work force of Chrysler. If Ford bought Chrysler, no Chrysler workers would be retained, because the UAW contract would require Ford to hire laid-off Ford workers and pay relocation benefits up to $2,000 per family.

S. 2094 does not totally please any party to the Chrysler crisis. The UAW, the Chrysler Corporation, and the Administration oppose the legislation.
"THERE IS HOPE FOR CHRYSLER" BY SENATOR RICHARD G. LUGAR

On Thursday, November 29th, the Senate Banking Committee devoted a marathon 7 hours to marking up a bill for the relief of the Chrysler Corporation. The Washington Post critique of this event called the resulting legislation "extraordinary," and indeed it was, suggesting these preconditions for federal aid to the nearly bankrupt company:

* A 3-year freeze on the base wages of Chrysler's hourly workers, who have already approved a contract less favorable than UAW contracts with GM and Ford.
* A 3-year freeze on the total amount paid in compensation to Chrysler's management employees, many of whom have already taken pay cuts ranging from 2 to 5 per cent.
* Issuance of $250 million worth of Chrysler common stock to the hourly employees, which might add up to 40 per cent ownership of the company, and dilution of the interest of present stockholders correspondingly.
* Near doubling of the exposure of banks which already are testifying that Chrysler is a doubtful prospect for any new loans.

The bill would increase the total aid to the company from $3 billion, the Carter Administration suggestion, to $4 billion, while cutting the taxpayers' money at risk from $1.5 to $1.25 billion. "Extraordinary" is not too strong a word for such provisions.

The demand for greater sacrifice drew forth predictable expletives from the intended beneficiaries at Chrysler who had believed that their
EDITORIAL

Plight Of Workers Justifies Bailout

It's never good news for the free-enterprise system when the government has to rescue a major corporation from bankruptcy. Last week the Carter administration asked Congress to approve up to $1.5 billion in loan guarantees to keep Chrysler Corp. from going broke. Never before has so much taxpayer money been put at risk to save a private business.

While our first impulse was to side with critics of the bailout plan, it is difficult to say the government should not get involved when the welfare of so many thousands of workers and their communities is involved. It's a dilemma. On the one hand, the free-enterprise system should be allowed to work with the least possible government interference; on the other hand, when a major company fails, the social and economic repercussions can be staggering. If tens of thousands of people are suddenly thrown out of work, government unemployment payments would soar; commercial activity in many cities would slump, and bankruptcies among individual workers and the local businesses that rely on their paychecks could spread, creating an even worse problem.

The Chrysler bailout merits approval — a somewhat reluctant approval — because it represents a rescue effort for the workers rather than the company itself. In a free system like ours, government money simply should not be used to keep failing firms afloat; however, the plight of working men and women is another matter. They must be helped, especially in times like these when inflation is high and recession threatens.

Since it is primarily for the sake of the workers that Chrysler should be kept from going under, it seems only fair that the workers themselves do everything they can in a personal way to keep their company afloat. Much has been made of the economic concessions that the United Auto Workers gave Chrysler in their recent contract negotiations. The union made a total of $403 million in concessions. For the next two years Chrysler workers will earn less than their counterparts in other automobile companies, though three years from now they will again be earning the same. The union has also allowed Chrysler to reduce its pension-fund payments. These are helpful concessions on the part of the union, but, if the fortunes of the company do not improve in the next few years, the union should be willing to do even more, just as management should. Paychecks for managers and workers could be lowered, and fringe benefits could be sharply reduced. The sacrifices should come mainly from Chrysler people themselves, if they are to deserve the special stipend being put up by the American taxpayer.

When a small business fails, no government rushes to bail it out. Yet the suffering and financial hardship are the same for the owners and workers involved in that failure, only on a much smaller scale than in the case of Chrysler. Big numbers always sway us more than small ones. We hope, fondly perhaps, that the Chrysler bailout is the last rescue effort our government must mount. The free-enterprise system should be allowed to work freely. Big Business must keep its house in order. Big Government should not over-regulate and over-tax, which helps drive some companies out of business. And Big Labor should control its demands for more money and benefits. In a word, sacrifice is needed, and those people directly involved in a threatened enterprise should be willing to sacrifice the most.
More Chrysler workers laid off

By THE ASSOCIATED PRESS

On the eve of Thanksgiving, almost 700 Chrysler workers around Indiana finished up their shifts and embarked on layoffs that will last indefinitely.

"It's not good-bye forever," said John Montgomery, manager of industrial public relations for Chrysler in Detroit. "We're calling them indefinite layoffs. It's caused by a reduction in sales, which in turn is caused by a reduction in production levels, which in turn is caused by a reduction in sales. When sales pick up, we'll crank up again."

The layoffs came on the same day that U.S. Sen. Richard G. Lugar, R-Ind., announced that he plans to oppose the Carter Administration's plan to aid Chrysler, calling it "a blueprint for failure." Lugar said he will introduce his own plan when the Senate Banking Committee meets next week to handle the Chrysler legislation.

Before the financially troubled automaker began ordering layoffs earlier this year, it had 14,947 employees at 13 facilities around Indiana and an annual payroll of just under $400 million.

Montgomery said the layoffs were ordered for 400 employees at Chrysler's transmission plant in Kokomo; 170 employees at the machining plant in New Castle; and 100 employees at the electrical plant in Indianapolis.

Asked if it was a coincidence that the layoffs were effective the day before most Americans will be celebrating Thanksgiving, Montgomery replied, "they (the workers) were notified just some time ago. This happens to be the effective date.

"Nobody tells us very much ahead of time when sales go down. It's the nature of the business," he added. "They're being paid through the holiday, the end of the week."

The layoffs at Kokomo transmission brings to nearly 2,000 the number of workers furloughed there. A partial shutdown is scheduled at the plant the week of Dec. 17 and the plant will close completely for one week at Christmas.

Wednesday's action raised to 590 the number of persons laid off this year at New Castle machining and at Indianapolis, the layoff figure climbed to 1100 for the year, Montgomery said.

In a statement issued in Washington, Lugar explained his reasons for rejecting the administration plan.

"It is a blueprint for failure. It provides neither enough capital nor the right kind of cost structure for Chrysler," he said. "Furthermore, it does not adequately protect American taxpayers. The plan I will propose shifts the major burden of saving the company from the taxpayer and onto the parties directly involved in the Chrysler situation."

Chrysler-UAW settlement

There are probably union members as well as corporate executives who view with some alarm the decision of Chrysler Corp. to nominate United Auto Workers President Douglas Fraser for the company's board of directors.

That is only one part of the settlement reached between Chrysler management and the UAW, but it is a significant part of the settlement.

The union also agreed to try to help Chrysler return to profitability by deferring wage increases and company payments into the workers' pension fund. It has been estimated that for the time being those payments will save Chrysler nearly $400 million.

In other words, the UAW in a sense is merging resources with those of Chrysler to try to save jobs in the automotive industry as well as help Chrysler strengthen its case for federal assistance. The union, in addition, has been given some limited powers in investment decisions related to the pension fund.

In general, unions and employers have had an adversary relationship — unions striving to get the best possible deal for their members and employers seeking to maintain maximum profitability to attract investment while satisfying workers as much as possible within an efficient production system. Fraser, in accepting the arrangement, has pointed out that he did not become a member of the Chrysler board from within that company. The UAW represents workers at other auto manufacturing plants and in the farm equipment field. Chrysler spokesmen say that Fraser was selected on the basis of his individual merit.

All this aside, the selection of Fraser for the board does represent a striking departure from the traditional role of organized labor in the U.S.

West Germany has developed a form of worker democracy or codetermination 3 in which workers are represented in management councils. It has developed an outstanding record of production results under the program.

We are not advocating that this country go that far, but it is fairly evident that people in all walks of community life are seeking a greater role in the decisionmaking — industrial as well as governmental.
ETTERS TO EDITOR

Chrysler Corp. Loan Justified

Editor, The Courier-Times:

What's wrong with loaning Chrysler a billion dollars? We have used and given money for many years to other countries (with no strings attached) but most of the time for our generosity we don't even get a "thank you." Chrysler is not asking for a handout, they are asking for a loan. Money from this loan will help our economy and also keep a of people off of welfare. Why not let a city start at home where it belongs? I have never worked at Chrysler or been a member of its union, but I believe in "America first" unless its a nation like people starving in Cambodia. We need "our brother's keeper" at home and abroad.

Nick Goar

Editor, The Courier-Times:

There seems to be some disagreement between you and Samie Marcum, as to whether or not the government should loan money to Chrysler. I believe the government should loan Chrysler whatever money is needed to put it on firm bases again. I don't believe the government should let Chrysler merge with some other company for its sake, and I do believe the union employees should keep an hourly wage freeze for probably a year to help protect their jobs and respect for their company. Maybe it would help our inflation and make more room for many people.

Mary McCall

Editor, The Courier-Times:

The idea of a loan for Chrysler is that it may help to keep the company competitive, and maybe they thought we would never run out of oil.

Chrysler is not asking for a handout, they are asking for a loan. Money from this loan will help our economy and also keep a of people off of welfare. Why not let a city start at home where it belongs? I have never worked at Chrysler or been a member of its union, but I believe in "America first" unless its a nation like people starving in Cambodia. We need "our brother's keeper" at home and abroad.

Samie Marcum

Chrysler To Be Competitive

If the Trade Adjustment Assistance Program is expanded in the Trade Act of 1974, where do they come up with the date of Aug. 29, 1978?

What about the rest of us that were laid off before August? I was laid off in January, 1978.

If they can help the ones that were laid off in August and after, why can't they help the ones that were laid off before August?

The principle of such an assistance program is that it is to help the workers in import affected firms do not bear the entire burden of this country's foreign trade policy.

It looks as if they were in so much trouble in August, they were in the same trouble in January, 1978, and before.

It's only fair that the rest of us be eligible instead of just part of us that were laid off from Chrysler.

A former employee who would like to be back to work or eligible for TRA also.

Theresa Eth

Chrysler's Loan Guarantees

Chrysler is competitive in the small car industry with its Omni and Horizons, but have been limited in production because the company does not make its own engines for those cars. Plans are now to have an engine plant within the next few years, he added.

India Sen. Richard Lugar said earlier this week that he is not convinced the automobile market will be able to sustain the demand or that Chrysler will even be able to pay interest on the loan. But Sharp thinks sales of more fuel-efficient cars will make the difference.

"I think it's a question of the direction that Chrysler and the other manufacturers are going," he explained. "More Americans are going to be buying more cars over the next five years. The issue is what kind of car."

IN OTHER issues, Sharp said he has not become committed to a presidential candidate yet and thinks it's a matter that can wait until next year. "I'm not really ready to make an endorsement," he added.

Earlier this year, Sharp told the Palladium-Item he expected to support President Carter and said Tuesday he is maintaining that position. However, he qualified that his words were not an endorsement.

When asked to clarify his recent vote against the hospital cost containment act, Sharp said he felt the hospitals were making a "fairly aggressive effort" to cut costs and added he has a "deep skepticism" about the effectiveness of control regulations. "I felt if we're starting to make progress, don't use the controls," he explained.

By Linda Bloom

Palladium-Item Staff Writer

Past federal loan guarantees to New York City and Lockheed have proved successful, and 10th District Cong. Phil Sharp, D-Muncie, believes a $1.5-billion loan to Chrysler Corp. could succeed, also.

"I'm supporting the loan guarantee," Sharp said during an interview with Palladium-Item news staffers Wednesday afternoon.

"The chief reason is the cost of it (Chrysler) going under ... I think that justifies the risk that we take."

If Chrysler is successful, he reminded the public will pay no cost for the loan. Of course, he acknowledged, taxpayers would have to pay if Chrysler defaulted. But they also would have to pay for unemployment compensation for thousands of workers, in addition to other expenses, if Chrysler is denied the loan, according to Sharp.

