CHRYSLER

Removal Notice

Citation Information

Document Type: Board of Governors

Number of Pages Removed:

Citations: Restricted: Memorandum to Board of Governors from Division of Research and Statistics (James L. Kirchline), "Chrysler Corporation," August 9, 1979.

Department of the TREASURY NEWS

WASHINGTON, D.C. 20220 TELEPHONE 566-2041

FOR RELEASE UPON DELIVERY
Expected at 10:00 a.m.
November 7, 1979

STATEMENT OF
THE HONORABLE G. WILLIAM MILLER
SECRETARY OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON ECONOMIC STABILIZATION OF THE
HOUSE COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

Mr. Chairman and Members of this distinguished Committee: The Administration seeks your support for authority to provide up to $1.5 billion in Federal loan guarantees for the benefit of Chrysler Corporation on the condition that the Company raise on its own $1.5 billion of new cash or savings from third parties and on an unguaranteed basis. We believe that this $3.0 billion will finance the Company through 1983 and enable it to reemerge as a commercially viable, self-financing entity.

My testimony will cover four major areas: first, the arguments for Federal financing assistance in this case; second, the Company's current business and financial situation; third, its financing needs; and fourth, our specific legislative proposal. Attached are appendices that provide additional detailed information on certain issues.

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

Stock Number 041-001-00191-3

REASONS FOR FEDERAL FINANCING ASSISTANCE IN THIS CASE

This Administration approaches Federal financing assistance to private corporations with great caution. Normally, corporations should be financed in the private markets, but there are cases in which exceptions should be made. We think that Chrysler represents one such case.

Chrysler is the tenth largest industrial corporation in the United States. Its 1978 revenues were $13.6 billion, generated almost entirely from the sale of 1.2 million cars and 490,000 trucks. Its employment at the beginning of this year was 131,000 and today approximates 113,000. Approximately a quarter of a million others are employed by Chrysler dealers and principal suppliers. In addition, the Company is the largest employer in Detroit and operates 25 of its 44 total production facilities in the State of Michigan.

The alternative to a Federal aid program appears to be reorganization under the bankruptcy laws. Such reorganization would be costly. On the other hand, loan guarantees authorized now might prove to be costless if they are based on operating and financing plans which cause Chrysler to emerge from its present problems as a viable concern which no longer needs governmental assistance.

Our view of the costs of bankruptcy may be less bleak than some of the "worst case" predictions which have been publicized recently. But those costs would probably be greater than the cost of this proposed legislation. In any event, those costs, as described below, should be avoided if possible. They are described at length in Appendix 1.

- A Chrysler bankruptcy could cost the Federal Government more than $1.5 billion in 1980 and 1981 alone: We estimate the Federal cost for those years at a total of at least $2.75 billion, an amount that includes loss of revenues, unemployment claims, welfare costs, and other incidental costs. Furthermore, there would be a substantial cost to the state and local governments. Moreover, this does not take account of any cost to the Pension Benefit Guarantee Corporation on Chrysler's unfunded pension liabilities of $1.1 billion, which would ultimately be borne by other insured plans.

In addition to these out-of-pocket costs, other serious adverse effects of bankruptcy would include:

° A serious direct impact on the people that work for Chrysler, its dealers, its suppliers, and for their families. There are now approximately 113,000 Chrysler employees, about an equal number of employees of its dealers, and 150,000 employees of its suppliers. Many would be affected. Conservatively, unemployment would increase by 75,000 - 100,000 during the 1980-81 years.

° A serious impact on Detroit, the State of Michigan, and other areas in the Midwest region, as well as specific localities around the country -- not only where Chrysler has plants, but in pl[illegible]es where automotive suppliers and dealers operate. Substantial unemployment and economic distress would occur in certain areas. More than half of Chrysler's workers (over 60,000 employees) are located in Detroit; and there are an additional 20,000 Chrysler employees in the rest of Michigan, with more than 40,000 supplier employees located in Michigan. Unemployment in the Detroit area could increase up to approximately 4 percentage points from its already high level of approximately 8 percent.

° The need to maintain a competitive domestic auto industry. Without Chrysler, the two remaining major domestic producers would represent a very narrow competitive base. This would be especially troublesome given current concerns about the strength of the competitive process and the high barriers to entry. Chrysler has exercised an important competitive role in challenging GM, Ford, and others throughout the market, despite its current lack of profitability. Its recent producer success in the subcompact market is indicative of its competitive importance.

° The potential loss of Chrysler's current, and planned increases in capacity in the small car market, at a time when the amount of small car, domestic capacity is critical for trade, environmental and other reasons.

° Automobiles represent a crucial industry, competing on a world-wide basis. A Chrysler failure would have important, negative effects on the U.S. balance of

payments because Chrysler's production would be displaced by substantial foreign imports. There could be a dimunition of up to $1 billion per year through 1981 from increased imports, largely of subcompacts but also of other models.

Our conclusion is that Chrysler can recover as a result of this proposed financing plan. It makes more sense than a reorganization in bankruptcy. It is not clear that the Company's consumer franchise could survive a reorganization in bankruptcy and that a viable automobile company could emerge.

CHRYSLER'S BUSINESS AND FINANCIAL CONDITION

Chrysler's current predicament reflects the long term transformation of the U.S. auto industry, Chrysler's difficulties in coping with it, and the particular 1979 weakness in the auto and the truck industries.

The combination of radical changes in industry product and mix dictated by foreign competition, energy cost changes, and Federal environment and safety regulations has dictated a basic redesign of the automobile. By far, the most significant aspect of this has been the market shift toward small fuel efficient cars. Such cars represented 16 percent of the total market in 1968; now they represent 35 percent, and are projected to increase to 60-80 percent by 1985.

It is estimated that the industry as a whole will spend approximately $80 billion over the 1979 to 1985 period to implement this product line transformation. These amounts are so large as to stretch the financing capacity even of General Motors and Ford, both triple-A rated borrowers, let alone Chrysler. Indeed, while Chrysler's 1980-1985 capital spending is planned at $13.6 billion, one of the largest five year capital budgets in the U.S., this is only 40 percent of GM's planned spending over the same period.

It is exceedingly difficult for Chrysler to finance this transformation. The Company has long been the weakest of the three major domestic manufacturers, with a high cost structure, small market share, greater balance sheet leverage and other fundamental weaknesses. Its net profit margin for the period 1969-1978 has averaged only 0.7 percent. Chrysler

incurred heavy losses during the last half of this period, while GM and Ford averaged a 5.1 percent and 3.2 percent net margins. For the ten year period ending in 1978, Chrysler's aggregate earnings were $720 million, a very marginal return on its large revenue and asset base. It experienced losses of more than $200 million in both 1975 and 1978. Appendix 1 provides additional historical information.

Until recently, Chrysler had intended to address this problem on its own. Beginning in 1977, the Company initiated a major capital expenditure program to upgrade plant and equipment and develop new products to permit it to compete in the market of the 1980s. In addition to compensating for past deferrals and making other improvements, this program was aimed at improving its product line and meeting Federal regulatory requirements. To finance this program, Chrysler began a retrenchment in which it disposed of most of its foreign operations and took other actions to increase the availability of funds.

Chrysler's ability to generate funds through earnings was eroded, however, by the gasoline crisis of this past spring and the economic slowdown. Domestic automobile industry sales have been slow in 1979, falling 9 percent from 1978 levels through September, and 17 percent below last October's rate. Chrysler's sales have been even weaker, however, falling by 14 percent and 24 percent for the two respective periods.

Some of the earlier losses in volume were recouped through an aggressive rebate program. However, the rebates resulted in substantial losses on sales. The Company lost $721.5 million through September and projects losses of $1,073 million for the year and $482 million for 1980.

Chrysler's worsening financial situation has prompted some creditors -- both lenders and suppliers -- to withdraw or to seek to reduce credit in an attempt to protect their positions against a failure.

CHRYSLER'S FINANCING NEEDS

Let me turn now to a review of Chrysler's aid request and our analysis of it and of the Company's future.

The Company's Request

On October 17, Chrysler submitted a request for up to $750 million in Federal loan guarantees. This amount reflected the Company's attempt, at Treasury's request, to minimize its need for Federal financing help and to address various other questions posed by Treasury.

The Chrysler aid request was based on a six year business and financial plan. The Company's strategy is to remain a full line automobile and truck producer. It projects capital spending of $13.6 billion over this period to modernize that product line and to comply with regulatory requirements. Furthermore, operating losses are projected through 1980 before a return to profitability in 1981.

The plan also forecasts an unfunded, cumulative cash flow deficit of $2.1 billion through 1983. This assumes the continuation of those financing commitments which existed on October 17. Any reduction in these commitments would increase the Company's need for Federal financing assistance.

The October 17 plan assumes that Chrysler would meet $1.350 billion of the $2.1 billion shortfall from non-Federal sources: $850 million from "asset dispositions, financial institutions, state and local governments and others;" and $500 million from "constituents and employee participation."

The bulk of the Federal financing assistance would be required during 1980 and 1981, when Chrysler projects financing shortfalls of $1.5 billion and $400 million, respectively with an additional shortfall of $201 million in 1982. A return to positive cash generation is projected beginning in 1983. The schedule for Federal assistance is unspecified, since it would depend on the timing of assistance from other sources.

Booz Allen & Hamilton, the Company's consultants on product planning, have recently expressed their view that the Company's funding needs may exceed the levels of the October plan. On October 22, these consultants issued a report which recommends provision for contingencies of up to $700 million to meet variations that are "more probable than not" in industry sales, shifts in market shares, and ability to achieve profit improvements. This $700 million addition

to Chrysler's original estimates of financing needs means a total three year need, in Booz Allen's view, of at least $2.8 billion.

Booz Allen also recommends additional operating cost reductions, and a detailed study of alternative capital expenditure and product strategies to help reduce Chrysler's capital needs. In this regard, it indicated that the Company itself is considering alternate product plans to reduce its needs should other risks materialize.

The Administration's View on the Company's Financing Need

Based on the October plan, Treasury has concluded that the appropriate level of Federal loan guarantees is $1.5 billion, rather than the $750 million which was originally requested. This reflects our judgment that the Company's gross financing need over the 1980-1983 period approximates $3 billion and that up to, but no more than, half of this amount would take the form of Federal loan guarantees.

Several factors have led to this recommendation for significantly larger financing assistance. One major reason has been the recently worsened outlook for the auto industry in 1980 and 1981. There have been major industry changes. For example, Data Resources, Inc., has dropped its forecast of auto industry sales to 9.8 and 10.0 million units for 1980 and 1981, respectively, from its earlier projection at 10.6 and 10.3 million. Furthermore, other forecasters have similarly reduced their estimates and Chrysler itself has also done so. A second factor is the results of Treasury's own analysis of the Company's financing needs, which was completed last week with the help of outside experts. Let me turn now to a review of that analysis.

Nature of Treasury Review

In our review of Chrysler's financing request, we have been assisted by the accounting firm of Ernst & Whinney, which assigned more than 25 professionals to this matter, and by John C. Secrest, a former group vice president of American Motors Corporation.

Throughout our efforts, we also had regular consultations with other Federal agencies on matters within their expertise, and special assistance from the staff of the Federal Reserve System. In addition to Chrysler submissions which are now public information, we have analyzed, reviewed and challenged private Chrysler information and internal plans and had numerous meetings with Chrysler officials and staff.

Together with our consultants, we reviewed historical data on Chrysler for insights into its operations and any implications that might bear on future projections. We also studied the Company's accounting practices and control and management systems. We then addressed the plan's revenue projections, the underlying profit improvement program, and related capital expenditure program since these are the key elements.

A data base and computer model were prepared to test the Company's projections at varying levels of industry sales, market share and profit margins. We tested Chrysler's projections at 95 percent and 90 percent sales achievement levels in order to clarify the potential range of results. And finally, the plan was adjusted for possible shortfalls in profit improvement programs, and other programs, and that series was also tested versus the 95 percent and 90 percent achievement standards.

A complete exposition of our analysis of the October 17 Chrysler submission is attached as Appendix 3.

Base Case 1

Specifically, the Chrysler plan became Base Case 1 with the following major changes including the following:

° Projected industry sales for 1980 and 1981 were reduced from 10.5 million and 11.1 million units to 9.3 and 10.3 million, respectively.

° The wage concessions of $200 million for 1980 and 1981 incorporated in the recent UAW contract were included. The October plan had assumed a GM-type settlement.

° Cost savings from Chrysler's variable margin improvement (VMI) and fixed cost reduction (FCR) programs, were reduced from $6.87 billion to $6.0 billion over the six-year period of the plan.

° Correction of computational and other errors.

Base Case 2

Second, a more drastic revision of the Chrysler plan Base Case 1 based on our best judgment of Chrysler's likely ability to achieve the plan's basic assumptions. These revisions required the following major changes.

° Reduction of projected savings in Chrysler's VMI program in light of its ability to achieve its goals by reference to its existing programs and its history of difficulty in obtaining cost improvements.

° Adjustment of the FCR program. Advertising and sales costs were modified to reflect the projected volume reductions. An assumed cost was added for additional rebates that we believe may be necessary in 1980 and 1981. The assumed interest cost was modified for the recent interest rate increases.

Adjusted Base Case 2

A third case addresses possible reductions in the Company's spending, as described below. Our judgment is that this "adjusted base case 2" approach presents the most realistic operating plan.

At least $1 billion in 1982 and 1983 capital spending, largely for post-1983 purposes, could be eliminated without resulting in a fundamental reduction or "downsizing" of the Company. This reduced capital spending would save $600 million of cash, net of earnings and depreciation.

The following table compares cash shortfalls under the Chrysler October 17 plan and each of the adjusted plans I have described:

Cumulative Funds Required
($ million)

	1980	1981	1982	1983
Chrysler Plan 10/17	1,554	1,915	2,116	2,113
First Base Case				
100% Base Volume	1,472	1,959	2,266	2,342
95%	1,571	2,230	2,773	3,133
90%	1,669	2,502	3,280	3,923
Second Base Case				
100% Base Volume	1,593	2,308	2,860	3,261
95%	1,689	2,572	3,351	4,025
90%	1,784	2,836	3,843	4,789
Adjusted Base Case 2				
100% Base Volume	1,593	1,994	2,196	2,309
95%	1,689	2,258	2,687	3,073
90%	1,784	2,522	3,179	3,837

From these analyses Treasury concluded that Chrysler needs $3 billion. Based on the Company's estimates, its seems reasonable to suppose that the Company could raise at least half that amount.

We considered the potential for a major downsizing of the Company, as American Motors has done. The nature of Chrysler's operational structure and dealer system does not appear to permit this over the short term, however, without a severely disruptive effect. On the other hand, there may be some potential for alternatives over the long term, and we intend to pursue these. Chrysler has agreed to report on such alternatives by mid-December. If further study reveals that a less expensive solution can be devised without impacting Chrysler's long-term viability, we would be favorably disposed toward it since a less ambitious plan would entail a lower level of government involvement.

Treasury's judgment is that a $3 billion financing plan has the potential of assuring the Company's viability. There can be no assurance of success with this or any other plan, but we believe that the financing approach is sound and that the underlying business plan can remedy Chrysler's

weaknesses. Nonetheless, even with $3.0 billion, Chrysler's situation will remain very tight and the Company must consider achieving additional efficiencies to provide adequate additional cushions against potential long-term risks.

Regulatory Burden

In formulating this $3 billion plan, the Administration has not attempted to justify Federal assistance on the basis that Chrysler is burdened by excessive costs of complying with Federal environmental and safety regulations.

- It would raise difficult policy problems, both with respect to the purposes of the regulations and equity vis-a-vis other producers. The Administration has already sought to eliminate unnecessary burdens of regulation.

- Regulation is only one of the many elements and costs in the environment in which Chrysler operates. All companies must bear the cost of regulation in their industries.

- There has been no persuasive evidence that Chrysler would not be in the same dilemma now without these regulatory requirements. Chrysler has been unable to quantify adequately the portion of its financing needs which relate to compliance with regulatory requirements.

THE ADMINISTRATION'S LEGISLATIVE PROPOSAL

Our analysis shows that Chrysler requires $3 billion of financing to make the transition to the auto market of the 1980's. The primary building block for this financing must be $1.5 billion in commitments from non-Federal sources. The United States would provide the balance needed, up to $1.5 billion. In this way, the Federal Government would serve as a partner to these private groups, not the Company's dominant financier.

By requiring appropriate levels of contributions from all those who have a financial stake in the health of Chrysler, we test whether these contributions can really turn Chrysler into a viable concern, capable of repaying its new debt. Presumably, private investors will not provide additional financing to the Company unless they are convinced that Chrysler can repay the new amounts borrowed.

The Federal loan guarantees would be made available, therefore, only if Chrysler obtains at least $1.5 billion of new assistance from non-Federal sources. If the non-Federal portion is not obtained, Federal loan guarantees would not be provided since the resulting shortfall would frustrate this rescue effort.

Only new resources beyond those considered by Chrysler in determining the $2.1 billion shortfall on the October 17 plan would count against this non-Federal assistance. Effectively, this would freeze into place at least those credits outstanding on October 17. For example, to the extent that any bank or other credit resource of the parent is reduced subsequent to October 17, it must be replaced to maintain the base of credit which then existed.

To qualify, the non-Federal assistance is to be from the following types of sources: (i) financing commitments or concessions from parties with an existing financial stake in Chrysler's health; (ii) capital obtained through merger or sale of equity securities, or otherwise, and (iii) the proceeds of asset dispositions.

The specific level of assistance from any category or participant would be left to the Company and its interest groups to work out; however, to the extent practicable, we expect Chrysler to obtain assistance from all sources, consistent with their stakes in Chrysler, and, as a practical matter, its needs should require all to participate. Probably, the most immediate and most significant assistance would be from all those that would be directly affected by failure:

° Banks, financial institutions and other creditors who would benefit by avoiding a default or bankruptcy and who would continue to profit from their relationship with Chrysler. In addition to firming existing commitments for the period of Federal aid, they could

help satisfy this need by providing additional financing and restructuring existing debt to reduce debt service or subordinate their loans so as to facilitate additional more senior borrowings.

° Suppliers who would benefit in a similar way, and who might liberalize their credit terms and provide price concessions.

° Labor unions and employees who would benefit from continued employment, could provide additional compensation and work rule concessions or provide direct financing.

° State, local and other governments who would benefit by the revenue from Chrysler's continued economic activity and would want to avoid the costs of its failure, might provide direct loans, grants, or tax concessions.

° Dealers who would avoid current losses and retain the potential for future earnings might reinvest part of their profit in Chrysler.

° Shareholders and other investors, who would avoid the potential for immediate loss and retain the potential for future earnings might make additional investment in the Company or have their investment diluted.

° Asset dispositions will also provide a major source of cash to the Company. The Company owns several large assets which are marketable and where continued ownership by Chrysler is not crucial to the Company's business success.

In addition, an equity capital infusion is important to strengthen the Company, since the Company requires a much larger equity base than it now has. Chrysler has been unsuccessful in its efforts in this area in part because of its current precarious position. With Government aid, it should be a more attractive candidate for equity financing. We intend to make certain that Chrysler pursues this avenue vigorously.

Safeguards

The bill includes specific provisions to maximize achievement of the aims of assistance and to protect the Government's position:

° Sound Operating and Financial Plans. Before a guarantee commitment could be issued, Chrysler would be required to submit a satisfactory four-year operating plan for the period through 1983 which demonstrates that the Company will emerge viable and self-financing thereafter. It would also be required to provide a financing plan through 1983 which demonstrates that it can satisfy its projected financing needs under the operating plan, including assurance of at least the minimum of $1.5 billion from other sources. Each must be accompanied by satisfactory assurances of feasibility and be updated at least annually so long as any guarantees are outstanding.

Before actually guaranteeing any loan, the Secretary must find that those conditions continue to be satisfied.

° Continuation of Present Financing Commitments. Maturities on the present financing commitments, and the $1.5 billion of new commitments, which will be obtained, must be no shorter than the maturities on Federal guarantees involved. The guarantees may not be issued at a faster rate than the other commitments are utilized.

° Reasonable Prospect of Repayment. Throughout, the bill includes provisions to further minimize the financial risk to the United States. Before committing and issuing guarantees, the Secretary must determine that there is reasonable prospect for the repayment of a guaranteed loan. In addition, the guaranteed loans must mature by 1990, in order to preclude Chrysler's long-term dependency on Federal aid.

° Restrictive Covenants. Guarantee and loan agreements are to include all affirmative covenants and other protective provisions that are usual and appropriate to transactions of this nature; these terms will not be amended or waived without the Secretary's consent.

° Security Required. Unless the Secretary otherwise determines necessary and finds there to be adequate assurance of repayment, security must be obtained, existing loans must be subordinated, and dividends prohibited. The Secretary can waive the technical bankruptcy priority of the United States only if he also finds there to be adequate assurance of repayment without the priority; and, he may not waive it so as to subordinate the position of the United States.

° Payments to the Government. The Government would receive an adequate return for its participation. At a minimum a guarantee fee of at least one-half percent per annum. The Secretary could also negotiate additional compensation. Chrysler would be required to pay an appropriate interest rate on the loan. If the program is successful, it will produce no direct cost to the Government.

The negotiation of the non-Federal financing for Chrysler will be a long and complex process. Our experience in the New York City financing demonstrates the need for flexibility to accommodate the variety of problems which inevitably arise in this process. Thus, while the legislation builds in a number of these protections for the Federal investment, it also permits sufficient flexibility to permit the financing package to be assembled.

Employee Stock Ownership

Our proposal does not link Federal aid to the establishment of an employee stock ownership program -- either an ESOP or a different program -- as some have suggested. We are not opposed to these programs, but do not favor conditioning this guarantee legislation on employee ownership. To do so could infringe on the collective bargaining process, among other things.

Furthermore, certain of the Chrysler ESOP proposals made to date are troublesome since they would effectively require that public funds directly finance employee ownership. For example, it has been suggested that a portion of the proceeds of guaranteed loans be used by an ESOP to purchase Chrysler equity. This and similar approaches might put the Government in a highly junior position in the event of a Chrysler failure. We question whether this type of subsidy should be provided in addition to direct aid to the Company. Furthermore, the reasons why this cost should not be borne, for example, by Chrysler employees have not been adequately addressed.

CONCLUSION

In closing, let me emphasize that no guarantees will be issued until the full amount of non-Federal assistance is committed. This means that, as in the case with the New York City aid program, the ultimate resolution of the Chrysler problem may extend beyond enactment of this legislation. It may be resolved only after extensive negotiations that end in legally binding loan agreements and financial commitments.

In the last analysis, there are three key points underlying our recommendations to Congress on Chrysler. First, the Administration believes that Federal financing assistance is justified in this case. Second, estimates of the Company's financing needs have been carefully prepared and appear reasonable. Finally, we have submitted responsible legislation which would adequately protect the Federal interest. We urge your support for it.

APPENDIX 1

TREASURY STAFF ANALYSIS OF ECONOMIC IMPACT OF A SHUTDOWN OF THE CHRYSLER CORPORATION

Office of the Assistant Secretary for Economic Policy

Office of Financial Analysis

November 7, 1979

304-856 O - 79 - 2

TABLE OF CONTENTS

SUMMARY

The following provides an assessment of the impact on aggregate economic activity of a shutdown of the Chrysler Corporation. It also outlines potential impacts on the Detroit area where Chrysler facilities are heavily concentrated. In summary:

- Sales and production of motor vehicles are expected to be depressed in 1980 and 1981 as the economy moves through a period of slower economic activity, followed by a moderate rate of recovery.

- The level of demand for motor vehicles in the two years is likely to be such that other domestic producers will have sufficient capacity to make up production losses stemming from a Chrysler shutdown. Thus, assuming that would be purchasers of Chrysler products will buy from other U.S. manufacturers rather than switch to products of foreign origin, then the greatest effects of closure of Chrysler facilities would be on the distribution of employment by locality and among manufacturers rather than on total job loss in the motor vehicle industry or the economy.

- Some loss of market to foreign producers could ensue, and this might be substantial should demand for subcompact model cars be exceptionally strong so that Chrysler's share of this market could only be met through increased imports. A scenario was constructed on this assumption and on the assumption of limited loss of share in other market segments. Total GNP would be reduced by about $4 billion in 1980 and approximately $6 billion in 1981 from what would otherwise develop (about 0.15 percent and 0.2 percent, respectively, in the two years). It is calculated that the Federal deficit might be widened by about $1 billion in CY-1980 and by approximately $1-3/4 billion in CY-1981. The balance of payments surplus would be reduced by just over $1 billion in each year. Most of these impacts would be expected to fade beyond 1981, unless lack of availability of U.S. autos in 1980 and 1981 would lead to a permanent shift in preferences in favor of foreign products.

- Some adverse impacts on aggregate economic activity could be expected, even if domestic producers have sufficient capacity to meet Chrysler's share of the market and there is no shift in demand to foreign products. These impacts would reflect job loss by overhead personnel and an interruption of the capital spending stream until such time

as other producers bring offsetting capital outlay programs into being. Except for balance of payments effects, which then would be negligible, economic impacts are calculated at roughly three-fifths those of the foregoing.

- A Chrysler shutdown would have substantial and relatively long-lasting impacts on the Detroit metropolitan area, where activities of Chrysler and its suppliers are heavily concentrated. Other areas would be severely affected, though in a number of cases Chrysler facilities in those localities would be attractive to other firms and would be converted to other operations.

- The highly competitive structure of markets for small cars would probably be little affected should Chrysler no longer be a competitive force, unless Chrysler facilities for producing small cars were acquired by one of the major U.S. producers. However, in markets for larger automobiles, the already dominant position of the leading producer would be enhanced.

No attempt was made in this paper to assess the less tangible and possibly detrimental impacts on general business and consumer confidence that a Chrysler shutdown might induce. If closure should come during a period of rapid change and uncertainty in the business climate, such impacts could be substantial.

THE CHRYSLER CORPORATION IN THE U.S. ECONOMY

The Chrysler Corporation in 1978 ranked tenth in sales among all U.S. industrial corporations. Total sales in the U.S. were $12.9 billion, equivalent to 0.6% of GNP.

Purchases by the Chrysler Corporation of materials and services from domestic suppliers were placed at $7.9 billion in 1978.

Employment by Chrysler in the U.S. in May of this year was 131,000, of which about 99,000 were engaged in motor vehicle operations, 12,000 in central offices including product development, 7,000 in sales and marketing, and 12,000 in other operations. The combined total of workers in motor vehicle production and central office staff represented 0.1 percent of total establishment employment in May and 0.6 percent of employment in manufacturing. The Bureau of Labor Statistics estimates that 1.0 million workers were employed in the motor vehicle and equipment industry in May.

- As of late September, employment at Chrysler had been reduced to 113,000, of which about 82,000 were engaged in motor vehicle operations, or 17,000 less than in May. Staffs of central offices and sales and marketing had each been reduced by about 300 from May.

- Wage and salary payments by Chrysler in the U.S. were $2.9 billion in 1978, representing 0.3 percent of total wage and salary payments.

- Chrysler dealers as of May 1979 employed 150,000 persons. Total employment by retail motor vehicle dealers for that month was placed at 900,000.

- Chrysler is the third leading U.S. producer of motor vehicles. Its shares of the automobile and truck markets have been declining over the past few years. Of total new cars sold in 1978, 10.1 percent were Chrysler built. The corresponding share of truck sales was 11.8 percent. Chrysler shares of both markets are down sharply so far this year.

Sales of new automobiles in the U.S.
(thousands of units)

	Total	Domestic model	Chrysler* Number	Chrysler* Percent share Total	Chrysler* Percent share Domestic model
1973	11,437	9,676	1,529	13.4	15.8
1974	8,866	7,454	1,204	13.6	16.2
1975	8,640	7,053	997	11.5	14.1
1976	11,110	8,611	1,302	11.7	15.1
1977	11,185	9,109	1,220	10.9	13.4
1978	11,311	9,312	1,146	10.1	12.3
1979:					
Jan.-Oct.	9,153	7,168	836	9.1	11.7

Sales of new trucks in the U.S.
(thousands of units)

1975	2,478	2,249	299	12.1	13.3
1976	3,181	2,944	430	13.5	14.6
1977	3,675	3,352	469	12.8	14.0
1978	4,109	3,773	486	11.8	12.9
1979:					
Jan.-Sep.	2,708	2,372	265	8.8	11.2

* Excludes sales of captive imports produced by foreign manufacturers.

Note: Data on trucks sales in October are not yet available.

Source: Ward's Automotive Reports and Yearbooks.

o The motor vehicle industry is highly cyclical. Typically, swings in motor vehicle production are several times as wide as swings in the real gross national product for the entire economy, as may be noted from Table 1, attached. Motor vehicle production of Chrysler has typically swung more widely than that of the total industry. (The standard deviation of year-to-year

percentage changes for Chrysler was more than one and one-half times that for the entire industry.) Both employment and corporate profits of the industry are highly volatile, as may be noted from the table.

THE OUTLOOK FOR MOTOR VEHICLE SALES AND PRODUCTION

The potential impact on the economy of reduced operations or a complete shutdown of Chrysler operations depends heavily on the outlook for motor vehicle sales and production. If the industry is likely to be operating at close to full capacity, then a closure of a significant portion of that capacity would lead to reduction in overall supplies and adversely affect the performance of the economy. On the other hand, if the industry is likely to be operating sufficiently below capacity for an extended period so that other producers are able to increase production to offset lost Chrysler output, and if those who would have purchased Chrysler products switch to products of U.S. rather than foreign manufacture, then effects on the overall economy should be considerably smaller, beyond initial transitory impacts.

Recent developments in motor vehicle markets

Automobile sales turned down quite sharply this spring in the aftermath of short gasoline supplies and resulting queues. Sales had totalled 11.3 million units in 1978, reached a seasonally adjusted annual rate of 11.6 million units in the first quarter of this year, then fell to a low of 9.4 million in June. Sales of trucks followed a similar pattern, with weakness concentrated in markets for light trucks, which may be used for personal as well as business purposes and which account for the bulk of truck sales.

Motor vehicle sales

	Automobiles			Trucks	
	Total	Domestic models	Import models	Total	Light*
	(----------millions of units----------)				
1977	11.2	9.1	2.1	3.5	3.1
1978	11.3	9.3	2.0	3.9	3.6
	(-----seasonally adjusted, annual rate----)				
1979-I	11.6	9.3	2.3	3.8	3.4
II	10.6	8.1	2.5	3.0	2.6
III	10.8	8.6	2.1	3.2	2.8
Apr.	11.1	8.5	2.6	3.3	2.8
May	11.1	8.4	2.6	3.1	2.7
June	9.4	7.2	2.3	2.8	2.4
July	10.5	8.3	2.2	2.9	2.5
Aug.	11.0	8.9	2.1	3.2	2.9
Sep.	10.8	8.7	2.1	3.3	3.0
Oct.	9.4	7.3	2.1	n.a.	n.a.

* Light trucks are defined as less than 14,000 lbs. gross vehicle weight.

Source: Bureau of Economic Analysis, Department of Commerce.

There was partial recovery in auto and truck sales in July, August, and September. Some of this recovery apparently was associated with improved availability of gasoline and consequent disappearance of gasoline lines. However, much of the recovery has been the result of sales incentive programs designed to reduce inventories which reached record levels in July for both autos and trucks. The incentives included direct rebates to customers in the case of Chrysler but primarily were in the form of discounts to dealers which then could be passed on to customers.

This sales effort was quite successful, and the inventories of new cars were reduced on a seasonally adjusted basis by 230,000 units in August and September. Domestic model sales averaged a 9.3 million annual rate during the period late July through the first two-thirds of September while these incentives were in full force, versus 7.8 million during the period May through July 20. Some of these sales may have been purchased at the expense of future sales, so that a drop in the sales volume in the fourth quarter of this year is likely. (October sales of domestic model cars were down to a 7.3 million annual rate.) Sales tend to be quite sensitive to price influences in the short run when a sharp change in prices can be readily predicted. This was the experience in the summer of 1974 when announcement well in advance of

large price increases for the forthcoming model year resulted in a burst of sales, followed by a severe decline. Similarly, domestic model sales fell by 400 thousand units at an annual rate between the first and second quarters of 1975, following the end of rebate programs in force early that year.

Incentives were also provided during the summer in the market for light trucks. These incentives contributed to a reduction in inventories of light trucks of an estimated 180,000 units on a seasonally adjusted basis in August and September.

Forecasts of automobile sales in 1980

Economic forecasts are generally for a moderate recession in the U.S., with a trough in the first half of 1980, followed by a relatively moderate rate of recovery. Such forecasts are conditioned by the relative absence during the recent expansion of the types of excesses out of which sharp contractions have emerged in the past. The prospect that the downturn will not be steep has similarly led forecasters to expect a relatively moderate recovery. In the past, sharp recoveries have generally emerged out of the correction of imbalances during prior severe downturns. Forecasts of moderate recovery also are based on the prospect that growth of real household incomes will be

retarded by (1) the tendency of inflation to raise effective personal income tax rates and also by (2) the rising costs of energy.

In addition to the likelihood of slow growth of real disposable personal income during 1980 and 1981, other variables which have been shown to be determinants of automobile sales are likely to act as negative elements in automobile demand.

- The price index of gasoline at retail in September had increased 53 percent from the average of 1978, or 39 percentage points more than the increase for the total Consumer Price Index. The relative price of gasoline is expected to continue to increase into the indefinite future. Overall, costs of operating a car, including fuel, are expected to rise more rapidly than all prices.

- Unemployment rates and other measures of labor market conditions are likely to deteriorate, at least into 1980.

- Interest rates on automobile installment loans are expected to rise over the near term and credit terms to tighten.

Forecasts of four of the leading private forecasting concerns are summarized in the tabulation below. All but the Townsend-Greenspan forecast were made subsequent to the Federal Reserve actions of early October. Flat to declining real GNP year-to-year in 1980 is associated with a moderate decline in automobile sales to about 9.6 million units from the 10-1/2 to 10-3/4 million that appear likely for 1979. Only moderate increases in automobile sales are projected for 1981.

