Big 3 – Enough with the Hearings
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The latest in the Big 3 bail out is that the U.S. Government will receive a substantial ownership stake in the auto industry and play a central roll in its restructuring. The government would take on the responsibilities of a Trustee, by assigning a "czar" to oversee the industry's restructuring.

The Czar would then be responsible to bring together labor, management, creditors, parts suppliers and other vendors to negotiate, help "fix" the Big 3 and somehow put them on a path to profitability. In other words, the Czar must convince disparate groups to accept much lower payments, so that GM, Ford and Chrysler would become profitable again.

Ambitious, that's for sure. Notice the absence of any mention for "improving market share."

In the case of General Motors (GM), the government would loan $10 billion to a debt riddled company with a $3 billion market capitalization using taxpayer funds – yours and mine – in exchange for warrants, common and/or preferred stocks. Never mind that the taxpayer had nothing to do with what ails Detroit.

All in all, the auto industry has asked for a total of $34 billion to weather the downturn in the economy and avoid shutting down. The most amazing part about the bailout is that lawmakers are actually debating if the conditions for loans are "rigorous" enough, and that the final bill "must provide strong tax payer protection". After all, we elected our law makers to make these decisions for us, right?

The real issue, however, is that even if strong tax payer protection and "the ability to make money on the deal" could be agreed, why are the Big 3 not asking the private sector to lend or invest? While the U.S. Government is arguably the best government in the world, are our law makers adequately equipped to get into the car business? One would think that private equity firms and/or private investors are better suited to protect shareholder value, and put the industry back on the road to prosperity, more so than the government.

If you were to think that the private sector may not have the funds to take on such a task, you would be mistaken. Consider that the past few weeks in the U.S. alone, billions of dollars have found their way to U.S. Treasuries – a safe haven to park cash. Much of it came from the stock, real estate, bond and even hedge fund market.

Another source of funds would be from abroad. China, India and Persian Gulf states, to name just a few, all have prospered tremendously in recent years and have excess wealth that could find its way here to the U.S., especially as the rest of the world

begins to feel the full impact of the global credit crisis. Private industry in China, for instance, has a history of unsuccessful attempts to enter the U.S. market. Chery Automobile Company could be an ideal partner for GM or Chrysler to help meet their financial woes, while allowing Chery, who longs for U.S. technology, to enter and get a foot hold in the U.S. auto market.

For those who are not warm to the idea of foreign investors owning a piece of the U.S. auto industry, we would like to mention that this idea is not new. Detroit has had a long history with foreign interest, even today (GM with Toyota; Ford with Nissan and Mazda). One of the largest shareholders in Chrysler until as recently as 2005 was Mitsubishi. That relationship helped Chrysler during some miserable times, while Mitsubishi benefited by establishing its brand in the U.S.

So, whether automotive CEO's take a corporate jet or a Greyhound bus to their business meetings should be a concern for shareholders, not taxpayers. Therefore, "shareholder value" should be the theme to any recovery plan, not tax payer dollars.