

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

Majority (202) 225-5051
Minority (202) 225-5074

July 22, 2009

Mr. Frederick A. Henderson
Chief Executive Officer
General Motors Corporation
300 Renaissance Center
Detroit, MI 48243

Dear Mr. Henderson:

As Ranking Member of the Committee on Oversight and Government Reform, the main investigative committee of the House of Representatives, I am troubled by recent news reports which suggest that General Motors (“GM”) may be making business decisions based on inappropriate political interference. The politicization of GM’s operations will almost certainly hurt the American taxpayers, who have invested \$51 billion in your company.¹ In order for the American people to recoup this investment, GM will have to become profitable and achieve a larger market capitalization than at any time in its history.² Thus, politicization of GM’s business decisions which reduces profitability will necessarily hurt the American people by reducing the likelihood their \$51 billion will be repaid in full. The American people have a right to know that their money is being spent wisely and is not being used to satisfy the narrow interests of individual politicians or special interest groups.

On June 1, as part of its taxpayer-financed restructuring, GM announced plans to close a number of domestic manufacturing plants and parts distribution centers. Among the facilities slated for closure was a distribution center in Norton, Massachusetts (“the Norton facility”) with 80 employees.³ According to a statement issued by GM, the closing of the Norton facility and the consolidation of its operations at other locations would make GM “more efficient, have capacity levels that are better aligned with current

¹ See U.S. Treasury Department Office of Financial Stability, “Troubled Asset Relief Program Transaction Report,” (July 6, 2009), available at http://www.financialstability.gov/docs/transaction-reports/transactions-report_070609.pdf.

² See Peter Cohan, “Can GM repay our \$50 billion loan?” *DailyFinance.com*, (June 30, 2009), available at <http://www.dailyfinance.com/2009/06/30/can-gm-repay-our-50-billion-loan/>.

³ See “GM Closing Norton Warehouse,” *CBS WBZ TV*, (June 1, 2009), available at <http://wbztv.com/business/GM.bankruptcy.general.2.1026565.html>.

market demand and ultimately serve its customers more efficiently and effectively.”⁴ The United Auto Workers announced its intention to lobby Members of Congress to pressure GM to reverse its decision.⁵

On June 3, Representative Barney Frank, Chairman of the House Financial Services Committee, reportedly met with you and urged you to reconsider the decision to close the Norton facility, which is located in his congressional district.⁶ On June 5, GM announced that it had further analyzed its East Coast distribution network and it would delay closing the Norton facility until July 2010.⁷ While keeping the Norton facility open clearly benefited the facility’s 80 employees in Mr. Frank’s district, it is unclear whether the decision was in the best interests of the millions of American taxpayers who now have a vital interest in the profitable operations of GM.

Unfortunately, the decision to keep the Norton facility open does not appear to be an isolated example of the politicization of GM’s operations. As part of its taxpayer-funded bailout, GM announced its intention to produce a new subcompact automobile at one of three idled manufacturing plants— Orion Township, Michigan; Janesville, Wisconsin; or Spring Hill, Tennessee.⁸ Choosing the most efficient and profitable production location was important since, as one analyst notes, profit margins on small cars are very tight to nonexistent.⁹ Indeed, estimates indicate that in recent years GM lost \$1,000 to \$2,000 per small car it built in the United States.¹⁰ On June 26, 2009, GM announced it had selected the Orion Township, Michigan, plant to produce its new small car.¹¹

Given the razor-thin profit margins commonly associated with small car production, one would logically assume GM to be concerned with business criteria such as cost and profitability in deciding where to manufacture its new small car. I was disturbed, therefore, to learn that GM told Members of Congress that “carbon footprint” and something called “community impact” were the top two criteria it considered in choosing Orion Township, Michigan.¹² It is unclear how either of these criteria is relevant to the goal of maximizing GM’s profitability on behalf of the American

⁴ *Id.*

⁵ *Id.*

⁶ See Erin Ailworth, “Frank intervention extends life of GM’s Norton center,” *The Boston Globe*, (June 5, 2009), available at http://www.boston.com/business/articles/2009/06/05/frank_intervention_helps_delay_closing_of_gm_norton_center/.

