

Why GAO Did This Study

Since December 2008, the Department of the Treasury (Treasury) has committed \$62 billion in Troubled Asset Relief Program (TARP) funding to General Motors (GM) and Chrysler. Under GAO's mandate to oversee TARP, this report addresses (1) how restructuring with federal assistance has affected GM's and Chrysler's financial condition, (2) what Treasury has done to ensure that it disinvests in GM and Chrysler so as to protect taxpayers' interests and what risks remain in recouping its investments, and (3) how restructuring has affected auto communities and what the White House Council on Auto Communities and Workers (Council) and its staff in the Department of Labor's Office of Recovery for Auto Communities and Workers (Auto Recovery Office) have done to mitigate these effects. GAO reviewed documents on the companies' financial performance and federal assistance to auto communities and interviewed company, Treasury, and community officials.

What GAO Recommends

GAO recommends that the Secretary of Labor report to Congress how the Auto Recovery Office has helped auto communities and its future plans, and that Congress consider not funding the office unless this information is provided. The Department of Labor agreed with parts of the recommendation, provided additional information on the office's activities, and stated that it would identify the office's future plans in the next 60 days.

View [GAO-11-471](#) or key components. For more information, contact A. Nicole Clowers (clowersa@gao.gov) at 202-512-8678.

TARP

Treasury's Exit from GM and Chrysler Highlights Its Competing Goals, and Results of Support to Auto Communities Are Unclear

What GAO Found

Substantial federal assistance allowed GM and Chrysler to restructure their costs and improve their financial condition. Through federally-funded restructuring, GM and Chrysler reported lowering production costs and capacities by closing or idling factories, laying off employees, and reducing their debt and number of vehicle brands and models. These changes enabled both companies to report operating profits and reduce costs enough to be profitable at much lower sales levels than ever before. Nevertheless, to remain profitable, both companies must manage challenges affecting both their costs, including debt levels, and vehicle demand, such as launching products that are attractive to consumers amid rising fuel prices.

Treasury has recouped roughly 40 percent of its investments in GM and Chrysler, but the extent to which it will further recoup its investments depends on how it balances two potentially competing goals for divestment—to maximize taxpayers' return and to exit the companies as soon as practicable. By participating in GM's November 2010 initial public offering (IPO), Treasury tried to fulfill both goals, selling almost half of its shares at an early opportunity. In preparation for the IPO, Treasury took steps to protect taxpayers' interest, such as hiring an adviser to provide analysis and support, as GAO previously recommended. Treasury received \$13.5 billion through the IPO; yet, for Treasury to fully recoup its investment, GM's share price will have to increase from the \$33 Treasury received in the IPO to an average of over \$54—a higher price than industry analysts estimate over roughly a 6 to 18 month period. Chrysler's value would have to grow above historic levels for Treasury to recoup its investment. In divesting from the companies, Treasury may find its interest in exiting as soon as practicable at odds with the potential to increase taxpayers' return by waiting for the remaining shares to rise in value.

While federally-funded restructuring allowed GM and Chrysler to remain in business, and therefore benefited communities where auto work continued, communities where plants were idled or closed experienced economic challenges beyond those they already faced. The Council and the Auto Recovery Office, which were established to help auto communities navigate federal programs, have brought federal attention to auto communities. However, communities that GAO visited had mixed views on the results of these efforts. Furthermore, the Council has not completed two of the four functions set forth in the executive order establishing it, and neither the Council nor its staff have demonstrated the results of their efforts. Although the Council is set to expire in June 2011 unless renewed by the President, fiscal year 2012 funding has been requested for the Auto Recovery Office to continue its efforts.