

Chrysler's fate rests with debtors as clock ticks

by DAN STRUMPF
AP Auto Writer

NEW YORK— With a government deadline just seven days away, Chrysler LLC is running out of time to work out deals with debtholders, its unions and a foreign partner.

A life outside of bankruptcy appears to hinge on whether Chrysler and the US government can get the company's lenders to forgive a large portion of the company's debt in exchange for stock. But both sides are far apart.

"I've said this is the equivalent of a 70-yard field goal," Michael Robinet, vice president of global vehicle forecasts at CSM Worldwide, said of Chrysler meeting all its obligations in the next seven days.

Analysts have said all other negotiations hang on that deal. However, *The New York Times* reported Thursday that the Treasury Department is preparing a Chapter 11 bankruptcy filing for Chrysler, under which the pensions and retiree health care benefits of the United Auto Workers union would be protected. The company would pursue a deal with Italian automaker Fiat SpA while under bankruptcy protection. The lender issue remains unresolved, according to the newspaper.

UAW representatives could not be reached for comment late Thursday. Chrysler spokeswoman Shawn Morgan said in an e-mail that "it's important to keep all options open."

"Chrysler will continue to work through the end of the month, based on the direction given by the Presidential auto task force, to secure the support of the necessary stakeholders and reach a successful conclusion that the administration and US Treasury deems appropriate," Morgan said.

Chrysler's secured lenders consist of large and small banks and hedge funds that have poured about \$6.9 billion into the Auburn Hills, Mich., company. These lenders—about 45—would be first in line to get paid if the company's assets were liquidated.

Chrysler has been living on \$4 billion in government aid since the beginning of the year. The Obama administration has offered another \$500 million in working capital to get through April 30, when it has said it would cut off aid.

Including the secured debt and government loans, Chrysler owes about \$23.5 billion, including \$10.6 billion to a union trust fund that will take over retiree health care costs starting next year. It also owes \$1 billion each to its owners, Cerberus Capital Management LP and Daimler AG.

The company is negotiating with the UAW to take equity for part of the trust fund obligation, as well as other concessions.

In Canada, Chrysler was making progress in reaching a new



In this Jan. 11, 2009 file photo, Chrysler Chief Executive Officer Robert Nardelli answers questions at the North American International Auto Show in Detroit. Nardelli, in an e-mail sent late Thursday, April 16, 2009, told Chrysler's 54,000 workers that the majority of directors will be independent and not employed by either Fiat or Chrysler. AP Photo by Gary Malerba

labor agreement with the Canadian Auto Workers union. The country's economic development minister said a new deal could come as close soon, according to the *Canadian Press*.

The Treasury and Chrysler's lenders spent the week lobbying proposals back and forth. Earlier this week, representatives of Chrysler's debtholders offered to forgive \$2.5 billion of the \$6.9 billion they are owed, according to people familiar with the discussion. In exchange, they offered to take a 40 percent equity stake in an alliance between Chrysler and Fiat SpA.

The creditors also wanted to be able to elect a board member to the alliance and asked for Fiat to put up \$1 billion in cash.

The Treasury swiftly rejected the terms. Last April 21, the government offered a 5 percent stake in the company in exchange for lenders forgiving a much larger \$5.4 billion—or 78 percent—of Chrysler's debt.

Even if Chrysler gets a debtholder deal, CSM's Robinet points out the company faces four other "tremendous hurdles" to surmount: the tie-up with Fiat, a new deal with the UAW, proving the viability of Chrysler Financial and proving it won't need more government aid after the April 30 deadline.

One issue in the debtholder negotiations is whether Fiat will put any cash into the potential alliance. Chrysler's lenders want Fiat to kick in money, said a person familiar with the matter. The person declined to be named because the negotiations remain private.

Fiat, for its part, isn't budging. Chief Executive Sergio Marchionne said Thursday the company still has an "unwavering commitment" to a deal with Chrysler, but said it brings enough to the table, such as new technology, new small-vehicle platforms and new markets for Chrysler products. He added that

raising cash in today's market is too difficult.

"I don't know why we would have to pay to get in," Marchionne told investors during a conference call from Turin, Italy. "We have spent a long time talking to people both in the Treasury and with Chrysler ... to explain the value of what we're bringing."

Michigan Sen. Debbie Stabenow on Thursday sent letters to Chrysler's lenders urging them to come to an equitable deal and keep Chrysler out of bankruptcy.

