CAR
CENTER FOR AUTOMOTIVE RESEARCH

FOR IMMEDIATE RELEASE

Contact: Lisa Hart
(734) 662-1287

Center for Automotive Research estimates the economic impact of a full or partial contraction of the Detroit Three on the United States economy;

Ripple effect will impact suppliers, international manufacturers and the entire U.S. automotive industry.

ANN ARBOR, Mich., Nov. 5, 2008 – Researchers at the Center for Automotive Research (CAR) in Ann Arbor, Michigan, estimate the impact on the U.S. economy would be substantial were all—or even half—of the three Detroit-based automotive manufacturers' U.S. facilities to cease operations. The immediate shock to the economy would be felt well beyond the Detroit Three companies, negatively impacting the U.S. operations of international manufacturers and suppliers as well. Nearly 3 million jobs would be lost in the first year if there is a 100 percent reduction in Detroit Three U.S. operations.

"Our model estimates that a complete shutdown of Detroit Three U.S. production would have a major impact on the U.S. economy in terms of lost wages, reductions in social security receipts, personal income taxes paid, and an increase in transfer payments," said Sean McAlinden, CAR chief economist and the study's leader. "The government stands to lose on the level of $60 billion in the first year alone, and the three year total is well over $156 billion."

The research analysis, available at CAR's website, is the result of an economic modeling effort to demonstrate what could potentially happen if the Detroit Three ceased

operations entirely, or cut operations to one-half their current level. CAR has conducted the majority of national level automotive economic contribution studies completed in the United States since 1992.

"To permit any of the Detroit Three manufacturers to collapse, would scar the U.S. economy further at a time when it can ill afford another blow," said David Cole, CAR's chairman. "The likelihood of one or two of the Detroit Three manufacturers ending operations is very real. As policymakers consider their positions on assistance to the auto industry, they must decide, is an ounce of prevention indeed worth a pound of cure?"

To obtain a copy of the research memorandum, or for more information on CAR, please visit www.cargroup.org

CAR's mission is to conduct research on significant issues related to the future direction of the global automotive industry, as well as organize and conduct forums of value to the automotive community.

###