

Chrysler Repays Gov't Loans, Closes 'Painful Chapter'

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DETROIT (AP) — With a few computer keystrokes in an office at its headquarters, Chrysler Group LLC sent \$7.6 billion to the U.S. and Canadian governments on Tuesday, paying off most of the bailout money that saved the company from financial disaster just two years ago.

The repayment — expected for weeks — is a huge step in the automaker's unlikely comeback. Chrysler went from a company that almost ran out of cash and survived a 2009 bankruptcy to one that is revamping its aging lineup and last quarter posted its first net profit in five years, a modest \$116 million.

"I think this is going to close a painful and necessary chapter in our history," Chrysler CEO Sergio Marchionne said Monday at the opening celebration of a dealership in Detroit.

For Marchionne and Chrysler workers, the payoff marks partial freedom from government ownership. But it also means the company must stand on its own and continue to overhaul a lineup that's still depends on old Chrysler designs and larger vehicles that have fallen out of favor due to high gasoline prices.

"We celebrate and then we move on," said Marchionne, who is also CEO of Fiat SpA, the Italian automaker which was given control of Chrysler by the U.S. government. "We've got a long way to go."

Chrysler took \$10.5 billion from the U.S. government to survive two years ago, and earlier had repaid some of the money. On Tuesday, it retired a \$5.9 billion balance on the U.S. loans and \$1.7 billion to the governments of Canada and Ontario.

"Chrysler's repayment of its outstanding loans to the U.S. Treasury and American taxpayers marks a significant milestone for the turnaround of Chrysler and the countless communities and families who rely on the American auto industry, President Barack Obama said in a statement.

To pay off the governments, Chrysler raised \$3.2 billion through a bond sale and took out \$3 billion in lower-interest bank loans. It also will use a \$1.3 billion investment from Fiat.

But government ownership doesn't end with the loan repayment. The U.S. Treasury still owns 8.6 percent of Chrysler, which it got in exchange for the bailout. About \$2 billion of the government aid went to parts of Chrysler that were left behind in bankruptcy. That money hasn't been repaid. Some of it could be recouped when the government sells its Chrysler stock in an initial public offering. But the government

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concedes it's unlikely to get all of the money back.

Chrysler was eager to pay back its loans in part because of the governments' high interest rates of around 12 percent, which cost the company \$1.2 billion last year. The interest rates on the new loans and bonds are 6 to 8 percent, saving Chrysler \$300 million in payments per year. It also wants to shed its government ownership because some customers object to the bailout.

The loan repayment happened Tuesday morning. It went from the banks and Fiat to Chrysler's accounts and was transferred to the governments electronically, a Chrysler spokeswoman said.

It lifted the morale of Chrysler workers and dealers who just two years ago came close to losing everything.

Carl Galeana, who runs Chrysler and Fiat dealerships in Michigan and Florida, said Marchionne has done everything he promised to save the company. Vehicles such as the Jeep Grand Cherokee SUV, which was overhauled by Chrysler, have helped the company return to profitability.

But Galeana and others know the company's future success depends on models from Fiat, especially in small and midsize segments where Chrysler remains unproven.

"What we have to prove to the public is we have damn fine products," he said. "That's the kind of stuff that's coming through the pipeline."

Chrysler's action is the latest in the comeback of the Detroit auto industry after the recession put its future in doubt. General Motors Co. also went through bankruptcy and got a \$49.5 billion U.S. bailout in exchange for giving the government a 61 percent equity stake. The Treasury Department now owns 26.5 percent of GM after selling part of the stake in November.

The third Detroit automaker, Ford Motor Co., didn't seek a bailout.

It's not the first time Chrysler had to be rescued by the U.S. government. In the early 1980s the company led by legendary pitchman Lee Iacocca, paid off \$1 billion in government guaranteed loans in three years.

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