



## GM-Chrysler Merger May Cost 74,000 Jobs, Report Says (Update2)

By Mike Ramsey

Oct. 30 (Bloomberg) -- A merger of **General Motors Corp.**, the largest U.S. automaker, and Chrysler LLC may cost 74,000 jobs and close half of the smaller company's plants, according to a report from an accounting firm.

The combination may eliminate all but seven of Chrysler's car and truck models, Grant Thornton LLP said. Chrysler, the No. 3 U.S. automaker, would keep the Dodge Ram pickup, minivans and some Jeep models, the report said. GM and Chrysler owner Cerberus Capital Management LP are studying a merger, people familiar with the plans have said.

The automakers will probably have a tentative agreement before the Nov. 4 U.S. presidential election, said **Kim Rodriguez**, who leads Grant Thornton's automotive restructuring group. Still, a tie-up will be impossible without an infusion of cash to bolster the balance sheet of the new company, she said.

"It's probably not the optimal solution, but unfortunately it's the optimal solution given the facts in which we find ourselves," Rodriguez said in a presentation today in Southfield, Michigan.

The combined company would have to cut 24,000 Chrysler jobs, split evenly between administrative and manufacturing employees, Rodriguez said. That figure includes the already-announced 25 percent reduction in salaried workers by Chrysler.

A study released yesterday by Anderson Economic Group of East Lansing, Michigan, said the merger may cost 25,000 to 35,000 jobs.

### Urging Action

Automakers are grappling this year with what may be the worst U.S. market since 1993 as elevated fuel prices sap light-truck sales and the global credit crunch curbs access to loans.

Governors from Michigan, Delaware, Kentucky, Ohio, South Dakota and New York sent a letter dated yesterday to Treasury Secretary **Henry Paulson** and Federal Reserve Chairman **Ben Bernanke** urging "immediate action" to help boost liquidity for the U.S. auto industry.

Ford Motor Co. is having an "ongoing dialogue" with U.S. officials and wants to ensure parity should competitors receive aid, Executive Vice President **Mark Fields** said in an interview today.

A GM-Chrysler merger could take on several forms, including a so-called prepackaged bankruptcy by Chrysler where GM agrees to buy certain assets and creditors agree to a preset payout before a filing, Grant Thornton's Rodriguez said.

### Partsmaker Losses

An additional 50,000 jobs may be lost in the auto-parts industry, which would be buffeted by fewer car models and closed plants. Along with positions in shipping, advertising and other indirect services, job losses could be 100,000 to 200,000, Rodriguez estimated.

A "free fall" by Chrysler in which the company runs out of money, enters bankruptcy and stops producing cars would almost destroy the U.S. industry and cause massive supplier failures, she said. While that scenario is unlikely, it would mean "significant" job losses.

`` It's a bitter medicine for this area," she said. Michigan had an 8.7 percent unemployment rate in September, compared with 6.1 percent for the U.S.

Cerberus's stake in the GMAC LLC finance company may rise to at least 75 percent from 51 percent under a merger, said Lars Luedeman, a co-author of the Grant Thornton report. GM owns 49 percent of GMAC.

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