⁷ *Id.*

⁸ See “Mich., Tenn., Wis., compete to build GM small car,” *Associated Press*, (June 10, 2009), available at <http://news.moneycentral.msn.com/provider/providerarticle.aspx?feed=AP&date=20090610&id=9962396>.

⁹ See Neil King, Jr. and John D. Stoll, “Economics Wasn’t GM’s Only Criteria for New Plant,” *The Wall Street Journal* (July 6, 2009).

¹⁰ *Id.*

¹¹ See Erik Schelzig, “Michigan Gets GM Small Car Plant, Will Create 1,200 Jobs,” *The Huffington Post*, (June 26, 2009), available at http://www.huffingtonpost.com/2009/06/26/michigan-gets-gm-small-car_n_221356.html.

¹² See note 9, *supra*.

taxpayer. Even David Cole, chairman of the Center for Automotive Research and a member of the executive board of the Michigan Economic Development Corporation, said that the Spring Hill, Tennessee, location would have been the best pure business decision for GM since it has the most modern paint shop and is closest to the new car's market.¹³ "It tells you that there's some politics going on here," said Mr. Cole.¹⁴

While GM claims that "the Orion plant scenario provided the best business case," it refuses to disclose the specific factors it weighed because "it's in the best interest of all involved to not discuss the selection criteria for the small-car plant."¹⁵ Since the American taxpayers will be repaid only if GM returns to profitability and achieves an unprecedented market capitalization, I believe they have a right to know that GM is making business decisions designed to maximize profits. Criteria such as "community impact" and "carbon footprint," while perhaps pleasing to politicians and bureaucrats, are not obviously related in any way to profitability. GM's reliance on such metrics in making critical business decisions raises serious questions about the independence and judgment of its management and the effect of government involvement in the automotive sector.

In order to assist the Committee with its investigation of this issue, please provide the following information no later than close of business on Wednesday, August 5, 2009:

1. A full and complete explanation of GM's decision to close, and then delay closure of, the Norton facility.
2. All records and communications between GM and the President's Automotive Task Force, the United Auto Workers and any Member of Congress referring or relating to GM's decision to close, and then delay closure of, the Norton facility.
3. A full and complete explanation of any facilities GM announced it would close prior to the provision of taxpayer assistance which it subsequently decided to delay closure of.
4. All records and communications between GM and the President's Automotive Task Force, the United Auto Workers and any Member of Congress referring or relating to any facilities GM announced it would close prior to the provision of taxpayer assistance which it subsequently decided to delay closure of.
5. A full and complete explanation of the decision to build GM's new small vehicle in the United States and to locate its production in Orion Township, Michigan,

¹³ See Rick Haglund, "GM's decision about new small car plant more than financial," *The Muskegon Chronicle*, (June 25, 2009), available at http://www.mlive.com/news/muskegon/index.ssf/2009/06/gms_decision_about_new_small_c.html.

¹⁴ *Id.*

¹⁵ See note 9, *supra*.

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including but not limited to all selection criteria used to make the necessary decisions.

6. All records and communications between GM and the President's Automotive Task Force, the United Auto Workers and any Member of Congress referring or relating to the decision to build GM's new small vehicle in the United States and to locate production in Orion Township, Michigan.
7. All records and communications between GM and the President's Automotive Task Force, the United Auto Workers and any Member of Congress referring or relating to the decision to use GM's metal stamping facility in Pontiac, Michigan in producing its new small vehicle.

Please note that, for purposes of responding to this request, the terms "records," "communications," and "referring or relating" should be interpreted consistently with the attached Definitions of Terms.

Thank you for your cooperation in this matter. If you have any questions regarding this request, please contact Christopher Hixon or Brien Beattie of the Committee staff at (202) 225-5074.

Sincerely,



Darrell E. Issa
Ranking Member

cc: The Honorable Edolphus Towns, Chairman

Attachment

Definition of Terms

1. The term "record" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, interoffice and intra office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A record bearing any notation not a part of the original text is to be considered a separate record. A draft or non-identical copy is a separate record within the meaning of this term.
2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether face-to-face, in a meeting, by telephone, mail, telexes, discussions, releases, personal delivery, or otherwise.
3. The terms "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is in any manner whatsoever pertinent to that subject.