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Chrysler dealers say news should give shoppers greater clarity

REUTERS

By Scott Malone, Reuters

BOSTON — Chrysler dealers around the U.S. put on a brave face after learning Thursday that the No. 3 U.S. automaker had filed for bankruptcy.

They said President Barack Obama's statement that the Detroit automaker could be out of Chapter 11 in just two months — and that it would be entering into an alliance with Italian automaker Fiat — should answer shoppers' questions about the future of the 84-year-old company.

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"If you listened to his speech ... a potential customer would have to conclude that Chrysler is going to be a stable, ongoing entity," said Jim Harris, owner of a Chrysler Jeep Dodge shop in Atlanta. "The speech was an endorsement of the progress made."

Saying that he had customers in his showroom, he suggested that the news could give shoppers greater clarity on the future of the company, which also makes the popular Jeep sport-utility vehicles whose roots date to World War Two battlefields.

"If they opted for a product other than Chrysler it would be due to personal choice, not based on anything about Chrysler," Harris said.

The troubles of Detroit's big automakers have been well-known to shoppers for some time. During the 1990s, when gasoline prices were low, the companies were flush with cash as Americans snapped up large, expensive sport-utility vehicles.

However, the run-up in fuel prices, the credit crunch and the severe recession have taken a heavy toll. Chrysler and General Motors have received more than \$25 billion in aid intended to keep them afloat.

Ford Motor has not received federal assistance.

Pruning ahead

Chrysler will reduce its network of 3,215 dealers as part of its restructuring, an Obama administration official said.

The National Automobile Dealers Association in a statement said that a "rapid reduction" in the number of Chrysler dealers would limit its ability to increase revenue.

Obama said the bankruptcy filing "will not affect the ability of American consumers to buy a Chrysler or to get it serviced and repaired."

Mike Brenner, who owns a Chrysler dealership as well as a Nissan dealership outside Harrisburg, Pennsylvania, said he regards a pruning of the dealer network as all but inevitable.

"There's often three or four domestic dealers with the same franchise for every import dealer," he said, noting that is out of balance given that domestic and import autos have roughly even market share. "If for every Nissan, Toyota or Honda dealer there are three or more Ford or Chevy or Chrysler dealers, those numbers are very difficult to make work."

Chrysler is joining forces with Fiat in hopes that the Italian company can help it make smaller, more fuel-efficient cars that appeal to consumers and can be made profitably.

"Anything that happens with the Fiat alliance is only going to be positive," said Brian Kelly, who owns Chrysler and Jeep dealerships outside Boston, as well as Honda and Nissan dealerships.

Dealers said they were still selling Chrysler cars.

"We've sold three already today," said Wayne Schmidt, general manager of family-owned Suncoast Chrysler Jeep in Seminole, Fla. He said he hoped that restructuring would help Chrysler over the long term.

"It's a reorganization and we expect Chrysler to come out of it stronger. We're pretty optimistic," Schmidt said. "We're planning to be here for a very long time."

But an attorney who represents Florida dealers took a less-rosy view.

"It's not quite clear whether or not Chrysler can reorganize," said Alex Kurkin of Kurkin Brandes. "They don't seem to have enough new products in the pipeline and Fiat doesn't look like it can help."

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