



Automaker Bankruptcy Would Cost Taxpayers Four Times More Than Amount of Federal Bridge Loans

Study by Anderson Economic Group and BBK is first comprehensive cost analysis of an automaker bankruptcy showing dire effects of a collapse

SOUTHFIELD, Mich. — December 8, 2008 — The effects of an automaker bankruptcy would inflict much higher costs to United States taxpayers, up to four times the amount of the proposed federal bridge loans if at least two companies failed, according to a joint analysis released today by Anderson Economic Group (AEG) and BBK, an international business advisory firm with extensive experience in the automotive industry. The analysis is the first comprehensive study of the likely costs of a bankruptcy declared by the Detroit automakers contrasted with the taxpayer costs of the requested federal bridge loans. The results were released during a press conference at BBK headquarters in Southfield, Michigan, and show that the nation's economy would be far better served by providing bridge loans to the automakers.

"We hope this research report provides policymakers and taxpayers with an objective, independent assessment of what an automaker bankruptcy would look like," said Patrick L. Anderson, Principal and CEO, Anderson Economic Group. "The findings indicate a bridge-loan scenario would be the more financially sound choice of the scenarios currently under debate in Washington, with lower relative economic costs than not providing any type of financial support."

The study estimated direct taxpayer costs of multiple scenarios for a bridge loan, and a bankruptcy, over a two-year period. It revealed that the losses of employment, income, and tax revenue in a bankruptcy scenario are unequivocally much higher than the losses from company restructuring with the help of federal bridge loans. Under a bankruptcy scenario, which contemplates two of the three Detroit-based automakers failing, there would be more than 1.8 million one-year jobs lost, and nearly \$70 billion dollars less in federal and state tax revenue over a two year time period.

"The report shows the immediate impact of the collapse of even two automotive manufacturers that would only further exacerbate our current economic crisis and likely would precipitate a complete shutdown of nearly all auto production in the U.S. for some time," according to Kriss Andrews, Managing Director and Automotive Practice Lead, BBK. "The other direct economic costs of a bankruptcy would be similarly distressing – from additional debtor-in-possession

financing of an already bankrupt automaker by the Federal government, to the disruption of the credit and related markets.”

Additional conclusions of the report included:

- Credit and related markets would be further disrupted, with housing, the value of securities such as outstanding bonds of the automakers and suppliers, and a meaningful amount of commercial and automotive assets further degraded in value.
- The inescapable outcome of a bankruptcy scenario is the permanent shifting of some share of manufacturing employment and technology expertise to foreign countries.
- Professional fees for bankruptcy likely would be paid out of a shrinking monetary pool that would otherwise fund retirement benefits and warranty work.
- Automakers assembling in Europe, Japan, China, and Korea would likely benefit from consumer buying pattern shifts that could persist for several years.

For information on the methodology of the study, additional data points and accompanying charts and tables, please visit the websites of Anderson Economic Group (www.andersoneconomicgroup.com) or BBK (www.e-bbk.com). A replay of the press conference will be available on BBK's website beginning at 12:30 pm EST Monday, December 8 until December 22.

About BBK

BBK, an international business advisory firm established in 1977, provides financial and operational services that enhance the growth, profits and stability of its clients. BBK has an extensive network of professionals throughout the United States, Europe and Asia, and has completed thousands of engagements for a variety of clients, including Fortune 500 corporations, mid-sized companies, financial institutions, law firms and private equity firms. For more information, visit www.e-bbk.com.

About AEG

Anderson Economic Group has extensive experience in the analysis of tax and fiscal policy, including analysis of income, business, sales, property, payroll, and other taxes levied by state, provincial, and national governments. AEG's clients have included many of the most affected states and provinces, companies involved in interstate and International commerce, including many auto manufacturers, suppliers, and dealers. AEG's Auto Crisis Advisory Service, begun in October, provides its clients with regular updates on the likely outcome of the current industry crisis.

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