HE BELIEVES that Chrysler officials and workers are trying hard to make a comeback. Executives already have taken pay cuts and, Monday, workers voted almost 3-to-1 to temporarily accept less pay. "It's very clear that management and labor had to make changes," Sharp said.

He added it is a myth that Chrysler just makes "big cars," in fact, Sharp said, "GM produces a greater percentage of fuel-efficient cars than General Motors or Ford and is making more changes in their vehicles, according to Sharp.

He said Chrysler has been competitive in the small car industry with its Omnis and Horizons, but have been limited in production because the company does not make its own engines for those cars. Plans are now to have an engine plant within the next few years, he added.

Indiana Sen. Richard Lugar said earlier this week that he is not convinced the automobile market will be able to sustain the demand or that Chrysler will even be able to pay interest on the loan. But Sharp thinks sales of more fuel-efficient cars will make the difference.

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Bayh Says Chrysler a People Problem, Not a Money Problem

By LINDA SARRIO
States News Service

WASHINGTON — As December approaches, many lawmakers are racing to get some form of aid package for the ailing Chrysler Corp. pushed through Capitol Hill before Congress adjourns for the year.

And many of the congressional pacers who are galloping alongside the Chrysler loan guarantee proposal, understandably, are wearing Hoosier colors.

Indiana stands to lose more in tax revenues and jobs than any other state in the country, except Michigan, should Chrysler fold. Consequently, the state has been heavily represented by its congressional delegation during hearings held on the automotive company’s future.

Wednesday was Sen. Birch Bayh’s turn. The Indiana Democrat told members of the Senate Banking Committee that Chrysler’s situation was not a money problem, “it’s a people problem.”

Bayh gave the committee a short recital of statistics to illustrate the impact Chrysler’s failure would have on several Hoosier communities. The Indiana Democrat pointedly mentioned the potential economic devastation facing the cities of Kokomo and New Castle — two communities with almost 10,000 Chrysler workers — should the corporation go bankrupt.

Banking Committee Chairman William Proxmire, D-Wis., a leading critic of the bailout plan, conceded that Bayh was absolutely dead-right” about the problems facing Kokomo.

“The effect on that city would be harder than on almost any other,” Proxmire said.

The Banking Committee chairman, however, put some hard questions to Bayh about Indiana’s seeming unwillingness to kick in state funds to help save Chrysler.

Proxmire referred to recent statements made by Indiana Gov. Otis R. Bowen declaring that Hoosier taxpayers should not be made to bail out the company.

“Why shouldn’t we expect the Indiana state government to make a substantial contribution?” Proxmire asked.

In response, Bayh said he had no objection to a cooperative effort by the state and federal government to keep Chrysler going.

However, Bayh said he felt there was a remarkable inconsistency being imposed on the states where Chrysler was concerned. The Indiana Democrat noted the federal government has been doling out loan guarantees to a variety of corporations for many years, but never before had the states been expected to foot part of the bill.

“That’s a useful point,” Proxmire conceded.

Bayh was later questioned by his Hoosier colleague, Sen. Richard Lugar, R-Ind., a member of the Banking Committee.

Lugar has offered his own Chrysler bill which would ease the company’s financial burdens by loosening emission control regulations imposed on the entire auto industry.

Lugar, however, has taken no position on the Carter administration’s proposal to offer $1.5 billion in loan guarantees to the company.

Lugar told Bayh he was not certain “what course of action we should follow” to deal with Chrysler financial difficulties. “However,” Lugar continued, “there must be some assurance that the plan is going to work . . . and that the taxpayers are going to get their money back.”

Lugar also said the problem was more widespread within the auto industry than just Chrysler. The Indiana Republican asked Bayh what he thought could be done “to help other Indiana automotive workers who have lost their jobs in the wake of the fuel crisis, and will simply never be rehired.”

Bayh replied that he thought it “was time for Congress to tell the automotive companies to get off the seats of their pants and compete more effectively.”

Earlier in his testimony, Bayh told the members of the committee he would not apologize for the parochial interests that led him to testify on Chrysler’s behalf. “I wonder if there isn’t a single senator that hasn’t tried to use their influence to help their state,” Bayh mused.

“Maybe we’re dealing with the real role of a senator,” Bayh said.

MN

Muncie Star
11/18/79
Chrysler workers will accept less pay

From our wire services

Standing solidly behind their union leadership, Chrysler Corp. workers voted nearly 3-to-1 in favor of a contract that will give them less pay temporarily than their "Big Three" peers.

The United Auto Workers union said Monday blue-collar workers at Chrysler ratified their new three-year agreement by a 69 percent margin.

Other UAW-represented employees at the ailing No. 3 automaker approved the scaled-down pact by even larger margins.

It was a major victory for UAW leaders, who had been uncertain earlier how workers would react to a decision to defer some wages and benefits to bolster the struggling automaker's cash reserves.

Earlier, the auto industry pattern settlement with General Motors Corp. was ratified by a 72 percent, rank-and-file margin, while Ford Motor Co. workers voted 79.6 approval of a nearly identical pact.

The contract will save Chrysler $203 million in wages and benefit costs compared with the GM and Ford agreements. In three years, Chrysler workers will again be drawing wages and pensions at full parity with GM and Ford workers.

MEANWHILE, THE Carter administration's $1.5-billion Chrysler loan guarantee bill, after quick approval by a House committee, has run into a stumbling block in the Senate.

Seven of the Senate Banking Committee's 15 members have made clear they sharply oppose the plan, and three more have voiced periodic reservations. This could be tantamount to spiking the bailout bill when the committee begins considering it next week.

Judging by comments made during the past week of hearings, the opponents include committee chairman William Proxmire, D-Wis.; ranking Republican Jake Garn of Utah; H. John Heinz, R-Pa.; William Armstrong, R-Colo; Richard G. Lugar, R-Ind.; and Democrats Adlai E. Stevenson III of Illinois and Paul Tsongas of Massachusetts, although Tsongas has said he might vote for a rewritten bill.

Lugar charged Monday that the Carter administration's massive Chrysler Corp. refinancing package is likely to fail because of a probable economic decline will cut auto sales and because it does not guarantee jobs of 14,000 Hoosier workers.

"I DO NOT SEE a prospect that the Chrysler Corp. is going to continue without a substantial reshaping of the market's posture." Lugar said during a hearing on the bill Monday.

"I'm not convinced the market for automobiles over the next five years is going to sustain the demand anticipated by the Chrysler Corp. that it will even be able to pay the interest on its loan," said Lugar.

Lugar to back Chrysler aid

Add to Chrysler Corp. is included in a bill to be introduced next Tuesday by Sen. Richard Lugar, the senator's office has announced. According to a spokesman for the president's legislative affairs office, the president's support for the Chrysler aid is an indication of the administration's focus on the president's legislative agenda.

The proposal was introduced after the bill's introduction was announced by the administration, which has not yet been released. Details have not been released, but details will go back to the Senate Banking Committee for consideration.

Lugar to back Chrysler aid
Election-Year Politics Playing a Part in Financial Salvation of Chrysler

Mary McGrory

Several members of the Senate Banking Committee have picked at details of the administration's proposal to provide $1.5 billion in loan guarantees to provide a life-support system for the dying Chrysler corporation. Chairman William Proxmire of Wisconsin kept asking where Chrysler's contribution to the bailout pot was coming from.

"Michigan is the only state which has suggested any contribution," he observed.

Douglas Fraser, president of the UAW, couldn't give too much detail on that point. He noted that one of every six jobs in the country is related to the auto industry, and that unless Congress comes through by February, Chrysler will be "in deep trouble."

Detroit's Mayor Coleman Young, who followed Fraser to the stand, was equally vague about how Chrysler could assist in its own rescue. Detroit has given $3 million in tax deferral to keep a plant aloft and was trying to think of "new ways" to help.

He simply reminded the committee that the cost of the collapse would greatly exceed $1.5 billion.

Finally, Proxmire got to the heart of the matter, which is the politics of 1980.

"Let's be realistic," he said. "This is an election year. Carter is concerned with the electoral vote in Michigan, Alabama, Ohio, Missouri, Indiana and Delaware."

The president's concern with the states that are involved in Chrysler operations, and the 600,000 jobs that could be lost in the event of the corporation's demise, has been expressed by his sponsorship of the $3 billion package. His inflation fighter, Alfred Kahn, who complained that the wage settlement was inflationary, has been put down...

The stripes of Mr. Iacocca are not changing," he said, referring to a project study, which showed that Chrysler's affair with the big boat is not yet over.

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WASHINGTON—Sen. Richard Lugar, R-Ind., will try to assume the role of the "Great Compromiser" next week by offering a new plan to aid the financially troubled Chrysler Corp.

Lugar announced Wednesday that he will submit his own version of a bail-out proposal when the Senate Banking Committee begins marking up Chrysler legislation on Nov. 29.

The Indiana Republican refused to disclose the details of his Chrysler proposal because, according to an aide, the package hasn't been put together yet.

Instead, Lugar will unveil the plan with much fanfare before a breakfast meeting with reporters next Tuesday.

In testimony damaging to Chrysler's hopes of getting a $1.5 billion federal loan guarantee, two leading bankers said Wednesday they cannot lend the ailing auto company any more money.

Legislation pending before the Senate Banking Committee, already approved by its House counterpart, would provide federal backing only if banks, employees, dealers, suppliers and stockholders first come up with a matching $1.5 billion.

In testimony before the Senate panel, John McGillicuddy, chairman of the Manufacturers Hanover Trust Co. — the leading bank in a consortium that is already carrying Chrysler to the tune of about $1.5 billion — said his bank "is not prepared at this time to commit additional sums to Chrysler Corporation on an unsecured basis."

Even if Chrysler or the government could provide additional security, he said, the loans might not be forthcoming.

At the same time, however, McGillicuddy said he supports the administration plan to help the company, giving it "a reasonable chance of success" so long as the government and other interested parties put themselves on the line first.

Walter Wriston, chairman of Citicorp, said he opposed the loan guarantee on principle.

Lugar will attempt to substitute his proposal for the administration backed bill offered by Sen. Don Riegle, D-Mich.

The Riegle legislation, debated Wednesday, provides for $1.5 billion in federal loan guarantees for Chrysler, to be matched by an additional $1.5 billion in loans provided by commercial banks.

A Riegle aide said the Michigan Democrat would consider Lugar's plan to be a serious and useful proposal. "We have a very high respect for Lugar," the aide commented. "The plan will not be off-the-wall."

Though Lugar's staff was unwilling to disclose the specifics of his proposal, an aide to Sen. Birch Bayh, D-Ind., ventured a guess about the general outline of Lugar's plan.

The Riegle proposal, the Bayh aide said, would probably require commercial lenders to kick in more money for Chrysler than the federal government and withhold federal aid until Chrysler can identify the banks willing to provide loan guarantees.

The Bayh aide also predicted that Lugar's plan will require that public funds be repaid by Chrysler before any loans are paid off to private investors.

Finally, the aide said, he expects Lugar will suggest that some kind of board be set up outside of the Treasury Department to oversee Chrysler's financial situation.

But Wednesday's testimony may change Lugar's approach.

"It's still a loan guarantee," the Bayh aide commented. "It's just a difference of degree, as much as direction."

The aide added that Bayh felt it was "inappropriate" to comment on Lugar's plan until the details of the proposal are released next week.

Lugar appears to be seeking a middle ground between Banking Committee members who advocate giving Chrysler the $1.5 billion aid package with few strings attached, and those opposed to a federal bail-out of any kind.