Summary of economic forecasts

	Forecast date	Real GNP growth	Growth of real spendable income	Auto sales
		(-----percent change---)		(millions)
		1980		
Data Resources, Inc.	(10/24)	-1.4	0.4	9.8
Chase Econometrics	(10/23)	-1.4	0.0	9.1
Wharton EFA	(10/30)	0.0	0.1	9.8
Townsend-Greenspan	(9/17)	-1.0	1.3	9.5
Average		-1.0	0.4	9.6
		1981		
Data Resources, Inc.		3.3	3.3	10.0
Chase Econometrics		2.7	1.7	9.8
Wharton EFA		3.4	1.8	10.7
Average		3.2	2.4	10.2

The Chase, Wharton, and Townsend-Greenspan forecasts all are based on the assumption of enactment of tax reduction effective during the first half of 1980. The income elasticity

of spending on cars is quite high in the short run. Assuming an elasticity on the order of 3, 1980 sales in those three forecasts have been boosted directly by up to 250,000 units by the assumed tax reductions. The Data Resources forecast is based on the assumption of a tax reduction early in 1981.

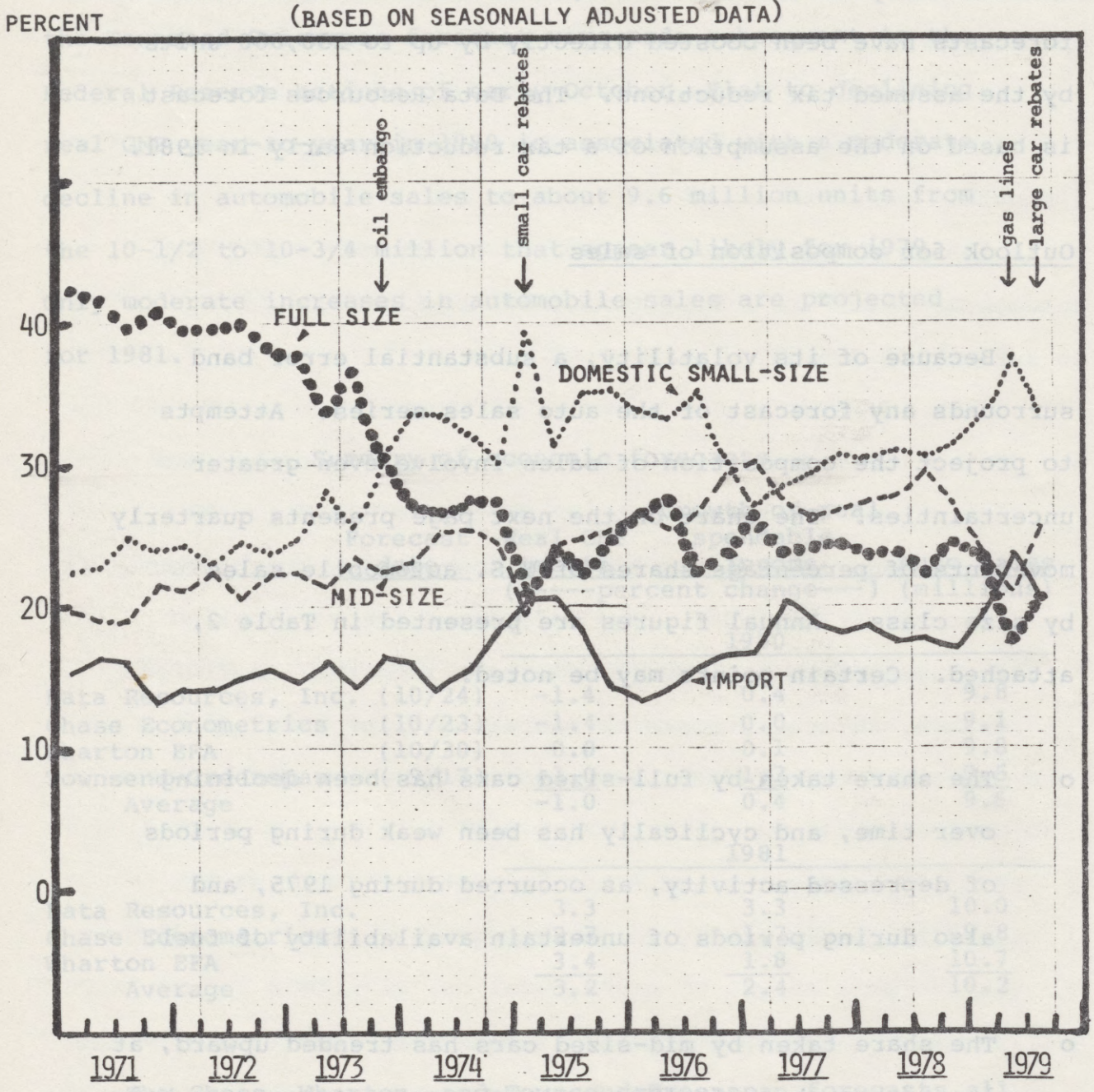
Outlook for composition of sales

Because of its volatility, a substantial error band surrounds any forecast of the auto sales series. Attempts to project the composition of sales involve even greater uncertainties. The chart on the next page presents quarterly movements of percentage shares of U.S. automobile sales by size class. Annual figures are presented in Table 2, attached. Certain points may be noted:

- The share taken by full-sized cars has been declining over time, and cyclically has been weak during periods of depressed activity, as occurred during 1975, and also during periods of uncertain availability of fuel.

- The share taken by mid-sized cars has trended upward, at least through early 1977. Its share too appears to have been depressed by the recent short supplies of gasoline.

MARKET SHARES OF U.S. AUTOMOBILE SALES, BY SIZE CLASS
(BASED ON SEASONALLY ADJUSTED DATA)



SOURCE OF DATA: BUREAU OF ECONOMIC ANALYSIS, DEPARTMENT OF COMMERCE

- The share of small domestic cars exhibits an upward trend, and the share tends to rise during periods of weak economic activity and during periods of uncertain availability of fuel.

- The import-model share has gradually been rising, and it too increased during the recent period of uncertain availability of gasoline.

While point estimates of market shares would be subject to a wide band of error, the foregoing provides some guidance as to the likely composition of the market in the next two years. Generally depressed demand for automobiles should be accompanied by a relatively larger market share for smaller domestic cars and imports. The share of the latter should benefit from the fact that prices of 1980-model imported cars are being increased on the order of 3 percent or less, or substantially less than increases being posted for domestic small cars. (For example, press reports state that the price of a Chevette is to rise 8.6 percent at the start of the 1980 model year, the price of a Pinto by 10.1 percent, and prices of four-door Omni's and Horizon's by 10.2 percent.) Increases in the relative price of gasoline will favor the market share of the smaller cars, both domestic and foreign, as would any renewal of gasoline lines.

304-856 O - 79 - 3

The chart and table on market shares do not show the breakdown of sales of small domestic cars between subcompacts and compacts. This has been swinging widely. Domestic subcompacts accounted for 30 percent of the domestic small-car market in 1977, 35 percent in 1978, 50 percent in the first half of 1979, and then 45 percent in the three months ending in September. Of the total market, these translate to 9 percent, 11 percent, 18 percent, and 15 percent, respectively.

Outlook for automobile production

The automobile industry has announced production schedules for the fourth quarter of this year for plants in the U.S. at a seasonally adjusted annual rate of about 7-3/4 million units. The fourth-quarter rate may be pared if sales fall below expectation. Such production probably implies little increase in inventories of new domestic model cars by the end of the year from the 1.7 million units, seasonally adjusted, at the end of the third quarter. Such inventories would appear to be above desired levels, and some further inventory correction might develop early in 1980.

Aside from inventory correction, production in 1980 and 1981 will be closely related to the sales volume of domestic model cars. The average of the private forecasts noted above

was for total unit sales of 9.6 million units in 1980 and 10.2 million in 1981. These are used as midpoints for the translation of sales to production, with allowance for a band of error on either side. The following assumes a 20 percent import share of the market, or midway between the share for the first nine months of this year and the average for the prior two years. (Details of the translation for the midpoint projection are shown in Table 3, attached).

Implication for production
of alternative sales assumptions

	Sales assumption	Sales		Production
		Total	Domestic	
1980	low	9.0	7.2	7.1
	medium	9.6	7.7	7.6
	high	10.2	8.2	8.1
1981	low	9.6	7.7	7.8
	medium	10.2	8.2	8.4
	high	10.8	8.6	8.9

Ability of competitors to absorb Chrysler share of production

For 1980, the range of likely rates of production is well below the 9.2 million units produced by the industry in both 1977 and 1978. That rate did not appear to strain industry capacity, though seasonally adjusted annual rates of 9.5 million in the fourth quarter of 1978 and 9.6 million in the first quarter of this year appeared to do so.

In both 1977 and 1978, the industry excluding Chrysler produced about 8 million cars, and the capacity of these other producers has since been augmented by the addition of V.W. production facilities, which were in operation for only part of 1978, and by new GM facilities. This would imply that Chrysler competitors would have capacity to offset production losses stemming from possible closure of Chrysler facilities for any likely rate of total output in 1980--aside from possible difficulties posed by the composition of demand, as discussed below.

Somewhat more precision can be incorporated into such calculations by taking published figures on numbers of shifts and assembly line speeds for automobile plants and multiplying these by the number of workhours in a year. This provides a

rough estimate of production capability without overtime. The results of such calculations are shown in Table 4, attached. All estimates are rough. The line speed figures on which they are based are subject to adjustment. (Calculations are based on the assumption of 240 working days of eight hours each. This allows for some downtime at Christmas and for model changeover. Because of slack demand, line speeds have been reduced in some cases since the dates of reports on which these calculations were based.) These are in the nature of estimates of minimum production capability, as rates of production can readily be increased by adding an extra hour on one side of each of the normal two shifts per plant and/or by adding Saturday overtime. The substantial unutilized capacity of American Motors facilities is not fully reflected in these figures.

Combining (1) a range of potential market shares by size classes, (2) the range of likely rates of overall production, (3) the movement of automobiles between Canada and the U.S. by size class, and (4) the calculations of production capability with allowance for overtime, it would appear that Chrysler's U.S. competitors should be able to meet total 1980 demands by themselves. Exceptions would arise if (1) the market share of subcompacts is high and total sales are toward the high range of estimates or (2) if the

market share of mid-sized cars recovers toward 1978 levels in a total market with sales approaching the upper range of sales estimates.

For 1981, demands will be rising, but there would be some margin of time to increase production capability by increasing line speeds. In some limited cases, an additional shift might be added. Further, major model introductions are scheduled late in CY-1980. Ford plans to introduce its front-wheel drive subcompact model at the start of the 1981 model year, and G.M. also plans to introduce such a car during the 1981 model year. Thus, there will be opportunity to rationalize production. However, capacity constraints could still be a problem should Chrysler close and should demand remain strong for subcompacts or rebound for intermediates.

While capability would exist for domestic producers to meet Chrysler's share of demand under most circumstances, substantial resort to overtime might be required, depending on the size and composition of demand, and this could imply somewhat higher costs of production and ultimately higher prices than otherwise.

Outlook for sales and production of trucks

A set of calculations similar to those made for autos can be made for trucks. Sales of trucks are forecast at 3.2 million units in 1980 by Townsend-Greenspan and 3.1 million by Data Resources. (Dates of forecasts are September 17 and October 24, respectively.) For 1981, Data Resources projected sales of 3.3 million units.

Schedules call for production of trucks in the fourth quarter of this year at a seasonally adjusted annual rate of about 2-1/2 million units. This would imply some probable further inventory correction during the quarter. However, inventories would still remain in the 900,000 range at the end of this year, or more than the industry normally carries, so that production in 1980 should be retarded by additional inventory correction.

The combination of moderate sales in the range of 3-1/4 million in 1980 and some inventory correction would imply production in the range of 2-3/4 million. Sales of 3.3 million in 1981, as in the Data Resources forecast, would translate into production of a little over 3 million units, after allowance for some slight inventory building and a net balance of imports exceeding exports.

Ability of competitors to absorb Chrysler share of truck production

Chrysler has discontinued production of heavy trucks and is now a factor only in the lighter end of the market, which accounts for about 90 percent of total truck sales. Estimates of production capability without resorting to overtime can be made for light trucks as well as for automobiles. The results of such calculations are shown in Table 5. It is noted that capacity is scheduled to increase (beyond that which is shown) in the summer of 1980 when GM opens new facilities. It is also noted that rates of production during 1978 generally exceeded the figures shown in Table 5 by wide margins, as manufacturers made extensive use of overtime operations to satisfy demand.

Reconciliation can be made of projected rates of production with these estimates of capacity (after allowance for the 10 percent share of medium and heavy duty trucks in total production, also making allowance for the fact that the capacity figures encompass vans which do enter truck sales figures, and allowing for overtime). It would appear that for 1980 Chrysler's competitors would easily have capacity to absorb production losses resulting from a Chrysler shutdown. For 1981, unless sales of all trucks (including

medium and heavy duty trucks) substantially exceed 3-1/2 million units, then Chrysler competitors could similarly absorb Chrysler's share of the market.

Availability of labor

Because of differences in location, Chrysler workers losing jobs in the event of a closedown would not necessarily be picked by other motor vehicle manufacturers as they stepped up operations to make up for Chrysler's share of production. However, these other manufacturers should not be constrained by availability of labor. The standard metropolitan statistical areas (SMSA's) in which motor vehicle assembly plants of Ford, American Motors, and G.M. are located contained a total of 1-1/2 million unemployed persons in June of this year and had an unemployment rate of 6.0 percent (not seasonally adjusted). On a nonseasonally adjusted basis, the unemployment rate nationally was 5.6 percent in June. For these areas, as well as nationwide, labor market conditions will probably be easing in the months ahead. Recent press reports place the number of G.M., Ford, and A.M.C. workers on layoff at 60,000, so that production, at least at some plants, could be stepped up without need for training new workers. That, of course, would not be the case at small car assembly plants, which, in many cases, are currently operating at high rates of utilization.

IMPACTS OF A CHRYSLER SHUTDOWN ON AGGREGATE ECONOMIC ACTIVITY

The foregoing analysis would indicate that other domestic producers would be capable, at least through 1980, of increasing rates of output to offset most production losses associated with a shutdown of Chrysler activities. Lack of capacity to produce subcompact cars could be the notable exception. As the economy moves into 1981, motor vehicle sales and production should be improving gradually. With a lead time of one to two years, the industry, if starting to plan now, should be able during 1981 to rationalize and increase capacity to meet new market conditions. New assembly plants could not be constructed by that time. (Only one motor vehicle assembly plant is now under construction. It is scheduled to begin producing trucks during 1980.) However, there should be some leeway to augment capacity of existing plants. As noted, shifts can be added in some cases and line speeds can be increased. Restructuring of operations in late 1980 and in 1981 will be facilitated by the large number of new model introductions scheduled for that time. Given time for retooling and integration into new product lines, viable Chrysler facilities could be back into operation. Cost pressures could develop if extensive resort to overtime is required to meet demand.

The major exception would be capacity to produce subcompact cars should demand remain strong. If this were to be the case, that share of the market would likely be lost to foreign competitors (and/or some share of export markets, particularly in Canada where no subcompacts are produced). A less likely alternative is that demand for intermediate-sized cars rebounds to a high level. In this case, since foreign producers are not generally in the intermediate market, sales would probably be shifted to large or compact models, with small loss to overall domestic production. Weakness in economic activity and/or uncertain availability of fuel would tend to spur the subcompact car share of the market but would have the opposite impact on the share for mid-sized cars. For that reason, relatively strong demands for both subcompacts and intermediates are unlikely to coincide.

Even if capacity were to be available, however, it is not certain that domestic producers would pick up all of Chrysler's share of the market. It is likely that some share of the small car market would be lost, as foreign producers are highly competitive in this sector of the market. In other segments of auto and truck markets, foreign products do not for the most part compete directly with Chrysler-built vehicles. Assuming that foreign producers would garner

Chrysler's sales in the same proportion that they now take of all autos except subcompacts and do the same for Chrysler's share of the light end of the truck market (under 6,000 pounds gross vehicle weight), this would amount to about 50,000 vehicles excluding subcompacts.

Elements of a Chrysler shutdown

To provide a measure of the possible impact on the economy of a Chrysler shutdown, a scenario was constructed in which it is assumed that Chrysler Corporation ceases motor vehicle operations at the end of 1979. It is assumed that non-motor vehicle operations are spun off and that activity continues without interruption in those segments. While there are parts of the motor vehicle operations that might be viable and picked up by other producers, either foreign or domestic, it is assumed that in such event these facilities would be shutdown for up to two years for retooling and integration into the purchaser's line. As an example, a most likely candidate for such purchase would be the Belvidere, Illinois plant where Chrysler's subcompact models are produced. However, the fact that Chrysler projects losses on small car production could weigh against the likelihood that these car lines would continue to be produced without modification in the event of a takeover. Also weighing against uninterrupted

operation of selected facilities is the fact that parts and materials for one Chrysler operation are often supplied by another Chrysler facility.

In this scenario, it is further assumed:

- There would be loss to foreign competitors of 200,000 units or about two-thirds of Chrysler's subcompact car production. This could be due to inability of other domestic producers to make up Chrysler's share of output, in which case such loss would be consistent with a market share for subcompacts in 1980 at about the 18 percent of the first six months of this year and also with a total auto market of about 10.2 million units. Alternatively, it could be consistent with a shift in preferences so that two-thirds of potential buyers of Chrysler subcompacts purchase foreign-built cars instead. (This would be somewhat higher than the 54 percent share of the subcompact market taken by imports in the first nine months of this year.)

- Foreign producers capture the remaining lost Chrysler output of automobiles in proportion to their market share for all cars excluding the subcompact category. Similarly,

they pick up lost output of trucks in the under 6,000-pound category in proportion to market share. Combined, these would total about 50,000 cars and trucks.

- Chrysler's planned capital spending program of about $1 billion per year would be discontinued. Eventually other producers would be expected to raise capital outlays by roughly offsetting amounts, but there would be some hiatus before such spending plans could be formulated and implemented.

- There would be a virtually complete job loss by the corporate staff (except for some possessing skills currently in short supply), including those in product development, and by the sales staff. (Approximately 14,000 persons would be affected.)

- There would be at least temporary loss of output of purchased materials and services used in support of these staffs.

- There would be job loss of Chrysler workers engaged in motor vehicle operations and of workers in supplier companies. However, except for the share of the market lost at least temporarily to foreign producers, this job

loss by Chrysler workers would be offset by increased employment by other domestic producers of motor vehicles and parts.

- Aggregate value added by motor vehicle dealers would be little affected, since the total volume of cars to be sold and serviced is assumed to be unchanged. Reduced operations or closure by Chrysler dealers would largely be offset by increased operations of other dealers. Economies of scale probably would lead to some overall reduction in dealer employment and in workers engaged in distribution of replacement parts.

- The possibility of a Chrysler liquidation has been sufficiently well publicized so that it may have been discounted by financial markets.

- Effects on household wealth have already largely taken place. The current market value of Chrysler preferred and common stock of about $600 million represents a small fraction of the $3.6 trillion of household financial assets. Responsibility for unfunded pension liabilities would fall to the Pension Benefit Guaranty Corporation. Ultimately employers would have to pay increased premiums to that corporation.

- Chrysler creditors have long been aware of the possibility that the company might cease operations and have taken steps to minimize the impacts of such eventuality on operations and financial positions. However, some dislocations could result from delay or default on payments due creditors.

Translation to aggregate economic impacts

In deriving aggregate economic impacts, multipliers (used to derive secondary effects on economic activity) were applied to the following:

- The output loss caused by reduction of 200,000 of U.S. production of subcompact cars. (Output loss was calculated on 200,000 units times a selling price including options but excluding transportation of $5,500, less a dealer margin and less cost of imported materials which is reported by Chrysler at $800 per car.)

- Lost output associated with the capture by foreign producers of an additional 50,000 motor vehicles from Chrysler's current share of the market. (Unit value estimates were derived from figures supplied by the Department of Commerce.)

- Lost Chrysler capital spending in the amounts indicated by the company proposal.

- The loss of estimated income of the corporate and marketing staffs, with offset for unemployment insurance benefits.

- The loss of the estimated value of purchased materials and services used in support of the corporate and sales staffs.

Except for any permanent loss of market share by domestic producers, effects would be expected to begin to phase out in 1981, or at latest at the end of that year. Specifically, introduction of new subcompact models would ease capacity constraints in that sector. Other producers begin to augment capital spending programs in 1981. Multipliers used were those derived by an interagency group and were based on properties of leading macroeconomic models.

304-856 O - 79 - 4

Calculated impacts on aggregate activity

On the basis of the foregoing assumptions, it is calculated that GNP might be reduced in nominal terms in 1980 by about $4 billion from what it might otherwise be and by about $6 billion in 1981. Such figures would represent about 0.15 percent of nominal GNP in 1980 and roughly 0.2 percent in 1981. Applying an "Okun's law" relationship to the equivalent effect on real GNP, unemployment would be raised by approximately 75,000 in 1980 and 100,000 in 1981. Aside from any permanent loss of market share to foreign producers, effects would be expected to fade out over time as market forces become governing. Impacts on aggregate activity of the dimensions cited here are too small to have much effect on inflation.

These effects can be translated to impacts on the Federal budget by applying marginal tax rates to the GNP change and by allowing for impacts of higher unemployment on outlays. The Federal deficit would be widened in CY-1980 by $1 billion, or slightly more, and in CY-1981 by roughly $1-3/4 billion. In each year about three-fourths of the impact would reflect reduced receipts from what otherwise would develop and the rest increased unemployment benefits and other transfer payments under a range of programs.

These figures do not include liabilities of up to $1 billion over a thirty-year period that might accrue to the Pension Benefit Guaranty Corporation.

Alternative scenarios

Estimates of the impact on nominal GNP and other variables would be approximately three-fifths as large should domestic producers have sufficient capacity to satisfy demand for subcompact cars and if there were to be no shift in demand to motor vehicles of foreign origin, so that there was no loss of auto output to this country. This would provide a lower bound of estimated impacts on the economy of a Chrysler shutdown.

It is cautioned that any such estimates as to impacts on aggregate economic activity are imprecise at best, no matter what method of estimation is used. Whether fed through large econometric models or otherwise derived, such estimates depend on a number of assumptions that cannot be verified until after the fact. No attempt has been made here to assess the possible effects on such intangible factors as business or consumer confidence.

Impacts on the balance of payments

The primary impact on the balance of payments under this scenario would consist of the assumed loss of output to foreign producers of the 200,000 subcompacts and 50,000 other motor vehicles. Value after deduction of dealer margin and $800 per unit for imported components on subcompacts is calculated at just over $1 billion.

Except for the possibility of reduced shipments of subcompacts to Canada (for which allowance is made in the 200,000 unit figure), there would appear to be little impact on the trade balance with Canada.

Trade balance with Canada
in motor vehicles and parts*

	Exports	Imports	Net
	(millions of dollars)		
	1978		
Industry	9,253.8	10,349.6	-1,095.8
Chrysler	1,423.4	1,426.0	-2.6
All other	7,830.4	8,923.6	-1,093.2
	1979 - 1st 6 months		
Industry	5,553.2	5,373.7	179.5
Chrysler	736.2	582.2	154.0
All other	4,817.0	4,791.5	25.5

* Excludes used cars.

Source: Industry data from Bureau of the Census, Department of Commerce. Chrysler data provided by Chrysler.

Chrysler reported a roughly zero net trade balance with Canada in 1978, so that the industry total is little affected if Chrysler figures are subtracted. Figures for the first half of 1979 are thought to be atypical for both Chrysler and the industry, as demand for larger cars was sharply depressed in this country by gasoline lines while remaining little changed in Canada. Since Canadian production is weighted to larger model cars and vans, this caused a swing in the trade balance.

Some long-lived impacts on the U.S position in world motor vehicle markets could result from disappearance of Chrysler from markets. Quite probably, some dealers who formerly sold Chrysler products would make arrangements with foreign producers. This was the pattern in Great Britain when British Leyland and other manufacturers there scaled back the size of their operations. The major foreign producers selling motor vehicles in U.S. markets are now well entrenched and have extensive dealer arrangements, so that additional penetration from abroad would not be as substantial as occurred in Great Britain.

It is noted that the relative position of the U.S. in world motor vehicle production declined very sharply during the 1950's and 1960's, then held relatively level during the 1970's. Chrysler in 1978 was sixth in the world among producers of motor vehicles, and its demise and resulting shifts in dealer arrangements in this country could contribute to renewed deterioration.

World production of motor vehicles

Year	Total	U.S.	U.S. & Canada	Europe	Asia	Other
			Thousands of units			
1978	42,307	12,899	14,706	16,222	9,368	2,011
1970	29,267	8,284	9,471	13,154	5,365	1,277
1960	16,488	7,905	8,303	6,824	811	550
1950	10,577	8,006	8,397	2,128	32	20
			Percent distribution			
1978	100.0	30.5	34.8	38.3	22.1	4.8
1970	100.0	28.3	32.4	44.9	18.3	4.4
1960	100.0	47.9	50.4	41.4	4.9	3.3
1950	100.0	75.7	79.4	20.1	0.3	0.2

Source: Motor Vehicle Manufacturers Association, Motor Vehicle Facts and Figures, 1979.

Ultimately, the share of U.S producers in domestic and world motor vehicle markets will largely be determined by relative costs and exchange rates. However, some countries tend to shelter and support domestic producers, so that market forces are not completely free to operate.

REGIONAL IMPACTS

Chrysler's activities are heavily concentrated in the Detroit metropolitan area. For the 1978 model year, 46 percent of Chrysler's U.S. automobile assemblies were made in the Detroit area, compared with 11 percent for cars manufactured by all other producers. For calendar year 1978, 70 percent of Chrysler U.S. truck assemblies were in the Detroit area, versus 16 percent for all other producers.

Chrysler's suppliers are also concentrated in the Detroit area. Of total supplies purchased domestically in 1978, Chrysler reported that 41 percent ($3.3 billion) came from more than 6,000 firms located in Michigan. It is believed that these were largely concentrated in and around the Detroit area.

Employment

The attached Table 6 presents figures for Chrysler's U.S. employment in motor vehicle operations as of May 1979 by location. Table 7 presents similar employment figures as of September of this year. Neither table includes corporate staff (about 12,000 workers), those in sales, marketing, and service divisions (about 7,000 workers), or workers in activities not related to motor vehicles.

Nearly 52,000 workers in motor vehicle operation were employed in the Detroit standard metropolitan statistical area (SMSA) in May. (Inclusion of the corporate and sales staffs would have raised that figure well above 65,000.) This represented 2-1/2 percent of the total labor force in the SMSA (about 3-1/4 percent including corporate staff). By September, Chrysler motor vehicle employment in the Detroit SMSA had declined by about 10,000 to 42,000. Figures on the labor force for September are not available, but the decline in employment of 10,000 workers between May and September was equivalent to 0.5 percent of the labor force measured as of May.

For each Chrysler automobile worker laid off in the Detroit area because of a shutdown, about one job would probably be lost at area firms supplying Chrysler. Thus, it is likely that the direct job loss in the greater Detroit area in event of a Chrysler shutdown would be well in excess of 80,000, measured from September levels of employment (100,000 measured from the higher levels of last May). The Detroit area unemployment rate would be directly raised by 4 percentage points (5 percentage points if May is used as the base), and secondary effects would raise this percentage still higher. Rule of thumb regional multipliers range to the order of 2--i.e., for each job lost directly there would

be loss of one additional job through indirect effects. Some of this could be mitigated if Chrysler workers find jobs in plants of other motor vehicle manufacturers in the Detroit area. While other producers have been shifting operations away from the Detroit area, they still have substantial operations there. Of motor vehicles produced in the Detroit area in 1978, Chrysler accounted for about two-fifths.

The latest available figure for the unemployment rate in the Detroit SMSA was 7.8 percent for the month of August. In May, the rate had been 7.0 percent. (Area unemployment rate figures are not calculated on a seasonally adjusted basis.) National figures for those months were 5.2 percent in May and 5.9 percent in August (both nonseasonally adjusted).

Chrysler workers represent a significant portion of the workforce in several other areas. Among these, plants in Kokomo, Indiana, and Belvidere, Illinois (Rockford SMSA), along with plants in Ann Arbor, Michigan, Syracuse, New York, and at least some facilities in St. Louis, Missouri, are thought to be likely candidates for purchase by other firms. For these plants, disruptions would probably be two years at most. Generally, plants in the Detroit area are aged, some dating back to before World War I, and would not be attractive to a potential buyer.

Longer-range regional considerations

Some jobs in the Detroit area will be lost even if Chrysler continues operations. The Hamtramck plant, which accounted for 26 percent of Chrysler's 1978 model-year U.S. automobile assemblies, is to operate at only one shift during the 1980 model year and to close at the end of that year. Some workers involved will be shifted to other plants. Another plant in the Detroit area is slated for closure, and a facility in Lansing, Michigan (well outside the Detroit area) has recently been closed. Aside from these, however, Chrysler reports no further closings are currently anticipated. Chrysler plans for assembly are as follows:

Auto assembly plants

Michigan:

Hamtramck	- To be closed at end of 1980 model year.
Lynch Road	- Continued production of larger model cars. Eventually to produce planned X-body cars.
Jefferson	- Currently producing light trucks and vans. Scheduled to shift to production of planned K-body compact in 1981 model year.

Missouri:

St. Louis	- Continued production of larger model cars. Eventually produce planned X-body cars.

Delaware:

Newark	- Currently producing compact cars. To produce planned K-body cars in 1981 model year.

Illinois:

Belvidere	- Continued production of subcompacts.

Canada:

Windsor, Ontario	- Continued production of larger model cars. Eventually produce planned X-body cars.

Truck assembly plants

Michigan:
Warren - Continued production of light trucks.
Missouri:
Fenton - Continued production of light trucks.
Canada:
Pillette - Continued production of light trucks.

Note: X-body cars are to replace intermediate and full-size models in 1984 and 1985 model years.

Table 8, attached, presents figures on Chrysler's planned rates of production for these various assembly plants and compares these plans with production in 1977 and 1978. The planned rates of output are consistent with overall rates of production in Chrysler's guarantee request of October 17 which envisaged a recovery of market share as well as improved overall demand for motor vehicles.

It should be noted that closedown of major facilities need not relegate an area to permanently depressed status. While some industries are in decline or phasing out of an area, others are generally growing. That has been the experience of the Detroit area where jobs in manufacturing declined by 4.9 percent between 1973 and 1978, while jobs in nonmanufacturing industries grew by 10.3 percent.

The experience of the Seattle-Everett metropolitan area provides one example of a major metropolitan area that suffered severe job loss. Between 1968 and 1971, employment in the aircraft and parts industry fell by more than 60,000, representing 10 percent of all employment in the area. It took a number of years to overcome this job loss, but by last year, the unemployment rate for the area was less than the national average, though employment in aircraft and parts in the area was still well below its previous peak level.

Employment and unemployment in the Seattle-Everett SMSA

	Total	Aircraft & parts	Other manufacturing	Unemployment rate
	(thousands)			(percent)
1968	633	104	68	2.9
1969	636	91	72	4.0
1970	569	61	67	9.7
1971	523	40	64	12.4
1972	545	41	67	10.9
1973	582	50	71	7.6
1975	612	50	74	9.1
1976	636	45	75	9.1
1977	655	45	81	8.3
1978	723	59	88	5.3

Note: There is a slight break in data between 1969 and 1970.

Source: Data provided by Bureau of Labor Statistics, Department of Labor.

Experience of the Seattle-Everett area does not necessarily provide a good analogy with potential problems facing the Detroit area. The workforce in the aircraft industry would tend to be more highly skilled than in the motor vehicle industry, and these skills might be more transferable and the workforce more mobile.

COMPETITIVE STRUCTURE OF MOTOR VEHICLE MARKETS

The Chrysler Corporation is the third largest of five U.S. producers of automobiles (six if tiny Checker Motors is included). Unit sales are less than one-half those of Ford and roughly one-fifth of G.M.'s. In addition, there are over fifteen foreign companies producing cars for sale in the U.S., and these also compete with Chrysler. The truck market consists of nine major domestic producers and eight foreign manufacturers currently active in the U.S. market.

Markets for automobiles

Table 9, attached, shows Chrysler's position in the automobile market for the first nine months of 1979 and for the full calendar year 1978. Chrysler's share of the total automobile market of 10.1 percent in 1978 and 9.3 percent so far this year compares with 11.7 percent and 10.9 percent in 1976 and 1977, respectively. (As a caution, classification of imported models by size class was arbitrary to some degree. Because of limited sales data, classification by manufacturer rather than model was required in some instances. Sales of Chrysler and other captive imports are included in the "import" column. Figures differ from those cited in the earlier section on the outlook for the composition of sales in which imports were treated as a completely separate market category.)

As can be seen in the column showing the size category as a percent of total sales (second from right hand column of the table), the subcompact market (including imports) has expanded dramatically from 25.9 percent in 1978 to dominate with 36.0 percent of total car sales this year. Chrysler's Omni and Horizon models were able to hold 7.1 percent of this growing market and might have even been able to gain market share had it had not been for inability to obtain additional engines which are purchased from foreign suppliers. This expanding market is also the one with the greatest number of competitive manufacturers. Testimony before the Senate Banking Committee hearings on the Chrysler proposal indicates that some foreign producers have a substantial cost advantage at current exchange rates over U.S. producers of subcompact cars, including Chrysler.

Among other markets, Chrysler had a 15.3 percent share of compact car sales in 1978, declining to 14.5 percent in 1979. G.M. introduced a new line of models in this market category in the spring of this year, placing other producers under substantial competitive pressure.

Chrysler was the largest seller in the market for vans. This is a relatively small market and there is little differentiation from light trucks. Industry figures will be restructured in the future to include vans with trucks.

Chrysler's share of the market for intermediate sized cars was 14.6 percent in 1978, dropping to 10.3 percent so far this year. There are currently three producers in this market.

