

Visteon Grapples With Loans as Carmakers Lobby Obama Task Force

By Alex Ortolani, Jeff Green and Keith Naughton

Feb. 26 (Bloomberg) -- **Visteon Corp.**, the Ford Motor Co. spinoff, said yesterday it may join other suppliers in breaking loan terms, raising fresh concerns about the health of U.S. partsmakers on which car companies rely.

Lear Corp., American Axle & Manufacturing Holdings Inc., and Tenneco Inc. are trying to renegotiate loan terms, or already have done so, to address plummeting revenue after automakers idled plants in November and December. Trade groups representing suppliers sent a proposal to the U.S. Treasury Feb. 13 suggesting as much as \$18.5 billion in government aid.

General Motors Corp., Ford and Chrysler LLC officials met with President **Barack Obama's** autos task force Feb. 23 to discuss how to prevent crippling failures among their suppliers, people familiar with the matter said. GM and Chrysler, operating with \$17.4 billion in government loans, told the U.S. Treasury Department last week a rash of bankruptcies among partsmakers next month may hinder their recovery efforts.

"Everyone is living on the margin right now with no relief in sight," said Van Conway, managing partner of Conway MacKenzie & Dunleavy, a restructuring consulting firm in Birmingham, Michigan, that works with partsmakers. "Some suppliers are going to fail. The government could help make the failures less chaotic."

As many as one-third of the more than 4,000 U.S. auto suppliers face "imminent financial distress," according to the **Original Equipment Suppliers Association**. Many of these are closely held companies with less revenue than the publicly listed partsmakers, the association has said.

Purchasing Chiefs Meeting

Purchasing chiefs **Bo Andersson** of GM, Scott Garberding of Chrysler, and Tony Brown of Ford met with the task force Feb. 23, the people said. It is led by Treasury Secretary Timothy Geithner and National Economic Council Director Lawrence Summers.

Chrysler Chief Executive Officer **Robert Nardelli** met with the task force yesterday, people familiar with the matter said. General Motors CEO Rick Wagoner will meet with the group today, people said.

Treasury Department spokesman **Isaac Baker** declined to comment when asked about the meeting with the task force. GM spokesman Dan Flores, Chrysler spokesman Stuart Schorr and Ford spokesman Todd Nissen also declined to comment on the talks.

Auto companies share many of the same suppliers, and a string of failures among the partsmakers would disrupt vehicle production, according to a Feb. 13 statement from the **Motor & Equipment Manufacturers Association**.

Most of GM's suppliers also sell to Chrysler and Ford, according to consulting and research firm **CSM Worldwide Inc.**

Suppliers Serve All

"The supply base is so interconnected, not just for the domestic automakers, but for the imports alike," Ford's Nissen said in a phone interview yesterday. "We support the government's efforts to look into that and to work with the industry to develop ways that assistance can be rendered."

Partsmakers are struggling after auto manufacturers cut production as U.S. vehicle sales fell 18 percent last year to the lowest level since 1992. Companies with most of their sales to U.S. automakers such as Visteon, **Lear** and American Axle have either had or may have trouble meeting loan terms as their debt climbs against equity.

Visteon, which was spun off from Ford in 2000, posted a net loss of \$328 million yesterday and said it may not meet loan terms because of the slump in vehicle production. Ford, its biggest customer, accounted for 30 percent of the supplier's fourth-quarter sales.

"We've been very active in supporting the efforts to bring about some assistance," said Visteon spokesman **Jim Fisher**. He declined to comment on Visteon's need for the aid.

Renegotiating Terms

Tenneco, the world's largest maker of vehicle exhaust systems, said it renegotiated an \$830 million secured credit facility Feb. 23 at a higher interest rate in anticipation of further deterioration in the economy.

American Axle, which gets about 78 percent of its revenue from GM, worked out revisions to a revolving credit line this year. Lear, the world's second-largest automotive seatmaker, is trying to renegotiate loan terms after falling out of compliance in January.

Spokesmen **Mel Stephens** for Lear, Renee Rogers for American Axle, and Jane Ostrander for Tenneco didn't immediately return a phone call or e-mail last night seeking comment.

In a report to Congress **Feb. 17**, GM suggested the government put up \$4.5 billion through 2011 to guarantee automaker receivables and avoid "a wave of supplier bankruptcies and disruptions in the shared automotive supply chain."

GM said the plan should be put in place by March as an increase in auto production will tax its suppliers after output was reduced in January.

Chrysler, in its latest report to the Treasury Department, said "troubled suppliers" now make up 22 percent of the automaker's purchasing, up from 10 percent in August.

Ford is accelerating payments to some partsmakers while dropping business with others, and is also speeding efforts to trim its supplier ranks to 750 companies from 1,600, purchasing chief Brown said on a call with reporters Feb. 6.

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