Munice Sara
11/22/79
Chrysler Help Sensible

The problem facing the ailing Chrysler Corporation "is not a money problem, it's a people problem." This is how Senator Birch Bayh described it to the Senate Banking Committee during a recent hearing.

The Indiana senator is correct. And many of the people who will be adversely affected by a bankruptcy of Chrysler will be right here in the Goshen area, and in just about every other area of the nation.

Should the government bail out Chrysler? The first feeling of most people is "no way!" But it's not really that simple, and Congress will debate all aspects of this problem before making a final decision. We think government loan guarantees for Chrysler may be the lesser of two evils.

Two bills currently being considered contain important safeguards for the taxpayer, including requirements that loans be adequately collateralized, a prohibition against payment of dividends, and a preferred position of the government as against other creditors. Before a guarantee is made, there must be reasonable assurance or prospect of repayment. Credit must not otherwise be available.

Bayh has done his homework on what effect a Chrysler collapse would have in Indiana. Chrysler corporation suppliers billing $1 million or more during 1976 include Switches Inc., Goshen, and the Ligonier Rubber Co. Inc. No doubt there are a number of other Goshen area businesses under the $1 million mark in annual dealings with Chrysler.

But the big Indiana losers in a Chrysler collapse would be New Castle and Kokomo. New Castle Forge and Machining has been making powertrain components for Chrysler autos for over half a century and employs 2,607 people with an annual payroll of $73 million. It provides 11.8 percent of the total employment for all of Henry County. Chrysler plants in Kokomo employ 6,764 people. This is 13.9 percent of the total employment for both Howard and Tipton counties with an annual payroll of $188 million.

The second largest Chrysler plant in Indiana is at Indianapolis and there is another big plant in Michigan City.

All told, Chrysler in Indiana employs 14,875 people, pays $410 million in wages, purchases $603 million in supplies for a direct impact by Chrysler on Indiana from wages and purchases alone of over $1 billion. This is not to mention the indirect impact of the jobs which are secondarily dependent on these wages and purchases, probably an additional $2 billion.

As Bayh says, "the issue here is jobs and families, not cold, hard statistics."

The fact remains that Chrysler is in a money bind, partially because of governmental regulations involving the environment and energy. It's true that Chrysler's management misread the market and the energy crunch, but the company has problems competing with GM and Ford in meeting various governmental regulations.

So what happens if the government doesn't help bail out Chrysler? The rest of us help pay for Chrysler workers' public assistance, unemployment benefits, pension fund guarantees and loss of federal revenues. And we'll pay more in local taxes in many of our communities.

Although the principle of a Chrysler bailout isn't what most of us would prefer with our tax dollars, maybe this nation should scale down some of its worldwide credit financing and guarantee some loans for a company that is important to every American, in one way or another. We encourage congressmen to carefully consider the practicality of assistance to Chrysler, even though it may be against their basic governmental principles. The collapse of Chrysler would be felt in many areas of this nation, certainly in Indiana and Michigan, and more specifically right here in Goshen. Efforts to save Chrysler is a gamble worth taking. We can't afford to do otherwise.
Bankers Bar Pledge on Chrysler

By JUDITH MILLER
Special to The New York Times

WASHINGTON, Nov. 21—Prospects for legislation to aid the Chrysler Corporation were clouded today as two of the company's major bankers said they could not pledge that they would commit new credit to Chrysler, even if Congress approved $1.5 billion in Federal loan guarantees.

"I really could not come to a conclusion in terms of what we could do or could not do at this time," John F. McGillicuddy, chairman of the Manufacturers Hanover Trust Company, Chrysler's largest lender, told the Senate Banking, Housing and Urban Affairs Committee.

In addition, Walter Wriston, chairman of Citibank, Chrysler's fourth-largest lender, warned the committee that the bailout would establish a precedent that would adversely affect the nation's long-term efficiency and productivity.

'Devastating Evidence'

Senator William Proxmire, chairman of the Senate banking panel and an opponent of the Administration's bill, called the bankers' testimony "devastating evidence that Congress should not approve a Federal loan guarantee for Chrysler."

Meanwhile, Senator Richard G. Lugar, Republican of Indiana, home of Chrysler's second-largest installation, announced that he would oppose the Administration's bill to aid the company but that he would propose a much stricter alternative next week.

"I am convinced that the Administration's plan to save Chrysler will not work," said Senator Lugar, whose support for Federal aid for New York City was crucial to the success of that legislation. "This plan is a blueprint for disaster," he added.

The bankers' critical testimony and Senator Lugar's announcement came as a blow to Senator Donald W. Riegle Jr., Democrat of Michigan, who is the leader of Senate supporters of aid to Chrysler. Appearing tired and somewhat discouraged, Mr. Riegle acknowledged that the bankers' unwillingness to pledge additional help for the company made winning Senate support for the measure "much more difficult."

Continued From Page D1

Working on a Compromise

However, he predicted that some measure would be approved by the committee and agreed to work with Senator Lugar on a compromise measure.

One Administration official said that Senator Lugar's willingness to support some assistance package for Chrysler was a "positive" development, because several days ago he had privately expressed opposition to any plan. The official said that the Administration would examine the Lugar compromise carefully and would keep an "open mind" about changes in its own bill.

Senator Lugar, echoing the sentiments of several committee members, said that a Chrysler bill must require parties with a stake in Chrysler's future to make specific commitments before the guarantees were approved; must require a commitment by private parties greater than the public commitment.

2 Chrysler Bankers Bar Pledge on Loans

He also declined to promise that the banks would restructure their outstanding debt or even adjust the rate of interest on existing loans to help the company survive. In addition, he ruled out conversion of some Chrysler debt into equity, or common stock.

The bankers said that their reluctance to make new commitments stemmed from the fact that they had to represent the best interests of their shareholders and depositors.

Although banks have extended approximately $1.631 billion in credit facilities to Chrysler, $1.2 billion of that sum is extended to Chrysler Financial, the company's profitable financial subsidiary. Mr. McGillicuddy explained that in the event of a Chrysler failure, he believed the banks could recover most of their loans to Chrysler Financial. Hence, the banks' actual exposure lies in the $472 million they have extended to Chrysler, the parent company.

Many of the banks, Mr. McGillicuddy said, would prefer to limit their losses now, rather than take an even larger risk by extending new, and unsecured, credit to a company with a most uncertain future.

Mr. Wriston cast doubt also on the company's viability, concluding that his loan officers did not believe that there was "a very reasonable chance that the loans would be repaid."

The investment banking firm of Goldman Sachs estimates that Manufacturers Hanover has lent $40 million to Chrysler and that Citibank has lent $28 million.

Chrysler Losing Ground in Dealers

Automobile dealers that are affiliated with the Chrysler Corporation are going out of business at a
By The Associated Press

On the eve of Thanksgiving, almost 700 Chrysler workers around Indiana finished up their shifts and embarked on layoffs that will last indefinitely.

"It's not good-bye forever," said John Montgomery, manager of industrial public relations for Chrysler in Detroit. "We're calling them indefinite layoffs. It's caused by a reduction in production levels, which in turn is caused by a reduction in sales. When sales pick up, we'll crank up again."

THE LAYOFFS came on the same day that U.S. Sen. Richard G. Lugar, R-Ind., announced that he plans to oppose the Carter Administration's plan to aid Chrysler, calling it "a blueprint for failure." Lugar said he will introduce his own plan when the Senate Banking Committee meets next week to handle the Chrysler legislation.

Before the financially troubled automaker began ordering layoffs earlier this year, it had 14,947 employees at 13 facilities around Indiana and an annual payroll of just under $400 million.

Montgomery said the layoffs were ordered for 400 employees at Chrysler's transmission plant in Kokomo; 170 employees at the machining plant in New Castle; and 100 employees at the electrical plant in Indianapolis.

ASKED IF it was a coincidence that the layoffs were effective the day before most Americans will be celebrating Thanksgiving, Montgomery replied, "They (the workers) were notified quite some time ago. This happens to be the effective date. "Nobody tells us very much ahead of time when sales go down. It's the nature of the business," he added. "They're being paid through the holiday, the end of the week."

The layoffs at Kokomo transmission brings to nearly 2,000 the number of workers furloughed there. A partial shutdown is scheduled at the plant the week of Dec. 17 and the plant will close completely for one week at Christmas.

WEDNESDAY'S ACTION raised to 990 the number of persons laid off this year at New Castle machining and in Indianapolis.

(Continued on Page 2)
Lugar says aid package to fail

WASHINGTON (GNS) — Indiana Sen. Richard G. Lugar charged Monday that the Carter administration's massive Chrysler Corp. refinancing package is likely to fail because a probable economic decline will cut auto sales and because it does not guarantee jobs of 14,000 Hoosier workers.

Lugar, a Republican, said he'll join as many as six Senate Banking Committee colleagues, most of them Republicans, in opposing the bill when it comes to a vote, perhaps sometime next week.

"I do not see a prospect that the Chrysler Corp. is going to continue without a substantial reshaping of the market's posture," Lugar said during a hearing on the bill Monday.

"I'm not convinced the market for automobiles over the next five years is going to sustain the demand and that Chrysler will even be able to pay the interest on its loan," said Lugar.

He called the bill "a one-way ticket to unemployment for the whole lot" of Chrysler workers laid off in the event of bankruptcy. "This isn't a plan for protection of workers. It's a temporary palliative.

Lugar appeared again to put himself at odds with numbers of Chrysler aid supporters who, on Monday included United Auto Workers President Douglas Fraser and Detroit Mayor Coleman A. Young.

Both men cited Indiana communities as among those likely to suffer debilitating economic consequences comparable to Detroit's.

Young, who is chairman of the U.S. Conference of Mayors Urban Economic Policy Committee, said Chrysler and New Castle, Ind., would suffer substantial reversals if Chrysler fails.

"In New Castle, one-third of all jobs might be lost. In Kokomo, 40 percent of all jobs would be affected by the direct and secondary effects of a Chrysler shutdown," said Young in prepared testimony.

Fraser included New Castle with Newark, N.J., and Huntsville, Ala., among especially vulnerable cities.

He gave a number of reasons why many Chrysler plants might not continue in operation in the event of a bankruptcy reorganization:

- "Most large Chrysler plants are not situated in geographic areas where they can be efficiently converted to use by other auto companies," he said in prepared remarks.
- "Even those which might be acquired would be shut down for many months to allow for costly and time-consuming retooling."
- "General Motors and Ford can easily expand production without new hires and ... have already placed tens of thousands of our members on indefinite layoff because of slack demand."

Both GM and Ford rely less on outside suppliers than Chrysler, the union chief added.

Lugar favors different plan to save Chrysler

WASHINGTON - Sen. Richard Lugar, R-Ind., said for the first time this week that the ailing Chrysler Corp. should be given some form of federal help.

But he said he will oppose the Carter plan to provide administration's $1.5 billion in loan guarantees for the troubled automaker. He said it puts too big a burden on taxpayers.

Lugar said Wednesday he will submit a proposal of his own next week that "shifts the major burden of saving the company from the taxpayer, and onto the parties directly involved.

Lugar is a member of the Senate Banking Committee that will begin drafting a Chrysler assistance plan on Nov. 29.

Lugar provided no details about the plan he intends to offer next week. But he said: "I am convinced the administration's plan to save Chrysler will not work. It is a blueprint for failure.

Lugar added that the administration's proposal "provides neither enough capital nor the right kind of cost structure for Chrysler." The Indiana Republican predicted that the nation's economy and energy problems will worsen before they get better. "It is clear the administration's plan does not provide Chrysler with sufficient assistance to survive the economic shocks which are certain to continue," he said.

Lugar's announcement came one week after Sen. Birch Bayh, D-Ind., testified to the banking committee in favor of help for Chrysler. Bayh said he was not committed to any particular plan for assisting the car company.