In the market for full-sized cars where Chrysler introduced restyled models last year, Chrysler gained an increased share to 7.5 percent during the first nine months of this year. Chrysler is not now a factor in the market for luxury cars, though its October 17 proposal indicated that it has plans to become one again in the future.

Shifts in the pattern of sales this year from last provide an indication of how changing economic conditions impact on Chrysler's share of the market. The following tabulation presents the change in unit car sales so far this year from a year earlier for Chrysler and the industry.

Change in unit car sales in the first nine months of 1979 from same period of 1978 (thousands of units)

	Total domestics		Chrysler	
	Number	Percent	Number	Percent
Subcompact	505.5	57.9	54.5	34.6
Compact	-247.3	-14.3	-46.8	-16.5
Van	-28.8	-24.5	-15.5	-31.9
Intermediate	-491.8	-21.4	-153.6	-45.2
Full	-242.6	-15.3	44.6	79.9
Luxury	-63.2	-15.2	--	--
Total	-568.2	-8.1	-116.9	-13.2

Markets for trucks

Figures on shares of the truck market are shown in Table 10. Chrysler's share of the total market was 11.8 percent in 1978, falling to 8.4 percent in the first eight months of this year in a market that was generally weakening.

Sales of light weight models make up close to 90 percent of overall truck sales. Trucks in this cateogry may be used for personal as well as business purposes, and sales this year have been more sensitive to the gasoline situation than have sales of larger trucks. Most of Chrysler's products in the light-truck market are at the heavier end (6,001 to 14,000 lbs.) of the light truck range--the grouping most vulnerable to shortages of fuels. The tabulation below presents figures on changes in unit sales this year from a year earlier.

Change in unit truck sales in the first eight months of 1979 from same period of 1978

	Total domestics		Chrysler	
	Number	Percent	Number	Percent
Light total	-513.9	-21.7	-133.6	-39.6
0 to 6,000	-92.4	-11.2	-0.5	-0.9
6,001 to 14,000	-421.5	-27.3	-133.1	-47.2
Medium	-1.2	-1.1	-0.6	-19.3
Heavy	21.6	15.8	--	--
Total	-493.4	-18.8	-134.2	-39.4

Overall market position

For both cars and trucks, the competitive position for Chrysler over the near term will depend heavily on economic conditions and availability of gasoline. Chrysler was generally most strongly positioned toward the larger end of both the auto and truck markets which suffered the most from short supplies of fuel. The exception was the subcompact market, where Chrysler had popular entries but where its production capability was limited.

Overall, disappearance of Chrysler as a competitive force would not radically alter the pattern of substantial competition in the market for subcompacts. A number of new entries are planned for this market, including front-wheel-drive "world" cars by Ford and G.M. in the 1981 model year.

In the market for compacts, Chrysler plans to introduce its K-body front-wheel-drive car at the start of the 1981 model year. This will compete with G.M. entries, which have taken a dominant position in this market since introduction of its front-wheel-drive X-cars in April of this year.

304-856 O - 79 - 5

G.M. has a dominant position in markets for larger model cars, and that position would be somewhat enhanced by disappearance of a competitor. Similar considerations apply to G.M.'s and Ford's positions in the market for light trucks. Chrysler plans to have completely revamped and downsized models in the larger car categories in the 1984 and 1985 model years.

Acquisition of Chrysler facilities

As has been noted previously, in the event of a Chrysler shutdown some of its facilities would be purchased by other firms, either foreign or domestic. This would have serious anticompetitive effects only in the event that acquisition were to be by a firm which is currently a major domestic producer.

Table 1

Production, Employment, and Corporate Profits
in the U.S. Motor Vehicle Industry

	Total US Real GNP % Change	Production				Motor Vehicles & Equipment		
		Industry		Chrysler		Employment		Profits*
		Number (000)	% Ch.	Number (000)	% Ch.	Number (000)	% Ch.	($ Billions)
1954	-1.3	6,533	-11	818	-39	765.7	-17	2.1
1955	6.7	9,188	41	1,458	78	891.2	16	4.1
1956	2.1	6,906	-25	961	-34	792.5	-11	2.2
1957	1.8	7,207	4	1,299	35	769.3	-3	2.6
1958	-0.2	5,115	-29	640	-51	606.5	-21	0.9
1959	6.0	6,734	32	810	27	692.3	14	2.9
1960	2.3	7,894	17	1,089	34	724.1	5	3.0
1961	2.5	6,644	-16	714	-34	632.3	-13	2.5
1962	5.8	8,189	23	813	14	691.7	9	4.0
1963	4.0	9,100	11	1,159	43	741.3	7	4.9
1964	5.3	9,300	2	1,378	19	752.9	2	4.7
1965	5.9	11,114	20	1,611	17	842.7	12	6.1
1966	5.9	10,363	-7	1,599	-1	861.6	2	5.1
1967	2.7	8,992	-13	1,506	-6	815.8	-5	3.9
1968	4.4	10,794	20	1,760	17	873.7	7	5.5
1969	2.6	10,183	-6	1,557	-12	911.4	4	4.8
1970	-0.3	8,263	-19	1,452	-7	799.0	-12	1.4
1971	3.0	10,649	29	1,518	5	848.5	6	4.9
1972	5.7	11,297	6	1,692	11	874.8	3	5.9
1973	5.5	12,663	12	1,934	14	976.5	12	5.8
1974	-1.4	9,984	-21	1,539	-20	907.7	-7	0.2
1975	-1.3	8,966	-10	1,223	-21	792.4	-13	1.7
1976	5.9	11,485	28	1,775	45	881.0	11	7.4
1977	5.3	12,699	11	1,710	-4	942.0	7	9.1
1978	4.4	12,896	2	1,615	-6	997.2	6	8.9

* Corporate profits with inventory valuation adjustment.

Sources:
Production: Ward's Automotive Yearbooks. Figures are combined totals of autos and trucks.
Employment: Bureau of Labor Statistics, Department of Labor.
Profits and real GNP: Bureau of Economic Analysis, Department of Commerce.

11/7/79

Table 2

Trends in Sales and Market Shares by Size Classes

	Sales				Market Shares			
	Domestic			Import	Domestic			Import
	Small	Mid*	Full		Small	Mid*	Full	
	(----thousands of units-----)				(----------percent--------)			
1968	1,500	2,451	4,661	1,030	15.6	25.4	48.3	10.7
1969	1,645	2,165	4,624	1,117	17.2	22.7	48.4	11.7
1970	1,896	1,862	3,360	1,283	22.6	22.2	40.0	15.3
1971	2,411	2,027	4,218	1,566	23.6	19.8	41.3	15.3
1972	2,636	2,390	4,343	1,621	24.0	21.7	39.5	14.7
1973	3,126	2,575	3,972	1,762	27.3	22.5	34.7	15.4
1974	2,887	2,174	2,382	1,412	32.6	24.6	26.9	15.9
1975	3,026	2,038	1,994	1,587	35.0	23.6	23.1	18.4
1976	3,365	2,716	2,532	1,498	33.3	26.9	25.0	14.8
1977	3,222	3,096	2,793	2,075	28.8	27.7	25.0	18.5
1978	3,476	3,162	2,674	2,000	30.7	28.0	23.6	17.7
1979-9 mos.	2,898	1,910	1,638	1,814	35.1	23.1	19.8	22.0

* Includes vans.

Source: Data provided by Bureau of Economic Analysis, Department of Commerce. Size classification may not match that used by the industry.

11/7/79

Table 3

Reconciliation of Sales and Production Forecasts
(millions of units)

	Sales				Exports less imports from Canada	Inventories		Production
	Total	Import		Domestic		End of period	Change	
		Number	Share					
1976	10.1	1.5	14.8	8.6	-0.1	1.5	0.0	8.5
1977	11.2	2.1	18.6	9.1	-0.1	1.8	0.3	9.2
1978	11.3	2.0	17.7	9.3	0.0	1.7	0.0	9.2
1979 est.	10.6	2.2	21.1	8.4	0.1	1.7	0.0	8.5
1980 est.	9.6	1.9	20.0	7.7	0.1	1.5	-0.2	7.6
1981 est.	10.2	2.0	20.0	8.2	0.1	1.6	0.1	8.4

Note: Detail may not add to total because of rounding.

11/7/79

Table 4

Estimated Auto Production Capability Without Overtime
(thousands of units)

	Subcompact	Compact	Intermediate	Full & Luxury	Total
			United States		
GM	748	1,477*	1,432	1,888	5,545
Ford	541	415	641	756	2,353
Chrysler	269	346	202	192	1,008
AM	n.a.	129**	--	--	129
VW	216	--	--	--	216
Total	1,774	2,367	2,275	2,836	9,252
			Canada		
GM	--	--	272	211	483
Ford	--	223	--	119	342
Chrysler	--	--	211	--	211
Total	--	223	483	330	1,036
			U.S. and Canada		
GM	748	1,477	1,704	2,099	6,028
Ford	541	638	641	875	2,695
Chrysler	269	346	413	192	1,220
AM	n.a.	129	--	--	129
VW	216	--	--	--	216
Total	1,774	2,590	2,758	3,166	10,288

* Includes second shift to be added at Oklahoma City plant in November 1979.
** Includes some subcompacts.

Source of data: Ward's Automotive Yearbook, 1979 and Ward's Automotive Reports

11/7/79

Table 5

Estimated Light Truck Production Capability Without Overtime*
(thousands of units)

	United States
GM	1,233
Ford	958
Chrysler	536
AM	185
International Harvester	48
Total	2,960

	Canada
GM	173
Ford	196
Chrysler	84
AM	54
Total	507

	U.S. and Canada
GM	1,406
Ford	1,154
Chrysler	620
AM	239
International Harvester	48
Total	3,467

* Includes a limited number of medium trucks.

Source of data: Ward's Automotive Yearbook, 1979 and Ward's Automotive Reports.

Table 6

Chrysler Employment in Motor Vehicle Operations
May 1979

State	Metropolitan area or county	Chrysler employment	Establishment employment: All industries	Establishment employment: Manufacturing	Labor force	Unemployment rate	Chrysler as a percent of labor force
			(thousands)			(percent)	
Michigan	Ann Arbor	1,276	139.7	47.0	142.5	5.4	0.9
	Detroit	51,676	1,823.6	606.2	2,061.5	7.0	2.5
	Lansing	652	199.4	47.3	237.4	5.8	0.3
Indiana	Indianapolis	4,042	520.7	132.4	590.2	4.2	0.7
	Kokomo (Howard County)	6,764	n.a.	n.a.	45.1	12.1	15.0
	Michigan City (La Porte County)	295	n.a.	n.a.	50.8	5.2	0.6
	New Castle (Henry County)	2,607	n.a.	n.a.	24.7	6.4	10.6
Ohio	Dayton	1,926	366.6	109.9	386.9	5.7	0.5
	Fostoria*	652	n.a.	n.a.	107.6	4.1	0.6
	Sandusky (Erie County)	344	n.a.	n.a.	39.7	4.7	0.9
	Toledo	2,389	312.6	91.5	367.4	5.8	0.7
	Akron	3,748	273.0	84.8	299.9	5.4	1.2
	Lima	347	n.a.	n.a.	102.0	5.4	0.3
Missouri	St. Louis	8,900	985.8	254.6	1,091.7	4.2	0.8
Illinois	Rockford	5,076	122.7	57.0	133.3	4.1	3.8
Delaware	Wilmington	4,477	219.4	63.7	238.7	6.3	1.9
New York	Syracuse	3,679	259.2	60.4	299.2	4.6	1.2
Alabama	Huntsville	1,741	120.4	36.0	136.7	6.3	1.3

* Falls in Seneca, Hancock, and Wood Counties.

SOURCE: Chrysler employment figures from Department of Transportation. Other data from Bureau of Labor Statistics.

11/7/79

Table 7

Chrysler Employment in Motor Vehicle Operations
September 1979

State	Metropolitan area or county	Chrysler employment	Change from May	Chrysler employment as percent of May labor force
Michigan	Ann Arbor	1,158	-118	0.8
	Detroit	41,909	-9,767	2.0
	Lansing	13	-639	0.0
Indiana	Indianapolis	2,930	-1,112	0.5
	Kokomo (Howard County)	5,055	-1,709	11.2
	Michigan City (La Porte County)	293	-2	0.6
	New Castle (Henry County)	2,167	-440	8.8
Ohio	Dayton	1,491	-435	0.4
	Fostoria*	505	-147	0.5
	Sandusky (Erie County)	232	-112	0.6
	Toledo	1,870	-519	0.5
	Akron	3,532	-216	1.2
	Lima	320	-27	0.3
Missouri	St. Louis	7,313	-1,587	0.7
Illinois	Rockford	5,104	28	3.8
Delaware	Wilmington	4,646	169	1.9
New York	Syracuse	3,438	-241	1.1
Alabama	Huntsville	1,691	-50	1.2

* Falls in Seneca, Hancock, and Wood Counties.

SOURCE: Chrysler Corporation

11/7/79

Table 8

Planned Chrysler Assembly Operations, by Location

	1977	1978	1981	1982	1983	1984	1985
	(thousands of units)						
Automobiles							
Michigan - Hamtramck 1/	380	292	--	--	--	--	--
- Lynch Road	209	142	137	201	251	249	253
- Jefferson 2/	96	84	180	260	282	293	300
Missouri - St. Louis	269	236	196	168	129	207	238
Delaware - Newark	226	189	180	259	283	293	300
Illinois - Belvidere	173	188	277	302	279	268	264
Canada - Windsor	220 3/	179 3/	200	226	232	231	248
Trucks							
Michigan - Warren	(328 3/	310 3/)	172	176	275	301	337
- Sherwood	(	)	16	20	21	22	23
Missouri - Fenton	124 3/	124 3/	119	142	148	146	135
Canada - Pillette	107 3/	76 3/	82	91	98	97	90

1/ Scheduled for one-shift operations in model-year 1980 and closure thereafter.
2/ Producing trucks during model years 1979-80 at rate estimated at 90,000 per year.
3/ Calendar year figure.

Source: Back data from Ward's Automotive Yearbooks.
Projected output provided by Chrysler.

11/7/79

Table 9

Shares of Automobile Market by Size Category
(in percent)

	Chrysler	GM	Ford	AMC	VW	Domestic	Import	Total	Size as % of market	No. of manufacturers
					CY-1979 - Cumulative through September					
Subcompact	7.1	17.1	16.8	1.3	4.0	46.3	53.7	100	36.0	15
Compact	14.5	41.9	30.0	4.5	--	90.9	9.1	100	19.7	9
Van	32.5	24.1	30.5	--	--	87.1	12.9	100	1.2	4
Intermediate	10.3	74.3	15.3	--	--	100.0	--	100	21.8	3
Full-size	7.5	72.2	20.3	--	--	100.0	--	100	16.2	3
Luxury	--	62.7	23.0	--	--	85.7	14.3	100	5.0	7
Total	9.3	45.8	20.1	1.4	1.4	78.0	22.0	100	100.0	21
					CY-1978					
Subcompact	7.1	18.3	14.2	0.8	0.8	41.2	58.8	100	25.9	15
Compact	15.3	37.3	34.3	5.7	--	92.6	7.4	100	21.2	9
Van	34.0	25.5	26.9	--	--	86.4	13.6	100	1.5	4
Intermediate	14.6	63.9	21.2	0.3	--	100.0	--	100	26.6	4
Full-size	3.5	74.6	22.0	--	--	100.0	--	100	18.9	3
Luxury	--	59.7	28.6	--	--	88.3	11.7	100	5 8	7
Total	10.1	47.6	22.8	1.5	0.2	82.3	17.7	100	100.0	21

Source: Sales data from Ward's Automotive Reports and Yearbooks. Size classification by Ward's for domestic cars and by Consumer Reports where available for import models.

11/7/79

Table 10

Shares of Truck Market by Size Category
(in percent)

Weight Category (lbs)	Chrysler	GM	Ford	AMC Jeep	International	Other	Total domestic	Import	Total	Size as % of market	No. of manufacturers**
CY-1979 - Cumulative through August											
Light-total	9.3	39.9	30.8	4.3	0.7	*	85.0	15.0	100	88.9	10
0 to 6,000	5.1	45.1	14.3	4.7	--	--	69.2	30.8	100	43.2	9
6,001 to 14,000	13.3	34.9	46.5	3.9	1.4	*	100.0	--	100	45.7	5
Medium											
14,001 to 26,000	2.4	44.1	35.8	--	17.8	*	100.0	--	100	4.5	5
Heavy											
26,001 +	--	13.1	17.4	--	31.8	36.3	98.6	1.4	100	6.5	9
Total	8.4	38.3	30.2	3.8	3.5	2.4	86.6	13.4	100	100.0	17
CY-1978											
Light-total	12.8	41.0	32.0	4.3	1.0	*	91.1	8.9	100	91.0	10
0 to 6,000	5.1	54.2	13.7	5.2	--	--	78.2	21.8	100	37.2	9
6,001 to 14,000	18.2	31.9	44.6	3.7	1.6	*	100.0	--	100	53.9	5
Medium											
14,001 to 26,000	3.6	40.5	36.0	--	19.9	*	100.0	--	100	4.0	5
Heavy											
26,001 +	--	12.5	19.5	--	26.3	40.6	98.9	1.1	100	5.0	9
Total	11.8	39.5	31.5	3.9	3.0	2.0	91.8	8.2	100	100.0	17

* Less than 0.1 percent
** Represents major manufacturers. Truck sales statistics do not cover the entire industry.
Note: Mercedes-Benz sells both heavy and medium weight trucks. Since the breakdown is unknown, all Mercedes-Benz sales are listed here under heavy trucks.

Source: Sales data are from the Motor Vehicle Manufacturers Association of the U.S., Inc., and Ward's Automotive Reports and 1979 Yearbook

11/7/79

APPENDIX 2

HISTORICAL PATTERNS FOR CHRYSLER AND INDUSTRY

Office of the Assistant Secretary for Domestic Finance

Corporate Finance and Special Projects

November 6, 1979

CONTENTS

Chrysler Corporation Consolidated
($ in thousands)

Year	Unit Sales	Net Sales	Net Earnings (Loss)
1945	93,517	$ 994,546	$ 37,465
6	677,379	870,000	26,889
7	944,379	1,362,627	67,181
8	1,003,564	1,567,933	89,187
9	1,267,470	2,084,603	132,170
1950	1,313,239	2,190,693	127,877
1	1,395,833	2,546,679	71,973
2	1,114,228	2,600,959	78,697
3	1,344,583	3,347,864	74,789
4	883,769	2,071,598	18,517
1955	1,579,215	3,466,222	100,063
6	1,077,877	2,676,334	19,953
7	1,381,951	3,564,983	125,090
8	704,099	2,165,382	(29,663)
9	917,364	2,642,980	(1,990)
1960	1,183,311	3,007,049	35,142
1	802,003	2,127,292	8,983
2	892,299	2,377,593	65,813
3	1,518,586	3,505,275	163,370
4	1,807,258	4,287,348	215,372
1965	2,076,523	5,299,935	239,543
6	2,133,816	5,582,545	194,065
7	2,245,583	6,135,817	203,189
8	2,610,016	7,353,572	302,946
9	2,431,551	6,942,128	98,971
1970	2,434,398	6,887,356	(7,603)
1	2,662,517	7,892,682	83,660
2	3,028,212	9,640,777	220,455
3	3,402,413	11,667,404	255,445
4	2,762,842	10,859,956	(52,094)
1975	2,475,597	11,598,405	(259,535)
6	3,130,307	15,537,788	422,631
7	2,328,302	13,058,559	163,162
8	2,211,535	13,618,324	(204,635)

PERCENT OF U.S. RETAIL SALES ATTAINED

DOMESTIC AND IMPORTED PASSENGER CARS

Year	Period	CHRYSLER		FOPD		GENERAL MOTORS		AMERICAN MOTORS		IMPORTS	
			Year to Date	Period	Year to Date	Period	Year to Date	Period	Year to Date	Period	Year to Date
1976 -	1st Quarter	14.3	14.3	22.7	22.7	46.9	46.9	2.9	2.9	13.2	13.2
	2nd Quarter	14.3	14.3	22.7	22.7	47.7	47.4	2.4	2.6	12.9	13.0
	3rd Quarter	13.5	14.1	22.9	22.8	45.2	46.6	2.0	2.4	16.4	14.1
	4th Quarter	12.5	13.7	21.1	22.3	50.2	47.5	2.5	2.5	13.7	14.0
1977 -	1st Quarter	12.6	12.6	23.2	23.2	46.2	46.2	1.8	1.8	16.2	16.2
	2nd Quarter	12.3	12.4	22.0	22.5	45.9	46.0	1.7	1.8	18.1	17.3
	3rd Quarter	12.2	12.3	21.8	22.3	44.7	45.6	1.5	1.7	19.8	18.1
	4th Quarter	10.9	12.0	24.6	22.8	47.5	46.1	1.6	1.7	15.4	17.4
1978 -	1st Quarter	11.3	11.3	23.9	23.9	45.1	45.1	1.5	1.5	18.2	18.2
	2nd Quarter	11.7	11.5	23.5	23.7	47.1	46.3	1.7	1.6	16.0	16.9
	3rd Quarter	10.6	11.2	21.3	22.9	47.6	46.7	1.5	1.6	19.0	17.6
	4th Quarter	10.6	11.1	22.6	22.9	50.7	47.6	1.2	1.5	14.9	16.9
1979 -	1st Quarter	10.9	10.9	21.8	21.8	45.8	45.8	1.0	1.0	20.5	20.5
	2nd Quarter	10.5	10.7	19.6	20.6	45.4	45.6	1.5	1.3	23.0	21.8
	3rd Quarter	10.6	10.6	18.9	20.1	46.2	45.8	1.5	1.4	22.8	22.1

Source: Chrysler Corporation

HIGHLIGHTS OF CHRYSLER'S PERFORMANCE VS. INDUSTRY COMPARATIVE ANALYSIS

SALES

- CHRYSLER'S PATTERN IS CLOSE TO THE AVERAGE THROUGH 1977
- DOWNTURN IN 1978

COGS

- CHRYSLER'S COGS % IS TYPICALLY 7% HIGHER THAN OTHER INDUSTRY PARTICIPANTS
- TREND IN 1979 (1st SIX MONTHS) SHOWS FURTHER EROSION TO 97.4%
- A SUBSTANTIAL LEVEL OF SALES GROWTH HAS BEEN NECESSARY TO FAVORABLY AFFECT THE GROSS MARGIN PERCENTAGE

DEPRECIATION

- CHRYSLER'S DEPRECIATION AS A % OF SALES IS ONE-HALF FORD OR GM VALUES (LOW CAPITAL INVESTMENT IN RECENT YEARS)

S.G.&A.

- CHRYSLER'S PATTERN IS COMPARABLE TO THE LEVELS (AS A PERCENT OF SALES) OF GM AND FORD

OPERATING PROFIT

- GM PERFORMANCE IS TOP OF COMPETITORS
- FORD IS A CLEAR SECOND
- GROSS MARGIN PROBLEMS HAVE "TRICKLED" DOWN TO THE OPERATING PROFIT LEVEL AT BOTH CHRYSLER AND AMC

CAPITALIZATION

- CHRYSLER'S DEBT/EQUITY RATIO PATTERN SHOWS A HIGHER LEVEL THAN THE INDUSTRY NORM
- AMC'S LEVEL IS CURRENTLY INFLATED DUE TO AGGRESSIVE CAPITAL EXPENDITURES DURING 1973 TO 1976

INVENTORY TURNOVER

- CHRYSLER HAS HISTORICALLY OPERATED AT A LOWER LEVEL THAN THE INDUSTRY
- "SALES BANK" INVENTORY/PRODUCTION
- NEW PRODUCT LAUNCHING PROBLEMS

ASSET TURNOVER

- LITTLE VARIATION FROM PARTICIPANT TO PARTICIPANT EXCEPT AMC
- AMC TYPICALLY 20% HIGHER THAN INDUSTRY

CAPITAL EXPENDITURES

- CHRYSLER'S RATIOS ARE COMPARABLE TO THE INDUSTRY
- CAPITAL EXPENDITURES PER SALES
- CAPITAL EXPENDITURES PER NET PROPERTIES, PLANT, AND EQUIPMENT

COMPARISON OF CHRYSLER'S EXPENSE STRUCTURE WITH THAT OF INDUSTRY AND KEY COMPETITORS
•AVERAGE OF 1974-78 RATIOS

	CHRYSLER	AGG*	VLO5 **	GM	FORD	AMC
NET SALES	100.0	100.0	100.0	100.0	100.0	100.0
LESS: COST OF GOODS SOLD	93.8	86.8	87.5	85.0	89.3	90.0
GROSS PROFIT	6.2	13.2	12.5	15.0	10.7	10.0
LESS: DEPRECIATION	1.1	2.0	1.9	2.1	1.9	.9
SELLING, GEN & ADMIN.	4.0	3.9	4.2	3.7	3.8	9.0
OPERATING PROFIT	1.1	7.3	6.5	9.2	5.0	.1
ADD: OTHER NET INCOME	.1	1.1	1.0	1.0	1.1	.8
LESS: INTEREST	1.0	.7	.8	.6	.7	.7
PRETAX INCOME	0	7.7	6.7	9.6	5.4	.2
LESS: INCOME TAX/EXTRAORDINARY	.1	3.5	3.1	4.5	2.2	.2
NET INCOME	(.1)	4.2	3.6	5.1	3.2	0

* Average of GM, Ford, and AMC
** Value Line " Industry Average"

COST OF GOODS SOLD

- GRAPH SHOWS CHRYSLER'S HISTORY (1969-1978) IN COMPARISON WITH KEY COMPETITORS.

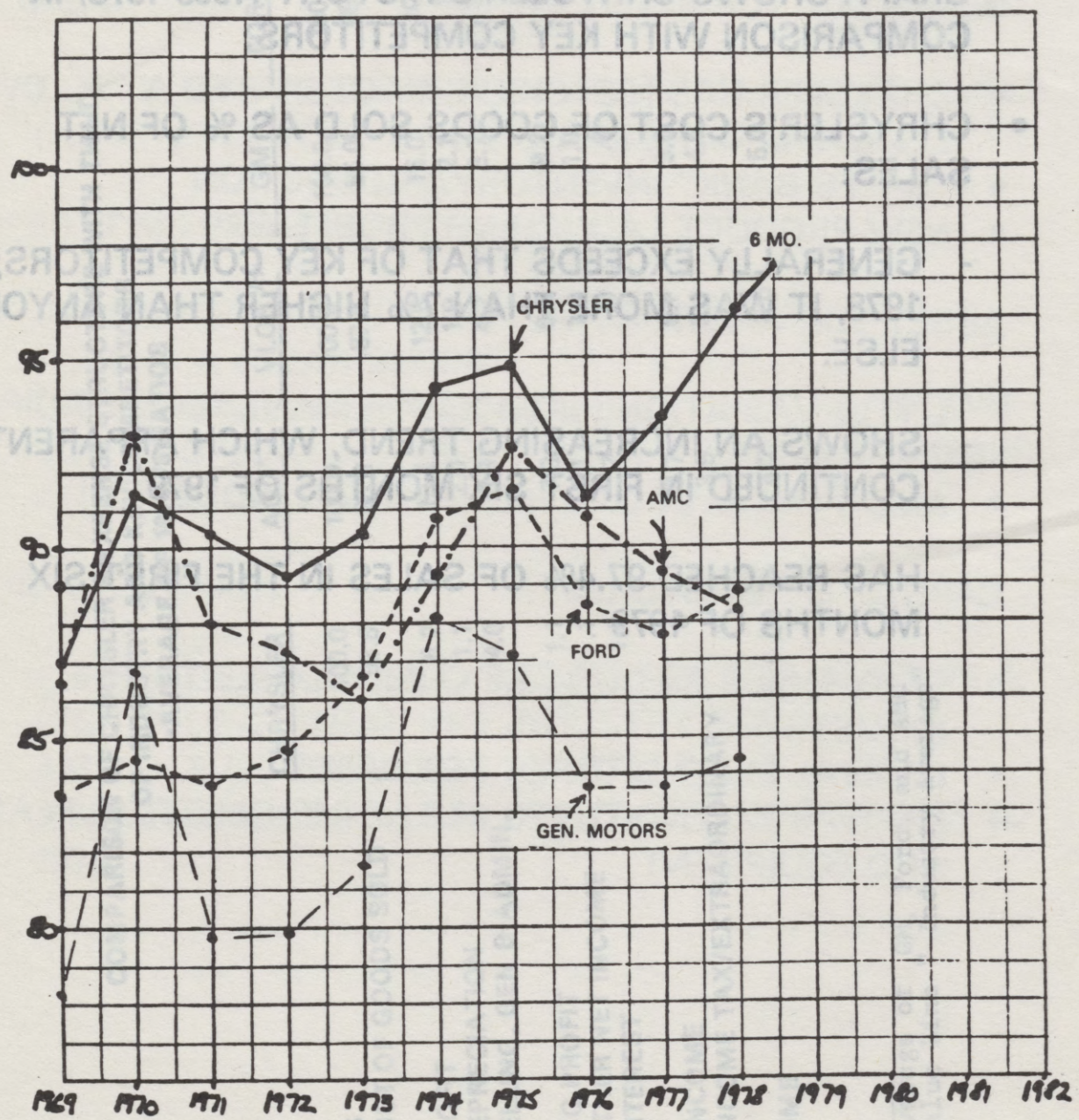
- CHRYSLER'S COST OF GOODS SOLD AS % OF NET SALES:

  - GENERALLY EXCEEDS THAT OF KEY COMPETITORS; BY 1978, IT WAS MORE THAN 7% HIGHER THAN ANYONE ELSE.

  - SHOWS AN INCREASING TREND, WHICH APPARENTLY CONTINUED IN FIRST SIX MONTHS OF 1979.

  - HAS REACHED 97.4% OF SALES IN THE FIRST SIX MONTHS OF 1979

COST OF GOODS SOLD, AS % OF NET SALES



- AN ANALYSIS OF CHRYSLER'S INCREASES IN CofGS RELATIVE TO INCREASES IN SALES REVENUE REVEALS CofGS, AS A % OF SALES, GENERALLY DECLINES ONLY WHEN SALES INCREASE BY MORE THAN 14% OVER THE PRIOR YEAR.

	% INCR. IN SALES	% INCR. IN CofGS	CofGS, % OF SALES
1970	(0.7)	4.2	91.4
1971	14.3	12.9	90.3
1972	22.0	20.5	89.2
1973	20.7	22.2	90.3
1974	(6.9)	(3.0)	94.1
1975	5.7	6.5	94.8
1976	34.0	29.0	91.3
1977	7.5	10.1	93.4
1978	(18.5)	(16.1)	96.2

DEPRECIATION

- GRAPH SHOWS COMPARISON OF CHRYSLER'S DEPRECIATION, AS % OF SALES, WITH THAT OF KEY COMPETITORS

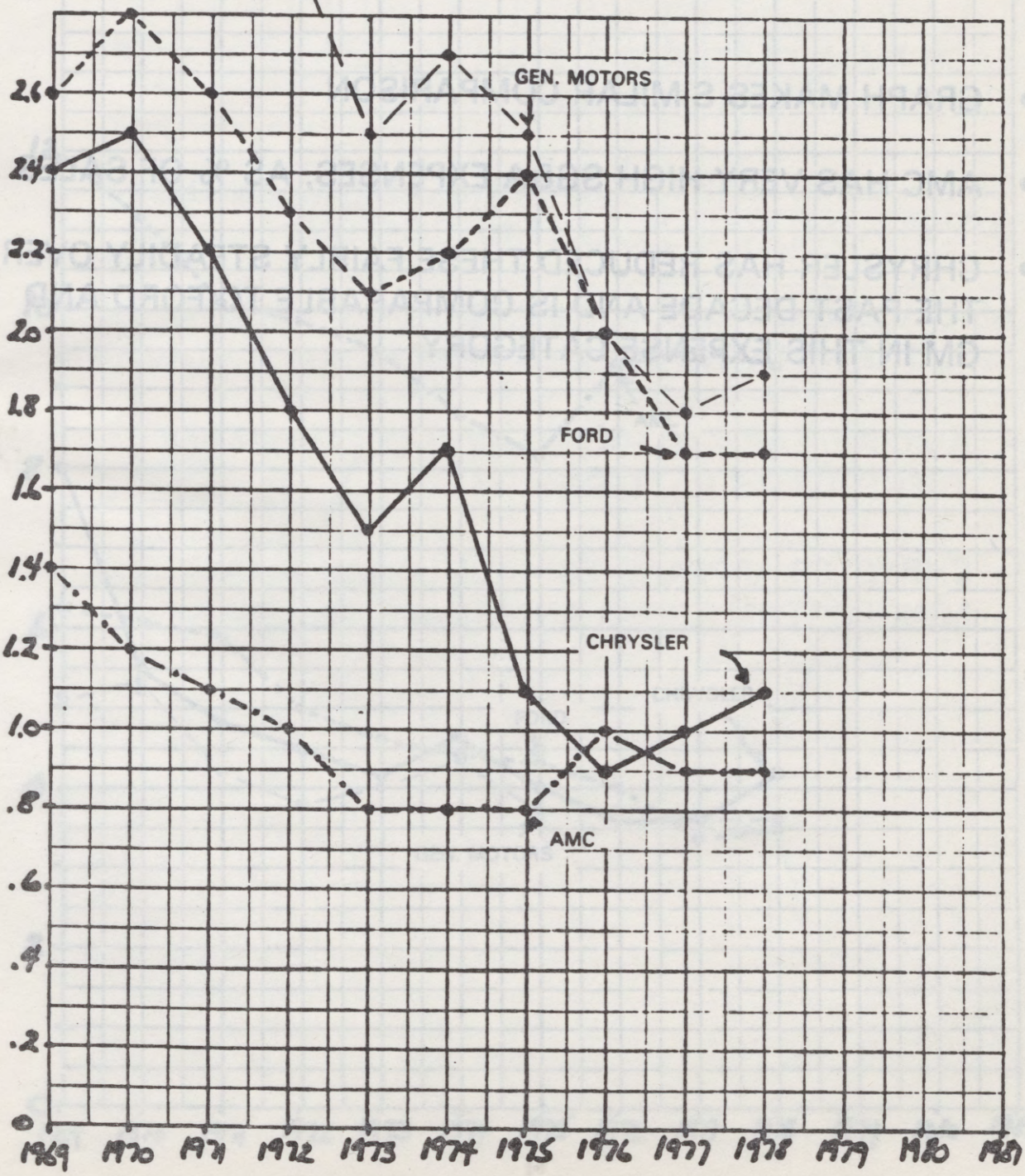
- ALL COMPETITORS SHOWN HAVE REDUCED DEPRECIATION %'s OVER THE PAST DECADE

- CHRYSLER'S DECLINE IS MOST DRAMATIC, A HIGHER PORTION OF EARLIER LEVELS. IT HAS JOINED AMC AT A LEVEL WHICH:

  - IS NEARLY HALF THAT OF FORD AND GM

  - REFLECTS A RELATIVELY LOWER LEVEL OF CAPITAL INVESTMENT IN RECENT YEARS.

