

THE REALITY OF THE 2009 AUTO RESCUE

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August 2016

INNOVATION 
OHIO

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In 2009, the first year after George W. Bush left the White House, the national economy was in shambles and the U.S. auto industry was on the brink of total collapse. The importance of the auto industry on Ohio's economy is paramount—indeed the policy decisions made during that period had extraordinary consequences for Ohio workers. At that pivotal moment in time, Rob Portman sided with the right-wing of his party and made the wrong call for Ohio. Had his bad judgment prevailed, the effects would have reverberated throughout the world economy and 30,000 more Ohioans might still be looking for work today.

This analysis summarizes the success of the auto bailout of GM and Chrysler implemented by the Federal Government during the Great Recession. Its findings demonstrate that while it was **characterized as a “lousy deal for Ohio” by Rob Portman at the time of its implementation, the auto bailout has in fact been a resounding success.** Indeed, the auto industry is now thriving and is as integral to Ohio's economic success as ever.

The Ohio auto industry has added nearly **30,000 JOBS** since 2009

The Ohio auto industry has seen over **\$5 billion** in private sector investment since 2010

Ohio ranks **1st** in the United States in the production of engines and transmissions

Led by GM, the U.S. auto industry set a sales record in 2015 with **17.5 million** automobiles sold

ROB PORTMAN'S POSITION

There has been recent discussion by Rob Portman's U.S. senate campaign as to his position on the auto bailout at the time it was set forth. The campaign asserted that to focus on him calling the bailout a "lousy deal" was in essence cherry picking that omits that Portman asserted that he would have backed the bailout.¹

In the run up to his election as Ohio's Junior Senator, Rob Portman had the following to say about the automotive bailout:

"The General Motors bankruptcy plan Washington announced today is a lousy deal for Ohio. Taxpayers, including hard working Ohioans, are investing \$50 billion in a GM plan that we now find includes shutting down plants in Mansfield, Parma, and Columbus, Ohio. The reason for this unprecedented taxpayer bailout and government intervention was to preserve jobs. Instead, for our \$50 Billion taxpayer investment, thousands more workers will see their jobs disappear. Ohio deserves better than this."

Rob Portman²

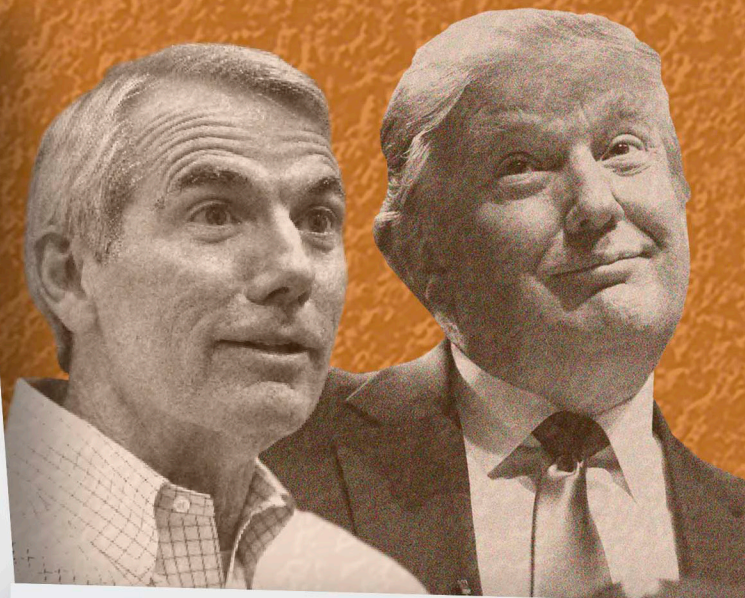
Upon his election, Senator Portman was asked whether he still believed the bailout was indeed "lousy." His staff responded:

"Portman's position was and remains still, that the auto bailout was not a good deal for Ohio."³

By 2011, after the positive results of the auto rescue were becoming apparent, Portman's rhetoric began to change. In an interview with the Columbus Dispatch, he claimed his auto bailout position **"has been consistent"** and if he were in office during the initial auto rescue he **"would have supported a government bailout of General Motors to avoid the bankruptcy, but I would have insisted they not close down facilities in Ohio."**⁴

Rob Portman's statements have been consistent over time that he did not believe the deal brokered with the auto industry was a good one.

