



CHRYSLER



Official name: Fiat Chrysler Automobiles N.V. (FCA).

Brands: Chrysler, Dodge & Jeep, Ram trucks, SRT.
Associate brands: Abarth, Alfa Romeo, Ferrari, Fiat, Lancia & Maserati.

Owned by: Exor N.V., an Italian investment group controlled by the Agnelli family (29.19%). Exor has effective control of FCA (44.31%) through loyalty voting. The balance of shares are controlled by institutional and private investors.

Formerly owned by: DaimlerChrysler (Mercedes), then Cerberus, a huge American private equity firm.

Current situation: Fiat Chrysler is the world's eighth largest automaker. Chrysler is now effectively owned by Italian carmaker Fiat (Agnelli family). Fiat and Chrysler need each other to survive.



Both companies produce low quality products and both face an uncertain future.

The architect of the Fiat takeover of Chrysler, Sergio Marchionne, died suddenly in 2018.

In 2019, a proposed merger with Renault-Nissan fell apart.

Fiat Chrysler is far behind its rivals when it comes to electric and autonomous technology.

Fiat Chrysler's share of the critical Chinese market has plummeted and often loses money.

A similar situation exists in South America and Europe, where profits are slim and often turn into losses.

Effectively, Fiat Chrysler is being sustained by high SUV sales in the American market.

However, many recent American vehicle sales were financed by 'subprime' loans; a term meaning that the person loaning the money has a poor credit history and might not be able to repay the loan.

Chances of survival: poor. When the American economy corrects, which is inevitable, Fiat Chrysler will become an economic basket case.



A brief commentary on Chrysler



The Chrysler 300, the perfect car for driveby shootings, provided it doesn't break down on the way.

American automotive pioneer Walter Chrysler took over the ailing Maxwell-Chalmers company in 1925 and began building cars bearing his own name.



Walter P. Chrysler

Walter P. Chrysler was an ambitious man and in 1928 the Chrysler Corporation began organising itself along relatively modern lines.

Instead of all the cars being badged as Chryslers, different brands were introduced for different parts of the market. Cheap Chryslers were called *Plymouths*. Medium-priced Chryslers were called *DeSotos*, while the upmarket models were called *Imperials*.

After the purchase of the Dodge Brothers car and truck company, Dodge automobiles were added to the growing list of Chrysler car brands, along with Dodge Fargo trucks.



In 1935, Chrysler stunned the world with the *Imperial*, one of the first cars designed to slip through the air. These days, all cars are designed this way. However, in 1935 this sort of car was a revolution. And, not a very successful one.



The 1935 Chrysler Imperial

The Imperial's styling was clumsy and the shape was too radical for the conservative American public.

Due to very low sales, Chrysler soon stopped producing this model of the Imperial. As a result of the severe financial losses on the Imperial model, Chrysler designs became very conservative, and stayed that way for the next twenty years.



By the middle of the 1950s, the Chrysler range had a distinctly old-fashioned feel about it. Chrysler rushed to modernise the range, which nearly ended in tears. The quality of the new vehicles was often poor and the onset of a sudden economic recession meant customers became suddenly cautious.



The 1955 Chrysler Imperial, designed to compete with luxury brands like Cadillac. However, the Imperial's quality was often poor and, because Imperials were sold through regular Chrysler dealerships rather than upmarket showrooms, the brand lacked the prestige of its rivals and didn't sell very well.

After flirting with bankruptcy, Chrysler redesigned its range and improved the reliability of its vehicles.

In 1960 Chrysler introduced the highly successful Valiant range. By today's standards the Valiant was a huge car, but by 1960s American standards it was considered a 'compact' vehicle.





The 1965 Chrysler Valiant. Well-built and vastly more technically advanced than its rivals, the Valiant sold like hotcakes. In places like Australia, there were long waiting lists for the Valiant.

By the late 1960s, the Chrysler Corporation was a global force: Chrysler made Valiants in America and Australia, Hillmans in England & Simcas in France. Then the 1973 oil crisis hit.

The American market screamed out for small cars, but American Chrysler had just released a new range of large ones. The oil crisis triggered a crisis throughout the Western motor industry. Chrysler Europe collapsed in 1977 and was sold to Peugeot. Chrysler Australia, which was losing money hand over fist, was sold to Mitsubishi.

With a huge handout from the American taxpayer, Chrysler limped back into profitability and in 1987 Chrysler bought the struggling American Motors Corporation, mainly for its prestigious Jeep brand.



Chrysler's timing could not have been better. The advent of the SUV craze suddenly meant that people wanted Chrysler-built Jeeps in large numbers.



