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GENERAL MOTORS AND CHRYSLER RESTRUCTURING:

Lessons Learned in the Management of
the Financial Assistance



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Prepared for the Department of Industry by Goss Gilroy Inc.

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect the official policy or position of the Government of Canada.

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LIST OF ACRONYMS

ATIB	Automotive and Transportation Industries Branch
DFAIT	Department of Foreign Affairs and International Trade
DM	Deputy Minister
GM	General Motors
ISED	Innovation, Science and Economic Development (formerly Industry Canada)
MEDT	Ontario Ministry of Economic Development and Trade
OAG	Office of the Auditor General of Canada
PCO	Privy Council Office
PM	Prime Minister
PWGSC	Public Works and Government Services Canada
U.S.	United States
UST	United States Department of the Treasury

1.0 INTRODUCTION

This report prepared by Goss Gilroy Inc. documents the results of a review of the management of the financial assistance provided to General Motors (GM) and Chrysler during the 2008-09 financial crisis, with a focus on identifying lessons learned. The review was undertaken in November and December 2015 for Industry Canada, now Innovation, Science and Economic Development (ISED) Canada, in response to a recommendation by the Office of the Auditor General (OAG) that ISED should undertake such a review. The review was carried out by Goss Gilroy Inc. (GGI), an Ottawa-based management consulting firm.

1.1 BACKGROUND

In 2008, as a result of the global financial crisis, there was a dramatic decline in the sales of GM and Chrysler vehicles, which resulted in the companies' financial condition deteriorating to the point where they approached the U.S. government in November 2008 for financial assistance. The Canadian subsidiaries of GM and Chrysler were also directly affected as they are integrated into the North American market, with approximately 85% of cars produced in Canada being exported, almost all of them to the U.S.¹

Without government funding, a merger and/or sales of assets, there was a risk that these companies would become bankrupt, and there was a serious concern that they would close down their Canadian operations in an attempt to restructure. This would have triggered a collapse of the Canadian automotive parts supply chain, which also supplied other automotive manufacturers. In turn, the production of other automotive manufacturers would have been negatively impacted—even interrupted—for periods of time. There was a strong likelihood that the outcome would have been a disorderly collapse of the entire Canadian automotive industry, with severe repercussions for the Ontario and Canadian economy.

The federal government assessed the risks involved and then moved rapidly, together with the Ontario government and the U.S. government, represented by the U.S. Department of the Treasury (UST), to provide the necessary financial support to put the companies on a sustainable footing. The federal and Ontario governments together, provided financial assistance proportionate to the share of manufacturing located in Canada for each company, and the assistance was used in the restructuring of GM and Chrysler. The Canadian financial contribution for the two companies was \$13.7 billion (\$10.8 billion for GM, and \$2.9 billion for Chrysler), with the federal government contributing two-thirds and the Ontario government one-third. The restructuring of the two companies was completed by July 2009.

¹ Office of the Auditor General (OAG): www.oag-bvg.gc.ca/internet/English/parl_oag_201411_05_e_39963.html#hd5a

1.2 THE AUDITOR GENERAL'S REPORT

In its 2014 fall report, the Office of the Auditor General (OAG) published a chapter on “support to the automotive sector,”² which included Canada's support for the restructuring of GM and Chrysler. While concluding that government support had been successful in securing the immediate future of Canada's automotive industry, the report recommended that:

- “Industry Canada, in cooperation with the other entities involved, should conduct a review of the management of the financial assistance provided to restructure Chrysler and General Motors and should identify lessons learned.”

The OAG's rationale for the recommendation was:

- “In the future, the Government of Canada may again be required to provide financial assistance to a large private company or an entire economic sector. For this reason, we believe that it is important to learn from the experience of the federal government's financial support to Chrysler and General Motors (GM).”

ISED's response to the recommendation was:

- “Agreed. In the immediate aftermath of the restructurings, Industry Canada undertook to identify factors that led to our success in preventing the collapse of the automotive sector. These specific actions were recognized by the Institute of Public Administration of Canada in awarding the 2010 Silver Innovative Management Award and by the Public Service Award of Excellence 2009 in the Exemplary Contribution under Extraordinary Circumstances category, both awarded to Industry Canada. With the benefit of time, Industry Canada, in cooperation with the other entities involved, will undertake, in 2015, a review of the management of the financial assistance to restructure Chrysler and GM with a focus on identifying lessons learned.”