While Senator Portman predicted in his initial remarks that "thousands more workers will see their jobs disappear," our analysis will show how fundamentally wrong Rob Portman was on the quality of the auto rescue deal.



DONALD TRUMP'S POSITION

Patrick Caldwell of Mother Jones recently summarized Donald Trump's position on the auto rescue.⁵ That position, as is usually the case with Trump, has been inconsistent. In 2008, before President Obama took office, Trump said "You cannot lose the auto companies. They're great. They make wonderful products." By 2012, he remarked that "Obama is a terrible negotiator. He bails out Chrysler and now Chrysler wants to send all jeep manufacturing to China - and will!" More recently, Trump stated about the auto bailout: **"[y]ou could have let it go bankrupt, frankly, and rebuilt itself, and a lot of people felt it should happen. Or you could have done it the way it went. I could have done it either way. Either way would have been acceptable. I think you would have wound up in the same place."**

As we will see, Trump's assertion couldn't have been more wrong. The two paths he laid out couldn't have led to a more different result. The path ultimately taken led to the return of a robust U.S. auto industry. The other path, entertained by both Portman and Trump, would have had severe consequences for an essential aspect of Ohio's economy.

¹ <http://www.cantonrep.com/news/20160728/strickland-portman-spar-over-opinions-on-auto-bailout>

² <http://www.examiner.com/article/chrysler-news-drive-brown-strickland-to-tout-obama-loans-to-detroit-s-big-2>

³ http://www.cleveland.com/open/index.ssf/2011/05/obama_to_visit_toledo_chrysler.html

⁴ <http://www.dispatch.com/content/stories/local/2011/05/27/ohioan-defends-auto-bailout-stance.html>

⁵ <http://www.motherjones.com/politics/2016/08/donald-trump-auto-bailout-mike-pence>

WHAT CREATED THE NEED FOR GOVERNMENT INVOLVEMENT?

The financial crisis of 2008 put U.S. automakers GM and Chrysler in a precarious financial position. Strapped for cash, the two firms desperately needed a loan to stay afloat. The United States Treasury stepped in as a lender of last resort to save the U.S. auto industry. This relationship did not come without caveats. In return for cash assistance, GM and Chrysler had to file for bankruptcy and restructure their businesses.

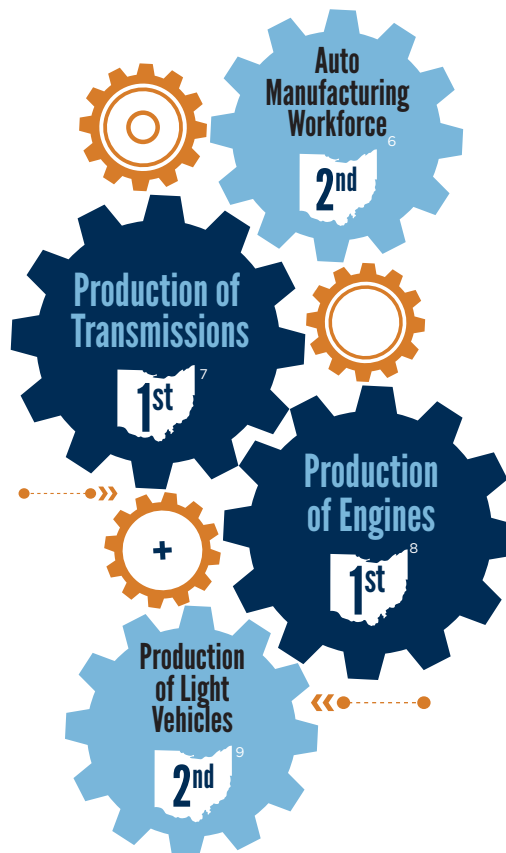
IMPORTANCE OF THE INDUSTRY TO OHIO

The automotive industry is an integral aspect of Ohio's economy. The state boasts 675 automotive enterprises.¹⁰ The Center for Automotive Research's most recent estimate places the total amount of jobs connected to the industry at 629,180 jobs or 11% of Ohio's labor force.¹¹

