



Auto Industry – Systemic Risk

- Auto industry is a very significant contributor to the overall economy, but also has an enormous impact on the US financial sector, not just through the three companies' sizable financing arms, but our overall operations
- Domestic industry economic impact: revenue is up to \$800 billion annually and 2.5 million jobs
- Detroit three plus their suppliers create a \$1.1 trillion gross exposure to the U.S. financial system and at least a \$650 billion net exposure. This includes debt and obligations to retirees for pensions and healthcare
- This financial exposure could have significant implications for a U.S. economy already experiencing -0.3% GDP in Third Quarter and a 6.5% unemployment rate
- Increasing the financial sector's negative exposure by up to \$1 trillion and reducing economic activity by up to \$800 billion will greatly exacerbate the current negative economic and financial climate
- For more information go to:

http://www.cargroup.org/documents/FINALDetroitThreeContractionImpact_3__000.pdf



Attachment: Automotive Liabilities

Domestic Original Equipment Manufacturers and Large Suppliers

Key Messages

- Total exposure to financial system from the Detroit 3 plus supply base is between \$650 billion and \$1.1 trillion
 - Includes debt, committed facilities, and post retirement liabilities (pension and healthcare)
- Industry revenue to the economy is estimated at \$805 billion
- Jobs at stake are 2.5 million in OEM's and suppliers only

(\$ in billions)	OEMs	Top 10 Tier 1 Suppliers	Other Suppliers ^{1/}	Total	Haircut	Net Exposure
Total Debt	\$ 395	\$ 24	\$ 48	\$ 467	25% ^{2/}	\$ 350
Committed Facilities	230	12	24	266	50% ^{3/}	133
Post Retirement Liabilities						
- Pension	169	35	70	274	75% ^{4/}	69
- Healthcare	92	12	24	128	20% ^{5/}	102
Total Post Retirement Liabilities	\$ 261	\$ 47	\$ 94	\$ 402		\$ 171
Automotive Liabilities	\$ 886	\$ 83	\$ 166	\$ 1,135		\$ 654
Revenue	\$ 355	\$ 150	\$ 300	\$ 805	0%	\$ 805
Employees (000s)	575	659	1,318	2,552		2,552

Impact on Exposure to Financial System Globally

1/ Other suppliers equal to two times Top 10 Tier 1 Suppliers
 2/ Assumes 25% is backed by collateral/assets (recovery value)
 3/ Assumes 50% is either funded or backed by assets
 4/ Assumes 75% funded status
 5/ Assumes 20% is either funded or backed by assets
 Sources: OEM & Tier 1 Supplier Liabilities, Goldman Sachs; Other supplier liabilities, Ford estimate. Employee figures, Goldman Sachs & Center for Automotive Research