Chrysler sale begins new automotive era

by The Detroit News

Daimler's fire sale price of $7.4 billion for Chrysler - it bought the company for $36 billion in 1998 - speaks volumes about the challenges facing the North American automotive industry, as well as its direction for the future. In reality, after a series of payments and loans between the two companies, Daimler will pay Cerberus, a private equity firm, about $650 million to get rid of Chrysler. Daimler can't afford to keep Chrysler because of its $18 billion in health care and pension liabilities. And, like its Detroit rivals, Chrysler has too many dealers and is drowning under labor contracts that make it unprofitable to build cars and trucks in the United States.

While we'd all like to know what will become of Chrysler, the transactions in this sale have so many moving parts that it will take time for an informed assessment.

DaimlerChrysler AG is walking away from a majority share in Chrysler nine years after the "merger of equals" was to form an international automotive juggernaut. Cerberus, a New York firm, has some automotive holdings, but none as significant as a major auto producer.

Cerberus, like the two other officially recognized bidders for the Auburn Hills automaker, sees some value in Chrysler. Whether it is as a unified American car company or in pieces, however, will be realized later.

Of primary importance to the company's retirees and workers is the maintenance of the contracts and promises that have been made. They should be honored. At the same time, United Auto Workers members heading into this fall's critical contract negotiations must realize that many of the benefits and work rules they've stubbornly held on to helped put the company on such uncertain footing. The contract negotiations will be contentious unless UAW members recognize that the market no longer warrants the same deals they have enjoyed for decades. If Chrysler Holdings LLC is to survive as a long-term entity, which Cerberus management says is its goal, the UAW must change significantly, too.

The concern that Cerberus will divide Chrysler in pieces and keep - or sell - only those units or brands (Jeep, for example, or the financing division of the company, which it can combine with its majority stake in GMAC), is real, but not inevitable.

UAW President Ron Gettelfinger has given his initial approval to the deal, but his counterpart in Canada, Buzz Hargrove, is already insisting on no layoff guarantees or the company "will have a problem" with the Canadian Auto Workers union.

Gettelfinger may follow suit to appease UAW members who are worried about their jobs, but his initial response is more encouraging and will go further toward seeing that this sale benefits Chrysler, Cerberus and its workers more than saber-rattling tactics.

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