

Thursday, April 22, 2010

THE WALL STREET JOURNAL | AUTOS

Welcome, Timothy D. Naegle Logout
My Account My Journal Help

U.S. Edition Today's Paper Video Blogs Journal Community

Home World U.S. Business Markets Tech Personal Finance Life & Style Opinion Careers Real Estate Small Business

Asia Europe Earnings Economy Health Law Autos Management Media & Marketing More Industries Columns & Blogs

TOP STORIES IN Business



1 of 10
Car Makers Stabilize Year After Bailouts



2 of 10
Blast Jolts Oil World



3 of 10
Investors Desert Greek Bond Market

Barnes & to Tout ...

AUTOS | APRIL 22, 2010

Car Makers Stabilize Year After Bailouts

Article

Comments (18)

MORE IN AUTO INDUSTRY NEWS »

Email Print Save This Like 35 + More Text

By SHARON TERLEP And JEFF BENNETT

DETROIT—Nearly a year after two big U.S. auto makers were bailed out by government-engineered bankruptcies, both offered tentative signs of a turnaround, with General Motors Co. repaying \$6.7 billion to the U.S. government ahead of schedule and Chrysler Group LLC reporting a first-quarter operating profit and boosting its cash reserves.

The companies and the Obama administration seized on the news to argue that the controversial bailout plan, is taking hold, helped by a surge in consumer spending. GM, keenly aware of the bailout stigma that it sees as a major hurdle to a recovery in the U.S., launched a series of new television ads featuring Chairman and Chief Executive Edward E. Whitacre Jr. touting the loan repayment.



View Full Image
CEO Edward E. Whitacre Jr., at a GM plant in Kansas Wednesday, announces GM's early repayment of a U.S. loan.

Reuters

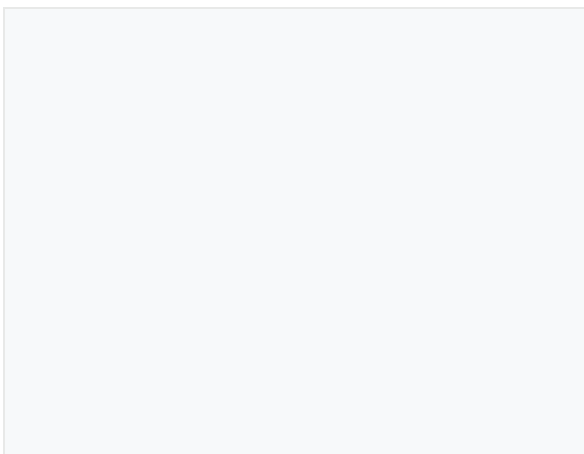
"This continued progress is a positive sign for our auto investment—not only more funds recovered for the taxpayer, but also countless jobs saved and the successful stabilization of a vital industry for our country," Treasury Secretary Tim Geithner said in a statement.

The two auto makers still face substantial challenges. GM's repayment was a fraction of the \$50 billion that the company received from the U.S. government last year. The big payback won't come until GM goes public and the U.S. can begin to sell off its 60% stake in the company.

And Chrysler, while upbeat, still said it has posted losses of nearly \$4 billion since leaving Chapter 11 bankruptcy protection last year.

A senior Obama administration official on Wednesday said GM and Chrysler have yet to prove they can become viable in the long term, but that the companies are on the right track. The administration remains hopeful GM will go public this year, the official said. Mr. Whitacre backed off an earlier timetable to go public in this year.

The administration reiterated that the government is unlikely to recoup all of the bailout funds extended to the auto industry.



MARKETPLACE

Leasefax.com Auto Loan Rates
Investing Tools

Consumer Interest Rates

Auto			
Loan Types	Rate	Last Week	Chart
36 month new car loan	6.51%	↑	
48 month new car loan	6.57%	↑	
60 month new car loan	6.63%		
36 month used car loan	6.97%	↑	
48 month used car loan	6.56%	↓	

Find rates: Enter Zipcode SEARCH Provided by Bankrate, Inc.

People Who Viewed This Also Viewed...

