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U.S. carmakers face crucial year in fixing losses

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For the first time in 15 years, General Motors Corp., Ford Motor Co. and the Chrysler Group could all report losses in the same year, a sign that underscores just how difficult the market has become for Detroit automakers.

Short of a dramatic year-end rally, GM, Ford and the Chrysler Group, a division of DaimlerChrysler AG, could combine for losses of more than $10 billion in 2006. Ford, expected to have the steepest losses, on Thursday will be the first to report financial results.

While all three likely will lose money overall, the results could tell different stories for each, industry experts say.

GM cut costs in 2006 and should show further progress in 2007. Ford is in the early stages of its turnaround plan, and financial struggles are expected in the near term. The Chrysler Group is just now crafting its restructuring plan.

"It's possible that they all would lose money, but they're in very different positions in terms of the state of their turnaround," said David Cole, chairman of the Center for Automotive Research in Ann Arbor. "GM is on the way out of the swamp, Ford is in the middle of the swamp and Chrysler is now in the edges and the water is starting to go over their boat."

The last time all three automakers dealt with losses in the same year was 1991.

They were saved by a quick resolution of the gulf war, a subsequent drop in gas prices and the rise in popularity of SUVs.

The Explorer, launched for the 1991 model year, was a boon for Ford. Yukons, Tahoes and Suburbans helped GM. The Jeep Grand Cherokee, released for the 1993 model year, took off for Chrysler.

These SUVs, built on truck frames, brought big profits for Detroit in a segment where the Japanese had few offerings.

"It took a vehicle that would sell for $18,000 and you could get $36,000 for it," said Joe Phillippi, a principal with AutoTrends Consulting in Short Hills, N.J.

Don't bet on SUVs, or any single segment, to save Detroit this time, Phillippi said. SUV sales have fallen and every segment is competitive, he said.

"No one spots you 10 yards," he said. "None of the three -- GM, Ford or Chrysler -- can afford to make a single misstep."

GM, which lost $3 billion through the first nine months, will be hard-pressed to show a profit for the full year, but it is expected to show signs of hope. GM's operating income, which excludes onetime expenses, is expected to be positive for the last three quarters of 2006.

A buyout program accepted by 34,000 hourly workers last summer will help, said David Kudla, chief executive officer and chief investment strategist for Mainstay Capital Management LLC in Grand Blanc.

GM also has a host of new vehicles that could aid sales, he said. GM launched late last year the GMC Acadia and Saturn Outlook. A redesigned Chevy Malibu is coming this year.

"They've made significant moves on the cost side," Kudla said. "We need to see improvement on the revenue side. They've got a strong product line to make significant progress on that side this year."

The wild card for GM is the possibility of a multibillion-dollar onetime gain from the sale of 51% of GMAC, its financing subsidiary. GM has not said what it expects for onetime items in the fourth quarter.

Ford lost $7 billion through the first three quarters and is expected to have more losses in the fourth quarter. Ford completed its hourly buyout program, accepted by 38,000 workers, in late 2006.

The Chrysler Group will announce in February its own restructuring plan. DaimlerChrysler is expected to be profitable, but the company has warned that the Chrysler Group likely will have an operating loss for the year of more than $1 billion.

GM, Ford and the Chrysler Group all must find ways to stabilize sales and return to profitability quickly, Cole said. The competition, led by Toyota Motor Corp., is taking market share at a rapid pace, he said.

"This is the defining period," Cole said. "This is the year where it's make-or-break."

Compared with 1991, the last triple-loss year, the Detroit automakers do seem to have a different attitude, said Phillippi, who has been analyzing the industry since the 1960s.

When U.S. automakers had dismal years before, their executives wrote off the pains as temporary problems and discounted the gains foreign competitors made, Phillippi said.

This time, with Toyota threatening to pass GM as the No. 1 automaker in the world, no one is underestimating the Asian automakers.

"I think staring over the abyss and looking at the horrific prospects that they had," Phillippi said, "these guys have had a come-to-Jesus moment."

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