Bayh warned that a Chrysler col-
Chrysler developments

If Congress is to come to the rescue of Chrysler Corporation, it isn’t in any hurry. The Carter administration has proposed a plan to guarantee loans in the amount of $1.5 billion, but Congress has not yet acted.

There is no unanimous agreement among the legislators on federal aid to Chrysler. Some congressmen, such as Sen. William Proxmire of Wisconsin, are opposing a government bailout on the ground it favors one big company while thousands of other companies fail without receiving government help.

However, sentiment for assisting Chrysler to get on its feet is stronger than the opposition, and the chances of the loan guarantees going through still appear encouraging.

An interesting development came this week when Sen. Richard Lugar of Indiana announced he plans to oppose the Carter plan and will introduce one of his own when the Senate Banking Committee meets next week to handle the Chrysler legislation. Lugar doesn’t think the administration plan will work. He sees it as “a blueprint for failure.”

It isn’t that Lugar doesn’t want to help save Chrysler. He told a press conference in Kokomo a week ago that saving the company is important not only for Indiana, a state with a large Chrysler investment, but for the national economy. He and all other congressmen from Indiana have been working to convince their colleagues of that fact.

Lugar’s objection to the Carter plan is that “it provides neither enough capital nor the right kind of cost structure for Chrysler.” Nor does it “adequately protect American taxpayers,” he added. His own plan, he said, would shift “the major burden of saving the company from the taxpayer to parties directly involved in the Chrysler situation.”

The senator’s concern is to reduce the risk of loss to the people, whose money would be used to guarantee the loans. Chrysler is important to the American economy, and restoring it to its once-potent place in the nation’s industrial sector should be the wish of everyone.

At the same time, the country must not get into a position where it would go on subsidizing corporations perpetually. Whatever the government may do about helping Chrysler, it needs to avoid a permanent subsidy. If a plan is adopted to guarantee loans, it should not be followed by additional guaranteees later on, for that would be a step toward nationalizing industry and the British experience has shown how such a policy comes close to wrecking a country.

A question which continues to be asked is whether Chrysler and its employees are doing enough to ease the company’s plight. Alfred Kahn, President Carter’s anti-inflation fighter, aroused the ire of Chrysler workers by asserting their union agreement with the company had not been sufficiently sacrifical.

The company has not been entirely negligent in helping itself. Congressman Elwood Hillis points out that it has made significant efforts by selling many of its overseas assets, reducing top corporate salaries and adopting new management policies.

“The effects of a Chrysler failure on the automotive industry would be dramatic,” Hillis told a Senate committee. “Without Chrysler, Ford and General Motors would be faced with anti-trust actions by the government. It would be impossible to disassemble Ford or General Motors without hampering their capabilities to improve safety and efficiency. Foreign competitors, with the help of their governments, would continue to take an increasing share of the automobile market.”

Meanwhile, employee layoffs at Chrysler plants continue. This week, there were 400 layoffs at the Kokomo transmission plant, 170 at New Castle and 100 at Indianapolis. At press week, nearly 2,000 Kokomo Chrysler workers are on furlough.

Significantly, Chrysler spokesmen are showing some spirited optimism. Speaking of the latest layoffs, John Montgomery, manager of the company’s industrial public relations in Detroit, said, “It’s not good-bye forever. It’s the layoffs caused by a reduction in production levels, which in turn is caused by a reduction in sales. When sales pick up, we’ll crank up again.”

Let’s hope this kind of spirit is justified.
Lugar to Offer Chrysler Aid Plan

By LINDA SARRIO
States News Service
WASHINGTON — Sen. Richard Lugar, R-Ind., will try to assume the role of the “Great Compromiser” next week by offering a new plan to aid the financially troubled Chrysler Corp.

Lugar announced Wednesday that he will submit his own version of a bail-out proposal when the Senate Banking Committee begins marking up Chrysler legislation on Nov. 29.

The Indiana Republican refused to disclose the details of his Chrysler proposal because, according to an aide, the package hasn’t been put together yet. Yet, Lugar will unveil the plan with much fanfare before a breakfast meeting with reporters next Tuesday.

Lugar will attempt to substitute his proposal for an administration backed bill offered by Sen. Don Riegle, D-Mich. The Riegle legislation provides for $1.5 billion in federal loan guarantees for Chrysler, to be matched by an additional $1.5 billion in loans provided by commercial banks.

A Riegle aide said the Michigan Democrat would consider Lugar’s plan to be serious and useful proposal. “We have a very high respect for Lugar,” the aide commented. “The plan will not be off-the-wall.”

Though Lugar’s staff was unwilling to disclose the specifics of his proposal, an aide to Sen. Birch Bayh, D-Ind., ventured a guess about the general outline of Lugar’s plan.

The Lugar proposal, the Bayh aide said, would probably require commercial lenders to kick in more money for Chrysler than the federal government and withhold federal aid until Chrysler can identify the banks willing to provide loan guarantees.

The Bayh aide also predicted that Lugar’s plan will require that public funds be repaid by Chrysler before any loans are paid off to private investors.

Finally, the aide said, Lugar will tell that some kind of board be set up outside of the Treasury Department to oversee Chrysler’s financial situation.

“It’s still a loan guarantee,” the Bayh aide commented. “It’s just a difference of degree, as much as direction.”

The aide added that Bayh felt it was inappropriate to comment on Lugar’s plan until the details of the proposal are released next week.

Lugar appears to be seeking a middle ground between Banking Committee members who advocate giving Chrysler the $1.5 billion aid package with few strings attached, and those opposed to a federal bail-out of any kind.

Chrysler in Indiana

Perhaps our days are numbered in the unconstrained use of the automobile. Two- and three-dollar-a-gallon gasoline and mere mention of a $1-a-gallon tax on gasoline is enough to pose an assault on our lifestyle with the automobile.

But it makes us think twice about the shift to more shared-ride transportation as we peruse the statistics banded about by Indiana U. S. Sen. Birch Bayh as he testified in Washington before the Senate Banking Committee on the economic impact of a Chrysler closing in Indiana.

We’re not alone, of course. Michigan, the seat of the automobile manufacturing industry, would suffer devastating results from a bankrupt Chrysler Corp. But next to Michigan, Chrysler’s active involvement is greater in Indiana than in any other state in the Union.

The significance of active manufacturing production in any given area is best exemplified by the fact that Chrysler employs nearly 15,000 workers in Indiana, pays $410 million each year in wages in this state, and purchases more than $600 million annually in supplies from Indiana firms, not to overlook more than $8 million in state and local taxes paid in Indiana by Chrysler in 1978.

Forget Chrysler itself for a moment. That company buys from more than 50 other Indiana companies which produce automotive products. New Castle Forge and Machining, as one example, has been producing for Chrysler during all of its 54 years of existence.

A good share of the 2,600 employees in that plant work on Chrysler products. The company employs 12 percent of the total work force in Henry County, and generates a $73 million-a-year payroll, thanks in large part to Chrysler. And the same can be said for several other plants, corporately divorced from the Chrysler Corp., which depend primarily upon Chrysler for their annual output.

This is not to say that these same automotive parts and accessories plants do not produce for other automotive and satellite companies in the vehicular industry, but Chrysler does buy from some 50 Indiana manufacturing plants.

The automotive and transportation industries are sure to change in years to come. Other types of more economical private vehicles and public conveyances must be manufactured, and we hope that Chrysler and other automobile and truck builders will figure prominently in that conversion.

But those Chrysler figures clearly show the dependence we have on the automobile-making industry.

Sen. Bayh put it appropriately: “I believe curing the patient is much cheaper than allowing the patient to die.”
Chrysler tall tales

You go along for weeks thinking the federal rescue of Chrysler Corporation is a necessary evil of modern life like credit cards and toothpaste. Then the full-page newspaper ads and the dire prophecies begin to sink in: What we may have is a good old flim-flam — snake oil bottled as a $1.5 billion loan guarantee.

There's one valid reason to consider a federal bail-out for Chrysler and that's the tremendous loss of jobs following the corporation's failure. This would mean great hardship to the employees, plus a jolt to the economy in lost taxes and payments to the unemployed. Treasury Secretary Miller puts that at $2.75 billion. Thus, the $1.5 billion in loan guarantees is a kind of social bargain. Indiana Sen. Birch Bayh concludes that "curing the patient is much cheaper than allowing the patient to die."

Trouble is, this assumes things that aren't true. The usual figure given for workers who would be out in the cold is 158,000. But that was Chrysler's average work force last year. It's down now to about 113,000. In Detroit where the problem would be most severe, a reduction by half is coming — no matter what the government does. Keep in mind that many of Chrysler's workers are engineers, mechanics and tool and die makers. There remains a demand for such workers elsewhere.

You can't be callous about the rest. Whether a person is one of 113,000 thrown out of work or one of 63,000, the hardship is real; it's no fun to be unemployed. Provision must be made. But the analysis could be off in another respect: It's taken for granted that bankruptcy is the only serious option to a federal bail-out and that this would halt Chrysler's production. Mr. Miller's figures assume this. Corporation Chairman Lee Iacocca argues that under bankruptcy the consumer just won't buy Chrysler. That all depends, though.

Lots of companies fall into bankruptcy each year; they are reorganized and continue to produce, keeping jobs and a piece of the market. It may be harder for Chrysler, given its abysmal performance this year. But the argument is rigged in the corporation's behalf if bankruptcy is allowed to equal shutdown. In any case, the number of jobs lost is exaggerated.

There's a deeper problem with the bail-out as it's been constructed by Chrysler supporters and Mr. Miller. It probably won't work. The corporation had 13 percent of the U.S. market in 1976. In 1979, that had dropped to 10 percent. Even Chrysler concedes that to keep things afloat, its share must climb back up to 12 percent by 1984 or it will be in great trouble again. For such a comeback, everything has to fall into place: sales, margins, labor costs, Japanese loans, not to mention GM and Ford's consent. One begins to search for other improbabilties — intelligent life on Mars, etc. Last week, two leading bankers told the Senate Banking Committee they didn't want to loan Chrysler any more money. (Under Secretary Miller's formula, Chrysler must have private commitments first.)

Some think Chrysler and its employees haven't yet made that supreme sacrifice to justify such federal meddling in the free enterprise system. The new UAW contract is only slightly less inflationary than contracts with the other big auto makers; many writers labeled it a token gesture. Also, Chrysler has no desire to stop competing in every major line with the others. (Some see this as the locus of Chrysler's management problems.) Surely at some point the sacrifice to keep the corporation afloat becomes greater than the one to let it sink.

Maybe it's time to think about Sen. Adlai Stevenson's plan: Let Chrysler go broke and give aid to others able to pick up the pieces. The virtue of this, unlike the loan guarantee, is that you don't have to believe in the Easter Bunny to defend it.
Perhaps our days are numbered in the unconstrained use of the automobile. Two-and-three-dollar-a-gallon gasoline and mere mention of a $1-a-gallon tax on gasoline is enough to pose an assault on our lifestyle with the automobile.

But it makes us think twice about the shift to more shared-ride transportation as we peruse the statistics bandied about by Indiana U. S. Sen. Birch Bayh as he testified in Washington before the Senate Banking Committee on the economic impact of a Chrysler closing in Indiana.

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"The automotive and transportation industries are sure to change in years to come. Other types of more economical private vehicles and public conveyances must be manufactured, and we hope that Chrysler and other automobile and truck builders will figure prominently in that conversion."

But those Chrysler figures clearly show the dependence we have on the automobile-making industry.

Sen. Bayh put it appropriately: "I believe curing the patient is much cheaper than allowing the patient to die."
Lugar offers plan for saving Chrysler

Sen. Richard Lugar today called on the Senate to "drive a tough bargain" in providing aid to Chrysler Corp., and offered his own alternative to the Carter administration's aid plan.