The 1983 Jeep Wagoneer (above) shared its skeleton and most of its other components with a pickup truck. As such, it was laughably crude by modern standards, but customers didn't care.

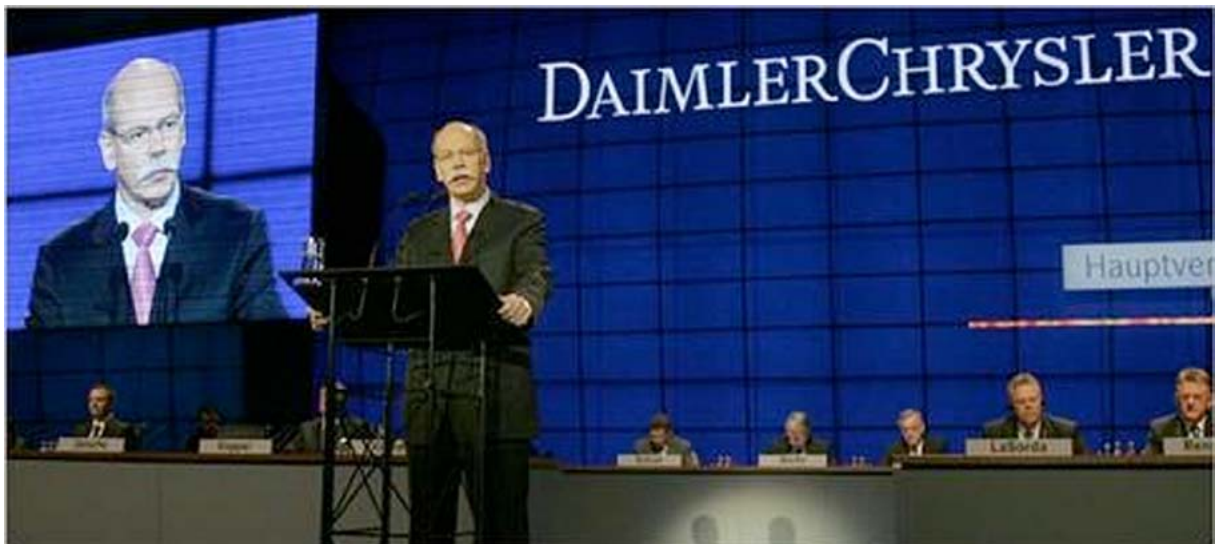


Chrysler also pioneered people-carrying vans like the Voyager and produced Dodge pickup trucks in large numbers.



The 1996 Chrysler/Plymouth Voyager, one of a series of pioneering people-carriers from Chrysler. However, the quality of the vehicle was so poor that Chrysler faced multiple lawsuits from angry consumers.

Despite its successes, Chrysler was in a weak position compared to the other two large American players, Ford and General Motors.



In 1998, Chrysler formed an alliance with Daimler-Benz, the people who built Mercedes vehicles. The new company was called DaimlerChrysler.



In 2000, DaimlerChrysler also formed an alliance with Mitsubishi Motors to design and develop cars. DaimlerChrysler paid \$2.1 billion for a 34% stake in Mitsubishi.



Daimler's mismanagement was breathtaking.

No one in Daimler appeared to have done the most basic research on Mitsubishi, which was already a basket case.

Then, after describing the Chrysler takeover as a 'merger of equals', Daimler CEO Jurgen Schrempp then publicly stated that this description was a mere 'PR device'. Daimler was now running the show, he said. Chrysler was the horse and Daimler was the rider.



Daimler's managers also made it clear they thought Chrysler's American managers were loudmouthed oafs. So, Chrysler's managers left in droves.

Daimler's managers also didn't want to cheapen Mercedes technology by fitting it into Chrysler cars.

Without Mercedes technology, Chrysler's engineers ended up recycling obsolete technology into an ageing vehicle fleet.

Within a few months, Daimler had alienated Chrysler's dealers, workers, management, and, most important of all, Chrysler's customers.

Chrysler's share price plummeted and only heavy intervention from Daimler saved the company.



Meanwhile, Mitsubishi, the Japanese arm of DaimlerChrysler, plagued by scandals and poor management decisions, was in serious trouble.



DaimlerChrysler was asked to spend further billions bailing out the ailing Japanese carmaker.

DaimlerChrysler said no and began selling Mitsubishi shares.

Mitsubishi was saved from bankruptcy by other members of the Japanese Mitsubishi industrial group. Faced with disaster, DaimlerChrysler sold its remaining shares in Mitsubishi in 2005, for US\$1.1 billion.