On WSJ.com In My Network

BusinessWeek's Makeover

Massey's CEO Defends Safety Practices

Still, a year after predictions that the industry and its suppliers could face a drastic decline, the situation has clearly stabilized. In the past three quarters, the U.S. auto industry has added 45,000 new jobs, making it the strongest nine-month period for auto-industry job growth since 2000, according to the Bureau of Labor Statistics.

Most of those jobs have been added by parts suppliers, which account for a majority of the jobs in the industry. Gregg Sherrill, chief executive of Tenneco Inc., a maker of emission controls for GM and Chrysler, said many suppliers were able to use the industry's downturn to restructure themselves into lean operations, and now need more workers as auto sales come back.

"The whole [supplier] industry has restructured to such a point that we don't have to have super high [production] volumes to be profitable," he said in a recent interview.

Both GM and Chrysler have made aggressive forecasts for the rest of the year. Mr. Whitacre predicted Wednesday that GM will surprise industry observers next month when it reports financial results for the first quarter of 2010.

"This is the new pace at GM," he said to a crowd of factory workers and government leaders at a plant in Kansas City. "GM's ability to pay back loans is a sign our plan is working."

Mr. Whitacre said that GM, since exiting bankruptcy, has invested \$1.5 billion in U.S. and Canadian factories and added 7,500 production jobs. The company's main focus now is improving its sales performance in the U.S., cutting reliance on costly incentives and implementing more cost cuts.

"This will raise a lot of eyebrows in a positive sense," said Tammy Darvish, vice president of Dar-cars Automotive Group, based in Silver Spring, Md., which owns a Chevrolet dealership. "I have many customers who have sent us letters that say, 'As long as they have government money, we're not going to support them.'"

Chrysler recorded a loss of \$197 million during the first quarter and \$3.78 billion for the period covering June 10 through Dec. 31, after the company had exited Chapter 11 bankruptcy protection. Last year's loss included a \$2.1 billion charge for Chrysler's payment into the United Auto Workers' health-care trust fund.

But the auto maker's operating profit of \$143 million for the first quarter, compared with a loss of \$895 million for the June-through-December period in 2009, bolstered Chief Executive Sergio Marchionne's claim that the auto maker will break even by the end of the year.

The company credited cost-cutting and the introduction of the new Ram Heavy Duty pickup truck for the positive results. "The fact that we are able to post a \$143 million operating profit in this environment shows how low we have lowered Chrysler's break-even point," Mr. Marchionne said. It was the first time he has disclosed Chrysler's financial figures since taking over as chief executive in June after the majority of Chrysler's assets were merged with Fiat.

Write to Sharon Terlep at sharon.terlep@dowjones.com and Jeff Bennett at jeff.bennett@dowjones.com

MORE IN [AUTO INDUSTRY NEWS](#) »

Email Printer Friendly Order Reprints

Like 35 people like this.

Share: Facebook Twitter LinkedIn YouTube Google+ StumbleUpon Dribbble RSS

SPONSORED LINKS

Auto
Find A Car In Your Area. View New & Used Local Listings Now!
[AutoTrader.com](#)

2010 New Car Prices
Buying a New Car, SUV or Hybrid? Find Discount Pricing in Your Area!

[Rifts Imperil Overhaul of Global Banking Rules](#)

[Investors Desert Greek Bond Market](#)

[Chrysler Reports \\$4 Billion Loss](#)

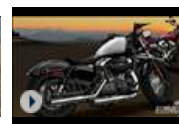
Video >



AM Report: Chrysler on Road Back?
10:29



The SUV Takes Another Tumble
1:25



News Hub: Amid Downturn, Harley Revs Up
3:26

Consumer Auto News

[Why Toyota Rolled Over for SUVs](#)

[An Homage to Hummer](#)

[New Legacy: Testing the Soul of Subaru](#)

[Behind China's Luxury-Car Boom](#)

[Rolls-Royce Builds Real Car: the 2011 Ghost](#)

Most Popular >

Read Emailed Video Commented

1. [U.S. Unveils New \\$100 Bill](#)
2. [Opinion: The Violence Card](#)
3. [Opinion: Gerald P. O'Driscoll Jr.: An Economy of Liars](#)
4. [Opinion: Son of Sarbox](#)
5. [AT&T Looks Beyond the iPhone](#)