Lugar's formula would increase the total amount of new money available to Chrysler, but would do so by extracting concessions from Chrysler management, unions, shareholders and bankers.

The proposal offered on the Senate floor today by Lugar will go to the Senate Banking Committee, of which Lugar is a member. A spokesman in Lugar's Washington office said the administration's aid-to-Chrysler plan is not expected to pass in that committee.

Although the Lugar plan would produce $4 billion rather than the $3 billion projected in the Carter administration's proposal, $1 billion in federal loan guarantees would be required rather than the administration's proposed $1.5 billion.

The Carter administration has proposed giving Chrysler $1.5 billion of federal loan guarantees to match $1.5 billion raised by the company from all sources. Lugar would amend that approach as follows:

- Require Chrysler to assemble $1.6 billion — about the same as the administration proposal — from all other sources, such as non-guaranteed loans, sales of assets, further stock issues, concessions from suppliers and state and local governments.

After these pre-conditions are met, Lugar's bill would authorize $1 billion, as opposed to the administration's 1.5 billion, in federal loan guarantees.

The Lugar bill would also establish as a seven-member review board to certify all conditions are met, priority of the guaranteed loans in the event of default, and a prohibition against payment of any stock dividends until all federally-backed loans are repaid.

"This plan is based on the principle that taxpayers should help save the Chrysler jobs, but only after driving a reasonable bargain in terms of real sacrifice by the workers, management, stockholders and bankers who are asking for the help," Lugar said.

"The consequences of a Chrysler bankruptcy would be very severe nationally, and devastating in parts of Indiana," Lugar said. "And it is clear that the cumulative effect of federal laws and regulations played a major role in creating Chrysler's difficulty.

"For these reasons, some federal assistance should be considered," he said. "But no assistance should be extended unless it is earned, and unless the toughest possible safeguards protect the taxpayers' guarantees."

-Freeze the wages of all management personnel, saving Chrysler $233 million.

-Freeze the wages and some benefits of hourly workers, saving $1.2 billion.

-Freeze the wages of all management personnel, saving Chrysler $233 million.

-Freeze the wages of all management personnel, saving Chrysler $233 million.
2 Senators Would Add Chrysler Aid Conditions

By JUDITH MILLER

Special to The New York Times

WASHINGTON, Nov. 27 — Prospects for emergency Federal loan guarantees for the Chrysler Corporation worsened today as two key Senators said that they would not support an aid package unless it contained a wage freeze for Chrysler workers and hefty increases in private aid for the company.

Bills proposed by Senator Richard G. Lugar, Republican of Indiana, and Senator Paul E. Tsongas, Democrat of Massachusetts, contain similar wage-freeze provisions and requirements that contributions from private parties with a stake in Chrysler's future be larger than the amount of Federal loan guarantees.

Senator Lugar's version would reduce the Federal Government's contribution to $1 billion in loan guarantees, while requiring the company to raise about $3 billion in nonguaranteed financing. The version presented by Senator Tsongas would maintain the $1.5 billion government contribution, but require the company to raise $2.5 to $3 billion from other sources.

These provisions run counter to the Administration's bill, which would provide $1.5 billion in loan guarantees to Chrysler if the company raised at least an equal amount of contributions in various forms from private sources, including banks; the United Automobile Workers union; suppliers and dealers; cities and states, and shareholders.

Defections a Blow to U.S. Bill

The opposition of Mr. Lugar, whose state has more than 16,000 workers associated with Chrysler, and Mr. Tsongas, a liberal Democrat who had been expected to support the measure, came as a blow to the Administration's bill, in the Senate Banking Committee has been closely divided on the controversial package.

Senator Tsongas said that it was "astonishing" that he and Senator Lugar, whose voting records are at odds on virtually every major issue, had independently developed almost identical substitutes to the Administration's bill.

Both Senators described their measures as "constructive" efforts to secure some sort of aid for Chrysler, which has said it will run out of cash early next year without Federal assistance.

"The Administration's bill simply doesn't have the votes," said Senator Tsongas, who, unlike Senator Lugar, has received election contributions from the United Automobile Workers.

U.S. Plan 'Won't Save It'

"My bill makes sense for those who think that Chrysler can be saved, because the Administration's bill won't save it," Senator Lugar said at a breakfast meeting this morning with reporters.

Both measures reflect strong disapproval within the committee of the wage contract recently negotiated between Chrysler and the U.A.W.

"There is a consensus on this committee that there must be a clear sense of sacrifice," Senator Tsongas said. "What we have now is a clear sense of embarrassment."

The House is expected to act on its version of the Chrysler legislation, which is very similar to the Administration's bill, in the first or second week of December.

Continued on Page D19
Tougher Terms for Assistance to Chrysler Are Sought Within Senate Banking Panel

BY ROBERT S. GREENBERGER
Staff Reporter of The Wall Street Journal
WASHINGTON — The Senate Banking Committee is moving to toughen the terms under which it would approve federal loan guarantees for ailing Chrysler Corp.

Members of the panel have been complaining that the Carter administration's aid proposal, which cleared the House Banking Committee earlier this month, doesn't call for enough sacrifice by the auto maker, its workers and others with an economic stake in Chrysler's survival. The administration bill would provide as much as $1.5 billion in federal loan guarantees if Chrysler can raise another $1.5 billion on its own.

Yesterday, several members of the Senate Committee offered rescue packages that are sharper teeth. Sen. Richard Lugar (R., Ind.) proposed a $4 billion plan under which the government would guarantee $1 billion in loans and the company would provide about $3 billion, including $1.4 billion resulting from a three-year wage freeze.

Sen. Paul Tsongas (D., Mass.) proposed a $2.5 billion to $3 billion rescue package, with the government guaranteeing $1.5 billion and Chrysler's employees forgoing wage increases for at least one year.

Both the Lugar and Tsongas proposals require that private-sector contributions towards Chrysler's recovery be spelled out in detail before federal government participation in the rescue operation. For example, Sen. Lugar's proposal requires in addition that Chrysler raise $50 million through a stock sale and that the government retain a superior position as a creditor. In the administration's bill, the government may waive its top priority as a creditor, and there isn't any requirement for a sale of stock.

Under Sen. Tsongas's proposal, Chrysler's banks would have to provide as much as $400 million in new debt financing, and the states and localities where Chrysler operates would have to prepare an aid package of as much as $500 million in guarantees and tax incentives.

Treasury Secretary G. William Miller, who has headed the rescue operation for the administration, has avoided setting specific commitments for the parties with a stake in Chrysler, preferring to negotiate those details after Congress approves the overall aid package. Mr. Miller "wants the authority to put the screws to everybody," says an aide to Sen. Donald Riegle, the Michigan Democrat who is leading the Senate drive for Chrysler. But, the aide adds, many committee members are uncomfortable with this strategy and want to see more specifics in the bill.

By far the thorniest issue raised by yesterday's proposals is the employee wage freeze. Douglas Fraser, president of the United Auto Workers union, has told Congress that he won't renegotiate the contract recently agreed to with Chrysler. The pact calls for $203 million less in wages over the next two years than agreements signed by the UAW with the two other major auto makers. Mr. Fraser calls the agreement with Chrysler "a significant sacrifice" by his workers.

The aide to Sen. Riegle calls the wage freeze proposal a "serious problem" and says that when the Banking Committee begins drafting legislation tomorrow it will seek a compromise that doesn't require abrogating the contract. "We believe that everyone with a role must bear some of the pain," the aide said. "The issue is finding an acceptable contribution by the union that doesn't mean reopening the labor agreement.

Mr. Fraser has said the union would consider a further contribution once it sees what others are willing to do for Chrysler. But "we would look for ways to do it outside of the collective-bargaining process," he told the panel.

Sen. Riegle's aide said "the chances aren't very good" that the administration's bill will be approved by the committee.

"The issue is how do we accommodate the concerns of the various committee members," he said.

Seeking a compromise on the wage-freeze issue won't be the committee's only problem. Thus far, Chrysler's bankers, suppliers and others involved with the company haven't made specific commitments. "Nobody's showing their hand," Sen. Riegle's aide says. As a result, says an aide to Sen. Tsongas, some committee members are concerned that "there is too much discretion being put in the hands of the Treasury Secretary.

Thus, it's likely that when the Senate committee begins working on the bill tomorrow it will set specific conditions for federal assistance, several committee sources said. These conditions will put pressure on those with a stake in Chrysler's future to decide the precise contribution they are willing to make toward its survival.
Nov. 11-20 Car Sales Off 16.6%

Big 3 All Report Drops for Period Despite Rebates

DETROIT, Nov. 27 (AP) — The nation's Big Three auto makers yesterday reported a 16.6 percent sales drop for mid-November, although industry executives said that rebates and dealer incentive programs had attracted buyer interest.

Each of the Big Three companies showed comparable declines. General Motors reported sales of 128,854 for the eight selling days of the 10-day reporting period, off 17 percent from a year ago. Ford Motor reported sales of 91,462, off 15.5 percent, and Chrysler reported sales of 21,280, down 16.6 percent. The total came to 222,596 units, compared with 242,868 in the year-ago period.

Including results for Volkswagen of America, which was not operating at full capacity a year ago, and the American Motors Corporation, for which the 10-day figures were estimated, the sales total for Nov. 11-20 was 213,221 cars, down 14.3 percent from a year earlier.

A.M.C. sales were estimated by Automotive News at 5,500, up 22.2 percent from a year ago. The company reports sales only on a monthly basis. Volkswagen of America said it delivered 5,125 new American-produced Rabbit models in the period, up 223.7 percent from last year, when VW's Pennsylvania plant was not yet fully operational.

Year-to-Date Sales Off 10.1%

For the year to date, United States car sales, based on a daily rate, are off 10.1 percent. Sales total 7.5 million, compared with 8.4 million for the 1978 period.

Executives of the Big Three praised incentive programs and rebates for drawing people to dealers and trimming bulging inventories of unsold cars, although industry analysts were somewhat less enthusiastic.

While G.M. and Ford are offering incentives to dealers who in turn may pass them along to customers, only Chrysler is giving cash rebates to buyers.

"In a very sluggish market, our special introductory rebate offer seems to be getting traffic and sales for us," said Jerry Pyle, Chrysler sales vice president.

"Our dealers report increased interest in both our 1980-model vehicles and, those 1979 models included in the recently started cash incentives being offered dealers," added Robert D. Burger, G.M. marketing vice president.

But one company analyst who preferred anonymity said that while incentives "do some good because they have to bring people into the dealerships, why is Chrysler's market share well below this year's number if the rebates are working?"

Chrysler's share of the market was 10 percent for the latest reporting period, up from 8.3 percent in early November but down from the 11.5 percent share for the year. G.M., meanwhile, captured nearly 61 percent of the market, Ford had 24 percent and A.M.C. and VW divided the remaining 5 percent.
Lugar Offers New Chrysler Aid Plan

CHRYSLER, From D7

Sen. Richard Lugar (R-Ind.) was a key figure in yesterday's developments. He proposed a thorough alternative to the administration's plan, which he termed a "pure bailout." Lugar said his plan would require "sacrifice" by all parties with a stake in Chrysler's future and would insure the company's survival.

Later in the day, Sen. Paul Tsongas (D-Mass.) offered a very similar bill. The combined efforts of Lugar, Tsongas and Proxmire are expected to form the basis for committee action.

Instead of President Carter's plan for $1.5 billion of federal loan guarantees and a requirement that the auto company raise $1.5 billion on private markets, Lugar's bill would provide $4 billion—with only $1 billion coming from taxpayer support. The most controversial element of the Lugar plan—put one with much support on Capitol Hill—would freeze wages and some benefits of Chrysler's United Auto Workers union employees. The UAW officials offered no formal response to the Lugar plan, but union President Douglas Fraser has said previously the 'union has no plans to reduce wages by 30 percent or more.'

