

Chrysler sends a serious message with cuts, McTevia tells Detroit Free Press

Chrysler hopes for more cash
Cutbacks key part of the plan it will show government

BY JEWEL GOPWANI • FREE PRESS BUSINESS WRITER • FEBRUARY 17, 2009

As employees at Chrysler LLC drive into a parking structure at the automaker's Auburn Hills campus, a sign on the ground floor reminds them why they can't park on the roof.

It hasn't been plowed, and for months has been covered with snow, or by now, a slushy, icy mix.

That's just one of many cost-saving measures -- which range from reducing the number of lightbulbs used throughout headquarters to closing cafeterias -- that Chrysler has undertaken as it fights for its survival.

Today, the automaker is to submit its restructuring plan to the Obama administration, as part of a \$4-billion loan that has kept Chrysler's operations running through the first quarter.

The stakes for the proposal are high. The viability plan will help determine whether Chrysler gets another \$3 billion in federal loans it has been seeking. And that will, in turn, help determine the future of Chrysler's proposed deal with Italian automaker Fiat SpA.

Under that deal, Fiat would take a 35% stake in Chrysler and give Chrysler access to its small-car technologies.

Chrysler's plan to the Treasury Department today is expected to include more than \$3.8 billion in cuts to its fixed costs and lay out a future under two scenarios. In one, Chrysler remains a stand-alone company. In the other, Chrysler has a strategic partnership with Fiat.

While saving money by letting snow pile up -- a move that will save about \$350,000 this winter -- wouldn't seem like a key part of that viability plan, it's a move that shows the automaker is doing everything it can to save money and use taxpayer funds wisely.

"It's the little things that we do. It saves money for the company. I think that's what the real focus needs to be," said Bill Wolf, director of facility operations at Chrysler.

So far, Chrysler has closed its executive dining room, which had a full kitchen and waitstaff, and shut down three other cafeterias and sandwich kiosks throughout its 5.3 million-square-foot building.

Wolf helped accelerate the company's plan to remove half of the fluorescent lightbulbs in the building -- down to 40,000. He decided to take clocks off the walls to avoid the cost of changing batteries and changing the time for daylight saving time. Chrysler also is putting 32 pieces of art up for auction.

Although certain cuts will take some getting used to for workers, Wolf said he has tried to communicate the reason for each of the them. Employees, he said, are responding with new ways to save money.

Chrysler is "sending a message that they're serious," said restructuring expert Jim McTevia of McTevia & Associates.

It's essential to communicate the savings, said Mary-Beth Kellenberger, an autos and transportation analyst at consulting firm Frost & Sullivan. The sign at an employee parking deck is a good start.

"When I see \$100,000, I equate that to one manager. ... People do that math in their head," she said.

As Chrysler restructures, the deep, surgical cuts underway should become a part of its culture, McTevia said.

This rethinking comes as Detroit's automakers face the reality that they may never dominate the U.S. auto sales market again.

"It's a mind-set," said Glenn Hoffrichter, a senior manager for facilities, planning and business services at Chrysler. "We don't think we're ever done."