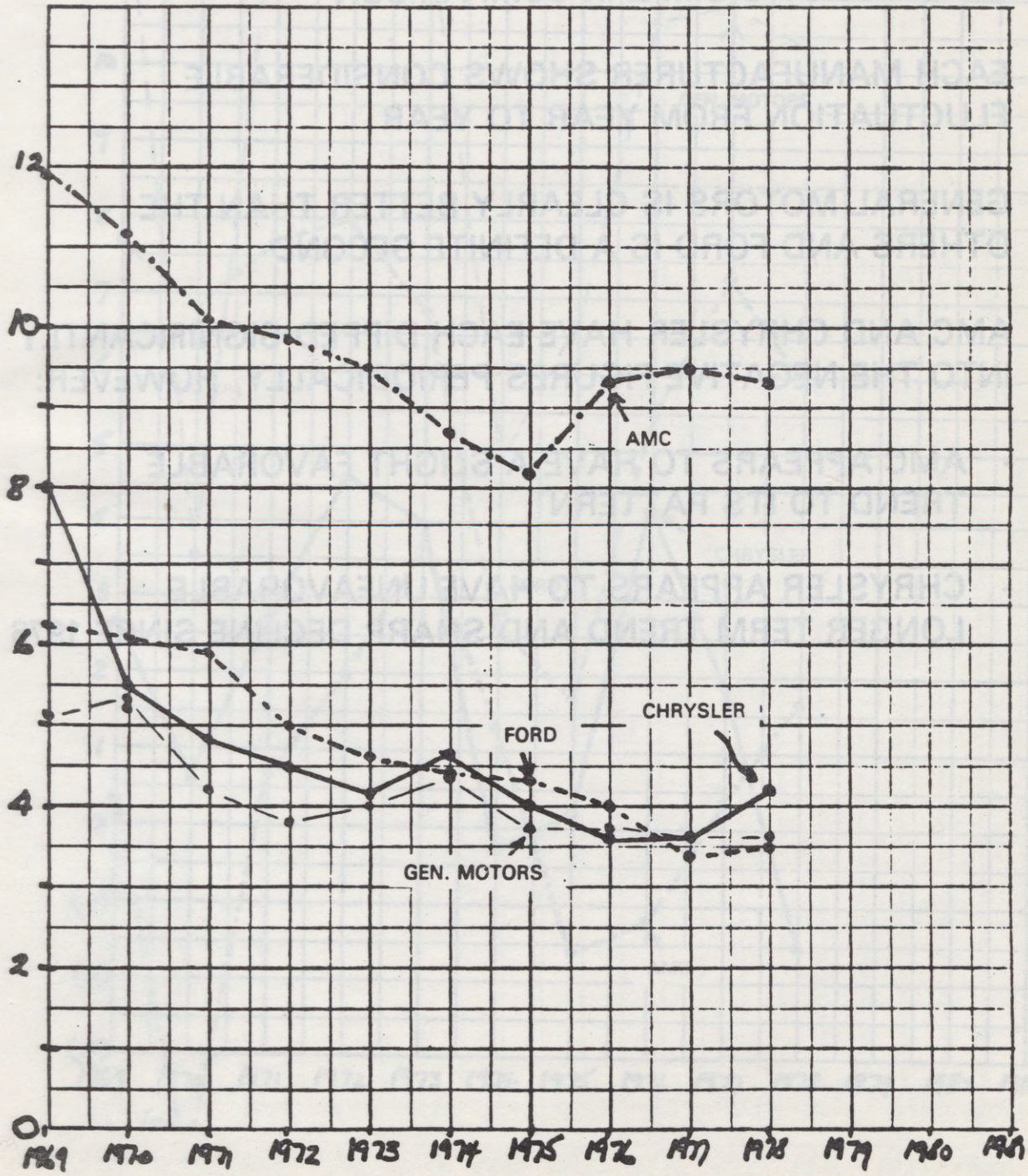
DEPRECIATION, AS % OF NET SALES



SELLING, GENERAL AND ADMINISTRATIVE

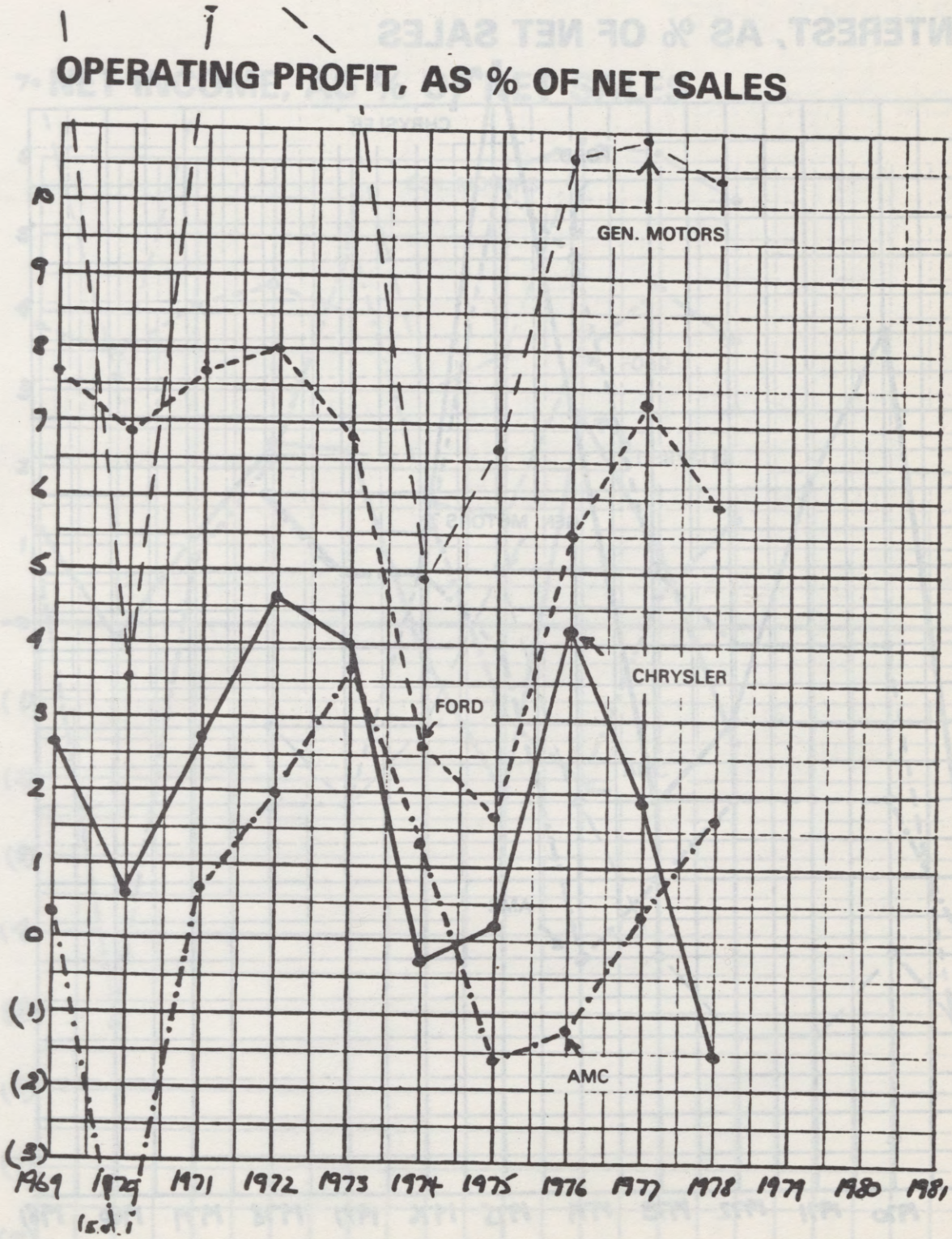
- GRAPH MAKES SIMILAR COMPARISON
- AMC HAS VERY HIGH SG&A EXPENSES, AS % OF SALES
- CHRYSLER HAS REDUCED THESE FAIRLY STEADILY OVER THE PAST DECADE AND IS COMPARABLE TO FORD AND GM IN THIS EXPENSE CATEGORY

SELLING, GEN. & ADMIN. EXPENSE, AS % OF NET SALES

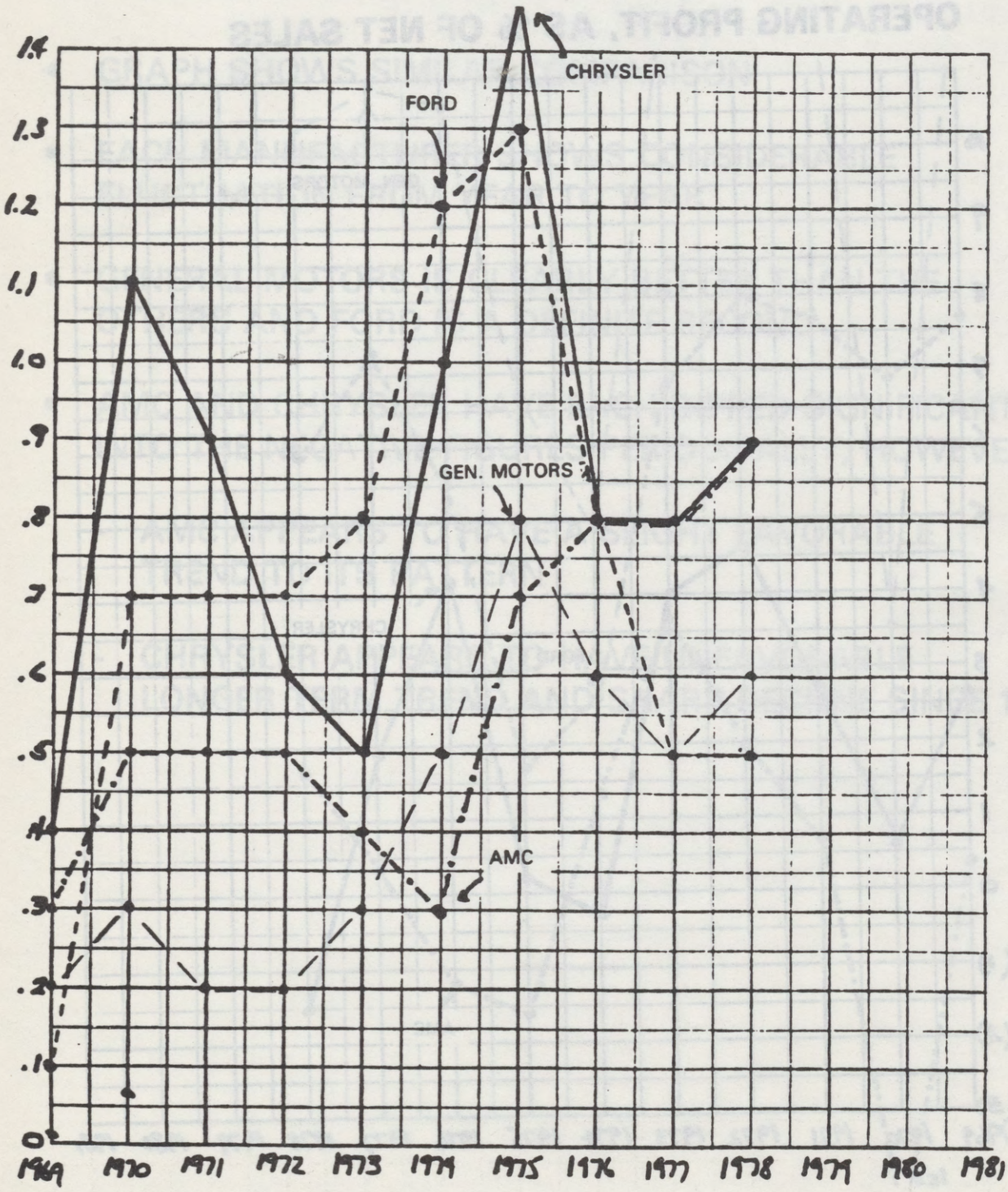


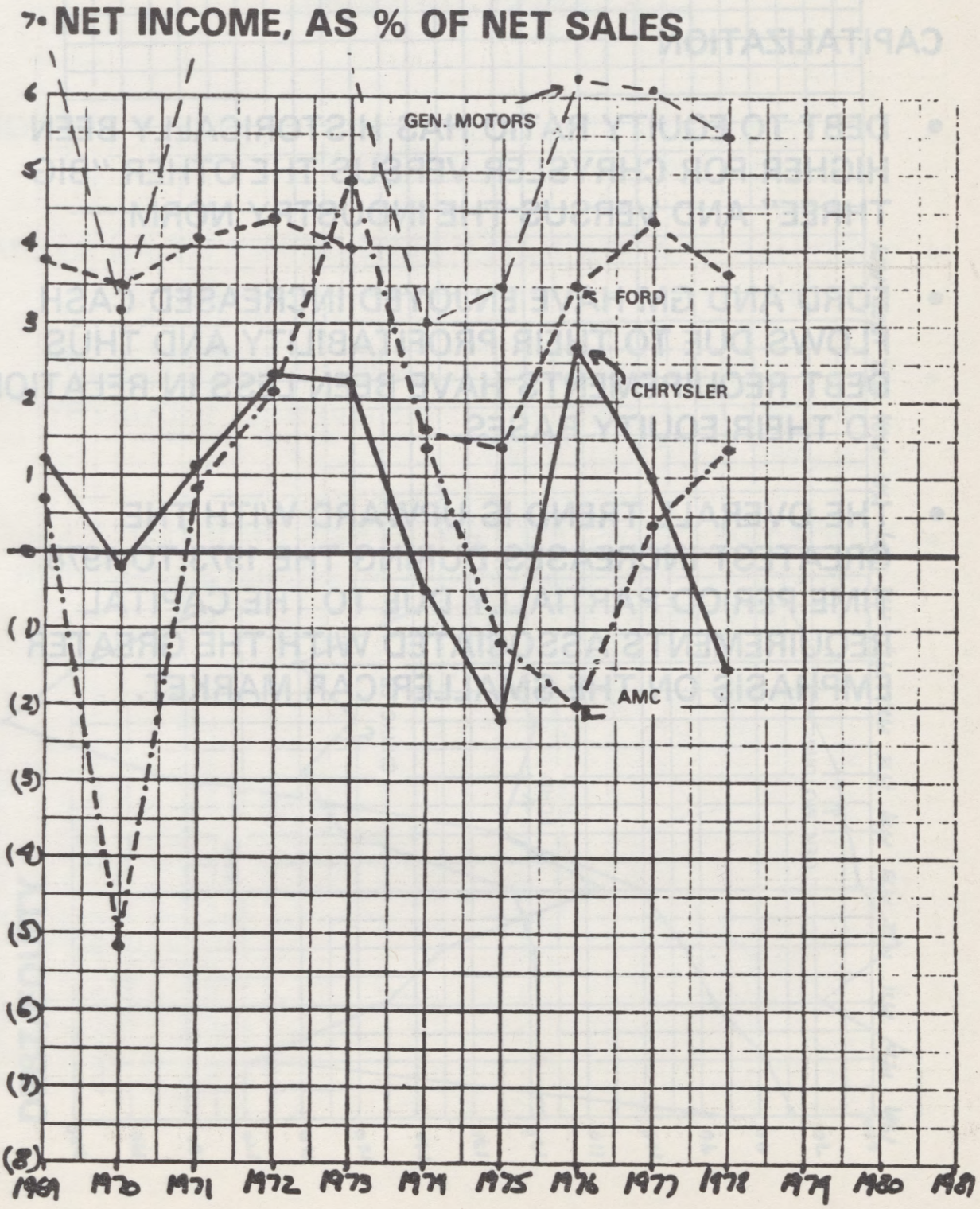
OPERATING PROFIT

- GRAPH SHOWS SIMILAR COMPARISON
- EACH MANUFACTURER SHOWS CONSIDERABLE FLUCTUATION FROM YEAR TO YEAR
- GENERAL MOTORS IS CLEARLY BETTER THAN THE OTHERS AND FORD IS A DEFINITE SECOND
- AMC AND CHRYSLER HAVE EACH DIPPED SIGNIFICANTLY INTO THE NEGATIVE FIGURES PERIODICALLY, HOWEVER:
  - AMC APPEARS TO HAVE A SLIGHT FAVORABLE TREND TO ITS PATTERN
  - CHRYSLER APPEARS TO HAVE UNFAVORABLE LONGER TERM TREND AND SHARP DECLINE SINCE 1976



INTEREST, AS % OF NET SALES





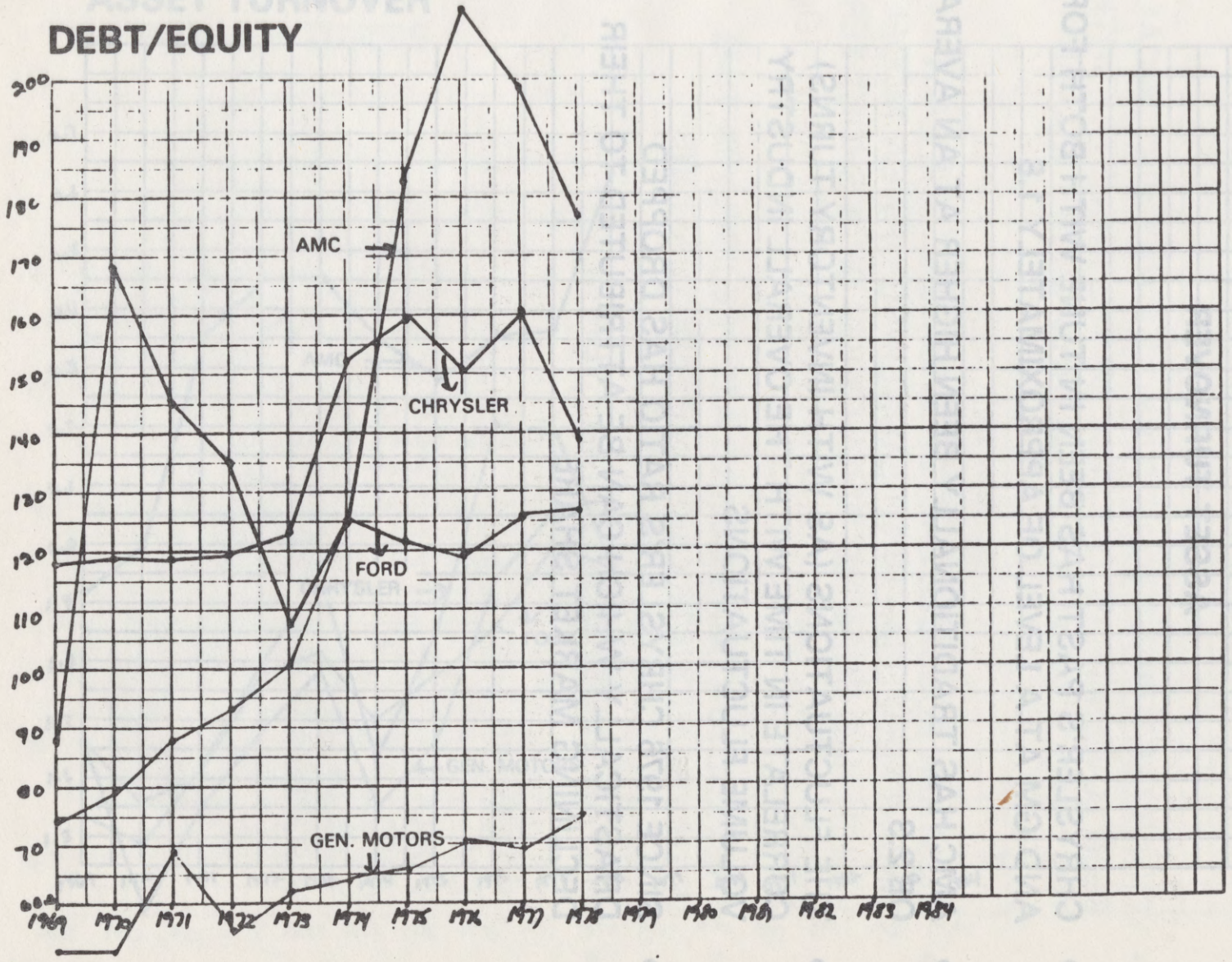
BALANCE SHEET

CAPITALIZATION

- DEBT TO EQUITY RATIO HAS HISTORICALLY BEEN HIGHER FOR CHRYSLER VERSUS THE OTHER "BIG THREE" AND VERSUS THE INDUSTRY NORM.

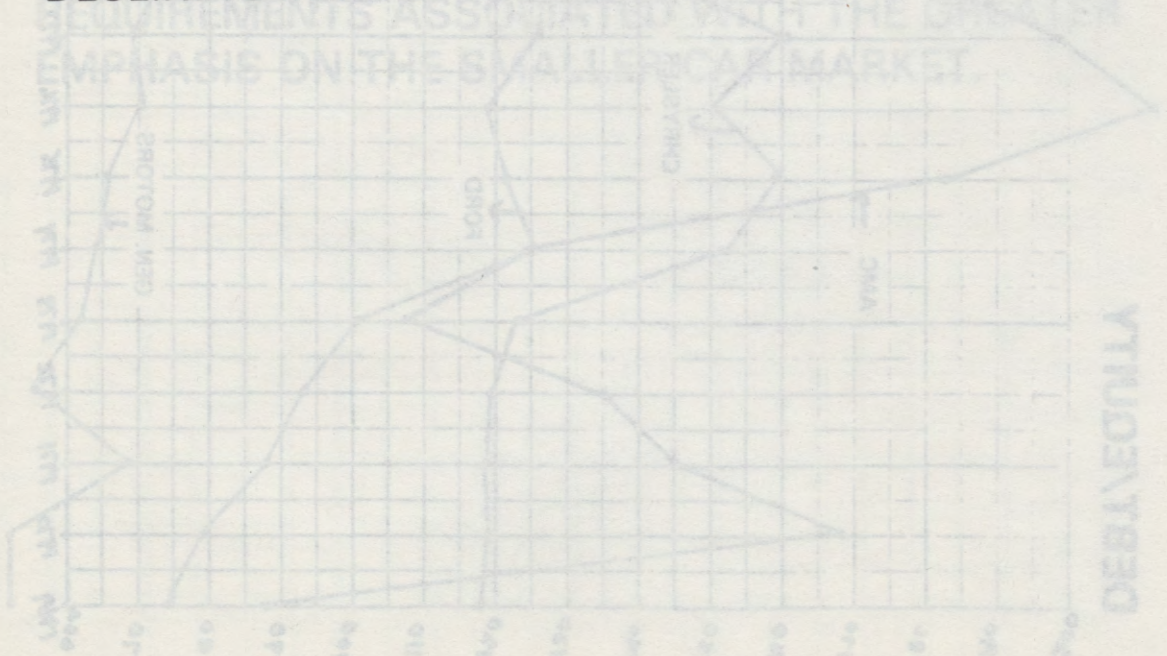
- FORD AND GM HAVE ENJOYED INCREASED CASH FLOWS DUE TO THEIR PROFITABILITY AND THUS DEBT REQUIREMENTS HAVE BEEN LESS IN RELATION TO THEIR EQUITY BASES.

- THE OVERALL TREND IS UPWARD WITH THE GREATEST INCREASES DURING THE 1973 TO 1978 TIME PERIOD PARTIALLY DUE TO THE CAPITAL REQUIREMENTS ASSOCIATED WITH THE GREATER EMPHASIS ON THE SMALLER CAR MARKET.

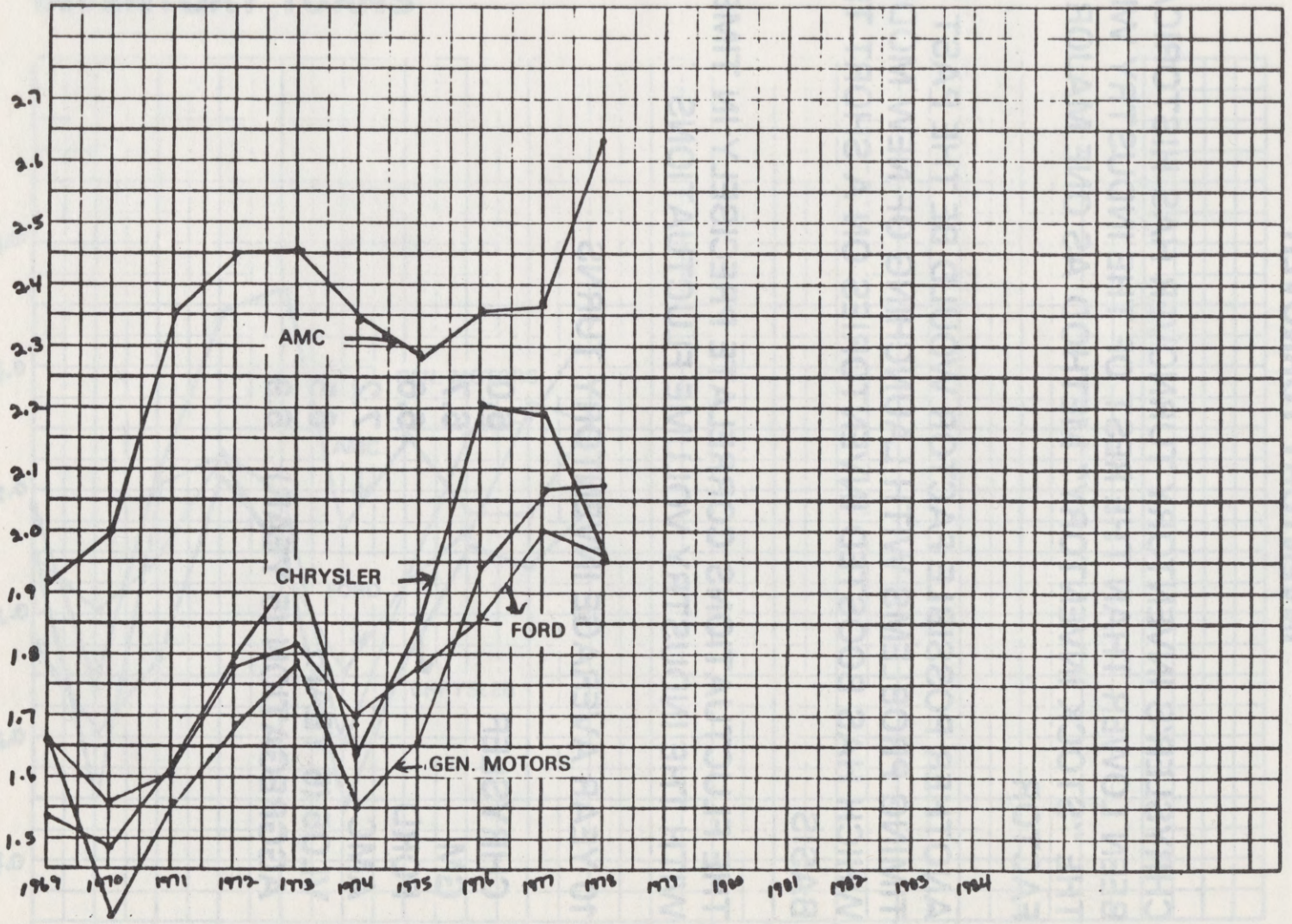


ASSET TURNOVER

- CHRYSLER'S PAST HAS BEEN IN TUNE WITH BOTH FORD AND GM AT A LEVEL OF APPROXIMATELY 1.8
- AMC HAS TRADITIONALLY BEEN HIGHER AT AN AVERAGE OF 2.3
- THE FLUCTUATIONS (AS WITH INVENTORY TURNS) CORRELATE IN TIME WITH THE OVERALL INDUSTRY VOLUME FLUCTUATIONS
- SINCE 1976 CHRYSLER'S RATIO HAS DROPPED DRASTICALLY WHICH CAN BE ATTRIBUTED TO THEIR DECLINING MARKET SHARE



ASSET TURNOVER



INVENTORY TURNOVER

- CHRYSLER'S INVENTORY TURNOVER HAS HISTORICALLY BEEN LOWER THAN THE REST OF THE INDUSTRY WITH THE "STOCK INVENTORY" METHOD AS ONE MAJOR FACTOR

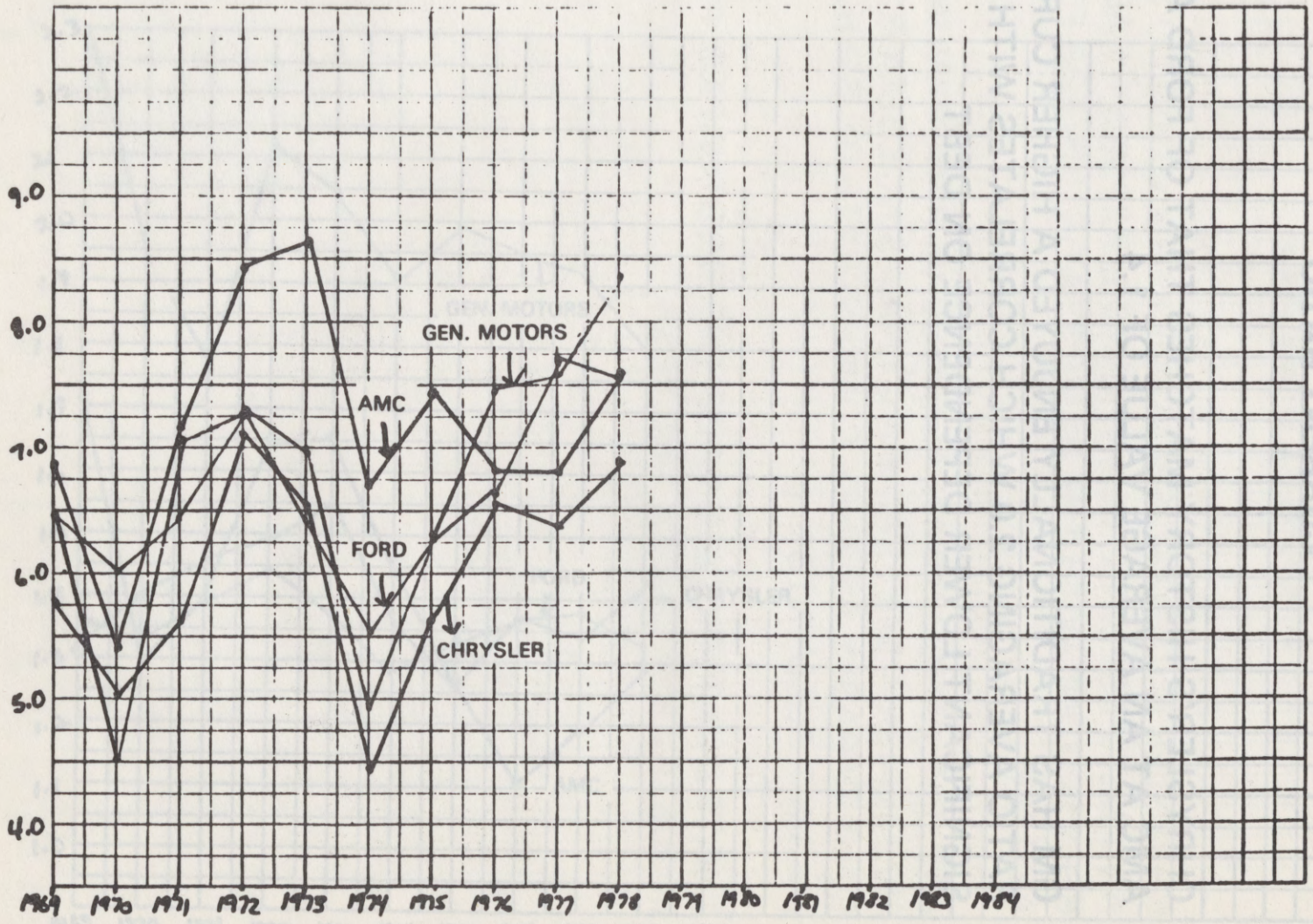
- ANOTHER POSSIBLE FACTOR WOULD BE THE PAST TIMING PROBLEMS WITH LAUNCHING OF NEW MODELS WHICH HAS BOOSTED INVENTORIES ON A SHORT TERM BASIS