Not only do automakers such as Honda, GM, Chrysler, and Ford employ a significant amount of Ohioans, but there are many independent auto parts manufacturers located in Ohio as well. In fact, many of the large automakers share business with the same parts suppliers. It was this common reliance on parts manufacturers that led the Japanese-based companies of Toyota and Honda to lobby for the government to provide financial support to their competitors during the height of the financial crisis.¹² They did so because they realized the failure of GM and Chrysler would have brought down many Ohio-based parts suppliers as well. This would have had an adverse effect on Honda and Toyota's supply line – thereby severely disrupting their ability to produce. The interconnectedness of the industry underscores the necessity of the bailout. Had GM or Chrysler failed, it would've sent shockwaves through the sector.

Both the Federal and State levels of government derive considerable annual tax revenues from Ohio's auto industry. Failure of the sector in Ohio would have had a noticeable effect on budget revenues.

Ohio Automotive Rankings in the U.S.



Estimated Worker Income Taxes Collected in 2013¹³

	AUTO MAKER	PARTS SUPPLIER	DEALER	TOTAL
United States	\$2,110,300,000	\$2,055,900,000	\$627,500,000	\$4.8 billion
Ohio	\$176,700,000	\$172,100,000	\$52,500,000	\$401,300,000

⁶ Contribution of the Automotive Industry to the Economies of All Fifty States and the United States." Center For Automotive Research (2015)

⁷ <http://jobs-ohio.com/industries/automotive/>

⁸ *Id.*

⁹ Contribution of the Automotive Industry to the Economies of All Fifty States and the United States." Center For Automotive Research (2015)

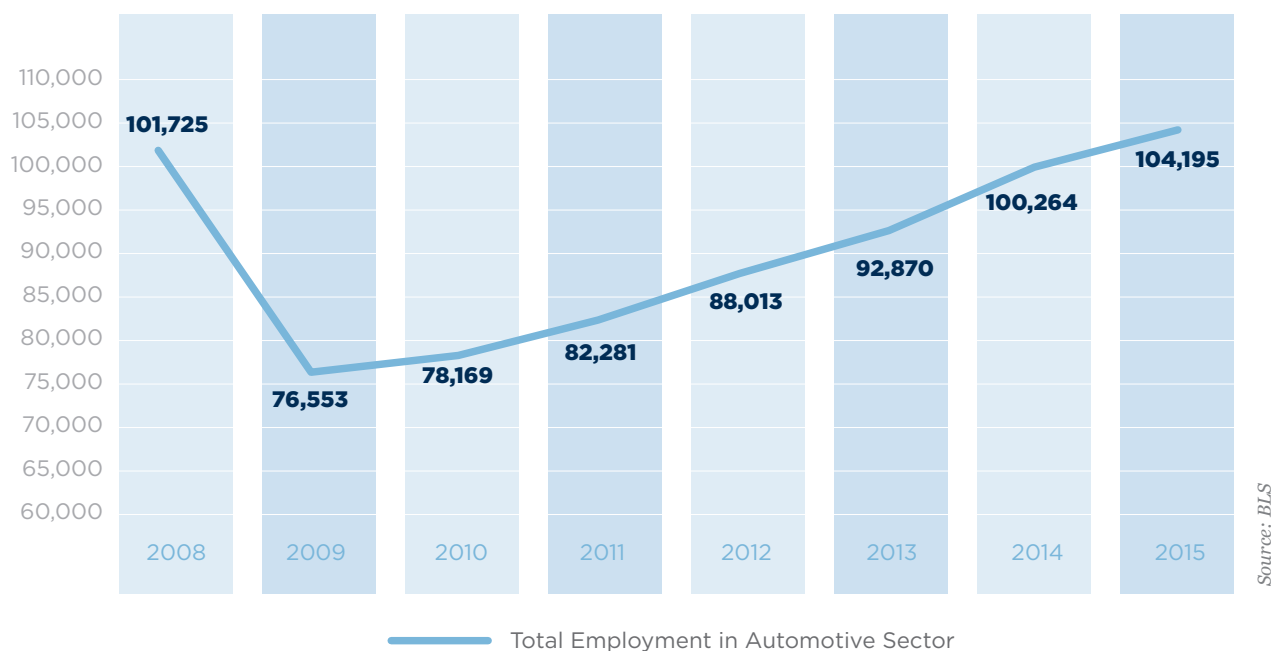
¹⁰ <http://jobs-ohio.com/industries/automotive/>

