

Chrysler To Refinance Its Debt To U.S., Canadian Gov'ts

Tom Krisher, AP Auto Writer

DETROIT (AP) — Details are still being worked out, but Chrysler Group LLC on Thursday will make an announcement about a refinancing package that will repay its government loans, according to a person briefed on the matter.

Final details are likely to be revealed Monday, when Chrysler releases its first-quarter financial results, said the person, who asked not to be identified because the company is still negotiating the package with banks.

The refinancing would allow Chrysler to repay \$5 billion that it still owes the U.S. government and \$1.6 billion that is owed to Canada, money the governments loaned the automaker to keep it alive and get it through a 2009 bankruptcy filing. Chrysler has been trying for months to refinance the loans, which have high interest rates and cost the company \$1.2 billion in interest payments last year.

The loans have been a problem for Chrysler and the Obama administration, which approved the bulk of the U.S. bailout. Chrysler CEO Sergio Marchionne has complained that the loans carry interest rates that average 11 percent to 12 percent per year, far higher than the company would pay on the open market. Chrysler pays more than \$3 million a day in interest on the aid.

The loans also have turned off some customers who are unhappy with the government bailouts of Chrysler and its crosstown Detroit rival, General Motors. For Obama, the repayment would return to the government a big chunk of what it loaned to Chrysler, eliminating at least part of a thorny political issue in advance of the 2012 presidential campaign.

The repayment also sets the stage for a Chrysler public stock offering, which could come late this year or early in 2012.

Chrysler has been negotiating the refinancing with Morgan Stanley, Goldman Sachs Group Inc., Citigroup Inc. and Bank of America Corp. The package could include new loans and possibly the sale of bonds.

Chrysler's Thursday announcement will coincide with an appearance in Detroit by Treasury Secretary Timothy Geithner, who is scheduled to visit a Chrysler sport utility vehicle factory and speak to the Detroit Economic Club about the economy.

Marchionne, who also runs Italy's Fiat SpA, said last week that Fiat will spend \$1.3 billion to raise its ownership stake in Auburn Hills, Mich.-based Chrysler. But to do that, the company must first repay the government loans.

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It's a sign that Fiat sees profits ahead for the once-troubled maker of Jeeps and minivans and wants a bigger cut now that Chrysler is rebounding from its bankruptcy. Marchionne said the \$1.3 billion would go to Chrysler, not to its other owners.

The U.S. government owns 8.6 percent of the company, a United Auto Workers health care trust fund owns 59 percent and the Canadian government holds 2 percent. The governments got their stakes after handing Chrysler a total of \$9.4 billion in bailout loans. All owners could get more money back when the stock is sold.

The U.S. government gave Fiat a 20 percent stake and management control of Chrysler when the company emerged from a government-funded bankruptcy two years ago. Since then, Fiat has gained another 10 percent by meeting certain goals, including making a fuel-efficient engine in the United States and boosting Chrysler's sales outside North America. Marchionne also has revamped Chrysler's aging product lineup and made available Fiat's fuel-efficient small car and engine and transmission technology.

Marchionne said last week that it has reached a deal to raise the stake to 46 percent through the cash investment. Fiat expects to gain another 5 percent, for a majority 51 percent share, by the end of the year.

Chrysler lost \$652 million in 2010, but that represented a huge improvement over its staggering \$8 billion loss the year before. Marchionne said he expects to report net income of \$200 million to \$500 million this year.

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