- THE FLUCTUATIONS CORRELATE PRECISELY IN TIME WITH THE INDUSTRY VOLUME FLUCTUATIONS

- 10 YEAR AVERAGE INVENTORY TURNS

CHRYSLER	6.0
GM	6.7
FORD	6.6
AMC	7.2
VLO5 (5 YEAR)	6.5
AGGREGATION (5 YEAR)	6.9

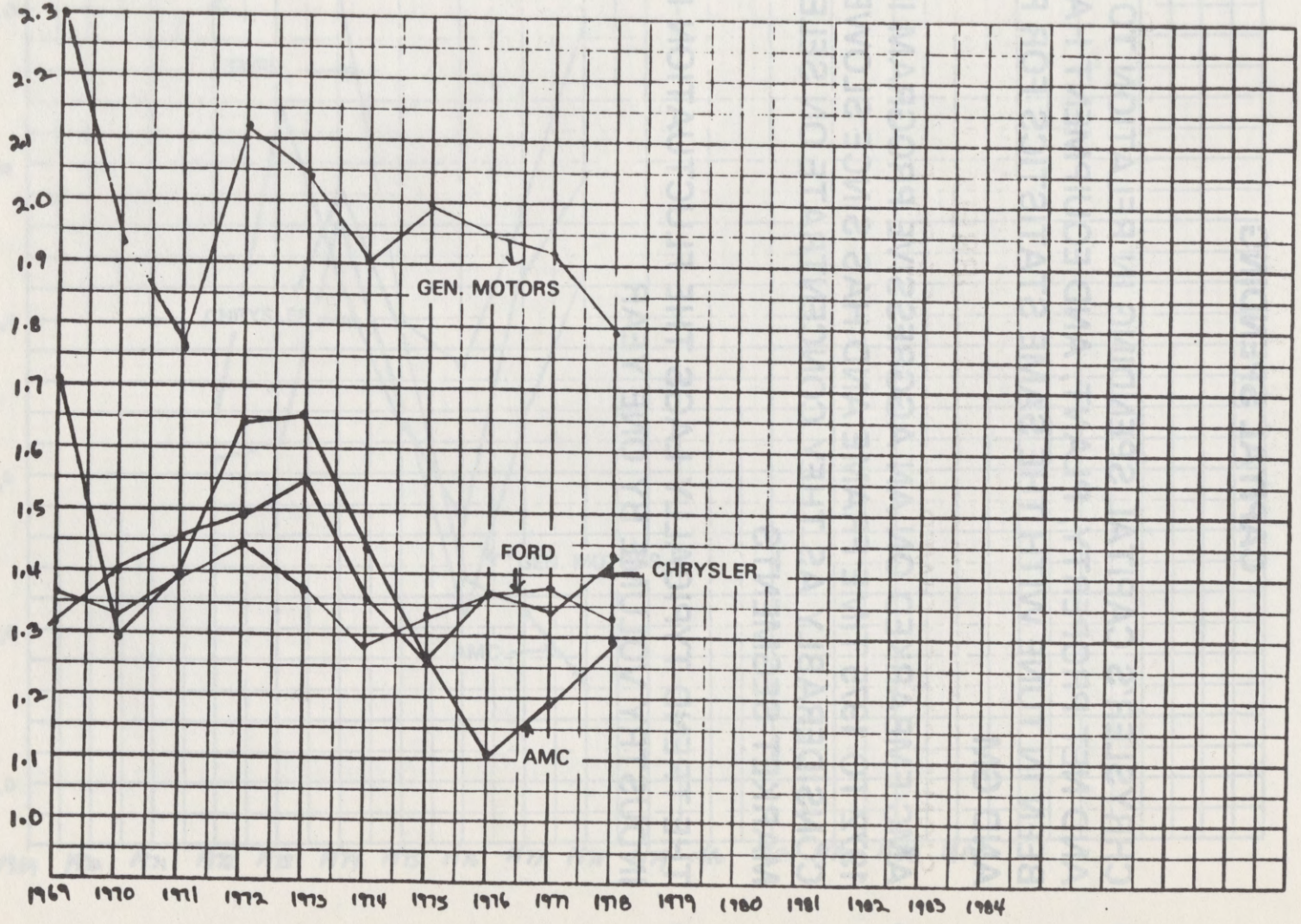
INVENTORY TURNS



CURRENT RATIO

- CHRYSLER'S HISTORY MATCHES THAT OF FORD AND AMC AT AN AVERAGE VALUE OF 1.4
- GM HAS TRADITIONALLY ENJOYED A HIGHER CURRENT RATIO AVERAGING 2.0 WHICH CORRELATES WITH THEIR SIGNIFICANT LOWER DEPENDENCE ON DEBT

CURRENT RATIO

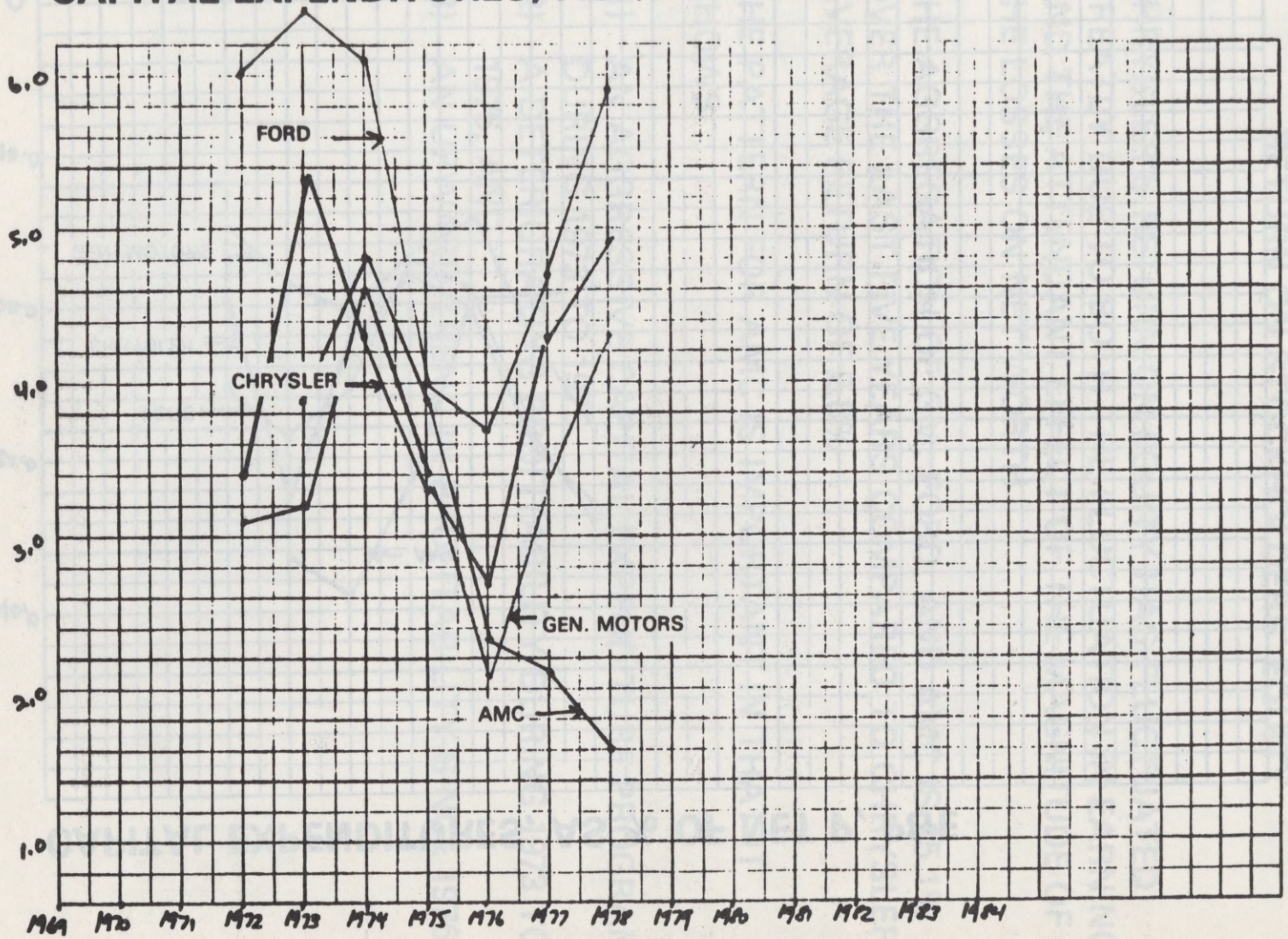


CAPITAL SPENDING

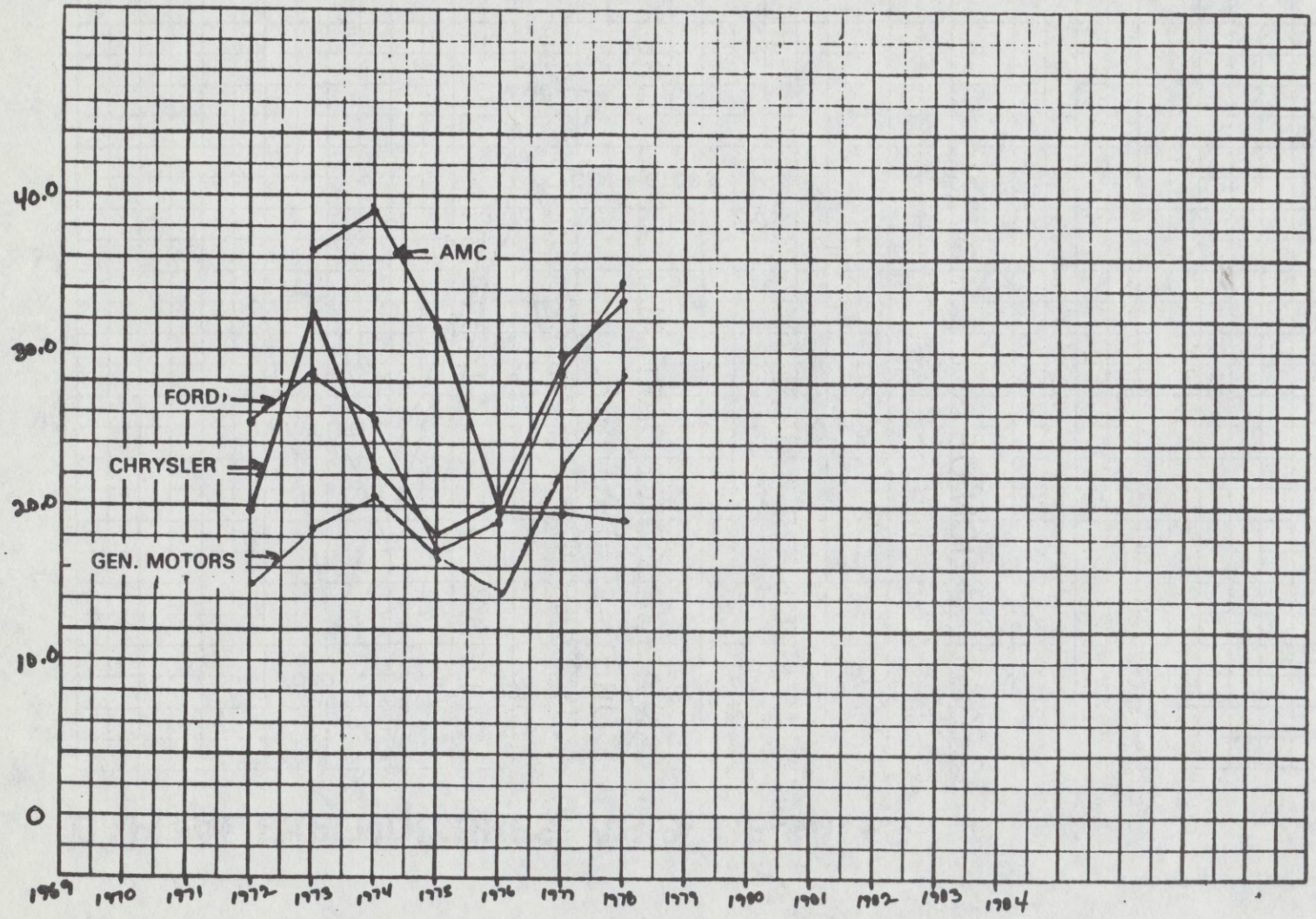
- CHRYSLER'S CAPITAL SPENDING IN RELATION TO SALES AND NET PROPERTY, PLANT, AND EQUIPMENT HAS BEEN IN TUNE WITH THE SAME STATISTICS FOR FORD AND GM
- AMC EMBARKED ON AN AGGRESSIVE PROGRAM IN THE 1972 TO 1975 TIME FRAME AND HAS SINCE SLOWED CONSIDERABLY AS THEY CONCENTRATE ON SELECTED MARKET SEGMENTS
- THE TREND TYPICALLY LAGS THE FLUCTUATION IN INDUSTRY VOLUME BY ONE YEAR

304-856 O - 79 - 7

CAPITAL EXPENDITURES, AS % OF SALES



CAPITAL EXPENDITURES, AS % OF NET P, P&E



RETURN ON STOCKHOLDERS' EQUITY

- CHRYSLER'S RETURN ON EQUITY HAS FLUCTUATED GREATLY DUE TO BOTH THE FLUCTUATION IN EARNINGS AND THE ATTENDANT EFFECT OF THE MAGNITUDE OF THE LOSSES ON NET WORTH

- THE AGGREGATION OF GM, FORD, AND AMC IS 15.1% OVER THE LAST FIVE YEARS COMPARED TO CHRYSLER'S AVERAGE RETURN OF 2.8%

- THE PATTERN FOR AMC IS IMPORTANT IN THAT IT SHOWS

  (1) AN AGGRESSIVE CAPITAL EXPENDITURE PROGRAM DURING 1973 TO 1975
  (2) A DETERIORATING PROFITABILITY DURING 1973 TO 1976, AND
  (3) AN UPWARD TREND IN PROFITABILITY SINCE 1976

INDUSTRY COMPARISON
Chrysler Corporation
1974

	Chrysler	Ford	AMC	GM	*AGG	Total Industry
	1974	1974	1974	1974	1974	1974
Annual Growth Rates (%):						
Net Sales	N/A	N/A	N/A	N/A	N/A	N/A
Operating Profit	N/A	N/A	N/A	N/A	N/A	N/A
Net Income	N/A	N/A	N/A	N/A	N/A	N/A
Earnings per Share	N/A	N/A	N/A	N/A	N/A	N/A
Profitability Ratios (%):						
Net Profit Margin	(0.45)	1.63	1.38	3.01	2.39	2.14
Gross Profit Margin	5.95	9.21	10.79	11.94	10.77	10.35
Return on Tangible Assets	(0.74)	2.78	3.23	4.67	3.89	3.43
Return on Total Assets	(0.74)	2.73	3.19	4.66	3.85	3.40
Return on Common Stock	(1.87)	6.20	7.26	7.71	7.20	6.71
Return on Owner's Equity	(1.87)	6.20	7.26	7.63	7.16	6.68
Liquidity Ratios:						
Current Ratio	1.36	1.28	1.44	1.91	1.61	1.59
Quick Ratio	0.46	0.48	0.60	0.86	0.68	0.65
Working Cap. to L.T.Debt	0.99	1.02	1.99	6.32	2.96	2.28
Debt Position (%):						
Tot. Liab. to Tot. Assets	60.24	55.06	55.64	38.94	45.80	48.78
Total Liab. to Equity	152.46	125.28	125.43	63.79	85.11	95.87
L.T.D. to Capitalization	27.23	19.19	17.08	6.58	11.32	14.89
Coverage Ratios:						
Fixed Charges	1.45	4.97	9.56	15.29	8.95	6.73
Times Interest Earned	0.73	4.09	8.21	12.31	7.11	5.45
Working Capital:						
Current Assets	3,697.18	6,841.20	513.15	11,644.80	18,999.10	24,624.80
Current Liabilities	2,709.34	5,340.90	356.12	6,102.83	11,799.80	15,471.90
Net Working Capital	987.84	1,500.30	157.03	5,541.93	7,199.26	9,152.84
Turnover Ratios:						
Inventory	4.47	5.55	6.70	4.93	5.22	4.92
Fixed Assets	5.20	4.16	7.98	4.41	4.37	4.49
Tangible Assets	1.64	1.70	2.34	1.55	1.63	1.60
Investment Indicators:						
Book Value per Share	N/A	N/A	N/A	N/A	78.06	N/A
Earnings per Share (Primary	(0.84)	3.31	0.94	3.27	5.62	2,858.27
Earnings per Share (F.D.)	(0.81)	2.99	0.83	3.27	5.34	2,743.29
Dividends per Share	1.33	2.36	0.19	3.40	5.31	2,637.79
Price Earnings Ratio	(8.64)	8.86	3.46	9.40	9.00	0.00

*AGG = GMC + AMC + Ford

INDUSTRY COMPARISON
Chrysler Corporation
1975

	Chrysler	Ford	AMC	GM	*AGG	Total Industry
	1975	1975	1975	1975	1975	1975
Annual Growth Rates (%):						
Net Sales	5.71	1.64	14.10	13.23	8.48	7.13
Operating Profit	153.27	(32.15)	(242.32)	53.18	25.85	22.43
Net Income	(421.82)	(11.51)	(199.75)	31.90	14.93	(11.66)
Earnings per Share	(414.56)	(12.20)	(198.61)	32.21	10.15	(12.10)
Profitability Ratios (%):						
Net Profit Margin	(2.24)	1.42	(1.20)	3.51	2.53	1.77
Gross Profit Margin	5.24	8.48	7.45	12.94	11.01	10.45
Return on Tangible Assets	(4.17)	2.52	(2.75)	5.81	4.34	3.00
Return on Total Assets	(4.14)	2.47	(2.72)	5.80	4.30	2.97
Return on Common Stock	(10.77)	5.55	(7.70)	9.74	8.08	5.87
Return on Owner's Equity	(10.77)	5.55	(7.70)	9.63	8.03	5.84
Liquidity Ratios:						
Current Ratio	1.27	1.33	1.27	1.99	1.69	1.65
Quick Ratio	0.43	0.57	0.63	1.11	0.86	0.80
Working Cap. to L.T.Debt	0.61	1.09	1.01	5.23	2.84	2.12
Debt Position (%):						
Tot. Liab. to Tot. Assets	61.30	54.44	64.66	39.73	46.00	48.64
Total Liab. to Equity	159.46	122.34	182.96	65.93	85.84	95.73
L.T.D. to Capitalization	38.70	19.96	26.43	8.39	12.87	16.64
Coverage Ratios:						
Fixed Charges	0.66	4.26	(0.02)	11.64	7.78	5.93
Times Interest Earned	0.93	3.32	(0.24)	10.07	6.48	5.06
Working Capital:						
Current Assets	3,116.68	6,655.10	612.03	42,839.50	20,106.60	24,875.80
Current Liabilities	2,462.28	4,989.50	483.07	6,445.47	11,918.00	15,862.10
Net Working Capital	654.40	1,665.60	128.96	6,394.01	8,188.57	9,813.73
Turnover Ratios:						
Inventory	5.61	6.31	7.44	6.28	6.33	5.93
Fixed Assets	5.31	4.31	7.96	5.02	4.78	4.80
Tangible Assets	1.84	1.77	2.28	1.66	1.72	1.70
Investment Indicators:						
Book Value per Share	N/A	N/A	N/A	N/A	24.64	N/A
Earnings per Share (Primary)	(4.32)	2.91	(0.93)	4.33	4.19	2,512.54
Earnings per Share (F.D.)	(4.19)	2.69	(0.84)	4.33	3.95	2,429.74
Dividends per Share	0.80	2.07	0.00	2.40	3.71	1,837.39
Price Earnings Ratio	(2.34)	12.18	(8.86)	13.32	12.93	0.00

*AGG = GMC + AMC + Ford

INDUSTRY COMPARISON
Chrysler Corporation
1976

	Chrysler	Ford	AMC	GM	*AGG	Total Industry
	19[illegible]6	1976	1976	1976	197[illegible]	1976
Annual Growth Rates (%):						
Net Sales	33.[illegible]7	20.12	1.46	32.87	26.3[illegible]	27.75
Operating Profit	3,363.[illegible]4	282.29	24.03	110.46	138.0[illegible]	159.58
Net Income	262.[illegible]3	195.34	(68.57)	131.66	146.6[illegible]	234.78
Earnings per Share	262.[illegible]4	194.56	(67.95)	133.40	148.1[illegible]	239.41
Profitability Ratios (%):						
Net Profit Margin	2.[illegible]2	3.50	(2.80)	6.15	4.9[illegible]	4.63
Gross Profit Margin	8.[illegible]3	11.59	9.09	16.35	14.38	13.76
Return on Tangible Assets	6.[illegible]1	6.32	(4.73)	11.94	9.48	8.90
Return on Total Assets	5.[illegible]7	6.40	(4.67)	11.93	9.41	8.83
Return on Common Stock	15.[illegible]1	14.23	(14.88)	20.64	18.00	17.70
Return on Owner's Equity	15.[illegible]1	14.23	(14.88)	20.32	17.82	17.52
Liquidity Ratios:						
Current Ratio	1.[illegible]7	1.37	1.11	1.95	1.68	1.69
Quick Ratio	0.[illegible]4	0.65	0.48	1.16	0.92	0.87
Working Cap. to L.T.Debt	1.[illegible]0	1.59	0.34	7.06	3.80	2.76
Debt Position (%):						
Tot. Liab. to Tot. Assets	59.[illegible]4	53.98	68.40	41.31	46.83	49.87
Total Liab. to Equity	150.[illegible]1	119.93	218.46	70.40	88.72	97.39
L.T.D. to Capitalization	27.12	16.61	26.48	6.97	10.68	14.47
Coverage Ratios:						
Fixed Charges	6.[illegible]5	11.75	0.37	22.55	17.41	13.84
Times Interest Earned	6.16	10.03	0.05	21.26	15.85	12.73
Working Capital:						
Current Assets	3,878.[illegible]7	8,242.50	597.33	13,472.60	24,312.40	30,073.70
Current Liabilities	2,825.[illegible]2	5,996.80	537.56	7,916.80	14,450.40	17,992.10
Net Working Capital	1,052.[illegible]5	2,245.70	59.77	7,556.60	9,862.07	12,081.60
Turnover Ratios:						
Inventory	6.[illegible]0	6.62	4.81	7.46	7.11	6.75
Fixed Assets	7.[illegible]5	5.17	8.52	6.77	6.11	6.18
Tangible Assets	2.[illegible]1	1.86	2.36	1.94	1.92	1.92
Investment Indicators:						
Book Value per Share	N/A	N/A	N/A	N/A	85.34	N/A
Earnings per Share (Primary)	7.01	8.57	(1.56)	10.18	15.36	8,527.78
Earnings per Share (F.D.)	6.81	7.89	(1.38)	10.10	14.77	8,260.62
Dividends per Share	0.30	2.24	0.00	3.56	7.37	3,638.60
Price Earnings Ratio	2.98	3.74	(2.49)	7.77	7.32	0.00

*AGG = GMC + AMC + Ford

INDUSTRY COMPARISON
Chrysler Corporation
1977

	Chrysler	Ford	AMC	GM	*AGG	Total Industry
	1977	1977	1977	1977	1977	1977
Annual Growth Rates (%):						
Net Sales	7.53	31.21	(3.39)	14.49	21.32	19.68
Operating Profit	(50.42)	73.81	125.15	19.29	32.88	25.91
Net Income	(61.38)	66.20	117.87	14.97	29.93	20.31
Earnings per Share	(61.41)	65.19	117.69	15.36	32.66	19.86
Profitability Ratios (%):						
Net Profit Margin	0.98	4.43	0.37	6.07	5.28	4.66
Gross Profit Margin	6.58	12.31	10.72	14.29	14.58	13.65
Return on Tangible Assets	2.14	8.85	0.88	12.59	10.82	9.46
Return on Total Assets	2.13	8.72	0.86	12.39	10.76	9.41
Return on Common Stock	5.58	19.86	2.38	21.68	20.79	19.85
Return on Owner's Equity	5.58	19.86	2.38	21.37	20.60	18.90
Liquidity Ratios:						
Current Ratio	1.34	1.38	1.19	1.92	1.64	1.64
Quick Ratio	0.50	0.76	0.56	1.05	0.90	0.85
Working Cap. to L.T.Debt	0.86	2.28	1.14	7.14	4.26	2.83
Debt Position (%):						
Tot. Liab. to Tot. Assets	\61.61	55.33	66.49	61.08	47.47	49.75
Total Liab. to Equity	161.34	124.03	198.39	69.73	90.91	99.95
L.T.D. to Capitalization	29.78	13.88	21.19	6.49	9.35	13.86
Coverage Ratios:						
Fixed Charges	3.74	19.84	2.56	\25.55	22.58	16.40
Times Interest Earned	3.56	17.58	2.36	24.26	20.87	15.18
Working Capital:						
Current Assets	4,132.80	10,872.48	618.62	15,937.20	27,447.68	33,714.58
Current Liabilities	3,089.90	7,883.88	519.62	8,326.90	16,730.30	20,588.30
Net Working Capital	1,042.90	2,988.59	98.40	7,630.29	10,717.38	13,126.80
Turnover Ratios:						
Inventory	6.37	7.78	6.81	7.66	7.65	7.20
Fixed Assets	4.68	6.10	9.27	6.70	6.49	6.48
Tangible Assets	2.19	2.00	2.37	12.07	2.05	2.03
Investment Indicators:						
Book Value per Share	N/A	N/A	N/A	N/A	98.03	N/A
Earnings per Share (Primary)	2.71	14.15	0.28	11.64	20.38	10,221.48
Earnings per Share (F.D.)	2.63	13.89	0.24	11.64	19.63	9,968.96
Dividends per Share	0.90	3.03	0.00	4.81	9.37	4,543.72
Price Earnings Ratio	4.66	3.23	13.18	5.40	4.94	0.00

*AGG = GMC + AMC + Ford

INDUSTRY COMPARISON
Chrysler Corporation
1978

	Chrysler	Ford	AMC	GM	*AGG	Total Industry
	1978	1978	1978	1978	1978	1978
Annual Growth Rates (%):						
Net Sales	(18.49)	13.06	15.58	15.03	14.26	9.53
Operating Profit	(164.72)	(7.90)	478.08	8.42	3.66	(1.24)
Net Income	(225.37)	(4.33)	343.11	5.11	2.51	(3.83)
Earnings per Share	(226.67)	(5.22)	341.83	5.23	3.79	(4.76)
Profitability Ratios (%):						
Net Profit Margin	(1.50)	3.75	1.42	5.55	4.74	4.09
Gross Profit Margin	3.80	11.11	11.22	15.69	13.80	13.04
Return on Tangible Assets	(2.93)	7.35	3.73	11.53	9.68	8.15
Return on Total Assets	(2.93)	7.26	3.69	11.53	9.62	8.12
Return on Common Stock	(8.05)	16.58	10.25	20.43	18.93	16.52
Return on Owner's Equity	(6.99)	16.58	10.25	20.17	18.78	16.34
Liquidity Ratios:						
Current Ratio	1.43	1.33	1.29	1.79	1.56	1.58
Quick Ratio	0.64	0.72	0.54	1.04	0.88	0.86
Working Cap. to L.T.Debt	0.89	2.70	1.73	8.12	5.08	3.15
Debt Position (%):						
Tot. Liab. to Tot. Assets	58.01	55.53	64.00	42.83	48.47	50.08
Total Liab. to Equity	138.39	124.82	177.77	74.92	94.57	100.82
L.T.D. to Capitalization	29.14	10.38	18.97	5.33	7.44	11.87
Coverage Ratios:						
Fixed Charges	(0.02)	19.04	3.87	22.05	20.36	14.51
Times Interest Earned	(0.22)	16.26	3.80	20.53	18.43	13.37
Working Capital:						
Current Assets	3,561.80	12,370.60	668.64	17,999.30	31,038.70	37,065.20
Current Liabilities	2,485.80	9,278.00	514.70	10,050.60	19,845.30	23,432.90
Net Working Capital	1,076.00	3,092.59	151.94	7,948.90	11,193.40	13,612.40
Turnover Ratios:						
Inventory	6.88	7.58	7.40	8.34	8.01	7.55
Fixed Assets	6.60	5.77	11.67	6.58	6.30	6.29
Tangible Assets	1.95	1.96	2.63	2.08	2.04	1.99
Investment Indicators:						
Book Value per Share	N/A	N/A	N/A	N/A	111.75	N/A
Earnings per Share (Primary)	(3.43)	13.42	1.22	12.25	21.15	9,734.45
Earnings per Share (F.D.)	(3.35)	12.50	1.08	12.25	20.43	9,522.26
Dividends per Share	0.81	3.49	0.00	4.00	8.77	4,213.15
Price Earnings Ratio	(2.32)	3.14	3.91	4.39	4.08	0.00

*AGG = GMC + AMC + Ford

APPENDIX 3

REVIEW OF CHRYSLER CORPORATION'S PROPOSAL FOR FEDERAL ASSISTANCE

November 1, 1979

TABLE OF CONTENTS

REVIEW OF CHRYSLER CORPORATION'S PROPOSAL FOR FEDERAL ASSISTANCE

I. INTRODUCTION AND SCOPE

On October 17, 1979, Chrysler Corporation (Chrysler) submitted a revised request to the U.S. Treasury Department for Federal goverment financing aid and a financial plan presenting the results Chrysler projected should the aid be granted. While various alternative courses of action were discussed, the plan presented a single forecast of expected results. In addition to a presumption of obtaining needed financing through Federal aid and other sources, the financial plan incorporates several key assumptions by Chrysler as to conditions and accomplishments which would enable Chrysler to regain financial viability. Particularly crucial among Chrysler management's assumptions and conclusions are that:

1. The market for cars and trucks in the U.S. would continue along an historical trend line unaffected by the swings of the national economic cycle.

2. Product and marketing actions by Chrysler would result in regaining market share levels lost in recent years.

3. A wide range of management actions in all areas of corporate activity would materially improve variable margins--revenues less variable costs--thereby eliminating losses and moving the Company toward a profitable position during the forecast period.

4. Aggressive evaluation and stringent control of fixed costs would further contribute to profit improvement.

5. There will not be significant adverse changes to the Chrysler dealer network.

6. A $13 billion investment program is necessary from 1979 through 1985 to enable Chrysler to accomplish the projected improvements.

7. Chrysler will experience a critical cash shortfall, peaking at $2.1 billion in 1982, in executing the plan.

8. Chrysler's financial condition precludes raising all of the funds needed to restore financial health from traditional private sources, but Chrysler can survive with Federal government financing assistance.

9. The net result of all of the above would be a healthy, restructured corporation which could repay incurred debt and function as an important and self-sufficient member of our domestic economy.

10. Failure to receive Federal aid will result in corporate collapse with national hardships--to the economy, employment, balance of payments, etc.--far more costly to our society than the amount of Federal aid sought.

A special review was initiated to evaluate Chrysler's submission. The review was conducted on behalf of the Treasury Department by the international accounting and consulting firm of Ernst & Whinney in cooperation with automative expert John C. Secrest, retired Group Vice President of Corpoarate Staffs for American Motors Corporation. It was conducted for the exclusive use of the Treasury Department in connection with our evaluation of Chrysler's proposal for assistance and is not to be relied on by others. The purpose of their review was not to come to a conclusion or recommendation on Chrysler's request for Federal assistance, but, rather, was designed to provide Treasury Department officials with that information we considered important in the decision making process.

The projections included herein are based on assumptions, originally developed by Chrysler management, of future events which should not be construed as statements of fact. The scope of this review did not include a comprehensive evaluation of the assumptions which underly the projections and, therefore, Ernst & Whinney and John C. Secrest were unable to comment as to the reasonableness of the assumptions as a basis for such

projections. The assumptions may be affected favorably or unfavorably by future events and, therefore, the actual results achieved during the projection periods extending to December 31, 1983, may vary significantly from the projections.

The scope of Ernst & Whinney's and John C. Secrest's work does not provide for updating or revising their review for events and circumstances which may occur subsequent to November 1, 1979.

Emphasis of the review was on:

- Use of the most currently available information.
- Assessment of the difficulty of meeting planned accomplishments.
- Consequences of achieving lesser degrees of accomplishment due to either the rate of internal progress toward objectives or unfavorable external conditions.

The scope of this work did not include an evaluation of Chrysler Corporation's forecasted market share assumptions or dealer organization, nor did it include an engineering cost analysis of Chrysler's cost estimates related to new product plans. Also, because of severe time constraints, the review conducted was confined to North American Automotive operations, and was not comprehensive in nature, but rather, focused on what the Treasury Department considered priority areas.

Since forecasts of events are increasingly uncertain with each more distant future year, this review focuses on the 1980-1983 period, rather than the 1980-1985 period included in Chrysler's plan. This period

appears to be sufficiently long to encompass important model year decisions which must be made in the near term. Current decisions will heavily impact 1980-1982 expenditures for 1983 models to be introduced in late 1982. Decisions during 1980 will set investment plans for 1981-1983 relating to 1984 models to be introduced in late 1983. Both the 1983 and 1984 model year programs presently planned involve substantial product actions and expenditures. Decisions beyond the 1984 model year are subject to reevaluation and redirection beyond 1980 and mid-1981 as progress on executing earlier phases of the recovery plan becomes known. Similarly, projections of cost and revenue relationships, improvement program results, market conditions and other factors as far forward as 1984 are necessarily based on very broad assumptions. Consequently, the review focuses on the outlook through 1983.

II. CONSTRUCTION OF PLAN ANALYSIS

Key assumptions of Chrysler's plan addressed by this review were analyzed under the following considerations:

1. Economic forecasts made subsequent to June 30, 1979 (the date of the economic forecasts included in the October 17 submission) have significantly reduced estimates of U.S. automotive sales for 1980 and 1981. Also, Chrysler has similarly lowered market size estimates in its 1980 budget plan currently under preparation.

2. Chrysler has more recent information on expected results of improvement programs, labor negotiations, and other matters since the October 17 submission was prepared.

3. A review of the difficulty and potential of attaining fixed cost and variable margin improvement objectives was performed, and some estimated adjustments to attainment were made based upon the findings of the review.

4. Some sensitivity tests using combinations of decreases in market size and market share were performed to indicate generally the magnitude of risk associated with decreased Chrysler sales volume.

5. The possible magnitude of capital expenditure program reductions, in the event such actions become necessary, was revised.

A computerized corporate financial model consistent with the Chrysler submission was developed by Ernst & Whinney to permit analysis of the above considerations and their impact on profitability and cash needs. The analyses were performed on two basic plans, and further analyzed at three levels of Chrysler sales volume.

