

One of the primary and fundamental pillars of a society based on capitalism and democracy is the rule of law and respect for contracts. It is hard to imagine any measure of order or fairness when the contractual agreements between two parties can be ignored, changed, or overruled by an omnipotent government force. Yet, that is exactly what the Obama Auto Task Force is doing today with the creditors and dealers of Chrysler and General... pardon me, I mean Government Motors. Chrysler's bondholders are secured by the assets and brands of the company. Yet, they are being asked to take a loss amounting to about 70 cents on the dollar with no stock or other ability to regain that loss. However, the United Auto Workers (UAW), whose debt from Chrysler is unsecured, is not being asked to take anywhere near that kind of loss. In reality, the UAW is receiving a significant percentage of equity in the company, which has been bailed out with taxpayer dollars that will ultimately provide the vehicle through which they hope to recoup all of their money.

The GM proposal is just as bad. Bondholders will get 10 percent of the company in exchange for what they are owed in the "deal" put together by the Obama team. The UAW however, will get 39 percent of the company for what they are owed. The problem here is that the bondholders are owed MORE money from GM than UAW is.

These proposals are in blatant disregard of the rights and obligations of contracts, all of which is being forced on these individuals, investors, retirees, and banks by the President and his team. To make matters worse, if you don't comply with the President's request, he will use his bully pulpit to condemn your attempts to simply enforce the terms of your contract and the rights comported to you thereby.

But it doesn't stop there. The Obama team has now turned their insatiable ire and sights on the dealers, and in recent days we have seen the announcement of nearly 1,000 Chrysler dealers and about 1,100 GM dealers, all of whom have investments, contracts, and commitments, to simply go away, without compensation. Make no mistake, the dealers who have been allowed to stay and those who have been forced to go has been decided behind the scenes by the Obama Team, their contracts and commitments now mean nothing.

First of all, this action reflects the fact that the Auto Task Force team has no one on it with any experience whatsoever in the car business. Disposing of these dealers makes no sense at this moment. Sure, GM and Chrysler probably have too many dealers for the long term, but they are not in a long-term mode right now, they are in survival mode. If they have a market with ten dealers and reduce it to five, they will lose volume for at least the next year. But it should be

recognized that dealers provide their own capital and marketing. The cost to GM and Chrysler to service a dealer is not exorbitant, and it is certainly less than the marginal profit from the incremental sales they provide day in and day out right now. About 100 dealers a month are closing their doors; attrition will naturally take care of the problem without the need for external action.

This plan also has failed to account for the employees of the 2,100 dealerships being discussed. These dealerships employ over 100,000 people, all of whom will soon join the rolls of the unemployed when these dealerships are finally closed. For an administration that claims to care about jobs, this action is a startling indication to the contrary.

There is no question that this is about cars and the car business, but it is also about the validity of contracts, the rule of law, and simple fairness. The bondholders and dealers should in no way receive any special deal or treatment, but they shouldn't have their legal rights yanked out from under them by an overpowering administration either. This doctrine of simple fairness should be extended to all parties involved, from the bondholders to the unions; unfortunately the President's auto task force has failed to do that.