

Executives can even lose their deferred pay altogether if their employer ends up in bankruptcy court. When Lehman Brothers Holdings Inc. filed for bankruptcy last month, most executives became unsecured creditors. The government didn't come to Lehman's aid.

In assessing liabilities, the Journal examined federal year-end 2007 filings by the first nine banks to get capital injections, plus six other banks and financial firms embroiled in the financial crisis. In many cases, the firms didn't report enough data to estimate their obligations to executives. As for identifying amounts due individual executives, company filings provided a look at only the top few, and not a full picture of what they were owed.

Just as banks aren't the only financial firms getting federal aid amid the crisis, they aren't the only ones facing scrutiny of their compensation programs.

Struggling insurer American International Group Inc. agreed to suspend payment of deferred pay for some former top executives pending a review by New York state Attorney General Andrew Cuomo. Mr. Cuomo is also demanding to know this year's bonus plans for the first nine banks getting federal cash, as is House Oversight Committee Chairman Henry Waxman.

Among the payouts AIG agreed not to make are disbursements from a \$600 million bonus pool for executives of a unit that ran up huge losses with complex financial products. AIG also is suspending \$19 million of deferred compensation for Martin Sullivan, whom AIG ousted as chief executive in June. His successor as CEO, Robert Willumstad, who left when the U.S. stepped in to rescue AIG in September, has said he's forgoing \$22 million in severance because he wasn't there long enough to execute his strategy for AIG.

However, the giant insurer—whose total liability for its executives' deferred pay couldn't be calculated—says most of the managers will receive the compensation. "Of course, we'll be looking at all these to make sure they're consistent with the requirement of the program," said spokesman Nicholas Ashooh.

AIG isn't eligible for the government's capital-injection plan, since it's not a bank, but it's getting plenty of U.S. aid of another sort. The Treasury has made \$123 billion of credit available, a little more than two-thirds of which MG has borrowed so far.

Fannie Mae and Freddie Mac also don't get in on the capital-injection plan for banks. But under a federal "conservatorship," the Treasury agreed to provide each with up to \$100 billion of capital if needed. In return, the government got preferred shares in the firms and the right to acquire nearly 80% of them.

Their regulator, the Federal Housing Finance Agency, says it will bar golden-parachute severance payouts to the mortgage buyers' ousted chief executives. The executives remain eligible for their pensions.

Fannie Mae had a liability of roughly \$500 million for executive pensions and deferred compensation at the end of 2007, judging by the size of its deferred tax assets. A spokesman for the firm wouldn't discuss the estimate or whether the executives would get the assets.

At Freddie Mac, most will. "Deferred compensation belongs to the officers who earned it," said Shawn Flaherty, a spokeswoman.

Indeed, in September Freddie Mac made its deferred-compensation plan more flexible, allowing executives to receive their money earlier than initially spelled out. "Officers were nervous about market changes," said Ms. Flaherty. "We wanted a retention tool for top talent."

Mr. WHITEHOUSE. I thank the Chair, yield the floor, and I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. LEVIN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEVIN. Madam President, I ask unanimous consent that the Presiding Officer, the Senator from Missouri, be recognized for up to 5 minutes, and that I be recognized for 30 minutes in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEVIN. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mrs. MCCASKILL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. LEVIN). Without objection, it is so ordered.

Mrs. MCCASKILL. Mr. President, I know we have an important piece of legislation that we are going to vote on today. I desperately want to support that legislation. I wish to ask first and most importantly if anyone has the information as to whether the CEOs of Wells Fargo or Bank of America or Citigroup have taken private jets in the last month. Has anyone asked the CEOs of Citigroup, Wells Fargo—all of these financial companies—to take a cut in compensation? Has anyone asked about their workers and how much money they make and whether they are overpaid and whether they are competitive with the salaries of community bankers across the country?

Every one of the institutions I named has gotten \$15 billion or more of taxpayer money. Think about that for a minute. Citigroup has gotten \$50 billion. Have we checked on their private jets? Have we checked on their CEO compensation? Have we checked on their work rules and whether their workers are given enough flexibility?

It is unbelievable to me that we are setting this double standard. The thousands of jobs and families who build great American cars do not deserve this incredible hypocrisy in terms of the different treatment they are getting. What is good for the goose is good for the gander.

I say let's call in those CEOs of those big companies that have gotten more than \$15 billion of our money and ask them when they are going to take a dollar in pay, ask them if they got here on a corporate jet, ask them if their workers have cut their pay to \$14 an hour, ask them if they have talked about cutting their pension costs and their health care costs. Until we do that, we ought to be quiet about the

American autoworkers, and we ought to be quiet about these companies that have reduced fixed costs, that have agreed to sell corporate jets, that have agreed to cut executive compensation.

I want to support this bill on behalf of manufacturing in the United States of America, on behalf of wonderful, hard-working families in Missouri. However, there is one problem that has arisen, and that is, unfortunately, in this bill right now, as written, is a provision to increase the pay of Federal judges. Wrong time, wrong place.