VOLUME ASSUMPTIONS

Both base cases reviewed in this study use idential assumptions for Chrysler sales volume and mix. Estimates from Chrysler's October 17 submission are significantly reduced for 1980 and are reduced to a lesser degreee in 1981 and 1982. These changes incorporate the most recent projections of U.S. automotive sales for 1980-1981 from Chase (Chase Econometrics) Auto and Data Resources Inc. (DRI). Estimates for 1983 are unchanged from Chrysler's October 17, 1979, submission. The specific Chrysler volume and mix for 1980 are preliminary figures Chrysler is using in developing its internal 1980 budget plan. These estimates are based on the scaled down market size foreseen by Chase and DRI. Exhibits A and B show graphically the total U.S. car and truck market size assumptions included in Chrysler's October 17 submission and the revised estimates used in this study. Exhibit C shows the industry volume and Chrysler market share statistics as submitted and the revised estimates.

Both base cases also include analyses with Chrysler volumes at 95% and 90% of the revised estimates. These analyses were made to indicate the magnitude of change in results in profitability and cash needs (without regard to management actions that might be taken) should either the Chrysler market share drop or the industry volume drop, or some combination of the two. The analyses should not be construed to represent Chrysler's future sales volumes, nor should they be considered the maximum "downside risk" which the Company might experience. Rather, these reduced volume analyses provide a basis for assessing sensitivity, or risk, when volume is reduced. Exhibit C shows the industry volume and market share assumptions

represented by the 95% and 90% volume levels.

First Base Case

The first revision of Chrysler's October 17 submission, referred to herein as the First Base Case, is essentially an updating of the original submission to incorporate the most recently available information:

1. The volume revisions just described.

2. Changes to costs and revenues resulting from more current information on the Fixed Cost Reduction program and Variable Margin Improvement program.

3. The October 1979 labor contract settlement of the U.A.W.

4. Various other minor adjustments to the original submission.

5. Modification of future interest expense charges to incorporate an assumption that $650* million of the cash shortfall is funded internally (e.g., from asset disposition). The projected cash deficits included in this document do not give effect to the actual receipt of the $650 million in funds from the sale of assets because this document's purpose is to identify total estimated cash needs under the various alternatives analyzed.

Second Base Case

The second level of revision, or Second Base Case, includes all of the changes from the Chrysler submission included in the First Base Case plus additional changes based on a review of Chrysler's improvement programs--the Fixed Cost Reduction program and the Variable Margin Improvement (VMI) program. These two programs were reviewed to estimate the difficulty of meeting program goals.

* This number was suggested by Chrysler's financial advisors as an amount that could be raised by Chrysler from sale of assets.

304-856 O - 79 - 8

REVISED ESTIMATES OF PROFITABILITY AND CASH NEEDS

Application of the assumptions of the two revised cases produces the profitability and cash needs estimates shown in Exhibit D, which also includes the Chrysler October 17 submission figures as a reference. The schedule indicates the general magnitude of the effect of the alternative assumptions prepared in a manner consistent with Chrysler's submission.

Particularly noteworthy are the cash needs shown for the Second Base Case at revised volumes and at the 95% level of attainment of revised volumes--$3.2 billion and $4 billion respectively. The $3.2 billion includes all identified changes since the submission plus estimates to recognize difficulties in achieving certain profit improvement programs. The $4.0 billion includes the effect of a 5% shortfall in Chrysler sales volume which might occur for any of a variety of reasons--such as reduced industry volume or not meeting market share goals.

Note, however, that the estimates presented in Exhibit D include the full effect of the capital program Chrysler incorporated in the October 17 submission.

Estimated Cash Needs With Modified Capital Program

At some level of cash needs, a reduction of the scope of the capital program becomes warranted to reach an "affordable" level, even though product programs and efficiency results may be compromised. A general review of the capital program indicated that a reduction of as much as $1.0 billion is feasible in the crucial 1980-1983 period by a combination of

trimming, delaying and deleting programs and projects. This curtailment would carry with it a reduction in variable profit margins from vehicle sales due to lesser attainment of efficiency goals and possibly reduced appeal of product offerings. This shortfall would be more than offset initially by interest expense reduction and reduced program related fixed expenses. Exhibit E shows the projected impact on profitability and cash needs of a $1.0 billon curtailment of capital programs during 1980-1983 period. The Exhibit indicates a reduction in peak net cash needs of approximately $950 millon in the critical 1980-1983 period. The profit reduction consequences of the capital program modifications would extend beyond 1983 if reinstatement of programs and projects does not become affordable.

Only approximately half of the effect of the capital spending reduction flows through to the income statement in the 1980-1983 period. The remainder would be realized through reduced amortization and depreciation in future years. While this adjustment is hypothetical in that it does not identify in specific terms what product programs are affected thereby, there is some reason to believe it may be attainable. See the section "Capital Program Modifications" for further discussion of this matter.

These adjustment can be viewed either as a contingency which can be acted upon should short-term events prove unfavorable (e.g., for 1980), or as deletions from and modifications to the present capital program which can be reinstated if short-term events prove favorable.

Particularly noteworthy in Exhibit E are the peak cash needs during 1980-1983 for the Adjusted Second Base Case at 100% of revised volumes and at 95% of revised volumes--$2.3 billion and $3.1 billion, respectively.

Summary of Cash Needs

The Chrysler submission includes a contingency provision which totals about $250 million over the 1980-1983 period.

The Second Base Case at 100% of revised volume without capital program modifications and without consideration of the contingency provision indicates a peak cash need slightly in excess of $3.0 billion. The adjusted Second Base Case at 95% volume levels indicates peak cash needs could be approximately $3.0 billion, with a $1.0 billion capital spending cut back.

Essentially, the capital program modifications plus the contingency built into the Chrysler submission represent a zone of flexibility for meeting adversity. However, it should be noted that the automotive industry is highly subject to economic cycles and some contingency should be included in any financing plan of this nature. Additional contingency amounts might be realized through additional funding or alternatively through further product action modifications. However, at some point Chrysler's capital structure and capacity to pay debt service charges will limit the amount that it can borrow.

III. DETAILED DISCUSSION

VARIABLE MARGIN IMPROVEMENT (VMI) PROGRAM

Chrysler has a very extensive program for improving variable margins per average car and truck sold (i.e., average unit revenue less average variable cost). Some actions are aimed at realizing variable cost reductions (e.g., improved purchasing and component redesign), some at enhancing basic revenues (e.g., increasing the proportion of higher priced cars and trucks), and some at increasing the value of the sale (e.g., by selling more options on the average). The variable margin improvement is expressed as a gain or loss in margin over a base period, which is the 1979 model year in Chrysler's October 17 submission. The program includes hundreds of individual actions involving virtually all activities in the organization--purchasing, manufacturing, engineering, product planning, marketing and others.

The Chrysler VMI program was reviewed to gain a general understanding of the program, underlying assumptions, past results, related trends and other pertinent matters. Based on this review, estimates were made to adjust the degree of attainment of certain elements of the VMI program.

The VMI program was incorporated in the revised base cases as follows:

1. The per unit VMI gains used by Chrysler in the October 17 submission were applied to the revised volumes used herein to establish a base level.

2. Changes based on more current information were incorporated in the First Base Case.

3. Changes based on the review of VMI assumptions were included in the Second Base Case in addition to the changes included in item 2.

Several exhibits summarize the VMI data included in each Base Case:

Exhibit F--Shows the October 17 submission data applied to the revised volumes. Base variable margin is based on the 1979 model year car and truck average variable margin as estimated by Chrysler at the time the submission was prepared. The VMI data shows the 1980-1983 cumulative amounts of VMI gains added to base year variable margins at the October 17 submission rates per average car and truck.

Exhibit G--Shows the 1980-1983 cumulative VMI amounts at plan program rates from Exhibit F, the cumulative reduction from changes included in the First Base Case, and additional changes based on the review which are included in the Second Base Case.

Exhibit H--Shows the same estimates as Exhibit G, except on a year by year basis.

Exhibit I--Shows the percent of attainment by VMI action element used to compute the additional adjustment in the Second Base Case.

In all instances, the exhibit computations are based on the mix of cars and trucks as existed in Chrysler's October submission.

FIXED COST REDUCTION PROGRAM

Chrysler has developed a program for reducing fixed costs, identified as "Management Profit Improvement Actions," in the following six areas:

	Annual Cost Reduction ($ millions)	
	1980	1981-1983
Personnel	$201.9	$204.2
Compensation	22.2	12.2
Facility closings	69.5	121.5
Operating expenses	91.6	91.6
Marketing	137.8	137.8
Other	(9.2)	(.5)
Total	$513.8	$566.8

Over 50 potential independent actions impacting the areas above were identified. Almost all organizational entities are anticipated to be impacted by these fixed cost reductions.

A brief review of each element of the planned reductions and a review of reported reductions through the third quarter of 1979 was completed.

Based upon the review and discussions with key personnel in each area, certain adjustments were made related to the attainability of the fixed cost reductions. The following details identify each modification made to the second base case:

	($ millions) 1980	1981	1982	1983
Increase in expenses--PERSONNEL	$3.8	$7.0	$7.0	$7.0

Costs were increased by $7 million each year for added health care costs for retirees. In 1980, savings of $3.2 million were recognized to correct an error in computing health care termination costs in the October 17 submission.

COMPENSATION (No adjustment)

	($ millions) 1980	1981	1982	1983
Increase in expenses--FACILITY CLOSINGS	$14.0	$18.0	$18.0	$18.0

Projected savings to be achieved in closing Hamtramck and Outer Drive plants were reduced. The adjustments reflect 50% attainment in 1980 and 75% attainment in 1980-1983.

	($ millions) 1980	1981	1982	1983
Increase in expenses--OPERATING EXPENSE	$21.0	$51.0	$27.0	$20.0

These increases in operating expenses were included on the assumption that only 90% of the planned reductions would be achieved.

MARKETING

There were several individual elements of marketing fixed cost reductions in the October 17 submission which were revised, as follows:

1. Advertising expense was adjusted to reflect the change in sales volume. The revised amount was based on an assumed $100 per unit in 1980, and $60 per unit for adjusted sales volumes above the 1980 level in 1981 and 1982, with no sales volume adjustments in 1983.

	($ millions) 1980	1981	1982	1983
Decrease in expenses	$14.4	$3.1	$12.6	$-0-

2. Sales incentive expense per unit was adjusted as in the case of advertising above, based on adjusted sales volumes in the years 1980, 1981 and 1982, with no adjustments in sales volume in 1983.

	($ millions)			
	1980	1981	1982	1983
Decrease in expenses	$5.1	$2.4	$.8	$-0-

3. The policy of leasing fleet cars on a six-month basis and reselling in the wholesale market was changed to reflect outright sales. Discounts on new models to fleet purchasers were eliminated or reduced. Adjustments were made on the basis that the total projected savings of $45 million per year will not be achieved.

	($ millions)			
	1980	1981	1982	1983
Increase in expenses	$14.0	$14.0	$14.0	$14.0

4. The October 17 submission reflected an annual savings of $7 million per year in warehousing efficiency or manpower reductions. These manpower reductions had already been included in the Personnel Reduction Plan. An adjustment was made to eliminate this duplication.

	($ millions)			
	1980	1981	1982	1983
Increase in expenses	$7.0	$7.0	$7.0	$7.0

5. The proposed plan did not provide additional amounts for increased sales incentives. An adjustment to the October 17 submission was made to reflect increased expenses that may be necessary to stimulate sales volumes.

	($ millions)			
	1980	1981	1982	1983
Increase in expenses	$25.0	$25.0	$-0-	$-0-

Marketing Fixed Cost Reduction Summary

	($ millions) 1980	1981	1982	1983
October 17 planned reduction	$137.8	$137.8	$137.8	$137.8
Decrease in expenses	19.5	5.5	13.4	-0-
Subtotal	157.3	143.3	151.2	137.8
Increase in expenses	46.0	46.0	21.0	21.0
Adjusted	$111.3	$ 97.3	$130.2	$116.8
Difference	$ 26.5	$ 40.5	$ 7.6	$ 21.0

FIXED COST REDUCTION PLAN AND ADJUSTMENT SUMMARY

	($ millions) 1980	1981	1982	1983
October 17 Plan	$513.8	$566.8	$566.8	$566.8
Adjustments--net:				
Personnel	(3.8)	(7.0)	(7.0)	(7.0)
Facility closings	(14.0)	(18.0)	(18.0)	(18.0)
Operating expenses	(21.0)	(51.0)	(27.0)	(20.0)
Marketing	(26.5)	(40.5)	(7.6)	(21.0)
Total Net Adjustments	(65.3)	(116.5)	(59.6)	(66.0)
Adjusted	$448.5	$450.3	$507.2	$500.8

Over the four-year period the original plan presented fixed cost reductions totaling $2,214.2 million. With the adjustments noted, the revised fixed cost reductions over the same four-year period total $1,906.8 million, or $307.4 million less over the four-year projection period.

NONRECOVERY OF ECONOMICS AND REGULATIONS

In recent years, price increases established by Chrysler have been less than fixed and variable cost increases which are partially attributable to inflation and compliance with Federal government regulations for safety,

environmental controls and fuel economy. Chrysler is not in a position to be a price leader in the industry. Consequently, it must generally follow the competitors pricing response to inflation and other factors. This pricing "shortfall" was recognized by Chrysler in the October 17 plan as "Nonrecovery of Economics and Regulations."

Since the plan was submitted various changes have been identified, such as the 1980 model year being priced by Chrysler and its competitors. The identified adjustments have been included in the First Base Case. No additional adjustments were noted as appropriate for the Second Base Case. Exhibit J shows the cumulative amount included in the October 17 plan, and the adjustments identified for the First Base Case.

OTHER ADJUSTMENTS

Two additional types of adjustments were made to the October 17 submission in developing the First and Second Base Case figures:

- Decreases in expenses related to the UAW contract settlement.
- Refined computations of interest expense.

The UAW Contract settlement reached in the latter part of October provided labor cost terms that were favorable in comparison to the GM settlement pattern included in developing the October 17 plan. Estimated savings were developed for each of the years affected by the settlement (1979 through 1982) and were reflected in the financial projections for the First and Second Base Cases.

The computation of interest expenses in the First and Second Base Cases differs from that in the October 17 plan in two ways:

- The October 17 plan interest computation assumed all funds required carried an interest obligation; the First and Second Base Cases recognized availability of certain funds (e.g. through asset dispositions).

- The financial model used to develop the First and Second Base Cases includes a more refined technique (simultaneous equations) for estimating future interest expense than the October 17 plan.

CAPITAL PROGRAM MODIFICATIONS

Major reasons for Chrysler's cash needs are capital expenditure programs and related program expenses Chrysler deems necessary to restore financial viability. These expenditures are aimed primarily at providing a full-line of competitive cars and trucks, improving efficiency and meeting various regulations. Chrysler's October 17 submission presented programs totaling $7,840 million during the 1980 through 1983 period. Of this total, $2,128 million is for a variety of nonproduct actions, primarily for improving manufacturing efficiency.

Car programs total $2,853 million, truck programs $908 million and related powertrain (engines and transaxles) programs $1,951 million--a product program total of $5,712 million.

Should unfavorable circumstances be prolonged for Chrysler, a program of this magnitude may be more than Chrysler can afford, despite the potential long-term desirability of the planned actions. Accordingly, the make-up of the expenditures was reviewed as to whether Chrysler might have the flexibility to modify program plans in order to reduce expenditures should such action become necessary.

Product expenditures for the 1980 and 1981 model years were not considered candidates for modification. Expenditures are already substantially committed as 1981 models will be in production in about 10 months. Thus cancellations, delays or curtailments would likely yield limited expenditure reductions. Also, the primary product action is a new, fuel-efficient compact car which Chrysler believes is particularly important to maintaining competitive products.

Expenditures during the 1980-1983 period for 1986 and later model years offer the greatest flexibility, and total $168 million during the period. The more difficult decisions relate to the 1982 through 1985 model year programs which total $4,627 million. The following table summarizes program expenditures by model year ranges:

	1980-1983 Program Expenditures ($ Millions)		
	1980-1981 Model Years	1982-1985 Model Years	1986 - Beyond Model Years
Cars	$561	$2,266	$ 26
Trucks	77	784	47
Powertrains	279	1,577	95
TOTALS	$917	$4,627	$168

A variety of product program actions are candidates to conserve expenditures from the $4,627 million planned for 1982 through the 1985 model years should the need arise. Some of the major possibilities are:

(1) A new small pick-up/utility truck for 1983 model year

- Slide program entirely, or utility model only, one year
- Same action but two year delay
- Cancel program

(2) An all new larger size (D body) car-basic model for 1984 model year; derivative models for 1985 model year:

- Delay program one year
- Reduce or eliminate powertrain changes
- Reduce distinctiveness of derivative models
- Reduce number of derivative models

(3) A new compact specialty (1983 model year) and renewed compact (1985 model year)

- Delay either or both one year
- Reduce degree of change from basic models
- Reduce extent of 1985 renewal

(4) Cancel, reduce extent of change or delay one or more of a variety of smaller programs, such as:

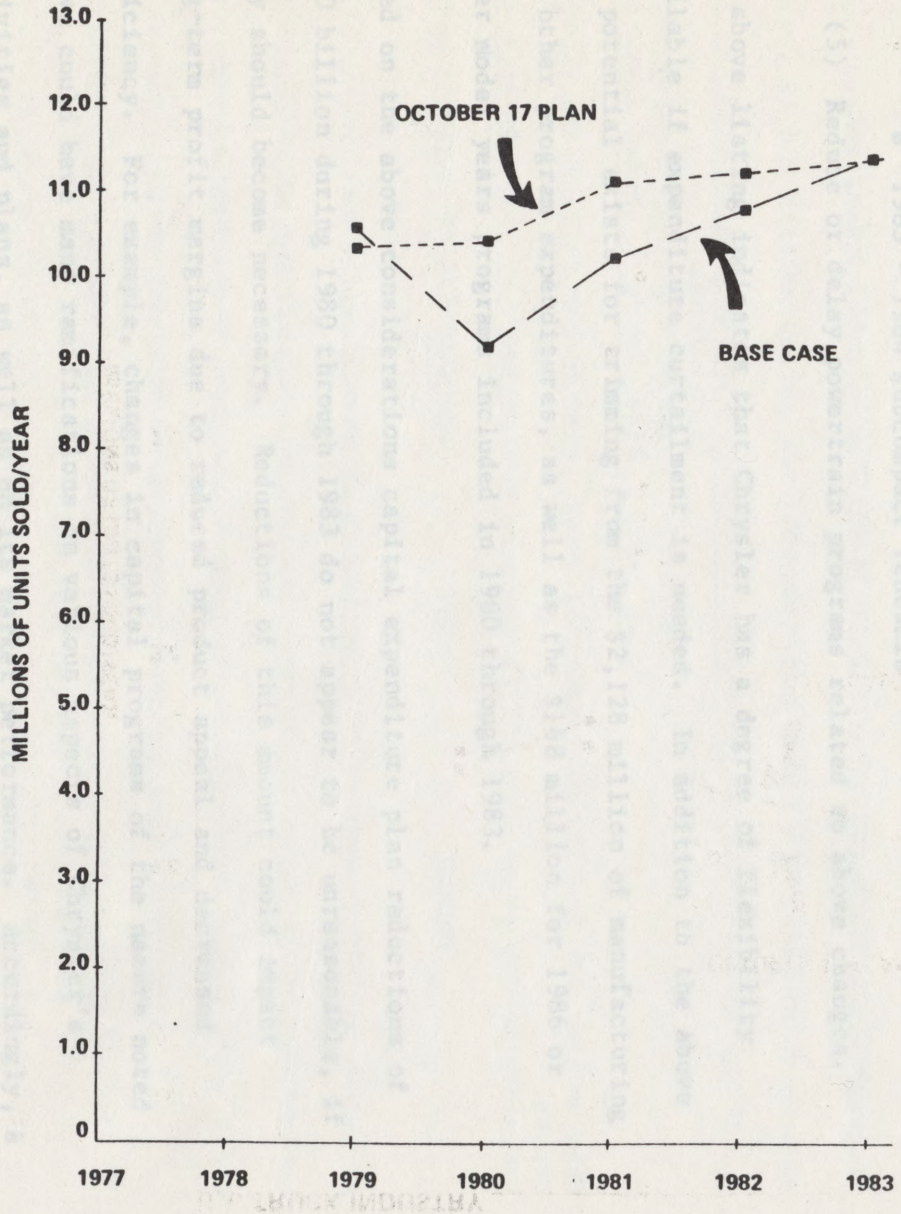
- 1982 Chrysler and New Yorker additions
- 1983 middle specialty renewal
- 1983 - 1984 subcompact renewals

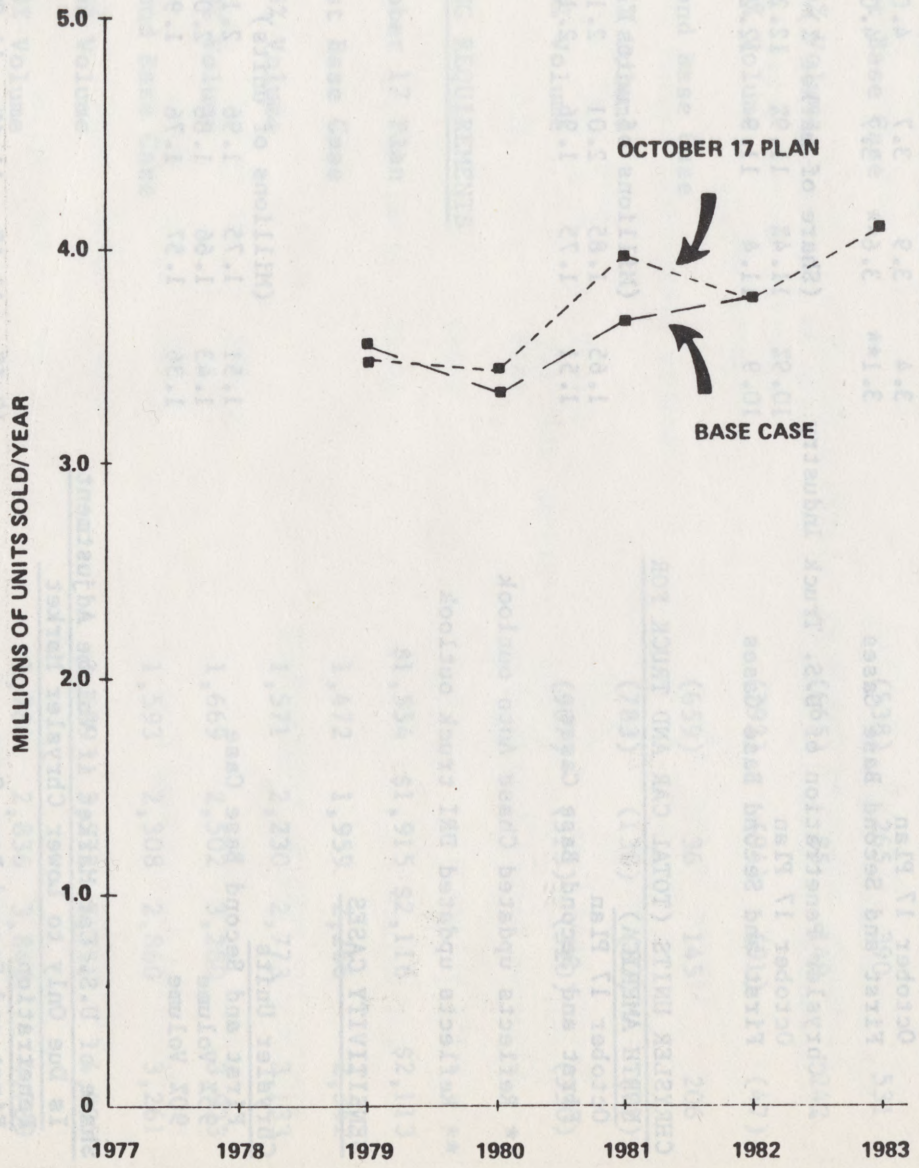
(5) Reduce or delay powertrain programs related to above changes.

The above listing indicates that Chrysler has a degree of flexibility available if expenditure curtailment is needed. In addition to the above the potential exists for trimming from the $2,128 million of manufacturing and other program expenditures, as well as the $168 million for 1986 or later model years programs included in 1980 through 1983.

Based on the above considerations capital expenditure plan reductions of $1.0 billion during 1980 through 1983 do not appear to be unreasonable, if they should become necessary. Reductions of this amount could impact long-term profit margins due to reduced product appeal and decreased efficiency. For example, changes in capital programs of the nature noted above could have many ramifications on various aspects of Chrysler's activities and plans, as well as on its market performance. Accordingly, a specific combination of modifications which Chrysler might select, should such action become necessary, could not be specified without extensive

evaluation being performed by the Company. The approximate impact of such changes during the 1980 through 1983 period is shown in Exhibit E. No attempt was made to project the potential impact of such actions in years subsequent to 1983.





304-856 O - 79 - 9

EXHIBIT C

KEY MARKET ASSUMPTIONS

	1980	1981	1982	1983
CAR				
• U.S. Car Industry Volume		(Millions of units)		
October 17 Plan	10.5	11.1	11.2	11.4
First and Second Base Cases	9.3*	10.3*	10.8*	11.4
• Chrysler Penetration of U.S. Car Industry		(Share of market %)		
October 17 Plan	10.2%	11.1%	11.6%	11.9%
First and Second Base Cases	10.5	11.1	11.6	11.9
TRUCK				
• U.S. Truck Industry Volume		(Millions of units)		
October 17 Plan	3.4	3.9	3.7	4.0
First and Second Base Cases	3.1**	3.6**	3.7	4.0
• Chrysler Penetration of U.S. Truck Industry		(Share of market %)		
October 17 Plan	10.9%	11.4%	11.9%	12.2%
First and Second Base Cases	10.9	11.4	11.9	12.2
CHRYSLER UNITS (TOTAL CAR AND TRUCK FOR NORTH AMERICA)		(Millions of units)		
October 17 Plan	1.65	1.85	2.01	2.12
First and Second Base Cases	1.51	1.75	1.96	2.12

* Reflects updated Chase Auto outlook

** Reflects updated DRI truck outlook

SENSITIVITY CASES

Chrysler Units		(Millions of units)		
First and Second Base Case	1.51	1.75	1.96	2.12
95% Volume	1.43	1.66	1.86	2.01
90% Volume	1.36	1.57	1.76	1.91
Share of U.S. Car Market if Volume Adjustment Is Due Only to Lower Chrysler Market Penetration				
First and Second Base Case	10.5%	11.1%	11.6%	11.9%
95% Volume	10.0	10.6	11.0	11.3
90% Volume	9.5	10.0	10.4	10.7
Industry Volume if Volume Adjustment Is Due Only to Lower Industry Volume		(Millions of units)		
First and Second Base Case	9.3	10.3	10.8	11.4
95% Volume	8.8	9.8	10.3	10.9
90% Volume	8.4	9.3	9.7	10.3

EXHIBIT D

COMPARISON OF OCTOBER 17 PLAN WITH BASE CASES INCOME AND FUNDING REQUIREMENTS

	($ Millions)			
	1980	1981	1982	1983
NET INCOME (LOSS)				
October 17 Plan	$ (482)	$ 393	$ 516	$ 610
First Base Case	(538)	265	390	531
95% Volume	(665)	85	149	242
90% Volume	(792)	(94)	(91)	(47)
Second Base Case	(659)	36	145	206
95% Volume	(783)	(138)	(87)	(72)
90% Volume	(907)	(313)	(320)	(350)
FUNDING REQUIREMENTS				
October 17 Plan	$1,554	$1,915	$2,116	$2,113
First Base Case	1,472	1,959	2,266	2,342
95% Volume	1,571	2,230	2,773	3,133
90% Volume	1,669	2,502	3,280	3,923
Second Base Case	1,593	2,308	2,860	3,261
95% Volume	1,689	2,572	3,351	4,025
90% Volume	1,784	2,836	3,843	4,789

EXHIBIT E

PROJECTED IMPACT OF $1.0 BILLION CUTBACK IN CAPITAL SPENDING

	($ Millions)			
	1980	1981	1982	1983
• ADJUSTED SECOND BASE CASE ASSUMPTIONS				
Reduction in Capital Spending	$ -0-	$ 300	$ 350	$ 350
Mix of tooling, facilities and equipment and other Capital Spending in cutback:	Same as for October 17 Plan; specific program detail not identified			
• NET INCOME (LOSS)				
Second Base Case	$ (659)	$ 36	$ 145	$ 206
Adjusted Second Base Case	(659)	173	318	356
95% Volume	(783)	(1)	86	78
90% Volume	(907)	(176)	(147)	(199)
• CUMULATIVE FUNDING REQUIREMENTS				
Second Base Case	$1,593	$2,308	$2,860	$3,261
Adjusted Second Base Case	1,593	1,994	2,196	2,309
95% Volume	1,689	2,258	2,687	3,073
90% Volume	1,784	2,522	3,179	3,837

EXHIBIT F

VARIABLE MARGIN - OCTOBER 17 SUBMISSION AVERAGE UNIT RATES AT REVISED VOLUMES (1980-1983 CUMULATIVE)

	Car	Truck	Total
		($ Millions)	
Variable margin improvement program	$2,909.0	$ 468.4	$ 3,377.4
1979 model year base	6,651.4	3,036.0	9,687.4
Variable margin	$9,560.4	$3,504.4	$13,064.8
		(Percent of total)	
Variable margin improvement program	30.4%	13.4%	25.9%
1979 model year base	69.6	86.6	74.1
Variable margin	100.0%	100.0%	100.0%

EXHIBIT G

VMI ADJUSTMENTS
(1980-83 Cumulative)

	($ millions)			Percent		
	Car	Truck	Total	Car	Truck	Total
FIRST BASE CASE						
At October 17 Plan Average Unit Rates	$2,909.0	$468.4	$3,377.4	100.0%	100.0%	100.0%
First Base Case adjustments	(97.2)	(118.2)	(215.4)	(3.3)	(25.2)	(6.4)
First Base Case	2,811.8	350.2	3,162.0	96.7	74.8	93.6
SECOND BASE CASE						
Second Base Case additional adjustments	(359.9)	(91.8)	(451.7)	(12.4)	(19.6)	(13.4)
Second Base Case	$2,451.9	$258.4	$2,710.3	84.3%	55.2%	80.2%

EXHIBIT H

ANNUAL VMI INCLUDED IN ESTIMATES

	($ Millions)				
	1980	1981	1982	1983	Total 1980-1983
At October 17 Plan Average Unit Rates	$385.3	$759.5	$1,008.9	$1,223.7	$3,377.4
Adjustments	(27.4)	(55.2)	(62.3)	(70.5)	(215.4)
First Base Case	357.9	704.3	946.6	1,153.2	3,162.0
Additional Adjustments	(48.7)	(86.3)	(132.7)	(184.0)	(451.7)
Second Base Case	$309.2	$618.0	$ 813.9	$ 969.2	$2,710.3

EXHIBIT I

ADJUSTMENTS TO VMI ATTAINMENT

	Estimated Attainment Percentage
New product programs	100%
New and discontinued options and equipment changes	65%
Component insourcing	100%
Design cost reductions	85%
Warranty improvements	115%
Market demand changes	65% - Car 85% - Truck
Purchasing programs	65%
Manufacturing	100% - 1980 75% - Thereafter

EXHIBIT J

NONRECOVERY ECONOMICS AND REGULATIONS

(1980-1983 Cumulative)

	($ Millions)		
	Car	Truck	Total
October 17 Plan	$(550.1)	$(110.6)	$(660.7)
First Base Case adjustments	(70.3)	30.4	(39.9)
Adjusted total	$(620.4)	$ (80.2)	$(700.6)
Second Base Case additional adjustments	$ -0-	$ -0-	$ -0-
Adjusted total	$(620.4)	$ (80.2)	$(700.6)

U. S. GOVERNMENT PRINTING OFFICE : 1979 O - 304-856

THE SECRETARY OF THE TREASURY

WASHINGTON

November 1, 1979

Identical letters sent to President of the Senate and Speaker of the House with copies to Senator Proxmire and Congressman Reuss.

Dear Mr. President:

There is enclosed a draft bill, entitled the "Chrysler Corporation Loan Guarantee Act of 1979." There is also enclosed a detailed section by section analysis of the bill.

The Chrysler Corporation Loan Guarantee Act of 1979 reflects the Administration's decision to recommend financing assistance for Chrysler Corporation in order to avoid the adverse impact that a Chrysler failure would have on its employees and those of its suppliers and dealers, and especially the local economy of Detroit, the State of Michigan and the Midwest region. In addition, the Act should ensure that strong competition will continue among automobile producers, with consequent benefits for the American people.

The Act would authorize the Secretary of the Treasury to issue loan guarantees in amounts up to $1.5 billion. This authority can be exercised only upon fulfillment of a series of stated conditions.

These conditions include a requirement that existing creditors maintain their position and that Chrysler raise $1.5 billion of new, unguaranteed capital on its own through a combination of asset dispositions, financing contributions and other concessions from persons with an economic stake in the Company. Chrysler Corporation also will be required to present a satisfactory four-year operating plan showing its ability to operate as a going concern through December 31, 1983 and after such date without additional Federal assistance.

These Federal guarantees will provide the cornerstone around which an overall financing plan can be developed. Also, this bill contains sufficient flexibility to enable the financing plan to be negotiated while adequately protecting the Federal interest.

The draft bill is in accord with the program of the President and has been reviewed by the Office of Management and Budget.

Sincerely yours,

G. William Miller

The Honorable
Walter F. Mondale
President of the Senate
Washington, D. C. 20510

Enclosures

cc: The Honorable
William Proxmire
Chairman
Senate Committee on Banking,
Housing and Urban Affairs
U.S. Senate
Washington, D. C. 20510

Chrysler Corporation Loan Guarantee Act of 1979

Section

SECTION 101. TITLE: DEFINITIONS

(a) This Act may be cited as the "Chrysler Corporation Loan Guarantee Act of 1979"

(b) For purposes of this Act, the following terms shall have the following meanings -

(i) Borrower - Chrysler Corporation, or any of its subsidiaries or affiliates, or any other entity the Secretary may designate from time to time which borrows funds for the benefit or use of the Corporation.

(ii) Corporation - Chrysler Corporation and its subsidiaries and affiliates.

(iii) Financing Plan - the financing plan required pursuant to Section 102(c); in each case, as revised in accordance with Section 103(a)(iv).