In the Chrysler accord, the UAW agreed in effect to a one-year freeze—but spread over the next three years for a total of $2 billion. The company itself had asked for a two-year freeze when it began bargaining.

One industry spokesman said yesterday the Lugar freeze proposal was "more hopeful than possible," and a UAW official emphasized that legislation already approved by a House committee requires the union to buy $30 million of Chrysler stock, over and above the new wage contract.

Other proposals by Lugar included:

- A freeze on wages of all management personnel, for a savings of $123 million.
- A requirement that Chrysler sell at least $50 million of stock in 1979, diluting current stockholders' interest by up to 21 percent.
- A mandate to the company to secure $1.5 billion (about the same as the administration bill) from other sources—nonguaranteed loans, sales of assets, further stock issues, concessions from suppliers and local governments.
- Establishment of a seven-member review board to oversee the Chrysler aid and set priority for government loans in the event of default. The administration bill permits a waiver of this, senior government position, but opposition in both the House and Senate is expected to eliminate this waiver provision.

"This plan is based on the principle that taxpayers should help save the Chrysler jobs, but only after driving a reasonable bargain in terms of real sacrifices by the workers, management, stockholders and bankers who are asking for the help," Lugar declared.
Sen. Lugar to offer new help-Chrysler plan

by Linda Sario
States News Service

WASHINGTON — Sen. Richard Lugar, R-Ind., will try to assume the role of the “Great Compromiser” next week by offering a new plan to aid the financially troubled Chrysler Corp.

Lugar announced Wednesday that he will submit his own version of a bail-out proposal when the Senate Banking Committee begins marking up Chrysler legislation on Nov. 29.

The Indiana Republican refused to disclose the details of his Chrysler proposal because, according to an aide, “the package hasn’t been put together yet.” Instead, Lugar will unveil the plan with much fanfare before a breakfast meeting with reporters next Tuesday.

Lugar will attempt to substitute his proposal for an administration-backed bill offered by Sen. Don Riegle, D-Mich. The Riegle legislation provides for $1.5 billion in federal loan guarantees for Chrysler, to be matched by an additional $1.5 billion in loans provided by commercial banks.

A Riegle aide said the Michigan Democrat would consider Lugar’s plan to be a serious and useful proposal. “We have a very high respect for Lugar,” the aide commented. “The plan will not be off-the-wall.” Although Lugar’s staff was unwilling to disclose the specifics of his proposal, an aide to Sen. Birch Bayh, D-Ind., ventured a guess about the general outline of Lugar’s plan.

The Lugar proposal, the Bayh aide said, would probably require commercial lenders to kick in more money for Chrysler than the federal government and withhold federal aid until Chrysler can identify the banks willing to provide loan guarantees.

The Bayh aide also predicted that Lugar’s plan will require that public funds be repaid by Chrysler before any loans are paid off to private investors.

Finally, the aide said, he expects Lugar will suggest that some kind of board be set up outside of the Treasury Department to oversee Chrysler’s financial situation.

“It’s still a loan guarantee,” the Bayh aide commented. “It’s just a difference of degree, as much as direction.”

The aide added that Bayh felt it was “inappropriate” to comment on Lugar’s plan until the details of the proposal are released next week.

Lugar appears to be seeking a middle ground between Banking Committee members who advocate giving Chrysler the $1.5 billion aid package with few strings attached, and those opposed to a federal bailout of any kind.

If Lugar succeeds in bridging the gap between those two factions he may cement his reputation as the “Great Compromiser” on the Banking Committee.

Last year Lugar was instrumental in breaking a Banking Committee deadlock over a similar proposal to provide federal aide for New York City.

Asked whether he thought the Indiana Republican may be attempting the same feat on the Chrysler bill, the Riegle aide commented, “I would guess that’s what he’s doing.”
Senate Unit Backs Aid To Chrysler

But Bill Freezes Pay for U.A.W. And Managers

By JUDITH MILLER

WASHINGTON, Nov. 29 — The Senate Banking Committee approved $1.25 billion in Federal loan guarantees for the Chrysler Corporation tonight, but only on condition that Chrysler workers agree to give up wage increases recently won in their three-year contract with the company.

The legislation, approved in a 10-to-4 vote after hours of intense public debate and private negotiating sessions, would require Chrysler workers and management to accept a three-year wage and compensation freeze in order to qualify for the Federal loan guarantees.

This provision would require that the United Automobile Workers union renegotiate its three-year contract with Chrysler — believed to be an unusual intervention by Congress in the collective bargaining process.

Stock Distribution Backed

At the same time, however, the committee approved a measure that would require the company to distribute shares worth $250 million, or approximately 40 percent of the company’s common stock at current market value, to employees. Senator Richard G. Lugar, Republican of Indiana, noted that, in lieu of their added wages, Chrysler workers would own a substantial portion of the company.

In addition, the committee voted to soften the wage-freeze proposal by permitting Chrysler workers to renegotiate compensation for the third year if the company was recovering financially at that time. Nevertheless, the wage portion of the bill was immediately attacked by union officials.

“This proposal is punitive, discriminatory and outrageous,” said Howard G. Paster, legislative director of the U.A.W., who vowed to try to kill the employee wage freeze when the legislation reached the Senate floor.

Widespread Consensus Indicated

However, the wide margin of the vote indicates that there is a widespread consensus within the committee that workers must make sufficient “sacrifices” to help their employer recover.

The legislation drafted today in the so-called “markup” session differs sharply from that supported by the Administration and the bill approved recently by the House Banking Committee. That bill would provide $1.5 billion in Federal loan guarantees, provided the company obtained an equal amount from private sources.

However, the Senate committee’s first action today was to reject the Administration’s bill as a drafting vehicle. By 10 to 5, the committee voted to substitute the compromise measure that was offered by Senator Paul E. Tsongas, Democrat of Massachusetts, and Senator Lugar.

The Tsongas-Lugar bill would pro-

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WASHINGTON [AP]—A compromise $1.25 billion package of federal loan guarantees for the ailing Chrysler Corp. survived its first test in the Senate Banking Committee Thursday.

"I think we are going to win," Sen. Paul Tsongas [D., Mass.] told reporters after the committee voted 10-5 to use the compromise as the starting point in shaping a measure to send to the Senate floor.

Critics of the compromise, worked out by Tsongas and Sen. Richard Lugar [R., Ind.] sought to have the committee nix the Carter administration's bill, which calls for $1.5 billion in guarantees.

THE TSONGAS-LUGAR plan calls for Chrysler and allied interests to match the government guarantee with $2.75 billion raised without guarantees, as opposed to $1.5 billion matching requirement in the administration bill.

The matching money called for by the Tsongas-Lugar plan would include $1.32 billion from a three-year freeze of the wages of hourly workers and of the total compensation paid to white-collar employees.

Although the opening vote was procedural, Tsongas said he regarded it as a valid test of the sentiment in the committee.

Voting with Tsongas were all six of the committee's Republicans and three other Democrats. Five Democrats voted to use the administration bill as the basis of the committee's work.

MUCH OF THE discussion revolved on the proposed wage freeze, which would require reopening of a three-year contract recently negotiated with Chrysler. Douglas Fraser, president of the United Auto Workers, has said the union would do this only if "the very survival of the company was at stake."

"That's precisely what we are talking about," Sen. William Proxmire [D., Wis.], an opponent of the loan guarantees, said. He argued that Chrysler employees should be required to make more sacrifices because their jobs are in danger.

But Sen. Paul Sarbanes [D., Md.] said there was no guarantee a wage freeze would be approved by UAW members.
TSONGAS AND LUGAR: GREAT JOB ON CHRYSLER

Mr. PROXMIRE. Mr. President, yesterday, the Senate Banking Committee reported the Chrysler loan guarantee legislation.

I voted against it because I oppose bailing out failing firms. But the bill from the committee does provide a far better chance for Chrysler to survive.

It does require much greater sacrifices on the part of the interested parties that would gain from a Chrysler rescue. It provides a precedent that may be somewhat more discouraging in dissuading other failing firms from lining up for a Federal bailout when they get into trouble. It requires a somewhat lesser contribution from the taxpayer and considerably more protection for the taxpayer in the event of a Chrysler collapse.

For all these improvements, Senator Richard Lugar and Senator Paul Tsongas deserve very great credit. They have put together a coalition that supports aid for this Nation's 10th biggest firm, employing over 100,000 people, and aid that, absent their efforts, in my judgment, would not be forthcoming at all.

Putting this kind of constructive package together is one of the most difficult but perhaps the most creative kinds of legislative work that we as Members of Congress can do. Senator Lucas, who did the same kind of remarkable work in putting together the New York City package, and Senator Tsongas, who demonstrated a really brilliant understanding of the complexities of this tough issue, deserve great thanks not only from the Chrysler family of dealers, suppliers, workers, creditors, and stockholders, but from the country as a whole.

This legislation is far from horse free. Even if enacted, it could still not save a corporation that is in extremely grave condition. But it is a noble effort, and Senators Lucas and Tsongas deserve our gratitude.

Mr. President, I ask unanimous consent that a New York Times editorial of yesterday, entitled: "A Shrewd Compromise for Chrysler," be printed at this point in the Record.

There being no objection, the editorial was ordered to be printed in the Record, as follows:

A SHREWD COMPROMISE FOR CHRYSLER

As outlined by the White House, the Federal loan guarantee program for Chrysler is a cheap ride. Neither Chrysler's stockholders nor its employees would be asked to make major sacrifices. But two members of the Senate Banking Committee—Richard Lugar, a conservative Republican from Indiana, and Paul Tsongas, a liberal Democrat from Massachusetts—have a better idea. They suggest a bail-out program that would require those who stand to lose the most from Chrysler's demise to bear most of the burden of the rescue. That is the least the public should demand as the price of taxpayer support.

President Carter's plan calls for $1.5 billion in loan guarantees to be matched by an equal amount from private sources. But little of that matching private money would come from Chrysler's unionized employees, who are determined to hold on to their recently negotiated wage increases. They won a $1.3 billion package that would increase Chrysler's labor costs to about $20 an hour. By 1982, Chrysler's stockholders would be sheltered, too; the company plans to borrow most of the private money it needs from banks, dealers, suppliers and communities with Chrysler plants.

The Lugar-Tsongas plan would redirect the risks. The Senators want to offer Chrysler $1.25 billion in Federal loan guarantees. But in return, every Chrysler employee would have to accept a wage freeze. And the company would have to raise a total of $2.5 billion from private sources, including the sale of stock. If, through such shared sacrifice, Chrysler prospered, everyone would win. Chrysler stock, though diluted by more stock sales, would still be worth more than now. The workers would keep their high-paying jobs and, by a provision in the Lugar-Tsongas proposal, receive $750 million in preferred stock as deferred compensation.

This bill is one with which everyone should be able to live. It would give Chrysler a good chance to survive. Yet it would ask for enough sacrifice to discourage other failing firms from rushing to apply for Federal rescue. It is a compromise between a giant Federal giveaway and a decidedly cold shoulder. We hope Congress sees the wisdom of this combination.

Mr. STEVENS. Mr. President, today's New York Times contains an editorial supportive of the new proposal offered by Senator Lugar to resolve the Chrysler financing problem.

The distinguished junior Senator from Indiana has displayed an uncanny ability to effect compromises in areas of extreme sensitivity and controversy, and it appears that he has again suggested a workable plan of action with respect to the Chrysler situation. Although I have not decided what to do about this financing problem, it is my intention to give careful attention to the various proposals, particularly the one endorsed by my good friend from Indiana.