Things once more went from bad to worse; haemorrhaging money, Chrysler began laying off tens of thousands of employees and cost-cutting across the business, which often meant a further loss of quality.

In May of 2007, having lost a cool US\$37 billion on the deal, Daimler finally gave up and sold 80% of the company to Cerberus Capital Management.



On April 30, 2009, Chrysler faced its latest bankruptcy, and went begging to the government once more, having just lost Cerberus US\$7.4 billion.

The ever-patient US government gave Chrysler another last chance in the form of more taxpayer-funded loans.

A hurried new partnership with European automaker Fiat, the United Auto Workers union and the American government staved off closure. Fiat gradually took complete control of Chrysler then formed a new company: Fiat Chrysler Automobiles (FCA).



Fiat bought Chrysler mainly because the partnership offered Fiat its best hope of survival.

In a sense, Fiat and Chrysler are perfect partners, because Fiat produces mainly small cars and Chrysler produces mainly large ones. Both companies are too small to survive by themselves.



Since the Fiat Chrysler Alliance (FCA) began, the corporation has eliminated much of its debt and started making a profit. Fiat Chrysler is now the world's eight-largest car conglomerate.

Thus, on paper, Fiat Chrysler is doing well, but appearances can be deceptive.





First, the highly respected *American Consumer Reports* had the following to say about FCA:

“All Fiat Chrysler brands finished in the bottom third of the rankings, with Fiat coming *last*.”



Second, FCA was recently sued by both the US government and a large number of angry customers, after it was revealed that the company had used illegal software to bypass emission controls in 104,000 diesel vehicles sold since 2014.



FCA settled the charges for US\$800 million, but also had to recall nearly a million vehicles to remove the offending software.

Then, in 2019, FCA was forced into a US\$307 million settlement after being sued by the owners and leaseholders of thousands of diesel models fitted with the illegal software.



Third, Fiat Chrysler was recently forced to buy hundreds of millions of dollars worth of cars from electric vehicle company Tesla in order to avoid fines from the European Union, which requires that all major companies have some low-emissions vehicles.

But the Tesla purchases are probably still not enough. Therefore, FCA is likely to be fined billions of euros for failing to meet the EU's target of 95 grams of CO₂ per kilometre (averaged across the whole fleet).

Fiat Chrysler's 2018 average was around 123 grams per kilometre, one of the highest in the car industry.





FCA's major problem is this:, most of the group's profits come from gas-guzzling makes such as *Jeep* and *Ram*.

Fiat's sales are in nosedive, especially in the USA. And, it's hard to see Fiat's profits improving, even if fuel prices rise.

The problem is: there's little that Fiat can do that the Japanese and Koreans can't do better. And, Japanese and Korean cars can offer a level of reliability that Fiat owners can only dream of.



Worst of all, in the American market (which is the only part of FCA that's making real money), many of Fiat Chrysler's sales are to people using 'sub-prime' auto loans. 'Sub-prime' is financial industry slang for loans to customers who probably won't be able to keep up the payments.



Once these sub-prime loans start defaulting, the companies offering these loans generally start closing up shop.

This makes it harder for customers to get auto loans. This makes it harder for car companies to sell new cars.

Sub-prime loan defaults will hit the entire industry hard, but it will hit Fiat Chrysler hardest.



Lastly, America doesn't do *small*; despite having less than 5% of the world's population, America uses a quarter of the world's oil.



American fossil fuel consumption is double that of the average resident of Great Britain and two and a half times that of the average Japanese. Meanwhile, Americans create half of the world's solid waste.

And, the car, or rather the SUV, is at the heart of this consumption. A large percentage of Americans simply aren't interested in saving fuel, at least until fuel prices start to rise.





It's sobering to remember that the highest petrol prices in U.S. history came quite recently: rising to US\$3.64 per gallon in 2012; low by global standards, but high in a country of gas-guzzlers.

Lots of events can trigger a sudden rise in fuel prices: storms, wars, political instability, speculation in oil prices or simply a drop in the value of the currency that's buying the oil.

Should fuel prices rise dramatically, American consumers will suddenly stop buying gas-guzzlers and switch to smaller, more fuel-economic models.

That's what happened in the last three oil crises. That's how Japan started its US takeover in the 1970s, and why Toyota is consistently the largest single car brand in the USA.





Sadly, American car companies such as Chrysler never seem to learn. As soon as the oil prices drop, the gas-guzzlers start rolling off the assembly lines again.



Then, the next fuel crisis hits, and the bankrupt American car companies rush back to the government asking for another taxpayer bailout. But this can't go on forever. •