We have unemployment numbers today that show we have the highest unemployment in this country we have had in decades. We have families all over this Nation who are scared today, who are not buying Christmas presents. Federal judges get lifetime appointments and they never take a dime's cut in pay. They die with the same salary they have today. My phone is ringing off the hook from people who want to be Federal judges. I am having to have staff work overtime to handle all the phone calls I am getting from people who think there may be a Federal judgeship opening in the eastern district of Missouri and how badly accomplished, wonderful, smart lawyers want that Federal appointment.

We are not hurting for qualified applicants for the Federal judiciary. Is it fair that they have not gotten a cost-of-living increase like every other Federal employee? Probably not. But you know what is a lot more unfair is to give somebody with a lifetime appointment, great health care, no cut in pay when they actually retire, what is unfair is to give them a pay raise on this day in this bill at this time. It is not the right time. And if it is in the bill, I regrettably will have to vote against this legislation because I feel so strongly that it sends the wrong message to the United States of America at this scary moment in our economic history.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. LEVIN. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mrs. MCCASKILL). Without objection, it is so ordered.

ORDER FOR RECESS

Mr. LEVIN. Madam President, I ask unanimous consent that at the conclusion of my remarks, the Senate stand in recess until 3 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

DOMESTIC AUTOMOBILE INDUSTRY

Mr. LEVIN. Madam President, the bill that has been filed by the chairman

of the Banking Committee would do for the U.S. domestic auto industry what governments around the world are doing: providing emergency assistance to their auto industries because their survival is jeopardized by a worldwide recession which has resulted in plunging auto sales.

That global recession is not the making of the auto industries around the world, including our own domestic industry. Past mistakes of the big three are not the cause of the worldwide recession and resulting credit freeze. People who want to make large purchases, such as automobiles, are unable to get credit, and 90 percent of the people who buy automobiles buy on credit. Many people simply are afraid to make large-scale financial commitments in these scary economic times. So the U.S. domestic auto industry is not alone in needing loans to make it through the global economic calamity we are in. Look at the rest of the auto-producing world. Here are some headlines in the news recently:

“Facing a Slowdown, China’s Auto Industry Presses for a Bailout From Beijing.”

Brazil. “In Brazil, Whiplash on Assembly Lines.” “The Government stepped in with a \$3.5 billion aid package for the auto industry by funding banks to boost the amount of credit available for car loans.”

“European Carmakers Get \$50 Billion in Aid.”

“European governments poised to help their automakers.”

“Automakers in other nations get more government help. Requests for aid made worldwide”—another headline.

These are all headlines in papers across the country.

Reuters, “Spain to support car industry.”

“France’s stimulus plan includes carmakers.”

“Portugal rolls out loan.”

“Auto industry faces massive job losses without aid,” according to the chairman of one of the largest automobile industries—not one of the big three.

Now, why are nations around the world stepping in to support their auto industries? It is because of the drastic decline in sales across the industries around the world—not just domestic, not just the big three—leaving no alternative to every other auto-producing country and its government but to support its industry. Hyundai sales are down 40 percent; Toyota sales are down 34 percent; Honda, down 32 percent; Nissan, down 42 percent; Mercedes, down 38 percent. These are not the big three. These are automobile makers around the country that are in the same situation as the big three. But the difference, so far, is that other governments are stepping in. We have not yet stepped in to support our industry.

In arguing against these loans for the big three, some continue to describe

the domestic companies of the 1970s and 1980s when fuel efficiency was not high on the list of the big three as big three goals or achievements. Some would have us ignore dramatic gains in quality and vastly greater numbers of fuel-efficient vehicles now being offered by the big three. In the area of quality, big three autos are equal to or better than their foreign competitors. For example, the J.D. Power Initial Quality Study scores the overall quality of Buick, Cadillac, Chevrolet, Ford, Mercury, Pontiac, and Lincoln—these are objective, outside studies on quality for those American brands, Buick, Cadillac, Chevrolet, Ford, Mercury, Pontiac, and Lincoln—as high or higher than Acura, Audi, BMW, Honda, Nissan, VW, and Volvo. J.D. Power rates the Chevrolet Malibu as the highest quality midsize sedan on the market, and both the Malibu and the Ford Fusion score better than the Honda Accord or the Toyota Camry.

On the fuel efficiency side, here are some facts that hopefully colleagues will consider. Long before the credit crisis hit, GM laid the groundwork to offer 15 hybrids by 2012. Thanks to investments they have already made, GM already has 20 models that achieve 30 miles per gallon or better—twice the number of its nearest competitor. All the big three are working to ensure that at least 50 percent of their American production is capable of running on biofuels by 2012. Domestic automakers produce numerous cars that have equal or better fuel efficiency than their foreign competitors. And again, the most fuel efficient Chevy Malibu gets 33 miles per gallon on the highway, which is 2 miles better than the best Honda Accord. The most fuel efficient Ford Focus has the same highway fuel efficiency ratings as the most fuel efficient Toyota Corolla.