I commend him and his principal co-sponsor, the Senator from Massachusetts (Mr. Tsongas), for their diligence in this matter.
Senate Panel Approves Conditional Chrysler Aid

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Providing the company with $4 billion — $1.25 billion in Federal guarantees and $2.75 billion in specific commitments from the union, banks, Chrysler suppliers and dealers, municipalities and parties with a stake in the company’s future.

Unless the private parties make "legally binding" commitments to the company totaling $2.75 billion, no Federal loan guarantees would be forthcoming. Of this, the U.A.W. must contribute a total of $1.32 billion over three years, which equals what the new contract would have cost the company.

Senators Richard G. Lugar, left, and Paul E. Tsongas during the Senate Banking Committee’s session on Federal aid to Chrysler Corporation.
Lugar To Offer Own Plan To Aid Troubled Chrysler Corp.

By LINDA SARRIO
Indianapolis News Service
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Bailing Out Chrysler

Wake up Mr. Carter, Alfred Kahn, Bayh, Lugar and Sharp!

Chrysler can be bailed out by the culprits who invade our American way of life and standards. Over 1,014,000 import autos have been sold in the U.S. this past year to date. Japan had five of the top 10 sellers. These Japanese autos took American jobs and dollars.

Now is the time to make THEM pay. Let us Americans force our weak government to stiffen its backbone.

One congressman wanted to place a value added tax on everything we manufacture or buy (a very stupid method of picking our pockets). The importers need our market. Let them pay and let us over-burdened taxpayers force them to pay a value added tax on the dealers who sell and the import companies which manufacture the autos which take American jobs.

We protect them and let them trample on this country. The best that could happen is that they will manufacture their autos in our country, thus providing the needed jobs and tax revenues.

Chrysler-aid talk due here

Sheldon Friedman, Research Department, United Auto Workers, Detroit, will speak at Purdue University Tuesday on Chrysler Corp.'s request for government aid.

Friedman will talk at 7:30 p.m. in the Krannert Auditorium. The talk is free and open to the public.

Friedman is the second of four speakers in a lecture series on the proposal to bail out Chrysler. The talks are co-sponsored by the Krannert Graduate School of Management and the Automotive Transportation Center of the Schools of Engineering.

Sid Terry, vice president for public responsibility, Chrysler, Detroit, will speak Dec. 5. Speaking Dec. 10 will be Fred Khedouri, who is on the staff of U.S. Rep. David Stockman (R-Mich.). Times and places will be announced later for their talks.

The talks primarily are for the benefit of students in public policy courses in the Krannert school, according to Prof. Gud Shifron, a coordinator for the programs. The speakers also will meet with a small group of faculty members and graduate students for more in-depth discussion.
Panel Votes Chrysler Aid With Wage Roll-Back Plan

By William H. Jones
Washington Post Staff Writer

The Senate Banking Committee last night approved legislation to aid the ailing Chrysler Corp.—but only after substituting an unprecedented measure that would require United Auto Worker union members to give up wage increases they negotiated recently for the next three years.

On a 10-4 vote, the committee reported to the Senate a compromise bill written primarily by Sens. Richard Lugar (R-Ind.) and Paul Tsongas (D-Mass.), which mandates a wage freeze not only for hourly workers represented by the UAW but also for management employees.

"At the same time, the legislation would require Chrysler to sell to its employees new common stock equal to about 40 percent of the shares that would then be outstanding, in lieu of the foregone wages.

"In the event the company is successful" in its revival, said Lugar, "the workers will own a substantial portion of the company... it will be merited because they would have helped make it happen."

Over the three years involved in the proposed freeze, the total wage savings to Chrysler would be an estimated $1.32 billion.

The Lugar-Tsongas bill, passed after an all-day committee session, would trim the proposed federal government investment in Chrysler that is contained in legislation endorsed by the Carter administration. The new measure also would require banks to extend additional credit to the automobile manufacturer, which faces bankruptcy by the end of January without new financial assistance.

Although the new bill is radically different from the administration plan, supporters of aid to Chrysler said they were relieved by the speed with which the banking committee acted on legislation and they forecast ultimate congressional approval of an aid package.

Whether all parties would accept the strong medicine contained in the legislation, the committee voted to accept a key amendment by Tsongas that would permit a return to union wage increases in the third year if Chrysler has, returned by then to a "profitable posture".

Sen. Donald Riegle Jr. (D-Mich.), a principal supporter of the administration's $1.5 billion loan guarantee package that was dismissed earlier by the committee, said he will move on the floor to adopt language requiring workers to get contracted third-year increases unless a government board finds it not in the national interest.

Riegle expressed "serious reservations" about the committee bill but called it a "constructive approach" that could be amended later.

Proxmire emphasized that Chrysler's workers are being asked to "give up a great deal in a time of inflation." In exchange for the wage freeze, the committee approved an employee stock ownership plan requiring that $250 million of common shares be distributed to workers in lieu of wages. At current market prices of about $6 a share for Chrysler stock, this would require the company to issue some 42 million new shares to its workers on top of 66 million shares now outstanding.

The Senate legislation calls for a total package of $4 billion — $1 billion more than originally proposed by the administration. Members of the panel argued that increased energy and economic uncertainties require a bigger cushion of money.

The government-guaranteed portion of the overall package would be reduced to $1.25 billion in contrast with $1.5 billion in the administration plan. Chrysler would have to raise an additional $2.75 billion of private commitments to any federal loan guarantees — far more than the $1.5 billion proposed by the Treasury.

In specific language, the Senate Banking bill spells out the contributions required of all principal parties affected by Chrysler's financial crisis — in addition to workers — as follows:

* U.S. banks, currently committed to more than $400 million of loans to Chrysler and its subsidiaries, would agree to $400 million of new loans as well as $100 million of concessions through renegotiation of existing credits.

* Dealers and suppliers would provide a total of $180 million of new capital and price concessions.

* State and local governments would contribute $250 million of loans, loan guarantees or tax incentives.

* Additional money would be raised through a required $50 million public offering of stock, diluting current stockholders' shares; negotiations with Canada, for an estimated $150 million of assistance and the sale of some Chrysler assets to raise $300 million.
Lugar Picks a Path

You might never consider the "countryboy" image to fit Hoosier Richard Lugar. Even if he is from the Indiana cornbelt and even if Hoosiers are considered a bit backward, the state's junior senator is after all a former big city mayor and went to Oxford on a Rhodes scholarship.

As a freshman in the U.S. Senate, you also might not expect him to be so influential so soon on the Senate Banking Committee dealing with such complex issues as bailing out New York City or Chrysler Corp.

But that's where he is already. And Hoosiers can be proud of the respect he obviously commands.

The latest feather in his cap came Thursday as the banking committee voted 10-8 to accept a compromise developed by Lugar and Massachusetts Democrat Paul Tsongas to help the nearly bankrupt automobile company. It would require Chrysler and its employees to make sacrifices if the taxpayers are to put up money as suggested by President Carter. The president proposed $1.5 billion to guarantee twice that much in loans to Chrysler. The Lugar plan calls for $1 billion as the federal share in aid totaling $4.1 billion — but it requires a freeze on wages of both management and union workers at the company, and a $50 million stock issue that will dilute current stockholders' interest by 15 to 25 percent.

"The administration's plan is a pure 'bail-out,'" said the Hoosier senator. "My plan would help Chrysler more with less risk to the taxpayers."

If the national government is ever to participate in aiding either New York City or Chrysler Corp., this is the sort of creative thinking needed more often in Washington. It helps to have a Hoosier with common sense to pick out the path.
Let Chrysler Go Bankrupt

A collapse would make no great difference for U.S. jobs or productivity

By Dave Stockman

It IS NOT the Chrysler Corp. that needs saving. It is the nation that needs to be spared the heavy economic and political burdens the bailout portends.

The bailout plan marks not only an appalling escalation of narrow, self-pleading politics, but the introduction of a baleful new political economy based on the illusions of single-entry bookkeeping. Nothing could be more inimical to reviving our ailing national economy or to wise congressional policy leadership in the future.

Out of a faltering economic network — Chrysler and its suppliers, unions, dealers, creditors and a handful of cities — there has emerged a prototype political strike force seeking an extraordinary legislative license. It wants authority to pirate massive loans from healthy sectors of the economy in order to preserve a collapsing production chain of foundries, assembly plants, dealerships and work forces that are no longer generating products consumers want to buy, at prices that will return a profit.

The rationalizations used to justify this unprecedented economic coup d'état are embarrassing. The essential contention is that if Congress refuses Chrysler a loan guarantee, the whole Chrysler network would disappear down an economic drain: Plants would be scrapped, weeds would sprout in dealer lots, and 500,000 employees would become wards of the state.

Fortunately, the economy actually operates on a double-entry bookkeeping system. Product brands, plant assets, supplier orders and payroll slots that regularly disappear from one side of the ledger almost always reappear in new, and usually more productive, forms on the other side. Abandoned gas stations become pizza parlors; electronics suppliers that once made TV components now make automotive parts; 80,000 former W.T. Grant employees now punch the clock at K-Mart and Woolworth’s.

While larger than the usual case, the $15 billion Chrysler employment and production network still represents only 0.6 percent of our gross national product. Even a “worst case” outcome — the total liquidation of the Chrysler corporate structure — would not add appreciably to the normal adjustment of resources in a $2.5 trillion economy, nor measurably reduce national employment and production after a relatively brief transition.

There are two reasons why this is so. First, it is final vehicle demand that drives the level of economic activity — components production, assemblies, dealer operations, and employment levels — in the auto sector. There is no evidence that total sales would be affected, Chrysler or no Chrysler. Second, the preponderant share of Chrysler-related production and employment should be shifted to other domestic suppliers, manufacturers and dealers, who could absorb it.

Indeed, if the small-car boom continues, GM undoubtedly will find ways to make more “X-cars.” Similarly, Ford is likely to accelerate introduction of its new 1981 front-wheel-drive compact, and Volkswagen is certain to keep shipping the 300,000 Omni-Horizon engines it currently makes for Chrysler to someone — possibly even to Volkswagen North America. Overall, then, not more than 20 percent of the Chrysler network’s domestic output would be captured by foreign producers even in the initial period.

Thus the single-entry bookkeeping logic advanced by the Chrysler coalition cannot possibly enhance the national economic welfare. The true aim of the bailout plan is far different anyway — and far narrower.

Rather than maintaining or adding to the nation’s GNP, its major effect would be to prevent financial losses to components of the Chrysler network itself — while also preventing gains, naturally, to the many who would benefit on the other side of the ledger. But dragging this unending struggle over equities and income shares among regions, firms, workers and investors into the national political arena for ad hoc adjudication can only engender wildly inflated claims and essentially arbitrary indemnities.

The major permanent capital losses would accrue to holders of financial assets — bankers, stockholders and dealer franchise owners. Yet thousands of similar investors write down billions each year in assets gone sour.

Why should this particular set be singled out for indemnification?

Similarly, some suppliers would be hurt, but many have customers outside the auto sector and most do business with other domestic auto manufacturers. Indeed, Chrysler’s third largest supplier is GM, and Chrysler orders account for less than 5 percent of the total business volume of its other major suppliers.

The scrappy firms that produce foundry products and electronic components understandably desire success from their constant hustle for new orders. But their capacity to survive and drum up new business is also well demonstrated.

Even at the dealer level, the loss would not be total. A significant portion of Chrysler dealers handle other makes; most, along with their employees, are presumably skilled at selling and servicing cars regardless of brand name; and a high fraction own valuable commercial real estate entirely separable from the franchise.