1.3 OBJECTIVES AND SCOPE

The objective of this project was to conduct a review of the management of the financial assistance to GM and Chrysler, with a focus on identifying lessons learned. The review addressed the following six issues:

1. How did the organizational structure enable the efficient sharing of information and advice?
2. What were the processes and frameworks to analyze information and the risks, and were they appropriate given the circumstances?
3. What were the elements that facilitated working with partners within and outside the federal government?
4. What were the mechanisms or structures used that were key to meeting the tight timelines?
5. What were the key factors that enabled providing decision makers with the information and advice they needed?
6. What lessons can be drawn from these processes?

1.4 APPROACH

The review involved interviews with key individuals identified by ISED who were involved in providing the financial assistance. In addition, a review of published documents by various entities, such as the U.S. government and universities, was undertaken to identify information on lessons learned relevant to the financial assistance.

A total of 13 interviews with 17 key individuals (see Appendix A) were undertaken. The individuals were from ISED, other government departments and agencies, and private sector entities. The documents provided some context for the review

² Office of the Auditor General (OAG): www.oag-bvg.gc.ca/internet/English/parl_oag_201411_05_e_39963.html#hd5a

but, with the exception of the presentation entitled: *Innovation at Work: Restructuring of the Canadian Auto Industry*³, they did not directly address the management of the crisis in Canada. The documents were largely related to the U.S. experience, and focussed on documenting the crisis and restructuring, managing/monitoring the government assistance that was provided, and identifying principles and frameworks to use in determining government assistance. The findings and lessons learned contained in this report are based primarily on the interviews, with some additional information from the above-noted presentation.

1.5 OUTLINE OF THIS REPORT

This report contains an introduction, the background to the financial assistance, and objectives, scope and approach to the review in Section 1.0; a summary of the lessons learned in Section 2.0; and a summary of the management review covering the first five issues identified above, in Appendix B.

³ *Innovation at Work: Restructuring of the Canadian Auto Industry*, by Paul Boothe, ISED Senior Associate DM, 2010.

2.0 LESSONS LEARNED

This section provides a summary of the lessons learned, identified through this review of the federal government's management of the financial assistance provided to GM and Chrysler. The findings are based on the management review summarized in Appendix B, and are structured by subject area.

2.1 HAVING THE EVIDENCE AND KNOWLEDGE AT HAND OF KEY SECTORS

It is important for **government to follow strategic industries for policy purposes and to identify problems at an early stage.** Government monitoring provides industry knowledge and data on the companies involved, as well as key contacts within the industry. In the event of a crisis, data analysis and industry contacts help provide clarity on the problems being faced, and the necessary background for decision-making.

The Automotive and Transportation Industries Branch (ATIB) within ISED had significant information and contacts for the automotive industry, including expertise in production and the supply chain, and an understanding of what was at stake for Canada. This knowledge was vital in obtaining information that was not already at hand both quickly and efficiently; it also helped identify resources that complemented internal knowledge and expertise. Furthermore, this knowledge proved to be invaluable in understanding and assessing the crisis, and subsequently, in negotiations involving the UST and the two automotive companies, in restructuring GM and Chrysler.

2.2 DETERMINING THE GOVERNMENT'S ROLE IN A CRISIS

Faced with a crisis, it is important for the federal government to **determine the national interest given the circumstances, and to identify its role, if any, as early as possible.** This includes defining success and understanding the contributions of the government's involvement to achieve that success. As part of this consideration, the federal government should assess the implications and consequences of not participating and providing financial assistance (i.e., the "do nothing" option). As noted above, in-house industry knowledge and data on the companies involved are helpful in understanding and assessing the crisis at an early stage. **Ultimately, the decision on the government's role includes a determination of the desirability, nature, scope and condition of any government involvement.**

In the automotive restructuring, the initial efforts built on the significant information and contacts already in the ATIB on the automotive sector, to gather and analyze current information on the automotive industry, including suppliers, markets, economic information, inter-connectedness of suppliers and manufacturers, etc. The ATIB also had the connections to fill in the gaps. Analysis of this information combined with external input provided economic options related to the potential failure of GM and Chrysler. **Input/output modelling and other analyses were used to assess the impact on the Ontario and Canadian economy of the companies' failure, and the related potential failure of the supply chain and negative impacts on other automotive assemblers in Canada.** This led the government to decide that it should be involved in the restructuring.