In the area of productivity, Chrysler tied Toyota as the most productive automaker in North America this year, according to the Harbor Report on Manufacturing, which measures the amount of work done per employee. Eight of the ten most productive vehicle assembly plants in North America belong to Chrysler, Ford, or General Motors.

Now, there are also some who want to ignore the reduction in benefits that have been taken already by UAW workers and retirees. In the collective bargaining agreements negotiated in 2005 and 2007, the UAW, along with GM, Ford, and Chrysler, achieved billions of dollars in cost savings and set the companies on the course to bring labor costs, including benefits, in line with their foreign competitors in the United States by 2012. Wages were cut and pension and health care benefits were greatly reduced as well.

The UAW is taking responsibility for managing its own retiree health care benefits beginning in 2010 by setting up its own voluntary employee beneficiary association, or VEBA. The VEBA plan will transfer responsibilities for health

care benefits for existing employees from companies to an independent trust. This eliminates half of the companies’ liabilities for retirees’ health care, with billions of dollars of savings.

The memory of mistakes made decades ago lingers and remains the impression that many have of the big three despite all the facts I have just outlined. Beliefs are always hard to change. So the facts I have just shared about improved quality and more fuel efficient vehicles and alternative-energy vehicles being produced by the big three may not be readily accepted by people who have beliefs that are to the contrary. But one fact is indisputable and will hopefully influence some who are open to argument: Auto industries around the world are seeking the support of their governments through loans and other methods and are getting it. I went through that series of headlines, from Brazil to Europe, all the way to China. The Chinese automobile industry is asking for loans from the Chinese Government. No other auto-producing country that I know of in the world is failing to act to make sure its industry is alive when the deep global recession is over, and we shouldn’t either.

There is also a national security aspect to the American auto industry, and I wish to spend some time on this because there was testimony that was prepared for delivery to the Banking Committee when they met on this subject by the Director of the U.S. Army Tank Automotive Research, Development and Engineering Center, called TARDEC. So this is the Army R&D and engineering center. It is located in Macomb County, MI. TARDEC develops, integrates, and sustains the right technology solutions for all of our manned and unmanned Department of Defense ground vehicle systems and combat support systems in order to improve force effectiveness and provide superior capabilities for the future forces of this country.

The Director of TARDEC is Grace Bochenek. Because of the security importance of what I am going to relate, I am going to read from her prepared testimony, and this is going to take some time. I am going to read from her prepared testimony, though it wasn’t actually delivered. It ended up that they had too many witnesses, and so she wasn’t invited, but this testimony is a compelling story of the continuing relationship between the big three, the domestic auto industry, and our U.S. Army vehicle program.

We all look back—some of us nostalgically—to what Detroit did during World War II. That is the past. There is a present which is critically important in terms of the security of this country. Some have pointed out the need to have a manufacturing base in order to quickly expand in the case of need, and that is a powerful argument—a national security argument for keeping our big three auto industry around the way other countries keep their auto industries around. Some other colleagues

have pointed out in some detail the relationship between the suppliers of the big three and the suppliers of vehicles for the Army and how much trouble those suppliers would be in—these are Army vehicle suppliers—if the big three did not survive, and that is another powerful national security argument. But I am going to focus on what Grace Bochenek focused on, the Director of TARDEC, which is the relationships, the synergies that exist between the big three now and the Army in terms of current products and current technologies which are inserted into our vehicles and future technologies which are being developed as we speak.

I am going to quote from her testimony, and this will all be quotes except where I insert my own words, which I will try to make clear. But this will be a long quote, for those who are listening to this testimony and, hopefully, reading it.

The synergies between TARDEC and the U.S. automotive industry and the collective challenges we face. TARDEC's connection to the automotive industry dates back to 1947, when the Tank Automotive Components Laboratories, now known as TARDEC, was established. The level of cooperation between the Army and the auto industry was strengthened by the Secretary of the Army's charter of the National Automotive Center, NAC, in 1992 to champion the development of dual-use automotive technologies and their application to military ground vehicles. Today, the NAC remains the connective piece and continues to engage through many different mechanisms to leverage the capabilities, skills, and facilities of the automotive industry.

Referring to the Department of Defense and the domestic automobile industry, she continued:

For the past 70 years, we have shared common research goals, leveraged investments in technology, mutually benefitted from those technical developments, and collectively owned the responsibility for our Nation's next generation of automotive engineers and scientists. Technologies may have changed, but the importance of working together to collectively drive innovation has not. The Army's specific challenges are as follows: First, significantly increasing fuel efficiency to reduce the logistics burden on our troops. In some cases, fuel is 70 percent of the bulk tonnage that we take to war. Second, substantially increasing electric power available on the battlefield and developing the next generation of electronic warfare tools. Third, increasing soldier protection through the development and application of advanced light-weight material solutions. Fourth, utilizing sensor technology throughout our vehicle platforms to collect prognostic data allowing for overall improved reliability and reduced sustainment costs. Fifth, engaging the enemy without putting soldiers in harm's way through the fielding of unmanned systems.

Another word for that is robotics. Continuing now with Grace Bochenek's prepared testimony.

