

Chrysler CEO: Our Products Were 'Inexcusable'

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MACKINAC ISLAND, Mich. (AP) — The auto industry can't afford to become complacent and must guard against slipping into old habits as it rebounds, the head of Chrysler Group LLC said Thursday.

CEO Sergio Marchionne said he worries that he's seeing a reluctance to make the fundamental, structural, traumatic change the industry must make to remain competitive.

"We need to learn to make cars that are on par if not better than everybody else that has threatened us in the past. It's inexcusable that we've had imports in this country that have had better quality scores than our product. I don't understand it," he told reporters after speaking to around 1,000 participants at the Detroit Regional Chamber Mackinac Policy Conference.

Chrysler saw strong sales gains in May over the same month last year — a bleak month for the industry as General Motors Co. headed into bankruptcy and Chrysler was already there. The company enjoyed a 33 percent sales surge. May was the first month in more than two years that Chrysler sold more than 100,000 vehicles, helped by strong sales of its Jeep Wrangler, pickup trucks and minivans.

But fleet sales account for more than a third of those sales, as they do at GM and Ford Motor Co. Marchionne was asked if Chrysler's non-fleet sales will prove robust enough to keep the automaker on track to breaking even or making a small operating profit this year.

"If I project our volumes going forward, there's no substantial increase in fleet sales in terms of absolute numbers," he said. "Obviously, to make 'significant profits,' whatever that means, we need to hit the retail channel and we need to be pure without selling off the stuff with checks attached to it."

Chrysler has kept inventory levels below 60 days across the stock since Chrysler came out of bankruptcy last year, a trend he said can be maintained this year, at least with vehicles that don't qualify as trucks.

"You need to be disciplined enough not to produce cars to flood the distribution network so you're forced to incentivize the sales," he said. "As long as ... you have the rigor to shut down the industrial machine when you can't sell it, you'll be all right."

He maintained the company is on track to sell 1.1 million vehicles in the U.S. this year. Chrysler also plans to begin selling the Fiat 500 in the U.S. in December.

He also said that making more vehicle run on natural gas could be the best way to

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lessen the American reliance on oil while reducing emissions. The infrastructure for refueling cars with natural gas already is in place since so many U.S. homes are heated with the fuel, he said.

Marchionne spoke of the close ties between Chrysler and Michigan, noting that there are nearly 20,000 Chrysler employees in Michigan and that more are being added to support the development of future products.

Around 50,000 Chrysler retirees and surviving spouses also live in Michigan, and the company buys materials and services from 2,700 Michigan-based suppliers as it builds vehicles and parts at three assembly plants, two stamping plants and three engine plants in the state.

It also relies heavily on the access to Canada, he said, noting that each day Chrysler moves more than 1,300 shipments and some 2,000 cars and trucks across the border through Detroit. He said Chrysler strongly supports building a new bridge between Detroit and Windsor, Ontario, rather than simply adding a second span to the existing Ambassador Bridge. Michigan lawmakers are weighing whether to go ahead with the new bridge, known as the Detroit River International Crossing.

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