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Chrysler Faces Massive Cuts in a GM Deal

By NEAL E. BOUDETTE and JOHN D. STOLL

DETROIT -- Much of Chrysler LLC would disappear in a merger with **General Motors Corp.** -- including an estimated half of its assembly lines and all but seven of its 26 models -- an auto-industry consultant said Thursday.

But the consultant, Kimberly Rodriguez of Grant Thornton LLP, warned the impact on jobs and the economy would be worse without a deal. A second consultant, Patrick Anderson, founder of Anderson Economic Group in East Lansing, Mich., agreed, saying a merger would be "in the interest of the shareholders, the workers, the U.S. government, all the stakeholders. The alternative would be bankruptcy for Chrysler."

In a reflection of the mounting concern that Chrysler or GM could collapse, a coalition of six governors urged Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke to take immediate action to address the liquidity crisis in the U.S. auto industry.

A letter sent Wednesday and signed by the governors of Michigan, Delaware, Kentucky, New York, Ohio and South Dakota calls on the two officials to work under provisions of the recently enacted Emergency Economic Stabilization Act to aid the car industry. A similar letter was sent to Messrs. Paulson and Bernanke last week by a bipartisan congressional delegation in Michigan.

At a news conference in Dearborn, Michigan Gov. Jennifer Granholm said she and the other governors have been in touch with GM and Chrysler. "We need to see some additional quick loans so that the industry can make it through the next six to 12 months," she said, without expressing support or opposition to a merger.

GM and Chrysler's majority owner, private equity group Cerberus Capital Management LP, are discussing a complex deal in which GM would take over Chrysler and Cerberus would end up with a much larger stake in GMAC LLC, which makes car and other loans. Cerberus now owns 51% of GMAC to GM's 49%.

The deal is aimed at giving GM an infusion of funds -- Chrysler has said it has \$11.7 billion in cash -- and broad scope for slashing costs. But the two sides need financing to make the deal work, and have been hoping Washington will help out.

GM would need about \$10 billion to cover the cost of closing plants and eliminating jobs after a merger. The combined company would have more than 145,000 employees and 112 assembly, power-train and stamping plants in the U.S. alone.

A merger would probably result in the closure of seven of Chrysler's 14 assembly plants and the elimination of 19 of its 26 car and truck lines, according to a study released Thursday by Grant Thornton. It forecasts 30,000 to 40,000 of Chrysler's 66,000 employees would lose their jobs, and an additional 50,000 jobs at suppliers and other companies would be affected.

A separate study by Anderson Economic Group noted that the impact would be felt throughout the country. "In virtually every middle-sized town in America, you will see a dealership close," Mr. Anderson said. Together, GM and Chrysler have more than 10,000 U.S. dealers and many are unprofitable.

But a bankruptcy filing by Chrysler could cripple suppliers that GM and **Ford Motor** Co. also depend on. "What you would have is a shutdown of the auto industry," Ms. Rodriguez, a principal in Grant Thornton's automotive practice, said at a news conference.

Both studies concluded a merger would eliminate production capacity and potentially ease the downward pressure on U.S. auto prices. Grant Thornton said the combined entity would have a stronger range of trucks and sport-utility vehicles, and estimated it could cut \$6 billion to \$10 billion in costs.

A GM spokesman declined to comment on any discussions it may have with other parties, but said the notion it could run short of cash if it doesn't find a merger partner is "uninformed." A Chrysler spokeswoman said the company was reviewing the Grant Thornton study but had no comment.

On Wednesday, Standard & Poor's Ratings Service said a merger, even if it includes financial support from the U.S. government, probably won't solve the companies' liquidity problems.

—Jeff Bennett contributed to this article.

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