Often the only difference between military and commercial automotive technologies is a matter of scale both with regard to the market (quantity) and component durability (military specifications). The goals and the technologies leading to their accomplishment, however, remain very similar. Our motivations may differ, but our technological

goals are shared ones. Both the Army and the automotive industry seek to achieve technical advances in the areas of power and energy, vehicle intelligence, robotics, safety, advanced lightweight materials and leading-edge manufacturing methods.

Then she goes into examples in each of those areas, where there is a working together, a cooperation, a synergy between the American automobile industry and the Army vehicle program. She continues:

In 1997, TARDEC began a commercially based tactical truck program focused on leveraging GM, Ford and Chrysler's commercial truck platforms to meet some of the military's light tactical vehicle requirements. Chrysler and GM provided hybrid electric vehicles that included start-stop operation and vehicle exportable power providing TARDEC with information critical to defining future requirements.

A Cooperative Research & Development Agreement (CRADA) between Ford and TARDEC launched the development of a thermal management software modeling tool. This further matured under multiple Small Business Innovation Research (SBIR) contracts utilizing tri-service investment. The dual use software produced has been fully commercialized and is now sold worldwide by one of the SBIR, recipients, resulting in a new Michigan business with revenues of about \$10M per year. Ford's initial investment was absolutely critical in the development of this world class product the application of which has also become the Army, Navy, and Air Force standard. This is an example of how an Automotive OEM—TARDEC partnership was able to leverage resources to create jobs and develop useful technologies.

TARDEC continues to partner with automotive industry OEMs and suppliers on advanced powertrain technologies including fuel cell technologies, power and thermal management, and advanced automotive batteries all of which are necessary for the next generation of military systems. TARDEC leverages fuel cell developments primarily through the automotive supplier base with companies such as Ballard, Delphi, and United Technologies. TARDEC also has a longstanding relationship with General Motors in the demonstration and evaluation of light duty commercial fuel cell vehicles. This program has allowed TARDEC to assess multiple generations of fuel cell technologies.

Batteries are critical to implementing advanced automotive powertrains. As such, there is a growing body of collaborative work between TARDEC, the automotive OEMs, and their suppliers. The cornerstone of TARDEC's efforts in this area is the development of manufacturing technologies needed to mass-produce high power and energy density Lithium-Ion (Li-Ion) batteries—particularly critical for the Army's Future Combat Systems platforms. Additionally, there are many ongoing military battery technology development efforts that leverage emerging automotive battery technology providers such as Al23, AltairNano, Boston Power, GS Yuasa, Inanovation, EnerDel, EnerSys, Firefly, Kokam America, Quallion, and SAFT America. With the help of the Automotive OEMs and the Department of Energy, TARDEC is escalating efforts to define the boundaries for dual-use commercial and military applications of advanced battery technologies through the U.S. Advanced Battery Consortium. Additionally, General Motors is supporting TARDEC advanced battery requirements through direct, individual collaboration through a CRADA and an additional newly awarded contract.

TARDEC and the automotive OEMs have both identified advanced automotive batteries as a key area for collaboration going forward. In the support of expanding collaboration in advanced batteries, TARDEC has worked with the automotive OEMs and suppliers of battery technologies to assess the scope of effort around establishing a robust, diverse manufacturing base for advanced automotive batteries. This effort recently culminated in a two-day Battery Summit, which involved over 70 participants from industry and government. Discussions covered the technology, policy and manufacturing implications of having a domestic base for the manufacture of advanced batteries. TARDEC intends to continue to work with key stakeholders to identify near term opportunities in the area.

VEHICLE INTELLIGENCE

The Army faces high operating and support costs in its aging fleet of vehicles. Currently the Army reduces this heavy cost burden through periodic scheduled inspections and sustainment efforts. To further reduce this cost burden, the Army must move towards an intelligent vehicle architecture.

Both the Army and the automotive industry have vested interest in enhancing their platforms by providing predictive maintenance enhancements through prognostic capabilities. This requires equipping vehicles with computing devices, sensors, middleware, and wireless infrastructure. Through these enabling technologies, vehicle intelligence is made possible. This could ultimately enhance operational readiness and reduce lifecycle maintenance costs for ground vehicle platforms by reducing the heavy cost burden of periodic scheduled inspections and automating the supply chain to proactively provision for part replacements to optimize the maintenance repair process.

Vehicle intelligence is also an enabling technology for Condition Based Maintenance and (vehicle) Health Monitoring technologies. It is related to existing developments in the commercial automotive industry such as the installation of electronic control units (ECU) and electronic control modules (ECM), computing devices, and sensors. These devices facilitate diagnostic analysis at the vehicle subsystem level. This in-vehicle network provides the ability to diagnose such components as the powertrain, ABS, and critical safety systems. GM Diagnostics has taken this a step further by enabling cellular transmission of data off platform for off-board analysis and status updates through their OnStar system. The Army is working with commercial automotive partners to develop this technology for military use via secured communication pipelines.