¹¹ Contribution of the Automotive Industry to the Economies of All Fifty States and the United States." Center For Automotive Research (2015)

¹² http://money.cnn.com/2008/12/15/news/companies/overseas_automakers/?postversion=2008121517

¹³ Assessment of Tax Revenue Generated by the Automotive Sector for the Year 2013 ." Center For Automotive Research (2015)

Direct Manufacturing Jobs in Ohio's Automotive Sector



SUCCESS OF AUTO RESCUE

The auto rescue has been a definitive success in Ohio. In 2009, the industry in Ohio lost over 25 thousand jobs from the year before. From this low point, the industry has steadily added jobs every year since the bailout was initiated. In fact, the sector now boasts more jobs than it had in the year before President Obama took office.

Not only are the employment numbers strong for the industry in Ohio, but Chrysler, GM, and their competitors are thriving. Last year saw the U.S. break its all-time record for auto sales that was previously set in 2000.¹⁴ 17.5 million automobiles were sold in the U.S. in 2015, with GM leading the pack. This record setting achievement capped off six consecutive years of sales growth in the United States.

This success has brought considerable investment into Ohio's automotive industry. The Ohio Department of Development has stated that from 2010 to 2014 the state saw \$4.68 billion in private investment in the automotive industry.¹⁵ Just recently, Fiat-Chrysler announced plans to invest \$700 million at its Toledo plant to expand production capacity for the new Jeep Wrangler.¹⁶ This is estimated to add 700 new positions at the plant.

Announced Automaker Investment in Ohio in 2014¹⁷

Plant	Investment Amount
Ford Lima Engine	\$500 million
Ford Avon Lake	\$168 million
GM Duramax Engine	\$60 million
GM Lordstown Assembly	\$50 million
GM Parma Metal Center	\$14 million
Total	\$792 million

¹⁴ <http://www.autonews.com/article/20160105/RETAIL01/160109995/u.s.-auto-sales-break-record-in-2015>

¹⁵ <https://development.ohio.gov/files/research/b1002.pdf>

¹⁶ <http://www.toledoblade.com/Automotive/2016/07/14/Fiat-Chrysler-to-invest-700-million-in-its-Toledo-Assembly-Complex.html>

¹⁷ Contribution of the Automotive Industry to the Economies of All Fifty States and the United States." Center For Automotive Research (2015)

THE COST OF THE AUTO RESCUE

All told, the U.S. spent approximately \$80 billion on the bailout.¹⁸ All but \$11.7 billion of that was recouped by the federal government. However, when the finances of the entire TARP program that the auto bailout was administered through are examined, it reveals that the U.S. actually made money on the program. The U.S. initially spent \$421.8 billion on TARP and received \$432.7 billion in return. This amounts to a profit of \$10.9 billion.

CONCLUSION

THE AUTO RESCUE, A LOUSY DEAL FOR OHIO?

NOT HARDLY.

When a critical industry that supports so many Ohio workers was on the line, Rob Portman said the auto rescue was a 'lousy deal.' Had his opposition prevailed, tens of thousands of Ohioans would've lost their jobs and the collapse of Ohio's auto industry would have reverberated across all sectors in the economy.

Fortunately, instead of extreme, anti-government ideology, pragmatism and commonsense prevailed. And as a result of the auto rescue that Rob Portman opposed, nearly 30,000 Ohio jobs have been added and many more preserved. Also, since that time, the industry has set a U.S. auto sales record, and over 5 billion dollars in new private investment has been made in Ohio. Ultimately, the auto rescue cost zero dollars to the American taxpayer and created new jobs and growth in this critical sector of the Ohio economy. A lousy deal for Ohio? Not hardly.

¹⁸ <http://theweek.com/articles/454749/auto-bailout-officially-over-heres-what-america-lost-gained>

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