Once the decision was made that Canada would participate in the financial restructuring, there were other questions involving the degree of participation. **Factors that needed to be considered included corporate structure, production share for Canada, product line, sales, revenue and cost structure, plant locations, labour force requirements, funding required, and more.**

2.3 ESTABLISHING THE ORGANIZATIONAL STRUCTURE TO ADDRESS A CRISIS

It is important that a **multidisciplinary project** team representing the various facets of the crisis (e.g., industry experts, domain experts like lawyers or financial analysts, communications, etc.) is put in place with the necessary knowledge and skills to effectively address all aspects of the crisis. Wherever appropriate, external expertise should be quickly considered and incorporated into the team to complement internal know-how and knowledge. Generally, the more the team assembled is open, transparent, and flexible to adapt to new demands and tasks, the more nimble and effective the team can be. The success of such team is also a function of having a strong and capable leader able to provide a clear vision and facilitate work horizontally and externally. **Finally, a senior management committee is a useful model to support a project team in meeting the government's objectives.** This committee can provide oversight and direction to the project team's activities, represent the various organizations involved and ensure their alignment, make sure that resources are available to support the project team, and provide consistent briefings and advice to Ministers.

In the particular case of the automotive restructuring, the project team, referred to herein as the "Auto Team," and the Deputy Minister (DM) Steering Committee were key factors that led to the government's success in receiving strategic advice to carry out decisions. Both were critical in enabling the efficient sharing of information and providing decision makers with the information and advice needed. The Auto Team and the DM Steering Committee are described below.

- **"Auto Team"** – **This team operated as a flat (not overly hierarchical) organization** and was very efficient at obtaining and sharing information and advice. The Auto Team met almost every morning to share information, identify problems and gaps, delineate responsibilities and coordinate efforts. The Auto Team's leadership encouraged open communications at all times. The staff had to act quickly and had to make extensive use of verbal briefings rather than written briefings to ensure that decision makers had the most up-to-date information at all times.

During the negotiations, the use of "home" and "away" teams was found to be invaluable. The "away" team participated in the negotiations with the UST and the automotive firms, while the "home" team provided analysis and information in response to urgent issues from the "away" team, briefed senior management and Ministers, and ensured that the administrative mechanisms supporting the deal were being addressed at home.

- **DM Steering Committee** – This committee was critical in: aligning all the key organizations; helping ensure ongoing support by providing frequent updates on progress to Ministers and obtaining any feedback that they had received from stakeholder groups; providing oversight of the project activities; and ensuring clear tasking and monitoring of all departmental activities involved. There was a need to deploy resources effectively to manage the crisis. The DMs had clear mandates from the Cabinet for the financial and structural aspects of the deals with GM and Chrysler, and had authorities to make decisions within the mandates.

The DM Steering Committee, which met on a weekly basis or more frequently as required, expedited the sharing of information that would have been either too slow or too unwieldy if normal inter-departmental structures had been used, as **there was often insufficient time to use standard processes and formats in preparing briefing notes.** The information shared included recent developments and key challenges. Furthermore, the Committee was able to provide efficient and coordinated responses to issues as they arose.

2.4 MEETING TIGHT TIMELINES

Firm deadlines and sense of urgency, open and speedy communications, availability of staff and advisors, and clarity in direction, were all key factors in meeting tight timelines.

During the automotive restructuring, speed was embodied in the organizational structures that included a flat organization, constant open communications, streamlined processes, and timely procurement processes. Furthermore, meeting tight deadlines was enabled by leveraging various methods of communications, including email, conference calls, face-to-face meetings, “home” and “away” teams, and access to other organizations and advisors available at all times on a priority basis. Finally, problems were addressed immediately and elevated to senior management for timely resolution rather than spending time trying to find a workaround.

2.5 WORKING WITH PARTNERS

High level interest, positive relationships, and the consequences resulting from an absence of action or successful restructuring, were key elements in facilitating ability to work effectively with partners. The involvement of the Prime Minister (PM), the Premier of Ontario, Ministers and the DMs, and the fact that the project was a “PM priority,” facilitated working with partners within and outside the federal government.