Robotics—now she addresses robotics in her prepared testimony. I am going into this at some length because what has not been focused on enough in this debate is the security implication of the failure of the big three. There has been a lot of discussion about why it is essential that we not allow the big three to go under in terms of this economy. But what has not yet been focused on specifically, other than general statements about the connection, the current and future connection, is the essential synergy between the big three and the Army particularly but also the military in general.

People's minds tend to go back and say that was all World War II, that was all the "arsenal of democracy," and yes, it was, and we are proud of it. But

it is also 2008, 2010, 2015, 2020. What kind of equipment our troops will have will depend upon whether we have the kind of connection between our military and our commercial worlds. In the area of vehicles, to disconnect that connection, to rip it apart, to allow the big three to go under, has a massive negative security impact on this country and on the well-being and survival of America's troops.

She goes on:

ROBOTICS, UNMANNED SYSTEMS

The U.S. Army has a long history of working with the automotive industry on the development of enabling technologies for manned and unmanned systems. Unmanned systems are key resources for our fighting men and women in the Global War on Terrorism.

Many of the key technologies currently used on ground robots have their start in cooperative programs between the U.S. Army and the Big 3 Automotive and their tier suppliers. The Army and the automotive companies have several aligned activities in unmanned systems. For example, the Army has several overriding objectives we are trying to achieve for the development and deployment of future unmanned vehicle systems. Primary among these goals are Safe Operations (Safe Ops) and Total Situational Awareness (SA) around the vehicles, necessary because a robot operates by sensing the environment around it at any given moment. Safe Ops and 360 degree SA are also critical for the safe operation of passenger cars on automated highways, which means our goals are aligned perfectly with the programs in the auto industry.

Recently, both GM and Ford participated in the series of DARPA Autonomous Vehicle Grand Challenges. The 1st Grand Challenge was held at the California Motor Speedway and it tested the ability of vehicles to move autonomously over structured roads. The 2nd Grand Challenge was a 170 mile cross-country road race in the deserts of Nevada. The 3rd and final challenge, called the DARPA Urban Challenge (DUC), was designed to push the state-of-the-art in autonomous navigation in urban environments, where each competitor had to obey the rules of the road and contend with other robots and driven cars. Many of these robust automotive sensing methodologies are being transitioned to Army programs for integration into both manned and unmanned systems.

In every one of these competitions both Ford and GM partnered with leading universities in the U.S. to put together winning teams that finished in the top 5 percent of race finishers (the GM-Carnegie-Mellon team won the DUC in 2007). The close coupling of robotic sensors, actuators and intelligence was enhanced by the collaboration of automotive engineers at the OEMs.

Then she goes on with her description of safety issues.

There are multiple overlapping safety goals between the commercial automotive industry and the military ground vehicle fleet. Just as injury risk mitigation and thorough modeling and simulation of technologies is important to the commercial automotive manufacturers; these precautions must be taken to reduce the impact to our Soldiers, Sailors, Airmen, and Marines.

Automotive industry OEMs and key suppliers have worked with TARDEC in the development of advanced modeling and simulation efforts to characterize occupant impact during rollover and side impact crashes.

TARDEC recently developed ground-breaking full vehicle underbody blast models and methodologies to both accurately predict occupant injury during an energetic event such as a mine/IED blast, and to develop new countermeasures. This effort would not have been possible without heavy leveraging of automotive tools and methodologies from the automotive crashworthiness area. TARDEC's commercial partners have also been critical in advanced technology product development, testing and validation, design studies, and developmental tests. Finally TARDEC relies on the commercial partners for prototyping and large quantity manufacturing capabilities.

Advanced lightweight materials is the next subject that she took up in her prepared testimony.

One of TARDEC's mandates is to research, develop, engineer, and to leverage lean, agile, advanced manufacturing technologies used by the U.S. Auto Industry, Academia, and other segments of the U.S. Industrial Base. This is accomplished through partnerships and contracts with manufacturers, suppliers, and universities, taking advantage of manufacturing capabilities developed to service the high volume needs of the auto industry and adapt the technologies for manufacturing the low volume production of military components.

With the auto industry leading the charge, TARDEC is pursuing several advanced manufacturing processes such as friction stir welding, laser additive and subtractive manufacturing, flexible manufacturing cells using robotics, and water-based environmentally safe painting processes.

Then she addresses automotive expertise, knowledge, and education.

To maintain technological superiority now and in the future, we need top quality scientists and automotive engineers in our workforce. Alongside the automotive industry, we have always had a shared commitment and felt the collective responsibility to develop the next generation of engineers, and recognized the challenge to do so.

TARDEC has long recognized that a scientifically and technologically literate citizenry is our Nation's best hope for a diverse, talented, and productive workforce. To achieve this goal, we have partnered with the automotive industry and universities to develop curriculum that will benefit both TARDEC and the American automotive original equipment manufacturers.

We have also been able to address this challenge through our Automotive Research Center, which has created ways for us to partner with universities and allow students the opportunity to develop and work on relevant automotive engineering challenges.