The longer-term prospects for Chrysler’s 120,000 direct employees are not entirely bleak either. Nearly two-fifths are white-collar, supervisory or skilled production workers with strong prospects for re-employment. Another 22,000 are employed at modern, efficient plants like Belvidere or New Process Gear, or at strategically located plants like Newark, with good prospects for a new owner. Even the 50,000 hourly employees in the Detroit area represent less than 20 percent of total auto employment in the metro area — or about 30 months of normal auto industry employment.

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productive use — as in the case of Youngstown's Campbell Works closure.

But nearly every Chrysler facility has already been certified for the full trade adjustment assistance package. This will guarantee every production worker 95 percent of after-tax, take-home pay for a year, free retraining benefits, and 90 percent of any job relocation expenses.

Vested pension rights, of course, are also protected by the federal pension guarantee program. In short, the support system goes as far as possible in protecting worker equities — short of freezing the economic system into lifetime employment guilds.

Ironically, in yet a further twist of single-entry bookkeeping, the prospective costs to these support systems are offered as justification for the bailout. But with 187,000 auto workers already on lay-off, it would be fatuous to count Chrysler benefit payments as a net cost to the government. The shift of billions worth of Chrysler production to other U.S. firms obviously would cause reemployment and benefit cost reductions alike.

Moreover, our basic labor market shock absorbers — unemployment insurance, job training and adjustment assistance — were created for just these situations out of a recognition that it is more cost-effective to help workers find new jobs than to prop up old ones. Each year hundreds of thousands of employees faced with permanent job losses due to plant closures, bankruptcies, production curtailments and import competition will face these systems. Indeed, the temporary unemployment resulting from just six better-known bankruptcies of recent years — including W.T. Grant, Food Fair, American Beef and United Merchants and Manufacturers — exceeded the entire Chrysler payroll.

Perhaps recognizing their weak economic logic, Chrysler advocates have also resorted to a stupendous series of nonsequiturs. For example, they point to the $362 billion in existing federal loan guarantees, as if to suggest they are proposing "nothing new." Eighty-five percent of that total, however, represents housing guarantees designed to enhance consumer access to ownership, not to bail out faltering lenders or builders.

This merely hints at the potential for debasing the legal and process implicit in corporate bailout politics. Indeed, much of the selling job has consisted of contradictory appeals to wholly extraneous ideological sympathies of the left and right.

For conservatives, there is the reminder of "regulatory overkill." Yes, pending safety, emission and fuel-economy requirements will add upwards of $1,000 per car by early 1980s for what many of us consider modest social benefits. But that figure represents the total sticker price add-on to the consumer, not the extra cost to Chrysler vis-a-vis its competitors.

Chrysler's smaller size is only a disadvantage in pure research and development overhead, where roughly equal costs must be spread over smaller volumes. But most of the actual compliance costs are accounted for in wrung up $65 billion in sales since 1974, its cumulative bottom line is a net loss of nearly $550 million.

Liberals are implored to vote for the loan because Chrysler employs 60,000 workers in Detroit, 50 percent of whom happen to be black. Chrysler's survival as a full-line automaker thus becomes a major "urban issue." Needless to say, though, at the new contract's $25,000 total annual compensation level, these workers are not exactly among the normal poverty constituency.

The more important point is that the potential demise of Chrysler jobs in Detroit constitutes only a modest footnote to a pervasive, seemingly irreversible economic trend that is progressively extinguishing heavy industrial jobs in the older central cities. Neither a Chrysler bailout nor a dozen future ad hoc corporate bailouts would alter the underlying competitive disadvantages — obsolete multi-story plants, high tax, pollution control and land costs, inadequate transportation facilities — slow the march of heavy industry away from central urban areas.

What those areas really need is help in attracting jobs outside the heavy manufacturing sector. And if federal resources are to be committed, they would be far better spent on helping low-income workers acquire access to new manufacturing jobs in growth areas rather than on indemnifying high-income investors in declining areas.

When all else fails, the Chrysler sales pitch finally comes down to a dare: After the "success" of Lockheed, why not roll the dice again? Never mind that the entire capital market has already voted "no" on Chrysler's survivability as presently constituted. This includes the bond market, which has dropped Chrysler to its lowest rating; the huge money center banks with high-risk loans all over the globe and into Chrysler for $1.5 billion already; the big insurance companies holding huge additional; and, the commercial paper market, which won't buy at any price.

All these institutions live or die by their capacity to assess credit worthiness. Yet assurances that Chrysler's Lee Iacocca is a management dynamo or that Chrysler's pending "K-body" vehicle will be a smash hit — when most of us wouldn't recognize a K-body if we saw it nude — are supposedly enough for the "standby banker" on Capitol Hill.

Unfortunately, this "get them over the hump" assurance fails to note what lies on the other side: a radically transformed and fiercely competitive auto market in which the globe rather than the continent will be the stage. Rising fuel prices and federal standards are forcing down the size, weight and horsepower dimensions of the U.S. fleet, while rising incomes abroad are increasing the demand for traditional U.S. styling and accessories. From this convergence is coming the so-called "world car," of which the Ford Fiesta, GM Chevette and Volkswagen Rabbit are the prototypes.

Moreover, this prototype world car is inexorably generating a prototype world.

That the major capital market institutions have pulled the plug on Chrysler may well reflect these emerging trends. With no remaining overseas operations and most of its production concentrated in one U.S. metropolitan area, in plants built more than 40 years ago, Chrysler is simply not well positioned to survive the automotive major league of the 1980s.

In the final analysis, the Chrysler loan guarantee must be rejected because the era of bailout politics it would inaugurate is thoroughly incompatible with an effective national program for reindustrializing America's faltering economy.

Recent irreversible worldwide developments have dealt our economy successive shattering blows. The oil price revolution has drastically reduced the productivity of much of our energy-intensive industrial plant.
Misery for Many in Senate’s Chrysler Bailout Bill

By William H. Jones
Washington Post Staff Writer

If the Senate Banking Committee has its way in the attempt to save Chrysler Corp., the company’s workers will become part-owners, and almost everyone involved will feel pain.

Under the terms of the extraordinary bill the committee approved Thursday night:

* Employees would give up almost all the nearly one-third pay increase they are supposed to get over the next three years. This would cost them about one-sixth of their present purchasing power each year at current inflation rates.

* Stockholders would have to give up 40 percent of their share in the company to the employees. The workers, in return for deferring their raises, would become owners.

* Banks which now hold $400 million in shaky loans to Chrysler would have to lend it $400 million more and make other concessions, or risk seeing the company go under because of no government aid.

No party to the Chrysler crisis is very happy with this proposed solution. But with time running out—the company probably will run out of money by late January without some outside help—the Senate committee’s bill or one like it may become law anyway.

And there is this consolation for those affected: they have little to lose.

If the company folds, the workers will not get their raises, the banks can kiss their loans goodbye, and Chrysler’s stock, already depressed to $8 a share, will be worthless. If the bailout succeeds, the 60 percent the shareholders will have left may be worth more than the 100 percent they have now.

In addition to its other terms, the bill would give the Treasury secretary, joined by the comptroller general and chairman of the Federal Reserve Board, a considerable role in the management of Chrysler.

Even if the committee bill is softened as it moves along, some of the fundamental rearrangements it demands are considered likely to survive.

Reported out by a vote of 10 to 4, the committee bill is the work of what Chairman William Proxmire (D-Wis.) called his “two wide receivers”—Sens. Richard Lugar (R-Ind.) and Paul Tsongas (D-Mass.), respectively a moderate Republican and a liberal Democrat who sits literally at far ends of the committee semi-circle. Their main idea was to make sure parties other than taxpayers assumed most of the risk in resurrecting the company.

One obvious problem now is whether the United Auto Workers would reopen recently concluded negotiations and concur in a wage freeze.

UAW lobbyist Howard Paster described the committee’s wage freeze as “unfair as to be unacceptable,” and described himself as “less optimistic” than before about final passage of a plan the UAW can accept which would save Chrysler. He said “anti-union” senators “are holding the burden on us for saving the company . . . If the price of preserving the company and their jobs is not to feed their families and to give up their homes, it may not be worth paying.” Advocates of employee-ownership say giving Chrysler workers 40 percent of the common stock “would have a good effect on productivity.”

Paster said the UAW doesn’t oppose the stock plan but said it is not a “fair tradeoff” for losing more than $1 billion of wages and benefits. “The stock equals less than a dollar for every five being asked to give up,” he said.

Currently, the only major U.S. corporation with substantial ownership by workers is retail giant Sears, Roebuck & Co., of which employees own about 20 percent of common stock.

Stock ‘ownership supporters, who have been growing in number in the Senate under the leadership of Finance Committee Chairman Russell Long (D-La.), argue that workers will get dividends as well, as ownership when financial health returns to Chrysler.

Chrysler executives, who have not been enthusiastic about employee ownership, said they could ‘live with” most of the Senate bill.

In the House, meanwhile, Chrysler dealers are buttonholing members on behalf of the House Banking Committee’s $1.5 billion loan guarantee package, which includes a $50 million employee-ownership plan but no wage freeze. A floor vote had been scheduled for next week but congressional sources said the bill was pulled off the calendar “for a time,” to gather more support. At a meeting of the House Republican Policy Committee, sharply divided members took no stand on the bill at all.

The House developments indicate some trouble for the aid package but passage is expected, with some amendments.

Assistant House Majority Leader John Brademas (D-Ind.) said he expects floor action in about two weeks. Senate action would follow—close to a projected Dec. 21 adjournment date.
Chrysler Union Leaders Reject a Wage Freeze

By JUDITH MILLER
Special to The New York Times

WASHINGTON, Dec. 4 — Local leaders of the union representing Chrysler workers today rejected the proposed legislation — ever, if it means bankruptcy for the company — that would tie Government aid to a three-year wage freeze.

"They would not ratify an agreement with a three-year wage freeze even if their jobs depended on it," said Douglas A. Fraser, president of the United Automobile Workers, on emerging from a boisterous meeting with 350 union leaders on Capitol Hill.

A senior official of the Carter Administration said today that the Senate version of the bill, which mandates a wage freeze, places an "inequitable burden on the workers." He said the bill "needs to be modified."

Last Thursday the Senate Banking Committee overwhelmingly approved a bill to provide $1.25 billion in Federal loan guarantees for Chrysler, provided that Chrysler workers accept the freeze. It would also require the company to assemble a financing package of $4 billion to qualify for the guarantees. The bill was sponsored by Senators Richard G. Lugar, Republican of Indiana, and Paul E. Tsongas, Democrat of Massachusetts.

Earlier the House Banking Committee had approved a bill to provide $1.5 billion in guarantees, as part of a $3 billion aid package, with no wage-freeze requirement.

The Administration official also said that requiring the company to raise $4 billion would be "overly burdensome" and unnecessary. He said the Administration would work with House and Senate leaders to devise a compromise that would be acceptable to both houses.

After their meeting today, the union leaders went out to lobby against the wage freeze. Twelve of them converged on the office of Senator William Proxmire, chairman of the Banking Committee and an ardent opponent of aid to Chrysler. The Wisconsin Democrat met with a smaller group later in the day, as did many other legislators.

Today Mr. Fraser did not rule out a wage freeze of a shorter duration, although he repeated his objection to reopening negotiations on the wage contract recently approved by Chrysler workers. Congressional aides detected a softening of the union's opposition.

G. William Miller, Secretary of the Treasury, urged Congress not to require Chrysler to set aside stock for its employees as a condition of the aid package. In testimony before the Senate Finance Committee, Mr. Miller said that such a condition could infringe on collective bargaining and might put the Government in a subordinated credit position if Chrysler fails.

However, Senator Russell B. Long, Democrat of Louisiana and committee chairman, said that neither he nor most of his colleagues would support aid without an employee stock ownership plan.

Both the Senate and House Banking Committee bills, unlike the Administration's proposal, contain employee stock ownership provisions.

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