Relationships within the project team (Auto Team), the DM Steering Committee, and with the external advisors and other stakeholders (Province of Ontario, the UST and the two automotive companies) were found to be very important in facilitating collaboration, communications and the sharing of information. These relationships, either already in place or built during the early stages of the project, proved to be absolutely critical later in the negotiations in pursuing issues of interest to Canada.

Close ties with Ontario were especially important as they helped ensure a common Canadian position. These ties involved Ontario's participation in the DM Steering Committee, and ongoing dialogue and sharing of information between Ontario and federal team members through several points of contact.

2.6 CONDUCTING NEGOTIATIONS

In order for negotiations to be effective, and deliver on the decision makers' objectives, a clear negotiating mandate and a “bottom line” from the decision makers in advance of the negotiations were sought. All the partners under the DM Steering Committee also made substantial efforts to ensure that the negotiators spoke with one voice.

The negotiating team spent considerable time and energy becoming the “smartest people” in the room to master all the required information that would facilitate discussions. This meant long hours, constant attention to detail, and drawing on everything learned to date. Identifying information that was critical—referred to as “killer facts” in the automotive industry negotiations—was also very important as this knowledge significantly enhances the likelihood of an outcome favourable to Canadians.

2.7 STREAMLINE GOVERNMENT PROCESSES

A number of valuable lessons related to government processes were learned during the automotive restructuring. Three key areas were identified as challenges: upkeep of information due to lack of time and resources, complexity of holding equity, and timely disbursements of funds for emergency circumstances. Identifying such challenges early can help streamline processes, wherever possible, to respond to a crisis.

To help deal with the challenges posed by time constraints, all parties involved should maintain best practices of holding onto key documents and filing them in a secured storage platform that is accessible only to those who have authorization. The organization of files should include emails (as appropriate) and version control of documents.

In terms of the government holding equity and the disbursing of funds in an emergency to a private company, such activities are not part of the government's core mandate. As such, its processes, rules and mechanisms prove to be inappropriate for such needs. In the case of the automotive restructuring, the Canada Account was identified as the vehicle to provide the funding. However, the legislation for the Canada Account prevents it from holding equity, and as a

result, there was a need to find another federal organization, the Canada Development Investment Corporation (CDIC), to hold the equity.

On the last challenge, disbursing large sums of money in an emergency (e.g., the same day) to a private entity, a delivery mechanism needs to be devised concurrently with the analysis of the level of support given strict government rules. There is a need for flexibility and nimbleness. Being aware of the requirements for disbursement of significant funds can help identify which partner needs to be included early in the discussions. In the case of the automotive restructuring, the requirements to fund from the Canada Account include obtaining signatures from two Ministers, followed by verification through Public Works and Government Services Canada (PWGSC), the Department of Foreign Affairs and International Trade (DFAIT), and the Bank of Canada. In the future, without a government emergency funding vehicle, the project leader should include PWGSC as a partner to ensure that money can be disbursed when needed.

2.8 COMPLETING POST-INTERVENTION ACTIVITIES

Over time, details of project challenges are forgotten. Although an exercise (internally) on lessons learned was carried out following the automotive restructuring, and resulted in a 2010 presentation titled *Innovation at Work: Restructuring of the Canadian Auto Industry* (see Section 1.4 above), no comprehensive final report was prepared. It is therefore recommended that for future projects of similar nature, a third-party review on lessons learned be carried out in a timely manner with the final deliverable of a comprehensive report.

SELECTED REFERENCES

1. A Retrospective Look at Rescuing and Restructuring General Motors and Chrysler, Austan D. Goolsbee and Alan B. Krueger, Working Paper 2100, U.S. National Bureau of Economic Research.
2. Report of the Auditor General of Canada, Chapter 5, Support to the Automotive Sector, Fall 2014.
3. Innovation at Work: Restructuring the Canadian Auto Industry, Paul Boothe, Senior Associate Deputy Minister, Industry Canada, 2010.
4. Summary Report on Canada's Support for the Restructuring of General Motors and Chrysler in 2009, Industry Canada, 2015.
5. Auto Industry – A Framework for Considering Federal Financial Assistance, U.S. General Accountability Office (GAO), 2008.

