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## Detroit Automakers' Rosy Outlook Defies Reality

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A Rosy Outlook

Defies Reality

It did not take long for Detroit's carmakers to return to one of their favorite pastimes. As [General Motors](#) approaches 100 days since emerging from bankruptcy, each of the Big Three's bosses has been indulging in painting rosy scenarios for their firms. But like pronouncements past, they're a tad premature.

Take [Ford's](#) chief, [Alan R. Mulally](#). He recently predicted that the industry should end up selling 11 million vehicles in the United States this year. But that means selling an average of at least a million cars in each of the last three months of 2009 — roughly a third more than in any month this year aside from August, which was padded by the cash-for-clunkers program.

Of Motown's three chiefs, Mr. Mulally has the most to crow about: slashing costs while keeping the company out of bankruptcy; being the only domestic carmaker with vehicles in the trade-in top 10 list; having a decent lineup of new vehicles to keep the momentum going; and reporting domestic sales figures for September that held up better than most rivals, dropping just 9 percent compared with last year.

Ford even managed to blunt the decline while improving profitability. It slashed average incentives by \$1,400 per vehicle. And analysts reckon the company will turn a profit in 2010, a year ahead of schedule. That's worth a boast, but doesn't make Mr. Mulally a soothsayer.

At G.M., meanwhile, [Fritz Henderson](#) is still talking up the possibility of listing the restructured carmaker on the stock market next year. The chief executive's aspiration to get the government, which owns 60 percent of

the company, off his back is understandable. And the [United Automobile Workers'](#) health care fund, which owns 17.5 percent, is no long-term investor either and would prefer cash.

But G.M. is still dealing with some of the mess that clogged its engine before bankruptcy. It still has some 10,000 more workers than it needs. And while it has finally managed to sell Hummer to Sichuan Tengzhong Heavy Industrial Machinery, the failed sale of [Saturn](#) means G.M. could face costs of more than \$100 million to compensate dealers.

And G.M.'s sales figures look horrendous, falling 47 percent in September. The good news is that last year's showing was a result of huge incentives — slashed by \$1,300 per vehicle this year — that increased market share to an unsustainable 29 percent.

This September's share, at almost 19 percent, was just above G.M.'s longer-term target, although almost a third of sales were to fleet buyers, who usually enjoy big discounts. And even though none of its individual vehicles made it onto the cash-for-clunkers top 10, only [Toyota](#) sold more under the program than G.M.

Even putting a positive spin on it, though, cannot mask the fact that overall industry sales are still below where G.M. estimates it can break even — about 10.5 million a year — let alone make a profit. More sales and a few good quarters will probably be needed before talk of a public share sale is warranted

But it's at [Chrysler](#) where expectations and reality diverge most. The chief executive, [Sergio Marchionne](#), who also runs [Fiat](#), expects Chrysler to be profitable within two years and possibly to seek a stock market listing. That seems a tall order.

Chrysler was a flop in [cash for clunkers](#), finishing seventh over all with just 6.6 percent of the market. In September, sales slipped 42 percent even though the company was offering an average of \$4,200 of incentives per vehicle, according to [Deutsche Bank](#). About two-fifths of sales were to fleet buyers.

Mr. Marchionne insists that Chrysler is not “bleeding” terribly. And the carmaker's cash-for-clunkers showing was probably stymied by a lengthy furlough of its factories. But with few new products and no information on either finances or a business plan, which is expected in November, his claim of profitability rings hollow.

As car sales improve for the industry next year — as virtually all analysts expect them to — so should the Big Three's fortunes. But if there's one thing car company bosses should have learned from the last few years, it's that Motown's upbeat predictions invariably disappoint. They'd do better to keep quiet for the moment.

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