Over the years, the automotive industry has made significant contributions to the Army through technology exchange processes available in the ARC [which is the Automotive Research Center]. And in recent years, an increased emphasis on research involving high mileage, low polluting vehicles, as well as the new high technology needs for large trucks, off-road vehicles and robots has provided invaluable data and resources for us towards the Army's long term transformation goals and objectives.

In 2007 and 2008, TARDEC supported 52 ARC research projects spanning Power, Mobility, Survivability, Modeling and Simulation technology areas. Ford, Chrysler and General Motors and at least 12 Tier-1 suppliers provided their resources and expertise towards 36 of the 52 research projects. The remaining projects had industry involvement from Tier-2 and Tier-3 suppliers such as large software companies, industry consultants and automotive small businesses.

The fact remains [and I will conclude with this] that the need for partnerships and the consistent leveraging of resources is critical for continued innovation, technological breakthroughs. American automotive original equipment manufacturers partnership with TARDEC in events such as [then she lists a whole lot of events] inspires young engineers to consider careers in math and science and helps to develop many needed automotive skill with applicability in DOD's "real" workforce environments.

Automotive industry support has been crucial in developing the educational infrastructure that has allowed the development of an automotive engineering talent base here in the United States. And that talent base will be central to future efforts to create a safer Nation and a robust manufacturing environment.

At this time, when we have to [these are her last words] at this time, when we have to break the dependency on foreign oil, provide energy security for the Nation, and increase soldier protection, it becomes even more critical, [even more critical] to leverage investments, exchange technical ideas to drive innovation, and provide the breakthroughs that are necessary to maintain the dominance of the American military.

I very much appreciate the time that I have taken to share with this body the statement of the head of the organization in the Army which is responsible for the technologies in current vehicles and future vehicles.

I have done this because there is kind of yet the unstated critical need for the survival of the big three. The stakes for our economy nationally are huge. The failure of the big three would send a tsunami through this already battered economy.

Millions of workers would lose their jobs. Dealers in every town and on every Main Street are already reeling from the economy's plunge. Automotive component suppliers, who are in fully half our States, are on the knife's edge already, waiting for us to act.

Men and women who work for steel mills and textile factories and glass factories and computer chip factories are waiting and hoping.

The financial industry would be at risk as well. A collapsed auto industry would lead to defaults on over \$1 billion in corporate bonds, credit default swaps and other financial instruments tied to the auto industry and could send the stock market into another, deeper tailspin. Major additional damage to U.S. financial institution balance sheets would result, throwing our credit markets into even deeper turmoil.

Despite these facts, there are still some who say, "let them go bankrupt, let them go under," even though 1 in 10 jobs in this country are tied to the auto industry. In addition to hoping that they will ask themselves why no other government is allowing that to happen to their auto industry, I would also hope they would listen to some experts on the subject of bankruptcy for the auto industry.

A recent report released by J.P. Morgan titled, "Cost of the Alternative," described the scenario where one or

more of the Big Three are left to file for bankruptcy as "Credit Crisis Part II." It indicated that unemployment would shoot up by 2 percent if one of the Big Three failed, and this failure scenario would require the Pension Benefit Guarantee Corporation to take over more than \$100 billion in obligations that the Big Three currently hold. It noted that Ford and GM and their financial arms "comprise over 10% of the high-yield bond market and the auto sector represents one of the largest sectors in leverage finance for banks."

Another recent report by the Anderson Economic Group and BBK calculated the costs in the first year following the failure of two of the Big Three. Such a scenario would cost States \$12 billion in tax revenues; it would cost the Federal Government \$40 billion in income and Social Security taxes, and it would cost an additional \$8 billion in unemployment insurance and \$5 billion in significantly increased costs to the Pension Benefit Guarantee Corporation. The report indicates a high risk that inaction by Congress would result in a permanent shift of manufacturing jobs out of the United States and a dependence on foreign technology.

Mr. President, these are risks we cannot take. We must pass this legislation. Without this legislation, one or more of the Big Three will likely collapse in the coming weeks. The U.S. taxpayers would provide a bridge loan to avoid this catastrophe under this bill, but with important protections for their investment, including stock warrants for the Government; limits on excessive executive compensation; a prohibition on golden parachutes; and a prohibition on payments of dividends until the loans are fully repaid. And the so-called auto czar has the ultimate power under this legislation to enforce compliance with the long-term plans of the auto companies that accept these loans: he can call or cancel the loans if he disapproves the auto companies' restructuring plans.

We cannot afford to further destabilize Wall Street, and we cannot afford to allow millions of jobs on Main Streets in communities across the country to disappear. The domino effect of failure would ripple across our entire Nation and add untold suffering to an already dire situation.

I urge my colleagues to support this critical legislation.

As chairman of the Armed Services Committee, I wanted to focus on an aspect of this debate that has not achieved adequate attention. That is the tight, important connection between our domestic auto industry and the future security of this Nation and our men and women in uniform.

We have no greater responsibility than that. That factor, that synergy, that relationship, that connection, is an essential component of this debate.

I hope when our colleagues look at all of the factors, they will consider

that important reason for sustaining and supporting an automobile industry in this country. Again, no other Nation is allowing their automotive industry to go down in this global economic disaster we are all in. They have all taken steps to support their industry.

