
CAPEX cuts - US automakers bailout plans

Saturday, 25 Oct, 2008

The Washington Post quoted federal officials as saying that a USD 25 billion loan program rushed through Congress to revive the nation's ailing domestic auto industry may not deliver any money to Detroit for more than a year.

The officials said that, in recent days, auto industry representatives and lawmakers from Michigan, Kentucky and other states where auto plants employ tens of thousands of workers have begun clamoring to pry the funds loose, prodding the Bush administration and questioning the reasons for the delay.

They added that the loan program has emerged as a lifeline as the global financial crisis has made it more difficult for people to get loans, sending car sales plummeting to a 15 year low. In response, General Motors and Chrysler have discussed merging or forming an alliance in hopes of arresting their decline.

The loan package, the largest government subsidy for the auto industry since the 1979 Chrysler bailout, is intended to aid production of more fuel-efficient cars. During the gas crisis of the 1970s, Asian and European automakers capitalized on America's growing appetite for smaller cars. Since then, the Big Three have slipped and continue to lose market share to Toyota, Honda and other foreign brands.

Congress approved the money last month and directed the Energy Department to write regulations for the program, including the interest rate for the loans, by the end of November 2008.

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