Smallest of Big Three hit by dip in minivans
John Reed and Bernard Simon

In September, before the credit crunch became a fullblown financial crisis, Chrysler marked the 25th birthday of the minivan.

With the Dodge Caravan and Plymouth Voyager, Chrysler opened a new market segment, selling more than 12m over a quarter of a century as baby boomers bought them for their burgeoning families. Minivans and pick-ups such as the Dodge Ram have been Chrysler's core business since.

This year's collapse in sales of these profitable vehicles has hurt Chrysler more than any carmaker. It does more than 90 per cent of its business in the US, unlike Ford and General Motors, whose profitable overseas arms have helped cushion their losses in the US.

Detroit's smallest carmaker is now in a precarious state and few industry players think it will survive in its current form. "Chrysler as we know it will cease to exist very soon," Kimberly Rodriguez, principal of consultancy Grant Thornton's automotive practice, wrote recently.

When Cerberus Capital Management bought Chrysler from Daimler in 2007, Bob Nardelli, chief executive, spoke of a bright future for the company, which could chart its own course free of second-guessing by shareholders.

He raided competitors to recruit executives, and kept Tom LaSorda, Chrysler's president, to handle relations with the United Auto Workers' union and forge new alliances to build and sell more vehicles overseas.

Chrysler clinched three deals to build small cars and pick-up trucks with Nissan, which considered adding it as a third member of its alliance with Renault.

In spite of talks with overseas carmakers such as Russia's Gaz and India's Mahindra & Mahindra, however, it failed to make headway on its overseas franchises. Chrysler claims 0.5 per cent market share in Europe.

In the US, its vehicles trailed most competitors' on quality in Consumer Reports magazine's most recent rankings. Daimler, which a year ago spoke of holding on to 20 per cent of the carmaker, is looking to sell the stake, the value of which it recently wrote down to zero.

Chrysler no longer reports financial results but said at the end of June that it had cash or marketable securities worth $11.7bn. Chrysler's sales have fallen sharply in the months since, and people close to the company say it is quickly burning through cash.

GM said last week it was abandoning talks on the acquisition of an unnamed company assumed to be Chrysler - to focus on its own liquidity problems. They were seeking at least $10bn in federal funds for the tie-up, but Washington policymakers are said to have balked at bailing out a Wall Street carmaking investment gone wrong.

Industry consultants say Chrysler on its own is too small to build vehicles efficiently, yet not perceived by regulators as too big to fail.

If Chrysler fails to find new partners, it might be forced to sell assets such as Jeep, though the company has made clear it sees the brand as a crown jewel.

Fonte: Financial Times, London, November 11 2008, Companies & Markets, p. 18.