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U.S. will guarantee GM, Chrysler warranties, Obama says

NEIL ROLAND AND RICHARD TRUETT, AUTOMOTIVE NEWS 1:13 pm, March 30, 2009

In a bid to boost flagging auto sales, the federal government will pay for any warranty repairs on a General Motors or Chrysler vehicle if either company can't because of financial problems or a bankruptcy filing, President Barack Obama said on Monday.

"Let me say this as plainly as I can. If you buy a car from Chrysler or General Motors, you will be able to get your car serviced and repaired just like always," Obama said in a speech. "Your warranty will be safe. In fact, it will be safer than it has ever been. Because starting today, the United States will stand behind your warranty."

GM and Chrysler are at a high risk of bankruptcy as they face some of the lowest U.S. sales rates in 27 years, analysts have said. The government on Monday took several actions to help shore up the two automakers after forcing the resignation of GM CEO Rick Wagoner.

"Given where the industry is, these highly unprecedented actions are consistent with the unprecedented times we're in," Standard & Poor's analyst Robert Schulz told Reuters today.

Both companies have said that bankruptcy would snuff out sales because consumers wouldn't buy a car from a company that might not be around to honor the warranty and provide service and spare parts.

Any funds for the warranty program will come from the \$700 billion Troubled Asset Relief Program (TARP) provided by Congress, according to White House fact sheet on warrantees that was distributed last night.

Support for scrapping incentive

Obama also on Monday said he will work with Congress to try to fund credits for consumers who turn in old cars and buy cleaner, more fuel-efficient automobiles.

Programs of this kind "have been successful in boosting auto sales in a number of European countries," Obama said the news conference. The auto scrapping program is part of a larger administration effort to increase car sales and modernize manufacturers' fleets.

Obama said he also will try to speed up programs to support immediate demand for auto sales. The administration will try to accelerate federal purchases of government cars and increase the flow of credit to consumers and dealers.

Also on Monday, the Internal Revenue Service will start a campaign to alert consumers of a new tax benefit for car purchases made between Feb. 16 and the end of the year, Obama said.

Partisan reactions

Lawmakers responded to Obama's initiatives along partisan lines.

U.S. Sen. Bob Corker, R-Tenn., a member of the Senate Banking Committee, said the administration used the Wagoner firing as a "sideshow to distract us from the fact that the administration has no progress to announce today.

"The administration is pursuing much of what we pushed for in December, but the delay of several months has increased the severity and sent billions of taxpayer dollars down the drain. Now any investment is likely unrecoverable and we are putting more and more jobs at the OEMs (original equipment manufacturers) and the supply chain at risk in a politically charged environment."

Senate Majority Leader Harry Reid expressed support for Obama's plans.

"We will not give these companies a blank check," the Nevada Democrat said in a statement. "If these companies do not develop strong plans to remain viable in the long term, they will lose our support."



President Obama announced his plans for General Motors and Chrysler on Monday.

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