(iv) Fiscal year - the fiscal year of the Corporation.

(v) Operating Plan - the plan required pursuant to Section 102(b), as revised in accordance with Section 103(a)(iv).

(vi) Persons with an existing economic stake in the health of the Corporation--banks, financial institutions, and other creditors, suppliers, dealers, stockholders, labor unions, employees, management, state, local and other governments, and others directly deriving benefit from the production, distribution and sale of products of the Corporation.

(vii) Secretary - the Secretary of the Treasury.

SECTION 102. AUTHORITY FOR LOAN GUARANTEES -- FINDINGS FOR COMMITMENTS

Subject to the provisions of this Act, the Secretary, on such terms as he deems appropriate, may make commitments to guarantee loans to a Borrower only if, at the time the commitment is issued, the Secretary determines that:

(a) the commitment is needed to enable the Corporation to continue to furnish goods or services and failure to meet this need would adversely and seriously affect the economy, or employment in the United States or any region thereof or competition in the automobile industry in the United States.

(b) the Corporation has submitted to the Secretary a satisfactory Operating Plan (including budget and cash flow projections) for the 1980 fiscal year and the next succeeding three fiscal years demonstrating the ability of the Corporation to continue operations as a going concern in the automobile business and after December 31, 1983 to continue such operations without additional guarantees or other Federal financing; and the Secretary has received such assurances as to the feasibility of the Operating Plan as he may require;

(c) the Corporation has submitted to the Secretary a satisfactory Financing Plan to meet the financing needs of the Corporation as reflected in the Operating Plan for the period covered by such plan, which includes an aggregate amount of non-federally guaranteed assistance of at least $1.5 billion

(i) from financial commitments or concessions from persons with an existing economic stake in the health of the Corporation in excess of their outstanding commitments or concessions as of October 17, 1979, provided that, to the extent practicable, at any point the amounts of commitments or concessions obtained under this subsection which have been used and not repaid as a proportion of total commitments and concessions obtained under this subsection, shall not be less than the proportion of principal amount of guarantees issued and outstanding under this Act to the total principal amount of guarantees committed by the Secretary;

(ii) from capital to be obtained through merger, sale of securities, or otherwise after October 17, 1979; and

(iii) from cash to be obtained from the disposition of assets of the Corporation after October 17, 1979;

(d) to the extent practicable, commitments consistent with the stakes of persons with an existing economic stake in the health of the Corporation have been made; and

(e) the Secretary has received adequate assurances as to the availability of all financing contemplated by the Financing Plan and as to its adequacy (taking into account the amount of guarantees to be issued) to meet all the Corporation's projected financing needs during the period covered by the Financing Plan.

SECTION 103. FINDINGS: EFFECT OF DETERMINATION: GUARANTEE FEE

(a) Guarantees may be issued only pursuant to commitments. The terms of any commitment shall provide that a guarantee may be issued under this title only if at the time the guarantee is issued, the Secretary determines that:

(i) credit is not otherwise available to the Corporation under reasonable terms or conditions sufficient to meet its financing needs as reflected in the Operating Plan;

(ii) there is a reasonable prospect of repayment of the loan to be guaranteed in accordance with its terms;

(iii) the loan to be guaranteed bears interest at a rate determined by the Secretary to be reasonable which shall not be less than the current average yield on outstanding obligations of the United States with remaining periods to maturity comparable to the average maturity of such loan;

(iv) the Operating Plan and the Financing Plan of the Corporation continue to meet the relevant standards set forth in Section 102 or appropriate revisions to such plans (including extensions of such plans to cover the then current four year period) have been submitted to the Secretary to meet such standards; the Corporation is in compliance with such plans; and the Secretary has received such assurances as to the feasibility of such plans and the Corporation's compliance therewith as he may require;

(v) the Corporation has agreed for as long as guarantees issued under this title are outstanding (A) to have prepared and submitted on or before the 30th day preceding each Fiscal Year beginning after December 31, 1980, a revised Operating Plan and Financial Plan covering the four year period commencing with such Fiscal Year which meets the relevant standards of Section 102 and (B) to prepare and deliver to the Secretary within 120 days of the end of each Fiscal Year, an analysis reconciling its actual performance for that Fiscal Year with the Operating Plan and the Financial Plan for that Fiscal Year; and

(iv) the Borrower is in compliance with the terms and conditions of the commitment to issue the guarantees required by the Secretary pursuant to Section 104(b) except to the extent that such terms and conditions are modified, amended or waived by the Secretary.

EFFECT OF DETERMINATIONS

(b) Any determination by the Secretary that the conditions set forth in Sections 102, 103(a) 104(b) or 107(f) have been met shall be

conclusive, such determination to be evidenced by the making of the guarantee for which such determination is required. The validity of any guarantee made by the Secretary shall be incontestable in the hands of a holder, except for fraud or material misrepresentation on the part of such holder. The Secretary is authorized to determine the form in which any guarantee made under this Act shall be issued.

GUARANTEE FEE

(c) The Secretary shall prescribe and collect no less frequently than annually a guarantee fee in connection with each guarantee under this Act. Such fee shall be at least 1/2 of 1% per annum on the outstanding principal amount of loans guaranteed pursuant to this Act computed daily. In addition, the Secretary shall be authorized to negotiate any terms he deems appropriate to compensate adequately the United States for the risk it assumes in issuing guarantees under this Act. All amounts collected by the Secretary pursuant to this subsection shall be deposited in miscellaneous receipts of the Department of the Treasury.

SECTION 104. REQUIREMENTS APPLICABLE TO LOAN GUARANTEES--

MATURITY OF GUARANTEED LOANS

(a) Loans guaranteed under this Act shall be payable in full not later than December 31, 1990, and the terms of such loans shall provide that they cannot be amended, or any provision waived, without the Secretary's consent.

TERMS AND CONDITIONS

(b) (i) Any commitment to issue guarantees entered pursuant to this Act shall contain all the affirmative and negative covenants and other protective provisions that the Secretary determines are appropriate. The Secretary shall require security for the loans to be guaranteed under this Act, subordination of existing loans to the

Corporation to the loans to be guaranteed, and prohibition of the payment of dividends on any common or preferred stock issued by the Corporation, unless he determines waiver of any such requirement is necessary to facilitate the ability of the Corporation or any Borrower to obtain financing, and he determines that, despite the waiver, there is a reasonable prospect of repayment of the loans guaranteed under this Act.

(ii) If the Secretary determines that the inability of the Corporation to obtain credit without a guarantee under this Act is the result of a failure on the part of management to exercise reasonable business prudence in the conduct of the affairs of the Corporation, the Secretary shall require before issuing any guarantee to the Corporation that the Corporation make such management changes as the Secretary deems necessary to give the Corporation a sound managerial base.

SECTION 105. POWERS AND DUTIES--SECRETARY: INSPECTION OF DOCUMENTS

(a) The Secretary is authorized to inspect and copy all accounts, books, records, and transactions of the Corporation and any other Borrower for which an application for a guarantee to be issued under this Act has been made.

GENERAL ACCOUNTING OFFICE: AUDIT: REPORT TO SECRETARY AND CONGRESS

(b) The General Accounting Office is authorized to make a detailed audit of all accounts, books, records, and transactions of any Borrower with respect to which an application for a guarantee under this Act has been made. The General Accounting Office shall report the results of such audit to the Secretary and to the Congress.

SECTION 106. MAXIMUM OBLIGATION

The outstanding principal amount of loans guaranteed by the Secretary shall not exceed at any one time $1,500,000,000.

SECTION 107. PROTECTION OF GOVERNMENT'S INTEREST--SECRETARY, ENFORCEMENT AUTHORITY

(a) The Secretary shall take such action as may be appropriate to enforce any right accruing to the United States or any officer or agency therefor as a result of the issuance of guarantees under this Act.

RECOVERY RIGHTS: SUBROGATION

(b) The Secretary shall be entitled to recover from the Borrower, or any other person liable therefor, the amount of any payments made pursuant to any guarantee entered into under this Act; and upon making any such payment, the Secretary shall be subrogated to all the rights of the recipient thereof.

OTHER REMEDIES

(c) The remedies provided in this Act shall be cumulative and not in limitation of or substitutions for any other remedies available to the Secretary or the United States.

INSTITUTION OF FEDERAL PROCEEDINGS

(d) The Secretary may bring action in any United States district court or any other appropriate court to enforce compliance with the provisions of the Act or any agreement related thereto and such court shall have jurisdiction to enforce such compliance and enter such orders as may be appropriate.

NO GUARANTEES OF TAX-EXEMPT LOANS

(e) A loan shall not be guaranteed if the income from such loan is excluded from gross income for purposes of Chapter 1 of the Internal Revenue Code of 1954, as amended, or if the guarantee provides significant collateral or security to other obligations, the income from which is so excluded.

FEDERAL PRIORITY WAIVER

(f) The Secretary is authorized to waive, wholly or partially, the priority of the United States established under section 3466 of the revised statutes (31 USC 191) with respect to any debt owed to the United States by the Corporation or any Borrower with respect to any guarantees issues under this Act, to the extent he deems such waiver is necessary to facilitate the ability of the Corporation or any Borrower to obtain financing as reflected in the Financing Plan, provided that he determines that, despite such waiver, there is a reasonable prospect of repayment of the loans guaranteed under this Act. A waiver under this subsection may not by its terms subordinate the claims of the United States under this Act to those of any other creditor of the Corporation or any Borrower.

SEVERABILITY

(g) If any provision of this Act is held to be invalid, or the application of such provision to any person or circumstance, is held to be invalid by a court of competent jurisdiction, the remainder of this Act, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

SECTION 108. REPORTS TO CONGRESS: RECOMMENDATIONS

The Secretary shall submit to the Congress annually a full report of his activities under this Act.

SECTION 109. AUTHORIZATION OF APPROPRIATIONS

(a) There are authorized to be appropriated beginning October 1, 1979, and to remain available without fiscal year limitation, such sums as may be necessary to carry out this Act.

(b) Any other provision of this Act to the contrary notwithstanding, the authority of the

Secretary to make any guarantee under this Act shall be limited to the extent such amounts are provided in advance in appropriations Acts.

CHRYSLER CORPORATION LOAN GUARANTEE ACT OF 1979

Section by Section Analysis

The Bill authorizes the Treasury Secretary to provide financial assistance in the form of loan guarantees of up to $1,500,000,000 to Chrysler Corporation.

The Bill has 9 sections:

101. Title; Definitions

102. Authority for Loan Guarantee -- Findings for Commitments

103. Findings; Effect of Determinations; Guarantee Fee

104. Requirements Applicable to Loan Guarantee

105. Powers and Duties

106. Maximum Obligation

107. Protection of the United States' Interest

108. Reports to Congress

109. Authorization of Appropriations

Section 101. Definitions. This section sets forth the definitions of various terms used in the Act.

The definition of "Corporation" makes it clear that the various conditions set forth in the Act are to be applied to Chrysler Corporation and to its subsidiaries and affiliates, considered as a single enterprise. The definition of "Borrower" indicates that a loan to a separate entity, not included within the definition of Corporation, may be guaranteed if such separate entity is borrowing funds for the benefit or use of the Corporation.

The definition of "persons with an existing economic stake in the health of the Corporation" is intended to include all those who would be most directly affected by a failure of the Corporation, including but not limited to banks, financial institutions, and other creditors, suppliers, dealers, shareholders, labor unions, employees, State, local and foreign governments.

Section 102. Authority for Loan Guarantee -- Findings for Commitments. This section grants the Secretary the authority to commit to guarantee principal and/or interest on loans, subject to specified determinations. Among the determinations the Secretary must make before giving a commitment are that (a) such commitment is necessary to enable the Corporation to continue to operate and the failure to meet such need would adversely affect the economy or employment in the United States or any region or competition in the automobile industry; (b) the Corporation has submitted a satisfactory operating plan for its 1980 fiscal year and the next three fiscal years, demonstrating its ability to continue as a going concern in the automobile business, both during the period prior to December 31, 1983 and thereafter, without additional federal assistance under the Act; and (c) the Corporation has submitted a satisfactory financing plan covering the financing needs reflected in its operating plan, which plan must include funding from non-Federal sources at least equal to $1,500,000,000 that is not guaranteed by the United States from (i) commitments or concessions from persons with an existing economic stake in the financial health of the Corporation in addition to their commitments and concessions as of October 17, 1979, (ii) capital to be obtained from merger, sale of securities or otherwise after October 17, 1979, and (iii) disposition of assets entered after October 17, 1979. Section 102(e) requires the Secretary to receive adequate assurances as to the feasibility of the financial plan. Section 102 (c)(1) contains the further restriction that the outstanding amount of guarantees may not be proportionately greater than the non-Federal funding obtained and not repaid.

The Secretary shall have wide discretion to determine those items and amounts that may be included in satisfying the non-Federal aid requirement, except that, to the extent practicable, the commitments should be commensurate with the financial stake in the corporation. In determining whether the goal of $1,500,000,000 has been reached, commitments and concessions existing on October 17, 1979 and included in the revised Chrysler submission of that date to the Treasury even if subject to conditions that were not then met -- such as the full amount of Chrysler's then outstanding domestic bank lines of $567 million and credit line with Japanese banks of $400 million and the loan from Blue Cross-Blue Shield of Michigan of $50 million -- do not count. A similar test would be used for the proceeds on asset dispositions: the proceeds from transactions prior to October 17 would be excluded even if proceeds were not received as of that date and even if the transaction were conditional; for example, the $1,500,000,000 would not include the proceeds from the sale of Chrysler Realty.

Section 103. Issuance of Guarantees. Subsection (a) specifies the conditions to be satisfied before the Secretary may issue a guarantee under the Act. It indicates that each commitment which has been issued must require that the conditions specified in subsection (a) must be met each time a guarantee is issued under that commitment. These conditions are that:

(i) credit is not otherwise available on reasonable terms in amounts required by the financing plan;

(ii) there is a reasonable prospect of repayment;

(iii) the interest rate is reasonable, but may not be less than the current average yield on Treasury securities of a similar maturity;

(iv) the operating plan and the financing plan continue to meet the applicable standards of Section 102 or has been revised as appropriate; the Corporation is in compliance with such plans; and the Secretary has received assurances as to the feasibility of such plans and the Corporation's compliance therewith;

(v) the Corporation has agreed to deliver rolling four-year operating and financing plans to the Secretary and an annual analysis of deviations in performance from the targets set forth in the plans; and

(vi) the Borrower is in compliance with the terms of the commitment to guarantee required under Section 104 (b), unless compliance is waived by the Secretary.

All guarantees must be issued pursuant to commitments to assure that the condition of both Section 102 and 103 have been met.

Subsection (b) provides that the determinations of the Secretary under any provision of the Act shall be conclusive, that the validity of guarantees shall be incontestable, and that the Secretary may determine the form of the guarantees.

Subsection (c) requires a guarantee fee of at least 1/2 percent per annum on the outstanding guaranteed loans and authorizes the Secretary to negotiate appropriate additional

terms to compensate for the risk assumed, which compensation need not necessarily be in the form of a cash payment. All of these amounts are to be treated as miscellaneous receipts of the Treasury.

Section 104. Requirements Applicable to Loan Guarantees. Subsection (a) provides that all guaranteed loans shall be payable not later than December 31, 1990, and that the terms of the loans cannot be amended or waived without the Secretary's consent.

Subsection (b)(i) requires that any commitment to guarantee contain appropriate covenants and protective provisions and that the Secretary require security, subordination of existing creditors, and prohibition of dividends unless he determines that a waiver is necessary to facilitate the ability of the Corporation to meet its financing needs and that, despite the waiver, there is a reasonable prospect of repayment of the guaranteed loans. Subsection (b)(ii) authorizes the Secretary to require a change in management if he determines that failure of management to exercise reasonable business prudence has inhibited its ability to obtain financing.

Section 105. Powers and Duties; Audit. Subsection (a) authorizes the Secretary to inspect and copy accounts, books, records and transactions of the Corporation and any Borrower who apply for a guarantee.

Subsection (b) authorizes the General Accounting Office to make a detailed audit of any Borrower who applies for a guarantee.

Section 106. Maximum Obligation. This section limits the outstanding principal amount of loans guaranteed to $1,500,000,000. Interest is not included in determining this ceiling.

Section 107. Remedies; Miscellaneous Provisions. Subsection (a) authorizes the Section to take appropriate action to enforce any right under any guarantee.

Subsection (b) authorizes the Secretary to recover from any Borrower the amount of any payment made under a guarantee.

Subsection (c) provides that the Secretary shall have all other available remedies.

Subsection (d) provides that the Secretary may bring action in any United States district court or other appropriate court to enforce agreements relating to the commitments of the Secretary and grants such courts jurisdiction.

Subsection (e) prohibits the Secretary from guaranteeing directly or indirectly any tax exempt securities.

Subsection (f) authorizes the Secretary to waive the priority of the United States granted by section 3466 of the Revised Statutes (31 U.S.C. §191) to the extent necessary to facilitate other financing contemplated by the financing plan, provided that the Secretary determins that despite the waiver, there is a reasonable prospect of repayment of the guaranteed loans. Such a waiver may not subordinate the claims of the United States to any other creditor.

Subsection (g) provides for the severability of any invalid provision or application of the Act so that the remainder of the Act and its application shall not be affected.

Section 108. Reports. This section directs the Secretary to report to Congress annually on his activities under the Act.

Section 109. Appropriations. Subsection (a) authorizes the appropriation and availability without fiscal year limitation, beginning October 1, 1979, of such sums as may be necessary and to pay principal and interest on the loans guaranteed. The appropriation will remain available for one year after final maturity.

Subsection (b) limits the authority of the Secretary to make guarantees to the extent of amounts provided in advance in appropriations acts.

Tables on Chrysler and Chrysler Financial

Capital Markets Section
October 31, 1979

Chrysler Corporation and Consolidated Subsidiaries
Income Statement

	First 9 Months		Fourth Quarter		Year ended December 31						
	1979	1978	1979[1]	1978	1979[1]	1978	1977	1976	1975	1974	1973
							(millions of dollars)				
Sales:											
After deconsolidation of European & South American Operations	8,937[2]	9,638	3,386	3,994	12,415	13,618	13,059				
Before deconsolidation							(16,708)	15,538	11,598	10,860	11,667
Profits before taxes (loss-)	-733	-328	-327	-44	-1,073	-286	235	541	-256	-130	458
Income taxes (credit-)	-11[3]	-80		-1	--	-81	72	118	4	-78	203
Net Profit (loss-)	-722	-248	-327	43	-1,073	-205	163	423	-260	-52	255

1/ Chrysler estimates as of September 19, 1979.
2/ Third quarter sales of $2,480 million were $61 million less than projected in September.
3/ Third quarter loss of $461 million was $24 million less than projected in September.

Capital Markets Section

Chrysler Corporation and Consolidated Subsidiaries
Selected Balance Sheet Items

	Sept. 30 1979	December 31						
		1979[1/]	1978	1977	1976	1975	1974	1973
		(Millions of dollars)						
ASSETS								
Cash & marketable securities	553		523	409	572	228	268	562
Inventories	2,228		1,981	2,623	2,354	2,068	2,453	1,803
Total current assets[2/]	3,672	2,737	3,562	4,153	3,878	3,117	3,697	3,238
Net property, plant & equipment	2,274		2,023	2,425	2,087	2,115	2,062	1,926
Total assets[2/]	7,154	6,415	6,981	7,668	7,074	6,267	6,733	6,105
LIABILITIES								
Short-term debt	586	16	49	250	172	374	620	155
Current maturities of long-term debt	202	123	12	91	69	59	184	71
Total current liabilities [2/]	3,317	2,422	2,486	3,090	2,826	2,462	2,709	2,094
Long-term debt	1,043	1,166	1,189	1,240	1,048	1,054	995	956
Total liabilities[2/]	4,954	4,239	4,054	4,743	4,259	3,858	4,072	3,377
SHAREHOLDERS' INVESTMENT	2,200	1,842	2,927	2,925	2,815	2,409	2,660	2,728
Memorandum: Working capital	356	315	1,076	1,063	1,052	655	988	1,144

1/ Chrysler estimates as of October 17, 1979.
2/ Includes items which are not shown separately.

CHRYSLER CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF NET EARNINGS
Nine Months ended September 30, 1979 and 1978

(In millions of dollars)

	THIRD QUARTER		NINE MONTHS	
	1979	1978*	1979	1978*
Net sales	$ 2,480.3	$ 2,904.0	$ 8,936.5	$ 9,637.5
Equity in net earnings of unconsolidated subsidiaries	(1.7)	7.6	16.5	8.1
Net earnings from European and certain South American operations	-	4.7	-	30.7
	2,478.6	2,916.3	8,953.0	9,676.3
Costs, other than items below	2,565.2	2,785.2	8,615.7	9,005.3
Depreciation of plant and equipment	40.7	39.0	125.1	118.2
Amortization of special tools	50.7	49.4	151.9	155.6
Selling and administrative expenses	152.6	136.5	430.9	418.6
Pension plans	63.9	70.8	201.7	216.3
Interest expense - net	64.9	32.3	160.6	89.9
	2,938.0	3,113.2	9,685.9	10,003.9
LOSS BEFORE TAXES ON INCOME	(459.4)	(196.9)	(732.9)	(327.6)
Taxes on income (credit) (Note 2)	1.2	(38.4)	(11.4)	(79.8)
NET LOSS	(460.6)	(158.5)	(721.5)	(247.8)
Dividends on preferred shares (Includes amortization of discount)	7.3	6.3	21.8	6.3
NET LOSS ATTRIBUTABLE TO COMMON STOCK	$(467.9)	$(164.8)	$(743.3)	$(254.1)
Loss per share of Common Stock	$(7.15)	$(2.68)	$(11.41)	$(4.15)
Average number of shares of Common Stock outstanding during the period (in thousands)	66,205	62,065	65,168	61,210

*Restated to reflect deconsolidation of European and South American operations.

See notes to financial statements.

CHRYSLER CORPORATION AND CONSOLIDATED SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

September 30, 1979, December 31, 1978 and September 30, 1978

(In millions of dollars)

ASSETS

	1979 Sep. 30	1978 Dec. 31	1978 Sep. 30
Cash and marketable securities	$ 553.1	$ 522.8	$ 334.0
Accounts receivable	667.9	848.0	797.4
Inventories	2,228.0	1,980.8	2,085.1
Prepaid expenses	110.0	109.7	118.5
Income taxes allocable to the following year	64.4	60.5	68.4
Refundable taxes on income	48.8	40.0	33.0
Cash proceeds to be received from PSA Peugeot-Citroen	-	-	230.0
Total current assets	3,672.2	3,561.8	3,666.4
Investments and other assets	1,207.8	1,396.5	1,357.6
Property, plant and equipment	3,632.4	3,391.3	3,440.0
Less accumulated depreciation	2,060.2	1,963.9	2,041.8
	1,572.2	1,427.4	1,398.2
Unamortized special tools	701.5	595.5	576.3
Net property, plant and equipment	2,273.7	2,022.9	1,974.5
Total assets	$7,153.7	$6,981.2	$6,998.5

LIABILITIES AND SHAREHOLDERS' INVESTMENT

	1979 Sep. 30	1978 Dec. 31	1978 Sep. 30
Accounts payable	$1,670.7	$1,725.0	$1,745.1
Accrued expenses	857.9	698.0	731.5
Short-term debt	586.4	49.2	143.8
Current portion of long-term debt	201.6	12.4	49.8
Taxes on income	-	1.2	36.9
Total current liabilities	3,316.6	2,485.8	2,707.1
Other liabilities	432.7	253.5	226.1
Long-term debt:			
Notes and debentures payable	949.8	1,082.6	972.7
Convertible sinking fund debentures	93.6	105.9	107.3
Deferred taxes on income	110.9	107.1	69.7
Obligations under capital leases	13.4	15.0	16.3
Minority interest in net assets of consolidated subsidiaries	36.9	4.8	12.5
Preferred stock - 20,000,000 no par value shares authorized, 10,000,000 $2.75 shares issued and outstanding (Redemption value $250.0 million less unamortized issue costs and value of warrants to purchase common stock)	218.2	217.0	216.7
Common stock - par value $6.25 a share- Shares issued: September 30, 1979 - 66,703,605 December 31, 1978 - 63,634,293 September 30, 1978 - 62,644,365	416.9	397.7	391.5
Additional paid-in capital	692.2	683.1	579.5
Net earnings retained	872.5	1,628.7	1,599.1
Total liabilities and shareholders' investment	$7,153.7	$6,981.2	$6,998.5

See notes to financial statements.

U. S. AND CANADA

BANK CREDIT FACILITIES, EURODOLLAR AGREEMENTS AND TERM LOANS

($Millions)

	September 30, 1979	
	Facilities	Usage
CHRYSLER CORPORATION		
Credit Facilities		
U. S. Credit Agreement	$ 567	$ 408
U. S. Letter of Credit Agreement	400	268
Regular Lines	66	66
Total U. S.	$1,033	$ 742
Chrysler Canada Ltd.*	$ 100	$ 100
Chrysler Leasing Ltd.*	30	27
Total Canada	$ 130	$ 127
Total U. S. and Canada	$1,163	$ 869
Eurodollar Agreements & Term Financings		
U. S.	$ 305	$ 305
Chrysler Canada Ltd.*	160	160
Total U. S. and Canada	$ 465	$ 465
Total Chrysler Corporation	$1,628	$1,334
CHRYSLER FINANCIAL CORPORATION		
Credit Facilities		
Regular Lines	$1,548	$ 999
Retail Standby Purchase Agreement	150	-
Wholesale/Retail Purchase Agreement**	615	385
Total U. S.	$2,313	$1,384
Chrysler Credit Canada Ltd.*	202	118
Total U. S. and Canada	$2,515	$1,502
Eurodollar Agreements & Term Financings		
U. S.	$ 631	$ 613
Chrysler Credit Canada Ltd.*	30	30
Total U. S. and Canada	$ 661	$ 643
Total Chrysler Financial Corporation	$3,176	$2,145
Grand Total	$4,804	$3,479

* Canadian bank facilities and usage shown in Canadian dollars.

**Usage consisted entirely of sold wholesale receivables.

To be updated for September 30 shortly

Credit Market Obligations--worldwide
June 30, 1979

	Chrysler	Chrysler Financial	Total
Debt		(millions of dollars)	
Bank debt	217	440	657
Commercial paper		1,462	1,462
Current maturities of long-term debt	97	206	303
Total short-term debt	314	2,108	2,422
Long-term debt	1,162	1,753	2,915
Total	1,476	3,861	5,337
Shareholders' investment			
Common stock (at book value)	2,441	*	2,441
Preferred stock (at book value)	218		218
Total	2,659		2,659
TOTAL CREDIT MARKET OBLIGATIONS	4,135	3,861	7,996

* Outstanding shares held by Chrysler Corporation.

Chrysler Financial Corporation - End of Month
($ millions)

	U.S. Commercial Paper		U.S. Bank Loans	
	Outstanding	Change	Outstanding	Change
1974 - Jan.	1,155	-29	--	--
Feb.	1,177	22	--	--
Mar.	1,277	100	--	--
Apr.	1,183	-94	100	100
May	1,250	67	102	2
June	1,218	-32	151	49
July	1,341	123	63	-88
Aug.	1,375	34	6	-57
Sept.	1,312	-63	206	200
Oct.	1,255	-57	381	175
Nov.	882	-373	819	438
Dec.	567	-315	1,118	299
1975 - Jan.	529	-38	1,058	-60
Feb.	514	-15	1,055	-3
Mar.	480	-34	1,112	57
Apr.	479	-1	1,083	-29
May	522	43	1,048	-35
June	464	-58	1,142	94
July	457	-7	1,110	-32
Aug.	445	-12	1,129	19
Sept.	409	-36	1,230	101
Oct.	394	-15	945	-285
Nov.	342	-52	1,001	56
Dec.	347	5	1,134	133
1976 - Jan.	464	117	1,101	-33
Feb.	512	48	1,016	-85
Mar.	542	30	1,062	46
Apr.	736	194	852	-210
May	930	194	629	-223
June	919	-11	524	-105
July	1,219	300	288	-236
Aug.	1,441	222	64	-224
Sept.	1,531	90	--	-64
Oct.	1,672	141	--	--
Nov.	1,776	104	--	--
Dec.	1,753	-23	--	--
1977 - Jan.	1,756	3	--	--
Feb.	1,781	25	--	--
Mar.	1,797	16	--	--
Apr.	1,666	-131	--	--
May	1,690	24	--	--
June	1,703	13	--	--
July	1,630	-73	--	--
Aug.	1,524	-106	14	14
Sept.	1,590	66	--	-14
Oct.	1,607	17	--	--
Nov.	1,714	107	23	23
Dec.	1,846	132	--	-23

Chrysler Financial Corporation - End of Month
($ millions)

	U.S. Commercial Paper		U.S. Bank Loans	
	Outstanding	Change	Outstanding	Change
1978 - Jan.	1,827	-19	--	--
Feb.	1,764	-63	--	--
Mar.	1,841	77	--	--
Apr.	1,796	-45	--	--
May	1,744	-52	73	73
June	1,766	22	65	-8
July	1,721	-45	--	-65
Aug.	1,486	-235	--	--
Sept.1/	1,357	-129	--	--
Oct.	1,478	121	--	--
Nov.	1,457	-21	--	--
Dec.	1,650	193	--	--
1979 - Jan.	1,617	-33	--	--
Feb.	1,683	66	--	--
Mar.	1,771	88	--	--
Apr.	1,184	-587	509	509
May	1,416	232	294	-215
June	1,312	-104	420	126
July	1,161	-151	518	98
Aug.	246	-915	1,445	927
Sept.	187	-59	999	-446

1/ The company, utilizing arrangements made in July, received $205 million from the sale of its wholesale receivables to a group of 23 banks. Chrysler Financial was able to replace receivables as they matured up to this $205 million limit until December when the ceiling escalated to $410 million. That ceiling was supposed to be raised to $615 million at the end of March or April 1979. However, according to Mr. Corby, Treasurer of Chrysler Financial, the finance subsidiary does not have a sufficient amount of eligible receivables to take the amount sold each month above $450 million. As a result, the group of banks has agreed to purchase $150 million of retail auto receivables if not enough wholesale paper is available.

Income Maintenance Payments of Chrysler
to Chrysler Financial 1/
(millions of dollars)

	Before taxes	Net of taxes 2/
1968	$13.8	n.a.
1969	37.5	n.a.
1970	49.1	n.a.
1971	24.8	n.a.
1972	18.1	9.1
1973	49.3	24.7
1974	25.7	12.9
1975	36.1	18.0
1976	--	--
1977	--	--
1978	--	--
1979-Q1	--	--
Q2	8.5	4.3
Q3	20.7	10.6
Q4 3/	21.1	10.8

1/ Agreement extends through December 31, 2000 whereby Chrysler Financial receives revenue as required to maintain the ratio of earnings, before taxes on income and fixed charges, at 125% of fixed charges (interest and rent expense) on an annual basis. (127% prior to July 1, 1975).

2/ Net cost to the parent. Chrysler consolidates CFC in its tax return to IRS. However, CFC pays to the parent the amount of tax it would have to pay if it filed separately even though the parent may not be paying any tax to the Government.

3/ Confidential Chrysler Financial estimates as of October 31, 1979.

Capital Markets Section

Major Chrysler Corporation Credit Agreement Covenants
(in millions of dollars)

	Current Limitations		Sept. 30 1979	December 31					
		Temporary[1]		1979[2]	1978	1977	1976	1975	1974
Working Capital	(Minimum $600)	($300)	356	315	$1,076	$1,063	$1,052	$ 654	$ 988
Current Ratio	(Minimum 1.2)	(1.0)	1.1	1.13	1.43	1.34	1.37	1.27	1.36
Debt to Equity	(Maximum 0.75)	(0.88)	0.83	0.71	0.43	0.54	0.46	0.62	0.68
Contingent Liabilities	(Maximum $450)		n.a.	n.a.	294	n.a.	n.a.	n.a.	n.a.

1/ Lenders granted waivers through October 31, 1979 reducing these requirements. Chrysler is currently requesting further extensions.
2/ Based on Chrysler estimates of October 17, 1979.
n.a.-not available.

Capital Markets Section

October 17, 1979

The tables below indicate the Pension Benefit Guaranty Corporation's latest estimates in the event of a termination of Chrysler's pension funds.

Based on December 31, 1978 Information

Total claims under Insufficient Plans (in millions)

Total liabilities for vested benefits	$2,243
Loss to participants for phase-ins and non-guaranteed benefits - estimated	$100 to 250
Total liabilities for PBGC guaranteed benefits - estimated	$2,143 to 1,993
Total plan assets - approximately	$1,043 1/
Plan Asset Insufficiency - estimated	$1,100 to 950 1/
Employer Liability collectible	Unknown
Net PBGC Liability - estimated	Up to $1,100

Cash Flow for Insufficient Plans (in millions)

Total current annual benefit payments	$175
Increase likely for early retirees (PBGC estimate)	40
Total new annual payment	$215
Initial annual earnings on plan assets	$120
Period until plan assets are exhausted	About 6 1/2 years
Period for which existing PBGC assets would carry payments	About 1 year
Annual benefit payments after 7 years (PBGC estimate)	$120-140

1/ Given recent market developments current asset value may be somewhat lower and plan asset insufficiency somewhat greater. It is not known whether the funds have the permissible small amount of Chrysler Securities.

Plan asset insufficiency will also tend to widen this year as a result of Chrysler's planned deferral of 1979 contributions to its pension funds.