APPENDIX A – LIST OF PEOPLE INTERVIEWED

The people interviewed are listed below, together with their positions at the time of the restructuring and their current positions:

1. Paul Boothe, former ISED Senior Associate Deputy Minister (now, Professor, Ivey School of Business, Western University)
2. Coleen Volk, former ISED Associate Deputy Minister (now, Deputy Secretary to the Cabinet, Privy Council Office)
3. Ron Parker, former ISED Assistant Deputy Minister (now, President of Shared Services Canada)
4. Alison Tait, former ISED Director General ATIB (now, Director General of Policy, Canadian Space Agency)
5. Shannon Glenn, former ISED Director ATIB (now, Director General of the Policy Branch at Innovation, Science and Economic Development Canada)
6. Anne Boudreau, Counsel at Innovation, Science and Economic Development Canada
7. Tiff Macklem, former Finance Associate Deputy Minister (now, Dean, Rotman Business School, University of Toronto)
8. Export Development Canada Team – Philip Duford, Miguel Simard and Chris Timbrell
9. KPMG Team – Bob Wener, Richard Harris and Patrick Coady
10. Ernst & Young – Tony Ianni, Chairman of the Board, Ernst & Young Corporate Finance (Canada) Inc.
11. Mahmood Nanji, former Ontario Associate DM of Finance (now, Associate DM of the Ontario Retirement Pension Plan Implementation)
12. Mark Schaan, former ATIB analyst (now, Director General at Innovation, Science and Economic Development Canada)
13. Roger Soler, former ATIB analyst (now, Senior Leader at Innovation, Science and Economic Development Canada)

APPENDIX B – REVIEW OF THE MANAGEMENT OF THE FINANCIAL ASSISTANCE

This Appendix provides a summary of the findings from the review of the management of the financial assistance, which covered the first five issues identified for the review. These five issues, provided in Section 1.3 above, are:

1. How did the organizational structure enable efficient sharing of information and advice?
2. What were the processes and frameworks to analyze information and the risks, and were they appropriate given the circumstances?
3. What were the elements that facilitate working with partners within and outside the federal government?
4. What were the mechanisms or structures used that were key to meeting the tight timelines?
5. What were the key factors that enabled providing decision makers with the information and advice they needed?

Each of these five issues is discussed below:

ISSUE # 1: HOW DID THE ORGANIZATIONAL STRUCTURE ENABLE THE EFFICIENT SHARING OF INFORMATION AND ADVICE?

Key Finding: The organizational structure was found to be critical in enabling the efficient sharing of information and advice.

The “Auto Team” and the Deputy Minister (DM) Steering Committee were identified as the two key components of the organizational structure. Both were critical in enabling the efficient sharing of information and advice, as described below.

The “Auto Team”

When the extent of the challenges in the automotive sector became clear, there was a need to build a project team quickly to advise the government on restructuring. Within ISED, the Automotive and Transportation Industries Branch (ATIB) had significant information and contacts in the automotive industry, including expertise in production and the supply chain, and an understanding of what was at stake for Canada. The ATIB therefore formed the basis for the team, and leadership was provided by ISED. In addition to knowledge of the sector, there was also a need to include individuals with knowledge

and experience in restructuring, due diligence, government processes, and providing advice to Ministers. Some of these individuals came from other areas within ISED and from other Departments, as well as key advisors from the private sector. These key advisors came from: a) legal and accounting firms with Canadian and U.S. expertise in restructuring, financing and pensions, and b) the automotive industry, including experts in automotive production and the fit of Canada's automotive sector within the North American industry, and an automotive industry strategist. Given the urgency of the situation, it was critical to obtain the right skills quickly, and advisors were contracted in a timely manner.

The project team was led by ISED and is referred to in this document as the "Auto Team." The Auto Team is depicted in Exhibit 1 below, and shows the various contributing organizations and specialists. Within the Auto Team, there were two working groups: one focussed on Chrysler and the other on GM. Smaller flexible teams within the working groups addressed key issues, such as options for overall business restructuring, suppliers, labour costs, pensions, types of commitments to request, potential bankruptcy of GM Canada, funding documents, etc. Matrix management was used to ensure that the right skills were available at the right time to address each issue.