"Hundreds of thousands of American families are waiting anxiously as Chrysler approaches its deadline," Stabenow said.

Even with all the other obstacles, Robinet called the logjam between Chrysler and its lenders "a show-stopper."

He estimates that Chrysler has a roughly 65-percent chance of failing and winding up in bankruptcy proceedings of some sort.

Robinet said whatever happens, Chrysler is sure to be a very different company.

"Whatever emerges after some sort of restructuring...will definitely not be the exact same company that went in, for sure," he said.

Toyota first-quarter global sales fall 27 percent

TOKYO—Toyota Motor Corp said last April 23 its group-wide sales fell 27 percent to 1.767 million vehicles in the first quarter of 2009, keeping it ahead of Volkswagen AG as the world's top-selling carmaker.

Toyota was expected to be in a tight race with the German automaker in the January-March quarter, when the Japanese giant suffered double-digit percentage drops in its three biggest markets of the United States, Japan and China.

For the parent company only, which excludes trucks and cars sold by subsidiaries Hino Motors Ltd. and Daihatsu Motor Co., Toyota sales fell 28 percent to 1.53 million vehicles.

Volkswagen delivered 1.4 million vehicles during the quarter, down 11 percent, which increased its share of the global passenger car market by 130 basis points to 11.0 percent, the automaker said. The tally does not include sales at Porsche, which owns 51 percent of Volkswagen.

The gap in group-wide sales between Toyota and Volkswagen shrank to 363,000 vehicles in the January-March quarter from 840,000 a year earlier.

The German automaker, with nine brands including Audi, Skoda and Seat, is aiming to sur-



Toyota Motor's cars are displayed at its dealers shop in Hiratsuka, nearby Tokyo April 21, 2009. Toyota Motor Corp will likely produce about 6.2 million vehicles globally in the business year to March 2010, a newspaper reported, down more than 12 percent amid a global sales slump and helping send its shares skidding over 4 percent. Reuters Photo by Kim Kyung-Hoon

pass Toyota and General Motors Corp as the world's No.1 seller by 2018.

Toyota is suffering from collapsing demand in its two biggest markets—the United States and Japan—while Volkswagen enjoys growth in its main markets of China, Germany and Brazil, where state-backed incentives are driving sales. Toyota's sales may be boosted, however, by an incentive Japan is expected to launch this month for older cars to be scrapped and replaced with new ones in a program styled after Germany's stimulus. The United States is mulling a similar scheme. (Reuters)

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Toyota's incoming president to race Lexus

TOKYO—Toyota Motor Corp. said incoming president Akio Toyoda, the grandson of the company's founder, will be a driver on the automaker's team in a 24-hour endurance race in Germany.

Toyoda, 52, was tapped as president in January—an appointment viewed as symbolic of the Japanese automaker's determination to ride out the global slump and what is expected to be its first annual loss in nearly 60 years.

The grandson of Toyota founder Kiichiro Toyoda is one of four drivers on a Toyota team entering the May 21-24 Nurburgring 24-hour endurance race in Germany, company spokesman Paul Nolasco said recently.

The race is an opportunity to test the reliability of products in development, and Toyoda will be racing in the Lexus LF-A, which also entered the same race last year, he said.

Last year, the Lexus LF-A finished seventh in its class, and was 121st among 150 cars that finished from 216 vehicles that started.

The US-educated Toyoda is the first founding family member to take helm at the world's biggest automaker in 14 years. A return to its roots is considered an effective way to rally the rank and file, as well as its dealers, during troubled times.

The founder's family name is spelled with a "d," but the company's name was changed to read Toyota as that was considered luckier according to Japanese superstition, Toyoda says.

Toyoda had long been seen as eventually leading the company, but a president in his 50s is relatively young and rare at a major Japanese company. Toyoda, a celebrity in Japan dubbed Toyoda's "prince," is disarmingly approachable and has appeared before reporters in a racing outfit.

Toyoda has worked jobs spanning Toyota's global empire, including its China operations, Japan sales and the Internet business. Earlier, he served as vice president at New United Motor Manufacturing Inc., a Fremont, California-based joint venture between Toyota and General Motors Corp., giving him experience in the key US market.

His appointment as president must be confirmed by a shareholders meeting in June, which is widely expected to endorse the board's selection of Toyoda. (AP)