We should too, for many reasons. But one of those reasons, one of the most important reasons we are here in the Senate is to make sure that our men and women in uniform always have the best equipment that can be produced in the world. They put their lives at risk. They are entitled to every advanced technology we can give them.

Part of the production of those technologies the big three is playing today, tomorrow, and hopefully in the future, is a critical role.

Mr. WARNER. Would the Senator entertain a question?

Mr. LEVIN. I did not see my dear friend from Virginia come to the floor. I wish I had, because I wanted to put those parts of my remarks—and they were lengthy, but at a time when he might be hearing them either here or in his office.

Mr. WARNER. Mr. President, we had the opportunity to speak on this subject earlier today. And I reminded my good friend of the extraordinary chapter in American history that was performed by the industrial base in your State and elsewhere across America under the leadership and guidance of those companies manufacturing automobiles after Pearl Harbor, I mean who were in the business of manufacturing at the time of Pearl Harbor. They shut those lines down very quickly and turned to full military production. That is a great chapter in American history. And, fortunately, I am old enough to remember it quite well as a young man.

But today, it is a different industrial base in the automobile industry. Whereas they had a very dominant position in the production of vehicles, particularly tanks, and they did some aircraft and so forth, that has given way to the high-tech aspects which the Senator from Michigan addresses here on the floor for the benefit of our colleagues.

That is a great chapter in American history. I would hope this Nation would never again be faced with as serious a problem as it was in World War II, namely that we had let our Armed Forces get down to very small levels and the equipment was old and tired.

You remember the pictures that they used broomsticks to practice their military maneuvers with and the Model T and Model A automobiles that were used for tanks. But that chapter reflects the potential of not just the companies themselves but the workers and how quickly they took their knowledge and their skilled hands to swing into action and produce the war materials that we needed very quickly.

Today our military is much stronger, well equipped, thanks to the distinguished chairman and others who have

served with us on that committee. I think the likelihood of our Nation ever being confronted with a conflict that would have to require that enormous buildup is not, hopefully not there, but nevertheless we should remember that chapter.

It documents the capabilities of the workers and the families in this industry. I think you pointed with great pride to that era. I might add to my colleague's comment, he closed by asking all Senators to consider this very carefully. As I finish up my 30 years, I have been to a lot of Republican caucuses. We had one yesterday at noon. We just completed another. And the gravity of this issue is reflected in the gravity of the careful, very careful consideration being given by every member in our caucus. I can tell you that without any question. I am not suggesting exactly which way they are going to go. But I know that they have the best interests of the country in mind, and the gravity of the situation is enormous. You can detect it as you hear the colloquies going on on our side. I am sure the same is taking place the Senator's.

Mr. LEVIN. Mr. President, first, I thank my dear friend from Virginia. This will probably be, we keep saying, the last opportunity we have to speak with each other on the floor of the Senate. It may be, it may not be, as it turns out. But I know of no Member of this body who has put the interests of this Nation more deeply in his heart than the Senator from Virginia.

There are others who probably share that with him; I know there are, but the focus which I gave here today outlining the current relationship between the big three and the technologies that are embedded right now in our vehicles, and the effort in a collaborative way between our domestic automobile industry and our Army vehicle industry, to give us lighter vehicles, more survivable vehicles, crashworthy vehicles, vehicles that use less gasoline, vehicles that have the global positioning devices that can say exactly where they are and communicate that, these technologies are embedded now and will continue hopefully to always be at the forefront, at the cutting edge of technology to give our troops what I know the Senator from Virginia has devoted his life to; that is, to giving our troops every edge we can.

The big three not only has been part of that on the vehicles, as the Senator notably points out in terms of looking back, but that is the current situation—deep connections, synergies, collaboration going on as we speak, and planned for the years ahead.

If we rip apart that connection, by allowing the big three to go under, that tremendous capability they have to join with the Army on vehicles, particularly, will be rendered useless or will no longer exist. That would be a terrible tragedy for our Nation's security.

Again, I am glad my great friend from Virginia was able to come to the

floor to share with me some thoughts about this relationship that is not only historical and one which we take great pride in as a nation, that ability to quickly expand, to turn a manufacturing, an industrial base into an arsenal of democracy.

That hopefully will not happen, as the Senator points out. Maybe it is less likely to happen. But we must be there when it does. That aspect has been focused on by others, the need to be able to have a manufacturing base for our national security and to have a base of suppliers for our national security. I have tried to add another aspect to this argument that points to the relationship between the survival of our big three and our national security by pointing out the ongoing relationship in the area of research and development, which has produced critically important technologies currently in our vehicles and developing today the technologies which will make future vehicles.

Mr. WARNER. Our military vehicles.

Mr. LEVIN. Absolutely.

Mr. WARNER. I wish to make that clear because that technology has been available in the open market to those manufacturers, other than the oil industry, which have, in a remarkable way, taken these up-armored vehicles, that general category we have today, very quickly, to the great credit of the Secretary of Defense, Secretary Gates, he put together a structure of five companies to get into immediate production of those vehicles and into those vehicles has gone the development and technology that our distinguished colleague from Michigan has described.

