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## **Chrysler: We're making money**

### **Success played up as part of survival strategy**

By James R. Healey  
USA TODAY

Chrysler Group talked about some jazzy vehicles in the long-winded rollout of its five-year plan Wednesday, but the biggest shock came not from styling and interiors, but from dollar signs: The company said it is solvent and profitable.

CEO Sergio Marchionne said Chrysler had \$5.7 billion on hand at the end of September, up from \$4 billion June 10, when the company was formed from partnering the best assets of the old Chrysler with Italy's Fiat Group to emerge from Chapter 11. Fiat — for its expertise, but no cash — got a 20% stake and control.

Chrysler also had an operating profit of \$200 million in the third quarter, he said — earnings before taxes, interest payments and depreciation.

How? Marchionne, also CEO of the Fiat Group, said the new Chrysler is "very parsimonious."

The automaker gave assurances that it will post ongoing profits by 2011. And in a radical departure from the industry's usual secrecy, laid out its product intentions through 2014. The moves were meant to keep Chrysler out of the obituary columns until it can boost sales and earnings and regain momentum.

It must come across as vigorous and viable, or people won't buy its products and lenders won't lend. Wednesday could have been a last chance.

Chrysler, of course, has had many last chances: In the 1970s, when it had no high-mileage small cars at a time of fuel shortages. In the 1980s, when the company was broke but didn't say so and CEO Lee Iacocca worked for \$1 a year while persuading the government to guarantee loans. In the '90s when Daimler-Benz pretended to merge with Chrysler while plotting instead to absorb it. But now it has seemingly exhausted government — that is, the taxpayers' — patience and, in fact, has nowhere to turn.

For all that's at stake, for all the earnestness of the Chrysler presenters vowing better quality, improved customer relations, quicker new-model introductions, higher fuel economy, better dealers, the Wednesday session didn't satisfy everybody.

The upbeat presentation featured almost no models, photos or even computer drawings of the vehicles that are to save the company. And the discussion of dollars was too optimistic for some.

"We have only the barest hint" of what's coming, noted Joe Phillippi, head of AutoTrends Consulting, who attended the session at Chrysler's headquarters in Auburn Hills, Mich. "Everything needs to go perfectly," cautioned Rebecca Lindland, director of auto research at consultant IHS Global Insight, also at the presentation. "We definitely have some concerns when we look at their financials and market share numbers. We think they are being really aggressive."

Chrysler said, for instance, that it will more than double worldwide sales, to 2.8 million in 2014 from a forecast 1.3 million this year, and boost its share of the U.S. market to more than 13%, from 9% now.

"The competition's not going to spot you even a 10th of a percent of market share; it's a big task," Phillippi said.

Chrysler said it could repay a \$5.7 billion Treasury loan by 2014, but it still would owe \$4 billion to others, an amount considered manageable.

"They're on the right path. They have management in place that has a very realistic view," said Brad Coulter, turnaround specialist at consultant O'Keefe and Associates, who attended the event.

"But a lot of chances for success are out of their control: the economy, the willingness of credit markets to lend into the automotive sector."

An array of product changes were rolled out as part of the five-year plan that will result in 60% of Chrysler's models derived from Fiat Group vehicles by 2016. And 56% of its powertrains will come from Fiat, primarily diesel and four-cylinder engines, to have more higher-mileage vehicles. Plans by brand:

- Caliber gets a Fiat-based replacement in 2010.
- Only 500 more high-performance Vipers will be built, all a special edition aimed to be collectibles. A replacement is under consideration for 2012, possibly using hardware from Fiat's Ferrari and Maserati sports car brands.
- The Avenger sedan and Journey SUV get major changes in 2010 and will continue.
- The current Nitro will last through 2011; a replacement is under consideration.
- Challenger gets updates in 2011.
- A new Chrysler-designed Charger big sedan is due in 2010.
- Grand Caravan minivan gets a new interior and new powertrains in 2010 and is due to be replaced in 2014 by another Chrysler-designed van.
- A new, unnamed seven-passenger crossover utility will be added to the lineup in 2010.
- A new Fiat-based compact sedan joins the lineup in 2012.
- Patriot and Compass small SUVs get major updates in 2010, then are replaced by a single, Fiat-based model in 2012.
- The iconic Wrangler gets major updates to the interior in 2010, new powertrains in 2011.
- Liberty midsize SUV gets minor changes in 2010, gets Fiat-based replacement in 2013.
- Commander large SUV dies in 2010.
- Grand Cherokee will be all new in 2010, in a plan that pre-dates Fiat's control. It will be the first vehicle with Chrysler's Pentastar V-6 that's to replace Chrysler and Fiat V-6s worldwide.
- PT Cruiser will be eliminated in 2010.

- Sebring gets major changes in 2010, is replaced in 2013 by a Fiat-based midsize.
- The new Chrysler-designed 300 big sedan is due in 2010.
- Town & Country minivan gets major changes in 2010 and will be replaced by a new Chrysler-based van in 2014.
- A Fiat-based compact sedan will be added in 2012, and a Fiat-based small car and midsize crossover utility come in 2013.
- A replacement for the Dakota midsize pickup is under consideration for 2011.
- Ram pickups get major modifications in 2011. A diesel is being considered for the light-duty 1500 pickup in 2011.
- Fiat-based small and large commercial vans come in 2012.

The subcompact 500 was the only Fiat-brand model listed in the future-model discussion. Analyst expect it to be made for the U.S. market in Mexico, where Chrysler has two successful plants. "Why not make it there?" said IHS' Lindland.

A "North American version" of the 500 will be sold in 2011, "mainly in metro markets, at dealers who house all our brands," said Peter Grady, in charge of the U.S. dealer network.

Dealers who sell it will have "a dedicated salon and dedicated sales team," he said.

The 500 is a hot small car in Europe that Chrysler hopes can compete with BMW's Mini Cooper here — at least in profits. Much of that would come from accessories, from simple decorative stickers to near-custom interiors. It's well-known in the industry that even customers who bargain hard on the car's price are easily lured into spending big for add-ons to personalize it.

No word on the 500's pricing, though in Europe it's in the high teens. The Euro-market 500 is 139.8 inches long, more than a foot shorter than the Mini Cooper, though nearly 3 feet longer than a Smart car.

Chrysler expects to sell all versions: a two-door hatchback, a convertible and, in 2012, the performance Abarth model.

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