The working groups provided the liaison with the advisors, requesting information to meet requirements and disseminating the information when it was received. Later, as the restructuring progressed, the accounting and legal advisors became an integral part of the team with some working on site at ISED and/or participating directly in the negotiating process.

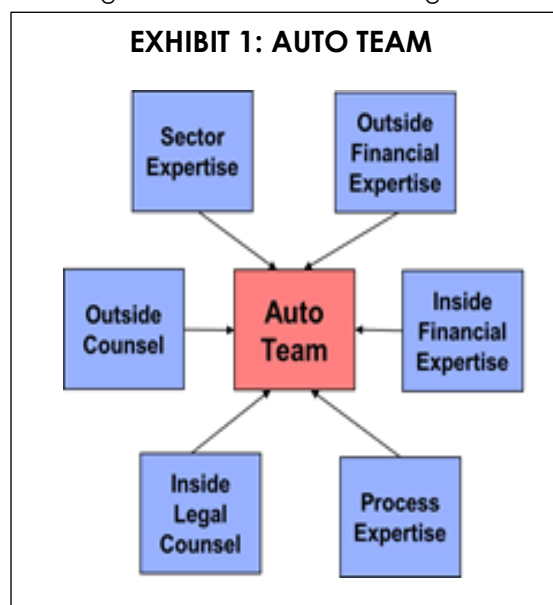
The Auto Team operated as a flat (not overly hierarchical) organization and was very efficient at obtaining and sharing information and advice. The Auto Team met almost every morning to share information, identify problems and gaps, delineate responsibilities and coordinate efforts. The Auto Team's leadership encouraged open communications at all times. The staff had to act quickly and had to make extensive use of verbal briefings rather than written briefings to ensure that decision makers had the most up-to-date information at all times.

ISED was the main point of contact with the UST, which was leading the parallel U.S. assistance effort. There were multiple daily calls with the UST. ISED ensured continuity and was the repository for information involving the UST.

During the negotiations, the working groups were split into "home" and "away" teams. The "away" team participated in the negotiations with the UST and the automotive firms, while the "home" team provided analysis and information in response to urgent issues from the "away" team, briefed senior management and Ministers, and ensured that the administrative mechanisms supporting the deal were being addressed.

A key success factor involved building relationships within the Auto Team and with other stakeholders, including the Province of Ontario, the UST and the two automotive companies. The people from within the federal government, who had known each other for some time, had trust and confidence in each other.

Another success factor was the type of staff involved. They had to be committed, flexible and work well under high pressure. In undertaking assignments, there was a need for nimbleness, without breaking rules, and working long hours and weekends to get the job done.



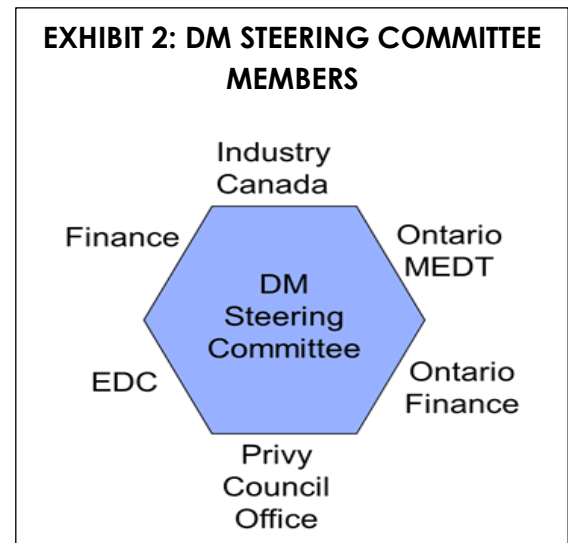
The Deputy Minister (DM) Steering Committee

The governance structure included a Deputy Minister (DM) Steering Committee, which was critical as it aligned all the key departments and agencies. This Committee included the leadership of all the organizations involved in the federal and provincial government and was set up to provide oversight of the Auto Team's activities and to ensure clear tasking and monitoring of all organizations involved. The Committee, shown in Exhibit 2 below, included ISED as lead, the Department of Finance, the Privy Council Office and Export Development Canada (EDC) from the federal government, and the Ministry of Finance and Ministry of Economic Development and Trade (MEDT) from the Ontario provincial government. The federal Department of Justice was involved through ISED legal. In addition to ISED, the other Committee members had their own internal teams supporting their involvement, consisting of both in-house staff and external advisors including legal support. It was noted that the objective was to work collaboratively together and share information.