Most Read Articles Feed

Latest Headlines

[Blast Jolts Oil World](#)

[The Busted Homes Behind Big Bet](#)

[Obama to Keep Goldman Funds](#)

[Democrats Revive Immigration Push](#)

[Senate Trio to Unveil Climate Bill](#)

[Court Gives Government Victory Against Acorn](#)

[Israel Rebuffs U.S. on Building](#)

[Massey's CEO Defends Safety Practices](#)

[GOP Candidates Court Seniors](#)

[U.S. Notes Foreign Role in Iran Energy](#)

More Headlines

Buying a New Car, SUV or Hybrid? Find Discount Pricing in Your Area:
www.WhyPaySticker.com

Need Better Insurance?

Compare 12 Insurance Company Prices - Free!
www.FreeAutoInsuranceRateQuote.com

Add a Comment

JOURNAL COMMUNITY

We welcome your thoughtful comments. Please comply with our [Community rules](#).
All comments will display your real name.

Text input field for comments.

Track replies to my comment

[Go to Comments tab](#)

CLEAR

POST

Related Stories

Chrysler Reports \$4 Billion Loss Since Exiting Bankruptcy 4/22/2010

GM Chief to Pay for Chartered Flight to D.C. 13 hrs ago

GM Accelerates Loan Repayment Yesterday 12:01 A.M.

GM Posts Big Loss but Sees 2010 Turnaround 4/8/2010

Harley-Davidson's Earnings, Sales Fall 22 hrs ago

Chrysler, Dealerships Resolve Spat Yesterday 12:01 A.M.

TCS to Give Engineering Services to Rolls-Royce 19 hrs ago

Kumho Workers Accept Cuts 4/21/2010

Related Videos



13 hrs ago
AM Report: Chrysler on Road Back?



1/28/2010
Ford Surprises With Profit



2/10/2010
Chrysler, Toyota Sales Stumble in January

CLICK HERE for Full Article Access – and get

TWO WEEKS FREE

UPGRADE NOW

WSJ.com subscribers enjoy:

- Deeper core business, industry and market news
- Exclusive newsletters and alerts
- Save & share article functionality within the Journal Community

Editors' Picks



Philatelists Brace for Sticky Competition



U.S. Unveils New \$100 Bill



Businesses Wait for Green Energy Payback



My Dance With Judy



World Cup Expects Fewer Visitors

WSJ.com Account:

- My Account
- Subscriber Billing Info

Create an Account:

- Register for Free
- Subscribe Now

Help & Information Center:

- Help
- Customer Service
- Contact Us
- New on WSJ.com
- Tour the new Journal

About:

- News Licensing
- Advertising
- Advertise Locally
- Conferences
- About Dow Jones
- Privacy Policy - Updated
- Subscriber Agreement & Terms of Use - Updated
- Copyright Policy
- Jobs at WSJ.com

WSJ.com:

- Site Map
- Home
- World
- U.S.
- Business
- Markets
- Market Data
- Tech
- Personal Finance
- Life & Style
- Opinion
- Autos
- Careers
- Real Estate
- Small Business
- Corrections

Tools & Formats:

- Today's Paper
- Video Center
- Graphics
- Columns
- Blogs
- Topics
- Guides
- Alerts
- Newsletters
- Mobile
- Podcasts
- RSS Feeds
- Journal Community
- WSJ on Twitter
- WSJ on Facebook
- My Journal

THE WALL STREET JOURNAL.

Digital Network

- WSJ.com
- Marketwatch.com
- Barrons.com
- SmartMoney.com
- AllThingsD.com
- FINS.com
- FiLife.com
- BigCharts.com
- Virtual Stock Exchange
- WSJ U.S. Edition
- WSJ Asia Edition
- WSJ Europe Edition
- WSJ India Page

Foreign Language Editions:

- WSJ Chinese
- WSJ Japanese
- WSJ Portuguese
- WSJ Spanish



Copyright ©2010 Dow Jones & Company, Inc. All Rights Reserved