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Canada and Ontario: Joint support for Chrysler restructuring

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Canada and Ontario: Joint support for Chrysler restructuring

Speech

30 April 2009

Ottawa, Ontario

The Government of Canada and the Government of Ontario are extending a working-capital loan and a medium-term restructuring loan to Chrysler Canada Inc. in support of further restructuring. In conjunction with the U.S. Government, both governments are also supporting a court-supervised restructuring of Chrysler LLC through joint Canada-U.S. debtor-in-possession (DIP) loans.

Next steps following certification of Chrysler's restructuring plan

Now that governments on both sides of the border have approved Chrysler's restructuring plan, the governments of Canada and Ontario are committing to the following financing measures in support of the company's return to a viable, sustainable future:

- Effective immediately, a working capital loan of up to \$209 million will be offered to Chrysler Canada through Export Development Canada (EDC).
- The final instalment of \$250 million as part of the \$1-billion interim loan to Chrysler Canada, announced on December 20, 2008, and reconfirmed on March 30, 2009, will be advanced on May 1, 2009.
- Canada and Ontario will offer a medium-term restructuring loan of up to \$1.116 billion to Chrysler Canada repayable in three instalments over eight years.
- The governments of Canada and Ontario will participate in a joint Canada-U.S. debtor-in-possession (DIP) loan to Chrysler LLC with the Canadian amount totalling \$1.45 billion.

Based on internal analysis and third-party due diligence, both Canada and Ontario are satisfied that Chrysler's restructuring plan and alliance with Fiat Group SpA will allow it to improve on its competitive position in the marketplace. New agreements with labour unions on wage and legacy costs indicate the company will have a competitive cost structure over the medium-to-long term.

Conditions for the additional support

The federal and provincial governments will exercise rigorous oversight

over the use of additional taxpayer money as part of their ongoing due diligence processes. As part of that, the conditions include:

- limitations on dividend payments;
- limitations on executive privileges and compensation;
- limitations on executive aircraft;
- restrictions on expenses;
- access to information and right to audit; and
- minimum cash requirements.

Government initiatives in the auto industry to date

Following is a summary of Canadian governments' initiatives to date in support of the auto industry:

- On April 16, 2009, \$145 million in funding over five years for Automotive Partnership Canada to keep the Canadian auto industry competitive and sustainable.
- On April 7, 2009, the Canadian Warranty Commitment Program was launched to ensure consumer warranties are honoured on new vehicles purchased from General Motors of Canada Limited and Chrysler Canada Inc. during a limited period of restructuring.
- On April 7, 2009, \$700 million was added to Export Development Canada's (EDC) Accounts Receivable Insurance (ARI) program available to auto parts suppliers.
- On January 27, 2009, Budget 2009 committed to creating a \$12-billion Canadian Secured Credit Facility to improve credit availability for consumers to purchase and lease new vehicles.
- On December 20, 2008, the federal and Ontario governments offered \$4 billion in interim loans to General Motors of Canada Limited and Chrysler Canada Inc. The funds were re-confirmed on March 30,

2009, and started flowing at that time.

- Budget 2008 created the Automotive Innovation Fund ([AIF](#)), established to provide \$250 million over five years to automotive firms in support of strategic, large scale research and development (R&D) projects to build innovative, greener and more fuel-efficient vehicles.
- Budget 2008 provided \$23.2 million over four years for the AUTO21 Network of Centres of Excellence based at the University of Windsor. AUTO21 supports more than 260 researchers and 500 students working on 41 auto-related research and development projects.

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