The DM Committee, which met on a weekly basis or more frequently as required, expedited the sharing of information that would have been either too slow or too unwieldy if normal inter-departmental structures had been used, as there was often insufficient time to use standard processes and formats in preparing briefing notes. The information shared included recent developments and key challenges. Further, the Committee was able to provide efficient and coordinated responses to issues as they arose. The Ontario government DMs were linked through video conferencing to maintain close ties and ensure a common Canadian position.

In addition to the meetings of the Committee, there were ongoing open and transparent communications between the DMs, many of whom had known each other or had worked together previously. It was important that there was real time sharing of information given the time frames involved. Organizational culture was important for this to happen.

The governance structure also included the Ministers of these organizations and the Cabinet decision making structure. Ministers were regularly briefed by their DMs and provided the DMs with input that they had received from stakeholders. The DMs had clear mandates from the Cabinet for the financial and structural aspects of the deals with GM and Chrysler, and had authorities to make decisions within the mandates.



ISSUE #2: WHAT WERE THE PROCESSES AND FRAMEWORKS TO ANALYZE INFORMATION AND THE RISKS, AND WERE THEY APPROPRIATE GIVEN THE CIRCUMSTANCES?

Key Finding: Given the circumstances of the crisis, the processes and frameworks used to analyze information and risks were appropriate.

Analysis of Information

Initially, the project team was involved in gathering and analyzing current information on the automotive industry, including suppliers, markets, economic information, the inter-connectedness of suppliers and manufacturers, etc. The ATIB already had significant information on the Canadian automotive sector and had the connections to fill in the gaps. Analysis of this information combined with external input provided economic options related to the potential failure of GM and Chrysler. Input/output modelling and other analyses were used to assess the impact on the Ontario and Canadian economy of the companies' failure, and the related potential failure of the supply chain and negative impacts on other automotive

assemblers in Canada. This led the government to decide that it should be involved in the restructuring. Due to the high stakes involved, management up to the DM was involved in assessing the options.

Once the decision was made that Canada should participate in the restructuring, there were other questions involving the degree to participate. Factors that needed to be considered included corporate structure, production share for Canada, product line, sales, revenue and cost structure, plant locations, labour force requirements, funding required, etc. Detailed analysis involved the companies opening their books and providing full disclosure. The analysis was undertaken by the Auto Team and involved the accountants undertaking due diligence on the companies' financial and operational information; lawyers undertaking due diligence on the corporate documents; and, the consultants examining strategies, business and market trends, scenarios and success factors. The different perspectives were crucial in providing information on how to proceed.

Analysis of Risk

The big risk was the risk of inaction that would lead to Canada losing its automotive industry as a result of the failure of GM and Chrysler. As noted above, the focus was on trying to ensure their short- and medium-term viability. If Canada did not participate, the U.S. assistance would support the continuation of the companies' operations in the U.S., which would result in the closing of Canadian production. In the negotiations, Canada obtained covenants around future production, investment and expenditures on R&D in Canada.

Each risk was identified and specifically addressed. For example, lending/credit risk was addressed by EDC processes, currency risk by the ISED team and the Department of Finance, and financial risk by the UST and Canadian accounting firms. In understanding risks, scenarios were developed and used for discussion purposes with stakeholders. In mitigating risks, the project team considered the interests of each stakeholder and what could be done to accommodate them.

ISSUE #3: WHAT WERE THE ELEMENTS THAT FACILITATED WORKING WITH PARTNERS WITHIN AND OUTSIDE THE FEDERAL GOVERNMENT?

Key Finding: High level interest, relationships, and consequences resulting from an absence of action or successful restructuring, were key elements that facilitated working with partners within and outside the federal government.

Within the Federal Government

High level interest, relationships, and the consequences resulting from an absence of action or successful restructuring, were key elements in facilitating working with partners. The involvement of the Prime Minister (PM), the Premier of Ontario, Ministers and the DMs, and the fact that the project was a "PM priority," facilitated working with partners within and outside the federal government.

