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Suppliers line up for U.S. aid

Hundreds apply for stabilization effort

BY JEWEL GOPWANI • FREE PRESS BUSINESS WRITER • April 22, 2009

Hundreds of auto suppliers have applied for aid through the government's \$5-billion program for parts makers aimed at stabilizing the struggling supplier industry.

Chrysler LLC and General Motors Corp. have each received more than 200 applications from suppliers seeking to participate. More companies continue to apply, people familiar with the program said.

The program can help suppliers in two ways. Parts makers can -- for a fee -- ask the government to back the money they are owed, called receivables, from GM and Chrysler. Suppliers can also sell their receivables to the government for an immediate cash infusion, but at a discount.

The high level of interest in the program illustrates how concerned suppliers, who've watched their credit lines dry up, are that GM, Chrysler or both could file for bankruptcy protection.

Chrysler and GM will determine which suppliers receive aid -- an element of the plan that raised questions from the U.S. Office of the Special Inspector General for the Troubled Asset Relief Program.

In a report, the inspector general raised concerns that an automaker could use that power to its advantage to bribe suppliers that want to be part of the plan. While possible, that is unlikely because of internal controls at the automakers and suppliers, said restructuring consultant Van Conway.

The inspector's report also notes that executives at the suppliers that receive aid are not bound by the compensation limits for the automakers.