Chrysler's Share of U.S. Auto Market

	Monthly			Cumulative			Not Seasonally Adjusted Industry Auto Sales 1/		
	U.S. Produced as share of U.S. Domestic Car	U.S. Produced as share of Total U.S. Car (incl. imp.)	Total (incl. imp.) as share of Total U.S. Car (incl. imp.)	U.S. Produced as share of U.S. Domestic Car	U.S. Produced as share of Total U.S. Car (incl. imp.)	Total (incl. imp.) as share of Total U.S. Car (incl. imp.)	Domestic	Imports	Total
	(percent)			(percent)			(millions of units)		
1974-Dec.	13.8	11.7	12.3	16.2	13.6	14.0	7.4	1.4	8.9
1975-Dec.	13.0	11.1	11.7	14.1	11.5	12.3	7.1	1.6	8.6
1976-Dec.	12.9	11.1	11.8	15.1	12.9	13.7	8.6	1.5	10.1
1977-Dec.	11.0	8.9	9.7	13.4	10.9	12.0	9.1	2.1	11.2
1978-Jan.	13.1	10.4	11.5				.5	.1	.7
Feb.	12.7	10.3	11.1	12.9	10.4	11.3	1.2	.3	1.5
Mar.	12.7	10.5	11.3	12.9	10.4	11.3	2.1	.5	2.5
Apr.	12.7	11.4	12.4	13.1	10.7	11.6	2.9	.7	3.6
May	13.3	11.0	11.8	13.2	10.7	11.7	3.9	.9	4.7
June	12.0	10.0	10.7	12.9	10.6	11.5	4.8	1.0	5.8
July	12.2	10.0	10.9	12.8	10.5	11.4	5.6	1.2	6.8
Aug.	12.3	9.7	10.8	12.8	10.5	11.3	6.3	1.4	7.8
Sept.	11.9	8.9	10.0	12.6	10.3	11.2	7.0	1.6	8.6
Oct.	12.1	10.4	11.4	12.6	10.3	11.2	7.9	1.7	9.6
Nov.	10.4	8.8	9.6	12.4	10.2	11.1	8.7	1.9	10.6
Dec.	11.4	9.6	10.5	12.4	10.1	11.1	9.3	2.0	11.3
1979-Jan.	11.4	9.4	10.4				.6	.1	.8
Feb.	11.5	9.3	10.4	11.5	9.3	10.4	1.3	.3	1.6
Mar.	13.0	9.7	11.5	12.1	9.7	10.9	2.2	.6	2.7
Apr.	10.8	8.4	10.0	11.8	9.3	10.6	2.9	.8	3.7
May	11.7	8.9	10.7	11.8	9.2	10.6	3.7	1.0	4.7
June	11.8	9.1	10.8	11.8	9.2	10.7	4.4	1.2	5.6
July	9.9	7.7	9.0	11.5	9.0	10.4	5.1	1.4	6.5
Aug.	12.3	9.5	10.4	11.6	9.1	10.4	5.8	1.6	7.4
Sept.	15.0	11.7	12.8	11.9	9.3	10.7	6.4	1.8	8.3
Oct.									
Nov.									
Dec.									

1/ Details may not add to totals because of rounding.

U.S. Dealer New Car Sales

	First 9 mos.		Years					
	1979	1978	1978	1977	1976	1975	1974	1973
			Number of Units (thousands)					
American Motors	113	137	171	184	248	322	335	396
Chrysler	768	885	1,146	1,220	1,302	997	1,204	1,529
Ford	1,660	1,969	2,583	2,552	2,256	1,984	2,215	2,672
General Motors	3,780	4,012	5,385	5,148	4,801	3,747	3,696	5,073
VW-U.S. made	119	5	23					
Total Domestic	6,440	7,008	9,308	9,104	8,607	7,050	7,449	9,669
Imports 1/	1,814	1,587	2,000	2,074	1,495	1,583	1,408	1,773
Total U.S. Mkt.	8,255	8,596	11,308	11,179	10,102	8,633	8,857	11,443
			Percentage Distribution of Total U.S. Market					
American Motors	1.4	1.6	1.5	1.6	2.5	3.7	3.8	3.5
Chrysler 2/	9.3	10.3	10.1(11.1)	10.9 (12.0)	12.9(13.7)	11.5(12.3)	13.6(n.a.)	13.4(n.a.)
Ford	20.1	22.9	22.8	22.8	22.3	23.0	25.0	23.3
General Motors	45.8	46.7	47.6	46.1	47.5	43.4	41.7	44.3
VW-U.S. made	1.4	--	.2					
Total Domestic	78.0	81.5	82.3	81.4	85.2	81.7	84.2	84.5
Imports	22.0	18.5	17.7	18.6	14.8	18.3	15.8	15.5
Total U.S. Mkt.	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
			Percentage Distribution of Domestic Market					
American Motors	1.7	2.0	1.8	2.1	2.9	4.7	4.5	4.1
Chrysler	11.9	12.6	12.4	13.4	15.1	14.1	16.2	15.8
Ford	25.8	28.1	27.7	28.0	26.2	28.1	29.7	27.6
General Motors	58.8	57.2	57.9	56.5	55.8	53.1	49.6	52.5
VW-U.S. made	1.8	.1	.2					
Total Domestic	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1/ Includes tourist deliveries as well as captive imports of U.S. manufacturers.
2/ Figures in ( ) indicate percentages if sales of Arrow and Colt imports were included.

Details may not add because of rounding
Source: Wards Automotive Reports.

Capital Markets Section

Chrysler Inventories (Including Imports)

	Total Corporate and Dealer Inventories					Memoranda: Chrysler Corporation Inventories					
				Number of Days Supply		Cars		Trucks		Cars & Trucks	
	Cars	Trucks	Total	Cars	Trucks	Total	w/o orders	Total	w/o orders	Total	w/o orders
	(thousands of Units)			(number of days)		(thousands of units)					
1975	291	67	358	93	67	7	2	2	*	8	3
1976	360	78	438	98	59	21	3	1	--	23	3
1977	366	115	481	123	92	9	4	8	--	9	4
1978	386	130	516	119	85	42	2	10	--	52	2
1979-Jan.	402	145	547	128	112	77	28	23	8	101	36
Feb.	411	166	577	113	123	93	38	42	24	134	62
Mar.	377	174	551	79	112	57	18	42	31	99	49
Apr.	341	169	510	87	153	50	17	45	32	95	50
May	341	177	518	79	165	53	23	56	42	109	65
June	355	185	540	95	190	57	34	61	49	118	83
July	331	172	503	104	196	58	39	58	48	117	87
Aug.	277	145	422	78	133	18	10	39	30	57	40
Sept.	270	121	429	66	78	30	9	39	29	69	38

* Less than 500 units.

Capital Markets Section

Chrysler's New Car Sales and Inventories[1/]
Number of Units

	Monthly Sales		Percent	Unit Stocks		Percent	Days' Supply	
	Industry	Chrysler	of total	Industry	Chrysler	of total	Industry	Chrysler
	(During month)			(End of month)				
1973-Dec.	573,730	95,011	16.6	1,600,000	336,000	21.0	70	88
1974-Dec.	429,198	59,155	13.8	1,667,000	321,000	19.3	97	136
1975-Dec.	599,261	78,131	13.0	1,419,000	275,000	19.4	62	91
1976-Dec.	694,457	89,438	12.9	1,465,000	312,000	21.3	55	91
1977-Dec.	645,991	70,901	11.0	1,731,000	334,000	19.3	72	127
1978-Jan.	544,896	71,434	13.1	1,887,000	337,000	17.9	87	118
Feb.	627,972	79,996	12.7	1,952,000	331,000	16.9	75	99
Mar.	882,850	112,858	12.8	1,990,000	338,000	17.0	61	81
Apr.	862,940	119,313	13.8	2,008,000	332,000	16.5	58	70
May	962,985	127,672	13.3	1,970,000	325,000	16.5	53	66
June	949,849	114,126	12.1	1,911,100	325,400	17.0	52	74
July	761,852	92,884	12.2	1,724,000	300,000	17.4	57	81
Aug.	750,960	93,183	12.4	1,510,400	271,100	17.9	54	78
Sept.	662,250	73,893	11.2	1,606,000	304,000	18.9	61	103
Oct.	883,980	107,327	12.1	1,627,000	292,000	17.9	48	71
Nov.	769,625	79,715	10.4	1,728,000	304,000	17.6	56	95
Dec.	645,606	73,857	11.4	1,729,000	304,400	17.6	67	103
1979-Jan.	644,589	73,561	11.4	1,882,510	321,500	17.1	76	114
Feb.	675,762	78,200	11.6	1,956,000	328,000	16.8	70	101
Mar.	864,271	112,652	13.0	1,974,000	303,000	15.3	62	73
Apr.	763,702	82,509	10.8	1,913,000	275,000	14.4	63	83
May	797,008	93,579	11.7	2,032,000	289,000	14.2	66	79
June	700,897	82,730	11.7	2,150,400	312,500	14.5	80	98
July	761,852	68,081	9.9	2,026,000	295,000	14.6	74	108
Aug.	705,051	86,764	12.3	1,753,000	246,000	14.0	68	77
Sept.	600,552	90,395	15.0	1,752,000	234,000	13.4	70	62
Oct.								
Nov.								
Dec.								

1/ All offshore imports are excluded.
Source: Ward's Automotive Reports

Capital Markets Section

Auto Inventories- Number of Days Supply[1/]
(not seasonally adjusted)

	Sept. 30		December 31				
	1979	1978	1978	1977	1976	1975	1974
American Motors	76	60	148	112	77	96	120
Chrysler	62	103	103(119)	123(123)	91(98)	91(93)	136(n.a.)
Ford	91	67	75	64	50	64	100
General Motors	63	50	54	62	48	50	84
VW	40	50	56				
U.S. Industry	70	61	67	70	55	62	97
Imports[3/]	n.a.	78	119	n.a.	n.a.	n.a.	n.a.

1/ Stocks of new cars in terms of daily selling rate for given month.

2/ Figures in ( ) indicate supply if stocks of Arrow and Colt imports were included.

3/ Includes captive imports of U.S. manufacturers.

Capital Markets Section

Chrysler's New Car Inventories by Models
Number of Days' Supply at End of Month 1/

	1976 Dec.	1977 Dec.	1978 Dec.	1979 Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Memorandum: Lowest current sticker price:
Subcompact:													
Horizon			92	69	40	19	24	26	27	37	76	225	$4,864
Omni			90	58	37	19	25	26	28	36	66	193	4,864
Compact:													
Volare	105	118	98	120	98	74	69	72	97	103	59	42	4,403
Aspen	107	132	111	130	138	91	79	86	116	116	65	44	4,415
Intermediate:													
Fury	73	106	85	98	85	85	73	58	43	22	23	2	4,236
Le Baron		95	86	113	134	114	111	90	139	161	70	48	5,297
Monaco		150	106	93	89	84	72	62	46	25	20	--	4,254
Diplomat		138	110	167	204	177	149	116	152	185	98	62	5,250
Cordoba	84	121	112	141	171	187	211	207	296	233	101	58	6,337
Magnum		128	146	181	210	196	201	186	210	180	102	67	6,373
Full-Size:													
St. Regis			202	381	322	91	114	97	98	157	94	56	6,405
Chrysler	56	101	104	128	161	96	117	117	120	140	91	55	6,405
Passenger Vans:													
Voyager	n.a.	138	133	194	154	149	181	168	149	146	122	65	5,302
Sportsman	n.a.	112	104	130	109	122	133	107	95	91	88	60	5,371
Total Chrysler	91	123 2/	103	114	101	73	83	79	98	108	77	62	
Total All U.S. Manufacturers	55	70	67	76	70	62	63	66	80	74	68	70	
Imports	n.a.	n.a.	119	122	93	63	58	45	54	50	46	n.a.	

n.a. _ Not available
1/ Based on selling rate for given month.
2/ Includes certain other models no longer produced.

Capital Markets Section

Retail Dealer Outlets, U.S. Makes of Passenger Cars

	January 1									
	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970
American Motors	1,661	1,612	1,690	1,813	1,862	1,918	1,952	2,025	2,256	2,374
Chrysler	4,786	4,822	4,811	4,839	5,142	5,323	5,418	5,485	5,688	6,038
Ford	6,639	6,643	6,637	6,641	6,706	6,713	6,676	6,666	6,697	6,864
General Motors	11,565	11,610	11,670	11,750	11,860	12,025	12,050	12,125	12,240	12,520
Total	24,651	24,687	24,808	25,043	25,570	25,979	26,096	26,301	26,881	27,796
Minus Intercorp. Dealers	600	540	540	590	590	630	655	680	755	725
Net Outlets	24,051	24,147	24,268	24,453	24,980	25,349	25,441	25,621	26,126	27,071

Note: Multiple units within corporation are eliminated.

Source: Ward's Automotive Reports.

Capital Markets Section.

Chrysler's Stock Prices
End of Period

	Oct.p/	Sept.	Aug.	July	1978	1977	1976	1975	1974	1973
Common										
Chrysler	7.38	8.38	8.50	8.25	8.63	12.63	20.38	10.13	7.25	n.a.
S&P Automobile	70.67	78.62	74.39	72.59	69.25	79.26	95.52 1/	69.70	40.61	61.57
S&P Industrial	114.07	122.09	121.57	114.77	107.21	104.71	118.83 1/	100.88	76.47	109.14
S&P Composite	101.82	109.32	109.32	103.81	96.11	95.10	106.88 1/	90.19	68.56	97.55
Preferred										
Chrysler	13.63	15.13	15.88	18.25	20.00 2/					
S&P Preferred	72.10	76.70	77.00	78.00	78.50					

n.a. - not available.

1/ Change in series on July 1, 1976.

2/ Sold in 1978.

Capital Markets Section

Chrysler's Bond Yields
End of Period

	p/ 1979											
	Oct. 31	Sept.	Aug.	July	June	May	April	1978	1977	1976	1975	1974	1973
								(percent)					
Moody's													
Seasoned Baa	12.04	10.76	10.37	10.33	10.30	10.44	10.36	10.12	9.08	9.08	10.56	10.75	
Chrysler Corp.:													
8.875% SF deb. 1995	18.42	16.37	15.00	14.12	13.23	13.62	12.84	13.78	10.45	9.45	13.71	15.71	8.57
8.00 % SF deb. 1998	18.12	15.86	14.71	13.89	12.56	13.28	12.81	13.79	10.43	9.41	13.79	15.49	8.50
Ratings-M/S&P				B/B 1/	←		Ba/BB	Baa/BBB-	←		Baa/BBB	Baa/A	A/A
Premium for: (basis points)													
8.875% Deb.	638	561	463	379	293	318	248	366	137	37	315	496	
8.00 % Deb.	608	510	434	356	226	284	245	367	135	33	323	474	
Chrysler Financial:													
8.35% Sr. deb. 1991	15.79	14.22	13.05	13.88	12.47	12.84	12.80	13.53	9.97	9.36	13.30	16.49	8.73
7.70% Sr. deb. 1992	15.83	13.27	12.93	13.81	12.92	12.98	12.64	13.90	10.51	9.38	13.30	15.86	8.80
7.00% Notes 1979					15.49	13.37	12.42	13.06	9.11	8.07	14.05	15.75	8.50
10.00% Notes 1981	19.15	17.00	15.02	15.56	13.75	13.08	11.63	14.22	9.65	8.69			
8.875% Notes 1982	18.70	16.48	14.64	15.07	13.93	13.51	13.20	15.23	9.95				
9.50% Notes 1983	18.40	15.70	14.16	15.63	14.09	13.14	12.42	14.96	10.03	9.04			
8.875% Notes 1984	18.19	15.07	14.08	15.24	13.59	14.04	13.06	14.73	10.02				
9.00% Notes 1986	16.55	13.82	13.14	14.20	13.70	13.29	13.13	14.26	10.17	8.98			
Ratings-M/S&P				Ba/BB 1/	←			Baa/BBB-	←		Baa/BBB	Baa/A	A/A
7.375% Sub. deb. 1986	18.24	16.86	15.93	15.22	13.88	13.75	13.38	15.16	10.83	9.95	14.83	17.74	9.52
9.375% Sub. deb. 1987	18.28	15.77	14.35	14.51	13.39	13.64	12.97	14.16	10.57				
Ratings-M/S&P				B/B 1/	←		Ba/BB-	Baa/BB-	Baa/BB	←	N.R./BB	N.R./BBB	N.R.

1/ Standard & Poor's change occurred August 1, 1979.

Capital Markets Section

Rating Changes on Chrysler's Securities

Date	Corporation	Security	Rating Agency 1/	Action From	Action To
10/25/74	Chrysler Financial	Comm. paper	M	P-1	P-2
	Chrysler Credit Canada	Comm. paper	M	P-1	P-2
12/19/74	Chrysler Financial	Comm. paper	M	P-2	--
	Chrysler Credit Canada	Comm. paper	M	P-2	--
	Chrysler Corp.	S.F. deb.	M	A	Baa
	Chrysler Financial	Deb., notes	M	A	Baa
11/15/75	Chrysler Corp.	S.F. deb.	S&P	A	BBB
	Chrysler Financial	Deb., notes	S&P	A	BBB
	Chrysler Financial	Sub. deb.	S&P	BBB	BB
4/12/76	Chrysler Financial	Comm. paper	M	--	P-3
	Chrysler Credit Canada	Comm. paper	M	--	P-3
9/8/76	Chrysler Financial	Comm. paper	M	P-3	P-2
	Chrysler Credit Canada	Comm. paper	M	P-3	P-2
8/6/77	Chrysler Financial	Sub. notes	S&P	(new)	BB
8/15/77	Chrysler Financial	Sub. notes	M	(new)	Baa
3/25/78	Chrysler Corp.	S.F. deb.	S&P	BBB	BBB-
	Chrysler Financial	Deb. notes	S&P	BBB	BBB-
	Chrysler Financial	Sub. deb., notes	S&P	BB	BB-
5/29/78	Chrysler Corp.	Pfd. stk.	M	(new)	ba
6/3/78	Chrysler Corp.	Pfd. stk.	S&P	(new)	BB-
3/9/79	Chrysler Financial	Sub. deb.	M	Baa	Ba
4/12/79	Chrysler Corp.	S.F. deb.	M	Baa	Ba
	Chrysler Financial	Comm. paper	M	P-2	P-3
	Chrysler Credit Canada	Comm. paper	M	P-2	P-3
4/19/79	Chrysler Corp.	S.F. deb.	S&P	BBB-	BB
	Chrysler Corp.	Pfd. stk.	S&P	BB-	B
7/13/79	Chrysler Corp.	S.F. deb.	M	Ba	B
	Chrysler Corp.	Pfd. stk.	M	ba	b
	Chrysler Financial	Comm. paper	M	P-3	--
	Chrysler Credit Canada	Comm. paper	M	P-3	--
	Chrysler Financial	Deb., notes	M	Baa	Ba
	Chrysler Financial	Sub. deb.	M	Ba	B
8/1/79	Chrysler Corp.	S.F. deb.	S&P	BB	B
	Chrysler Corp.	Pfd. stk.	S&P	B	CCC
	Chrysler Financial	Comm. paper	S&P	A-2	B
	Chrysler Credit Canada	Comm. paper	S&P	A-2	B
	Chrysler Financial	Deb., notes	S&P	BBB-	BB
	Chrysler Financial	Sub. deb.	S&P	BB-	B
8/14/79	Chrysler Financial	Comm. paper	S&P	B	--2/
	Chrysler Credit Canada	Comm. paper	S&P	B	--2/

1/ M = Moody's Investors Service, Inc; S&P = Standard and Poor's Corporation.
2/ At Chrysler's request, the rating contracts were canceled and the ratings withdrawn.

Capital Markets Section

MOODY'S BOND RATINGS

Purpose: The system of rating securities was originated by John Moody in 1909.

The purpose of Moody's Ratings is to provide the investors with a simple system of gradation by which the relative investment qualities of bonds may be noted.

Rating Symbols: Gradations of investment quality are indicated by rating symbols, each symbol representing a group in which the quality characteristics are broadly the same. There are nine symbols as shown below, from that used to designate least investment risk (i.e., highest investment quality) to that denoting greatest investment risk (i.e., lowest investment quality):

Aaa Aa A **Baa Ba B** **Caa Ca C**

Absence of Rating: Where no rating has been assigned or where a rating has been suspended or withdrawn, it may be for reasons unrelated to the quality of the issue.

Should no rating be assigned, the reason may be one of the following:

1. An application for rating was not received or accepted.
2. The issue or issuer belongs to a group of securities or companies that are not rated as a matter of policy; e.g., the securities of real estate investment trust operations.
3. There is a lack of essential data pertaining to the issue or issuer.
4. The issue was privately placed, in which case the rating is not published in Moody's publications.

Suspension or withdrawal may occur if new and material circumstances arise, the effects of which preclude satisfactory analysis; if there is no longer available reasonable up-to-date data to permit a judgment to be formed; if a bond is called for redemption; or for other reasons.

Changes in Rating: The quality of most bonds is not fixed and steady over a period of time, but tends to undergo change. For this reason changes in ratings occur so as to reflect these variations in the intrinsic position of individual bonds.

A change in rating may thus occur at any time in the case of an individual issue. Such rating change should serve notice that Moody's observes some alteration in the investment risks of the bond or that the previous rating did not fully reflect the quality of the bond as now seen. While because of their very nature, changes are to be expected more frequently among bonds of lower ratings than among bonds of higher ratings, nevertheless the user of bond ratings should keep close and constant check on all ratings--both high and low ratings--thereby to be able to note promptly any signs of change in investment status which may occur.

Limitations to Uses of Ratings: Bonds carrying the same rating are not claimed to be of absolutely equal quality. In a broad sense they are alike in position, but since there are only nine rating classes used in grading thousands of bonds, the symbols cannot reflect the fine shadings of risks which actually exist. Therefore, it should be evident to the user of ratings that two bonds identically rated are unlikely to be precisely the same in investment quality.

As ratings are designed exclusively for the purpose of grading bonds according to their investment qualities, they should not be used alone as a basis for investment operations: For example, they have no value in forecasting the direction of future trends of market price. Market price movements in bonds are influenced not only by the quality of individual issues but also by changes in money rates and general economic trends, as well as by the length of maturity, etc. During its life even the best quality bond may have wide price movements, while its high investment status remains unchanged.

The matter of market price has no bearing whatsoever on the determination of ratings which are not to be construed as recommendations with respect to "attractiveness." The attractiveness of a given bond may depend on its yield, its maturity date or other factors for which the investor may search, as well as on its investment quality, the only characteristic to which the rating refers.

Since ratings involve judgments about the future, on the one hand, and since they are used by investors as a means of protection, on the other, the effort is made when assigning ratings to look at "worst" potentialities in the "visible" future, rather than solely at the past record and the status of the present. Therefore, investors using the rating should not, expect to find in them a reflection of statistical factors alone, since they are an appraisal of long term risks, including the recognition of many non-statistical factors.

Though ratings may be used by the banking authorities to classify bonds in their bank examination procedure, Moody's Ratings are not made with these bank regulations in view. Moody's Investors Service's own judgment as to desirability or non-desirability of a bond for bank investment purposes is not indicated by Moody's Ratings.

Moody's Ratings represent the mature opinion of Moody's Investors Service, Inc. as to the relative investment classification of bonds. As such, they should be used in conjunction with the description and statistics appearing in Moody's Manuals. Reference should be made to these statements for information regarding the issuer. Moody's Ratings are not commercial credit ratings. In no case is default or receivership to be imputed unless expressly so stated in the Manual.

KEY TO MOODY'S CORPORATE RATINGS

Aaa

Bonds which are rated **Aaa** are judged to be of the best quality. They carry the smallest degree of investment risk and are generally referred to as "gilt edge." Interest payments are protected by a large or by an exceptionally stable margin and principal is secure. While the various protective elements are likely to change, such changes as can be visualized are most unlikely to impair the fundamentally strong position of such issues.

Aa

Bonds which are rated **Aa** are judged to be of high quality by all standards. Together with the **Aaa** group they comprise what are generally known as high grade bonds. They are rated lower than the best bonds because margins of protection may not be as large as in **Aaa** securities or fluctuation of protective elements may be of greater amplitude or there may be other elements present which make the long term risks appear somewhat larger than in **Aaa** securities.

A

Bonds which are rated **A** possess many favorable investment attributes and are to be considered as upper medium grade obligations. Factors giving security to principal and interest are considered adequate but elements may be present which suggest a susceptibility to impairment sometime in the future.

Baa

Bonds which are rated **Baa** are considered as medium grade obligations, i.e., they are neither highly protected nor poorly secured. Interest payments and principal security appear adequate for the present but certain protective elements may be lacking or may be characterisically unreliable over any great length of time. Such bonds lack outstanding investment characteristics and in fact have speculative characteristics as well.

Ba

Bonds which are rated **Ba** are judged to have speculative elements; their future cannot be considered as well assured. Often the protection of interest and principal payments may be very moderate and thereby not well safeguarded during both good and bad times over the future. Uncertainty of position characterizes bonds in this class.

B

Bonds which are rated **B** generally lack characteristics of the desirable investment. Assurance of interest and principal payments or of maintenance of other terms of the contract over any long period of time may be small.

Caa

Bonds which are rated **Caa** are of poor standing. Such issues may be in default or there may be present elements of danger with respect to principal or interest.

Ca

Bonds which are rated **Ca** represent obligations which are speculative in a high degree. Such issues are often in default or have other marked shortcomings.

C

Bonds which are rated **C** are the lowest rated class of bonds and issues so rated can be regarded as having extremely poor prospects of ever attaining any real investment standing.

Moody's Commercial Paper Ratings

Moody's Commercial Paper ratings are opinions of the ability of issuers to repay punctually promissory obligations not having an original maturity in excess of nine months. Moody's makes no representation that such obligations are exempt from registration under the Securities Act of 1933, nor does it represent that any specific note is a valid obligation of a rated issuer or issued in conformity with any applicable law. Moody's employs the following three designations, all judged to be investment grade, to indicate the relative repayment capacity of rated issuers:

Prime-1	Highest Quality
Prime-2	Higher Quality
Prime-3	High Quality

If an issuer receives credit support, the name of the entity providing such support, together with the maximum amount, if any, is listed within parentheses beneath the name of the issuer. Ratings assigned to such issuers are based on representation to Moody's that their Commercial Paper obligations are supported by credit arrangements with the indicated parent corporations, commercial banks, foreign governments or other entities, that the aggregate amounts of such issued obligations do not exceed the maximum amounts authorized, and that the credit arrangements have not expired. Moody's makes no representations and gives no opinion as to the legal validity or enforceability of any support arrangement. You are cautioned to review with your counsel any questions regarding particular support arrangements.

Effective February 1, 1979, Moody's Prime-1 LOC rating designation for Commercial Paper Issuers was discontinued and the LOC rating section of our rating has been eliminated. Issuers previously designated as Prime-1 LOC are rated P-1 and are listed with all other companies rated by Moody's. As before, the name of the bank providing the LOC, the maximum authorized under the LOC facility, and the termination date, if any, are shown in parenthesis beneath the name of the issuer.

Moody's Preferred Stock Ratings

Moody's Rating Policy Review Board extended its rating services to include quality designations on preferred stocks on October 1, 1973. The decision to rate preferred stocks, which Moody's had done prior to 1935, was prompted by evidence of investor interest. Moody's believes that its rating of preferred stocks is especially appropriate in view of the ever-increasing amount of these securities outstanding, and the fact that continuing inflation and its ramifications have resulted generally in the dilution of some of the protection afforded them as well as other fixed-income securities.

Because of the fundamental differences between preferred stocks and bonds, a variation of our familiar bond rating symbols is being used in the quality ranking of preferred stocks. The symbols, presented below, are designed to avoid comparison with bond quality in absolute terms. It should always be borne in mind that preferred stocks occupy a junior position to bonds within a particular capital structure.

Preferred stock rating symbols and their definitions are as follows:

"aaa"

An issue which is rated **"aaa"** is considered to be a top-quality preferred stock. This rating indicates good asset protection and the least risk of dividend impairment within the universe of preferred stocks.

"aa"

An issue which is rated **"aa"** is considered a high-grade preferred stock. This rating indicates that there is reasonable assurance that earnings and asset protection will remain relatively well maintained in the foreseeable future.

"a"

An issue which is rated **"a"** is considered to be an upper-medium grade preferred stock. While risks are judged to be somewhat greater than in the **"aaa"** and **"aa"** classifications, earnings and asset protection are, nevertheless, expected to be maintained at adequate levels.

"baa"

An issue which is rated **"baa"** is considered to be medium grade, neither highly protected nor poorly secured. Earnings and asset protection appear adequate at present but may be questionable over any great length of time.

"ba"

An issue which is rated **"ba"** is considered to have speculative elementsand its future cannot be considered well assured. Earnings and asset protection may be very moderate and not well safeguarded during adverse periods. Uncertainty of position characterizes preferred stocks in this class.

"b"

An issue which is rated **"b"** generally lacks the characteristics of a desirable investment. Assurance of dividend payments and maintenance of other terms of the issue over any long period of time may be small.

"caa"

An issue which is rated **"caa"** is likely to be in arrears on dividend payments. This rating designation does not purport to indicate the future status of payments.

STANDARD & POOR'S

Corporate and Municipal

Bond Rating Definitions

A Standard & Poor's corporate or municipal bond rating is a current assessment of the creditworthiness of an obligor with respect to a specific debt obligation. This assessment of creditworthiness may take into consideration obligors such as guarantors, insurers, or lessees.

The bond rating is not a recommendation to purchase or sell a security, inasmuch as it does not comment as to market price.

The ratings are based on current information furnished to Standard & Poor's by the issuer and obtained by Standard & Poor's from other sources it considers reliable. The ratings may be changed, suspended or withdrawn as a result of changes in, or unavailability of, such information.

The ratings are based, in varying degrees, on the following considerations:

I. Likelihood of default–capacity and willingness of the obligor as to the timely payment of interest and repayment of principal in accordance with the terms of the obligation

II. Nature of and provisions of the obligation

III. Protection afforded by, and relative position of, the obligation in the event of bankruptcy, reorganization or other arrangement under the laws of bankruptcy and other laws affecting creditors' rights.

Standard & Poor's Corporation receives compensation for rating securities. Such compensation is based on the work done and is paid either by the issuers of such securities or by the underwriters participating in the distribution thereof. The fees generally vary from $500 to $5,000 for municipal securities, and from $500 to $15,000 for corporate securities.

AAA This is the highest rating assigned by Standard & Poor's to a debt obligation and indicates an extremely strong capacity to pay principal and interest.

AA Bonds rated AA also qualify as high-quality debt obligations. Capacity to pay principal and interest is very strong, and in the majority of instances they differ from AAA issues only in small degree.

A Bonds rated A have a strong capacity to pay principal and interest, although they are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions.

BBB Bonds rated BBB are regarded as having an adequate capacity to pay principal and interest. Whereas they normally exhibit protection parameters, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity to pay principal and interest for bonds in this category than for bonds in the A category.

BB, B, CCC, CC Bonds rated BB, B, CCC and CC are regarded, on balance, as predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. BB indicates the lowest degree of speculation and CC the highest degree of speculation. While such bonds will likely have some quality and protective characteristics, these are outweighed by large uncertainties or major risk exposures to adverse conditions.

C The rating C is reserved for income bonds on which no interest is being paid.

D Bonds rated D are in default, and payment of principal and/or interest is in arrears.

NR Issues reviewed by the S&P Rating Committee and a determination made that no rating will be assigned.

... Issues not reviewed by the S&P Rating Committee and no determination of a rating has been made.

Plus (+) or Minus (–): To provide more detailed indications of credit quality, the ratings from "AA" to "BB" may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

Provisional Ratings: A provisional rating assumes the successful completion of the project being financed by the issuance of the bonds being rated and indicates that payment of debt service requirements is largely or entirely dependent upon the successful and timely completion of the project. This rating, however, while addressing credit quality subsequent to completion, makes no comment on the likelihood of, or the risk of default upon failure of, such completion. Accordingly, the investor should exercise his own judgment with respect to such likelihood and risk.

Provisional Ratings Symbols The letter "p" preceding a rating indicates the rating is provisional.

Unaudited Data The use of "‡" with a rating such as "‡A" is used to indicate that the information that the rating is based upon is, at least in part, unaudited or of an interim nature.

Canadian corporate bonds are rated on the same basis as American corporate issues. The ratings measure the intrinsic value of the bonds, but they do not take into account exchange and other uncertainties.

Bond Investment Quality Standards: Under present commercial bank regulations issued by the Comptroller of the Currency, bonds rated in the top four categories (AAA, AA, A, BBB, commonly known as "Investment Grade" ratings) are generally regarded as eligible for bank investment. In addition, the Legal Investment Laws of various states impose certain rating or other quality standards for obligations eligible for investment by savings banks, trust companies, insurance companies and fiduciaries generally.

STANDARD & POOR'S
COMMERCIAL PAPER RATING DEFINITIONS

A Standard & Poor's Commercial Paper Rating is a current assessment of the likelihood of timely payment of debt having an original maturity of no more than 270 days.

Ratings are graded into four categories, ranging from "A" for the highest quality obligations to "D" for the lowest. The four categories are as follows:

"A" Issues assigned this highest rating are regarded as having the greatest capacity for timely payment. Issues in this category are further refined with the designations 1, 2, and 3 to indicate the relative degree of safety.

"A-1" This designation indicates that the degree of safety regarding timely payment is very strong.

"A-2" Capacity for timely payment on issues with this designation is strong. However, the relative degree of safety is not as overwhelming as for issues designated "A-1."

"A-3" Issues carrying this designation have a satisfactory capacity for timely payment. They are, however, somewhat more vulnerable to the adverse effects of changes in circumstances than obligations carrying the higher designations.

"B" Issues rated "B" are regarded as having only an adequate capacity for timely payment. However, such capacity may be damaged by changing conditions or short-term adversities.

"C" This rating is assigned to short-term debt obligations with a doubtful capacity for payment.

"D" This rating indicates that the issue is either in default or is expected to be in default upon maturity.

The Commercial Paper Rating is not a recommendation to purchase or sell a security. The rating applies only to the actual debt securities being rated and not to any other debt obligations of the same issuer. The ratings are based on current information furnished to Standard & Poor's by the issuer and obtained by Standard & Poor's from other sources it considers reliable. The ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information.

Removal Notice

Citation Information

Document Type: Company report

Number of Pages Removed: 34

Citations: Chrysler Corporation, *Modification of Loan Guarantee Request*, October 17, 1979.