The risk of failure was a great motivator. The DMs on the DM Steering Committee were used to working together, and the frequent meetings of the DM Steering Committee were considered to be unprecedented. Keeping political players informed of the current status helped ensure ongoing support. The ISED team within the Auto Team worked well with each other, and horizontally with others from across the federal government. The Auto Team and the DM Steering Committee are described above in Issue # 1 of Appendix B.

Outside the Federal Government

The ISED team had a good relationship with Ontario, which was part of the DM Steering Committee. When the crisis started, the Ontario government had already undertaken some initial analysis and had prepared impact data. Together with the UST, the ISED team worked hard to build relationships and good will. The UST had hired bankruptcy specialists to undertake the restructuring, while Canada had in-depth industry knowledge, which was valuable in working with the UST. As the bankruptcies were in the U.S., Canada needed to hire its own bankruptcy advisors with U. S. knowledge.

The federal government, Ontario and the UST had the same common objective to save the automotive industry—i.e., to prevent the disorderly and catastrophic collapse of the North American automotive industry in the middle of a deep recession. While having this common objective, each organization had its own specific requirements. As an investor, Canada (including the federal and Ontario governments) had a seat at the negotiating table with the UST, and was able to advance Canada's objective of protecting the Canadian automotive industry during the negotiations.

The Auto Team's relationships with Ontario and UST were built on trust, transparency and integrity. The team was open and transparent, and didn't commit to something that they were not sure they could deliver. Also, the team worked to build relationships with GM and Chrysler. Building relationships early was found to be absolutely critical later in the negotiations. Further, leadership and character were considered to be important in making the restructuring possible and achieving Canada's objectives.

ISSUE #4: WHAT WERE THE MECHANISMS OR STRUCTURES USED THAT WERE KEY TO MEETING THE TIGHT TIMELINES?

Key Finding: Firm deadlines and urgency, open and speedy communications, available staff and advisors, and clarity in direction, were key to meeting the tight timelines.

Firm deadlines and urgency were important in meeting the tight timelines involved in addressing the financial situation of the companies. For example, in negotiations, there was a need to reach an agreement by a certain date/time in order to avoid a disorderly default. Negotiations continued until the last minute before all stakeholders were prepared to accept the agreement.

Speed was important in all areas. It was embodied in the organizational structures, regular meetings, the flat organization, constant open communications, the streamlining of processes, the contracting for advisors in a timely manner, etc. Further, meeting tight deadlines was enabled by the use of email, conference calls, face-to-face meetings, home and away teams, and access to other organizations and advisors available at all times on a priority basis.

Within the Auto Team, clear direction was provided and each person had clarity on expectations of what was required. Staff moved around from task to task depending on the need. Further, government staff and advisors worked long hours and weekends to complete their assignments. If impediments to progress were encountered, the matter was elevated to senior management for resolution rather than spending time trying to find a workaround.

ISSUE #5: WHAT WERE THE KEY FACTORS THAT ENABLED PROVIDING DECISION-MAKERS WITH THE INFORMATION AND ADVICE THEY NEEDED?

Key Finding: The organizational structure, and the in-house staff and advisors, were instrumental in providing decision makers with the information and advice needed.

The organizational structure provided a lean, efficient process for information gathering and analysis, and had the in-house expertise as well as the external experts available at the end of the phone. Information from various sources was reviewed to ensure that it made sense before being used. Much of the information had to be compiled just-in-time, whereas in some cases, it was possible to anticipate the information required, such as obtaining information on building blocks ahead of time—e.g., impact of Chapter 11 key legal issues, EDC involvement, etc.

Decisions were deadline driven, and were based on the information and best advice that was available at the time the decision had to be made. There were very few situations where the decision makers had all the information required; however, they were about as well informed as they could be, with the best available data, UST information, and expert input. Decisions were not made unilaterally, as Auto Team partners were consulted on various options to obtain their views and assess risks before decisions were reached.

A lot of the information was flowing verbally and in formats that were most expeditious to transfer the information. There were a number of high level telephone calls taking place. It was noted that part of the challenge in managing through a crisis is that the speed of business is not necessarily consistent with the maintenance of information. However, documentation was kept and emails were exchanged deliberately to ensure that documentation was available, recognizing that it might later be required for auditing purposes.