Chrysler's future lies overseas - McTevia says its reputation is "on the line"

Chrysler's future lies overseas

New owner Cerberus must help automaker find fresh markets.

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Associated Press

August 4, 2007

DETROIT

Chrysler is an American icon, storied home of Lee Iacocca and the mini-van, and it's once again in American hands after breaking from Daimler AG on Friday. But industry watchers agree America isn't where Chrysler's future lies.

The new owner, private-equity firm Cerberus Capital Management LP, must help Chrysler expand overseas business if it's going to successfully restructure the 82-year-old automaker.

"A return to industry-leading edgy design is what Chrysler needs to return to a place of prominence in the U.S. market, but in order to survive as a full-line automaker, expansion beyond North America is an absolute must," said Aaron Bragman, an auto industry analyst with the consulting firm Global Insight.

Chrysler became a private company when DaimlerChrysler AG transferred an 80.1 percent stake in the automaker to New York-based Cerberus Friday in a $7.4 billion deal. The German automaker retained a 19.9 percent interest in the new company, Chrysler LLC.

"After months of uncertainty, then a period of transition, we are beginning a new chapter in Chrysler's proud history, and we have the chance to write a terrific story," Chrysler Chief Executive Tom LaSorda said in an e-mail to employees.

After a stormy nine-year relationship with Daimler, Chrysler becomes the first U.S. automaker in private hands since Ford Motor Co. went public in 1956. Chrysler, which plans to revive its five-sided logo at a companywide celebration Monday, will be free of the short-term quarterly earnings pressures that public companies face.

LaSorda added that Chrysler now is open to new partnerships or alliances. That could mean more agreements such as the one signed in July with Chinese automaker Chery Automobile Co. to produce Chinese-made cars for the U.S. market.

Chrysler has a minuscule presence outside North America, where it sold 2.4 million vehicles in 2006. Its total share of the European market in 2006 was less than 1 percent, according to the European Automobile Manufacturers Association, and it sold even fewer vehicles in Asia and South America than it did in Europe. By contrast, General Motors Corp. and Ford Motor Co. make most of their profits overseas.

Chuck Moore, a director at the Detroit restructuring firm Conway, MacKenzie and Dunleavy, said Cerberus must make Chrysler grow, and not just cut costs, if it wants to make a return on its investment. He predicts Cerberus will buy more automakers or push for alliances with established players such as South Korea's Hyundai Motor Co. Hyundai already has an engine-building alliance with Chrysler.

Cerberus Chairman John Snow has said Cerberus plans to keep Chrysler's management team in place and give it the freedom to implement its restructuring plan, which calls for shedding 13,000 hourly and salaried jobs in the U.S. and Canada by 2009.

Jim McTevia, a restructuring consultant, said even if Chrysler's team stays, Cerberus will be active in the restructuring.

"They've got a lot of money on the line, but even more important than money, they've got their reputation on the line," he said.