Mr. LEVIN. Thankfully, we still have a few colleagues, including the great Senator from Virginia, who have a personal connection to that war.

Mr. WARNER. It was very minor, but it was a privilege to have been associated with that generation.

Mr. LEVIN. I thank my friend from Virginia.

RECESS

The PRESIDING OFFICER. Under the previous order, the Senate stands in recess until 3 o'clock.

Thereupon, at 2:17 p.m., the Senate recessed until 3:03 p.m. and reassembled when called to order by the Presiding Officer (Ms. KLOBUCHAR).

The PRESIDING OFFICER. In my capacity as a Senator from the State of Minnesota, I suggest the absence of a quorum.

The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Ms. MIKULSKI. Madam President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

EXTENSION OF MORNING BUSINESS

Ms. MIKULSKI. Madam President, I ask unanimous consent that the period

for the transaction of morning business be extended until 5 p.m., with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

Ms. MIKULSKI. Madam President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

SILO TAX SHELTER

Mr. BAUCUS. Madam President, the House bill before us contains a provision that causes me great concern. The provision would make the U.S. Government an active participant in an abusive tax shelter transaction.

In the past, Congress has voted to shut that tax shelter down. And this week, I sought to offer an amendment to strike the provision from this bill. But I have been prevented from offering that amendment. That this provision will remain in the bill makes this bill a far less attractive measure.

Section 18 of the bill requires the United States to serve as a guarantor of obligations incurred by domestic subway and other transportation systems. These obligations arise from the systems' participation in leasing arrangements called lease in/lease out, or LILOs, and sale in/lease out, or SILOs.

LILOs and SILOs are sham transactions. The IRS has designated them as "listed" tax shelters. That means that these tax shelters are among the most egregious abuses of the tax law.

LILOs and SILOs are very complicated deals, designed to look like legitimate leasing transactions. But in reality, they are shams.

In a SILO, a tax-exempt entity nominally "sells" an asset, like a subway system. The other party to the deal is an investor who is subject to taxation and who needs a tax write-off. The investor nominally "buys" the asset. The investor then nominally "leases" the asset back to the tax-exempt entity.

In truth, the benefits and burdens of ownership never shift. And the sale and the lease have no economic reality.

These parties purport to make purchase payments and rent payments. But in reality, these payments are just paper entries, facilitated by a bank that is in on the deal. The investor pays the tax exempt entity an up-front fee in exchange for its willingness to participate in the deal. But other than that, no real money changes hands.

There is little, if any, risk to any party to these transactions. That is because the deal is cooked from the beginning. It is planned so as to eliminate any risk.

But there are significant tax benefits to the investor. The investor gets interest and depreciation deductions. And those deductions generate tax losses. Employing these tax losses, the investor pays less tax on income that the investor earns elsewhere.

This chart illustrates how a SILO transaction works. You do not have to understand all the details to see how complicated the transaction is.

As Chairman of the Finance Committee, I have had these deals on my radar screen for quite some time. In 2003, the Finance Committee held a hearing with a confidential informant. The witness risked his professional reputation to tell us how abusive LILO and SILO transactions are.

I pushed for legislation to shut these deals down. The 2004 Jobs Act eliminated the tax benefits for most of the investors who had entered into these transactions.

Since 2005, I have worked to shut down the remaining deals that the Jobs Act failed to address. Unfortunately, our efforts have met with resistance. Some argue that shutting down these transactions would be applying law retroactively. But I believe that these transactions always violated the law, as they lack any economic substance.

In the Tax Increase Prevention and Reconciliation Act of 2005, Congress imposed excise taxes on tax-exempt entities and their managers who entered into tax shelter transactions. That law recognized the role that some tax exempt entities, including transit agencies, played as "accommodating parties" to tax shelter deals.

Since 1999, the IRS has devoted considerable resources to shutting down these deals. The IRS has designated both LILOs and SILOs as "listed" tax shelter transactions. The IRS has audited every one of these transactions that it could find. The IRS has litigated four cases, and won every time. Recently, the IRS announced a settlement initiative to shut down the remaining cases and reports an 80-percent participation rate.

We have been trying to stop these tax shelters for years. So how does the Government end up guaranteeing this kind of tax shelter? The complicated structure of LILOs and SILOs plays a part.

Under the terms of the agreements, transit agencies are required to obtain a guarantee from an insurer. The insurer guarantees that the agencies will be able to buy back the subway at the end of the lease period. The agreements require that the insurer have a very high credit rating.

The current economic crisis has caused downgrades of insurers' credit ratings. That has put the tax-exempt entities into technical default on their agreements. Under the agreements, when the tax-exempt entities default, the investors have a right to terminate the lease.

The investors are taking advantage of this legal opportunity. They are trying to cash in. The investors are attempting not just to recoup the nominal purchase price of the assets. They are also demanding that the transit agencies pay over the value of the tax benefits that the investor will lose as a result of the premature unwinding of