

# ITALIAN AUTOMAKER BRINGS ABOUT CHRYSLER SUCCESS AFTER GOP PRIVATE EQUITY FAILURE

I've been a bit tardy in responding to Mitt's latest cynical ploy, to pretend that rather than expanding production and jobs in both OH and MI, Chrysler is outsourcing production to China.

The Detroit News' David Shepardson has a good fact check on Mitt's latest ad [here](#). Greg Sargent rounds up OH papers mocking Mitt's claims [here](#).

But there's an angle on Mitt's claims that has been missed. His ad says,

Obama ... sold Chrysler to Italians who are going to build Jeeps, in China.

As Shepardson notes, Chrysler used to build Jeeps in China for the Chinese market. Ford builds cars in China for the Chinese market. GM builds cars in China for the Chinese market (GM also exports Chinese-built subcompacts to Latin America). Chrysler's return to the world's largest car market is smart business, something any viable global brand needs to do.

If it's a moral failing for Presidents to preside over private car companies trying to compete in China, then Mitt has a problem with St. Reagan, during whose Administration Jeep first made groundbreaking entries into the Chinese market.

And if Mitt has a problem with Chrysler (or Ford or GM) building cars in China to sell in China, then he had better prepare to get far tougher with China than he has threatened to do so far. China still slaps huge tariffs on cars made

outside of the country, so to be viable in the world's largest automotive market, you have to build in China. That is the crux of the argument American car companies (and Midwestern politicians) have been making for decades: while the US allows imports from all countries, Japan and Korea and now China make it very difficult to export to those countries. This is not fair trade.

But I'm most offended by Mitt's insinuation that selling Chrysler to an Italian company—he doesn't mention Fiat by name—was disloyal.

Recall Chrysler's recent history. Chrysler's most recent strong point was the early 2000s, when it succeeded in developing nifty (albeit gimmicky) cars with shortened development cycles (think PT Cruiser). But as Daimler took more control over Chrysler, it invested less in the brand. GOP Private Equity firm Cerberus bought its first 80% of the company in 2007 and picked up the rest in 2009.

Cerberus had no intention of bringing Chrysler back to its former strength. Rather, it wanted to strip out the finance side of the company (it was investing in GMAC at the same time) and sell off the rest. But with the impending financial crisis, it never managed to pull off the trick (though it did get a bank bailout in the very last days of the Bush Administration). Meanwhile, it virtually put the Chrysler model development on autopilot while it tried to find a way to cut its losses.

Thus, when it came time for bailouts, there didn't seem much to bail out at Chrysler. Unlike GM, which really had started making a turnaround, Chrysler had no product in the pipeline to suggest it would be worth bailing out (though it did have a few super efficient factories in the US).

Choosing to bailout Chrysler was the most difficult decision Obama made during the auto bailout. I'm not even sure I would have chosen to bail it out. And it was difficult precisely

because a bunch of Republican vulture capitalist types—people like former VP Dan Quayle and former Treasury Secretary John Snow—had stripped the company.

[youtube]SKL254Y\_jtc[/youtube]

In came Fiat and its Steve Jobs-like CEO Sergio Marchionne. As it scrambled to start filling the Chrysler product pipeline again, it kept up the brand—and sales—with the kind of compelling advertising not seen from an American car company in decades. That bought it time to bring in Fiat's own popular cars—like the 500—and start making Chrysler back into a car—rather than finance—company.

And it's working. Today, Chrysler announced profits up 80%.

Chrysler Group LLC posted an 80 percent rise in quarterly net income on Monday on stronger new vehicle sales, continuing the U.S. automaker's comeback from its 2009 bankruptcy.

Chrysler, majority owned by Italy's Fiat SpA (FIA.MI), also reaffirmed its outlook for the year. Fiat will issue its earnings on Tuesday.

Net income in the third quarter rose to \$381 million from \$212 million a year earlier. Net revenue increased 18 percent to \$15.48 billion.

Globally, Chrysler's auto sales rose 12 percent to 556,000 vehicles in the quarter.

"We've changed the conversation at Chrysler Group," said Sergio Marchionne, chief executive of both Chrysler and Fiat.

Mitt Romney may disdain the Italian company that focused Chrysler on making cars again. But the comparison couldn't be more stark. Cerberus—a bunch of GOP PE guys that differ from Bain

Capital not in philosophy but probably in IQ—ran Chrysler into the ground as it tried to strip everything but the finance out of the company. Fiat came in and started building cars again.

And now, as it returns to viability, it's entering back into the Chinese market the way almost every other company does: by building in China.

That's a success story. But Mitt, I guess, would like to bring Chrysler back to the PE approach of stripping the company rather than building it up.

Update: Marchionne refutes Mitt's bullshit:

We also are investing to improve and expand our entire U.S. operations, including our Jeep facilities. The numbers tell the story:

- *We will invest more than \$1.7 billion to develop and produce the next generation Jeep SUV, the successor of the Jeep Liberty – including \$500 million directly to tool and expand our Toledo Assembly Complex and will be adding about 1,100 jobs on a second shift by 2013.*
- *At our Jefferson North Assembly Plant, where we build the Jeep Grand Cherokee, we have created 2,000 jobs since June 2009 and have invested more than \$1.8 billion.*

- *In Belvidere, where we build two Jeep models, we have added two shifts since 2009 resulting in an additional 2,600 jobs.*

With the increase in demand for our vehicles, especially Jeep branded vehicles, we have added more than 11,200 U.S. jobs since 2009. Plants producing Jeep branded vehicles alone have seen the number of people invested in the success of the Jeep brand grow to more than 9,300 hourly jobs from 4,700. This will increase by an additional 1,100 as the Liberty successor, which will be produced in Toledo, is introduced for global distribution in the second quarter of 2013.