

Detroit Sees Cheap Gas as History
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By MICHELINE MAYNARD

TOLEDO, Ohio, Aug. 28 — The Chrysler Group, which depends more heavily on sales of pickup trucks and sport utility vehicles than any other Detroit automaker, said Monday that it expected gasoline prices to remain at \$3 to \$4 a gallon for the rest of this decade.

The comments by Thomas W. LaSorda, Chrysler's chief executive, are the first time a Detroit automaker has issued a specific forecast on gas prices since they began climbing to \$3 a gallon and higher.

Ford's chief sales analyst agreed Monday that high gas prices were not a temporary phenomenon, although he did not cite a price range. The analyst, George Pipas, said the auto company expected gas prices to remain high, volatile and unpredictable.

Together, the comments signal a recognition that the two automakers may have to fundamentally change their product mix to put more emphasis on fuel-efficient vehicles — a move General Motors says it already is making.

Mr. LaSorda, who had traveled here for the start of production of a four-door version of the Jeep Wrangler, was asked whether gasoline prices had peaked. "I would hope so," he replied, "but we're planning internally as if it is \$3 to \$4 a gallon."

Mr. LaSorda said Chrysler had prepared a business model based on the assumption that gas prices would remain in that range for the next three to four years. That is about the period of time it takes for an automaker to develop a new vehicle.

"We are looking at it as if it's going to be much higher, rather than hoping it comes down," Mr. LaSorda said. He added, "Hopefully we can fight back."

If Chrysler's assumptions are correct, it spells more trouble in the near term for the traditional Detroit companies, whose sales and market share have dropped this year as consumers have shifted away from big vehicles to more fuel-efficient models.

About 75 percent of the vehicles that Chrysler sells are pickups, sport utility vehicles and minivans, compared with about two-thirds of the sales by the Ford Motor Company and about 60 percent of the vehicles sold by General Motors, according to the industry statistics firm Autodata.

By contrast, the lineups at Toyota, Honda and Nissan are still more than 50 percent cars, one reason Japanese auto companies have achieved sales records this year.

Although Chrysler plans to introduce more fuel-efficient vehicles in coming months, it may face a struggle to lessen its dependence on sport utility vehicles and pickups. Indeed, Mr. LaSorda said that Chrysler believed there would still be a market for vehicles that seat five or six passengers.

Given the long lead time auto companies require to develop new vehicles, "I don't know if they will be able to come out with new products that quickly," said Jesse Toprak, a senior analyst with Edmunds.com, a Web site that offers car-buying advice.

Last month, Chrysler's share of the American market dropped to just 10 percent, compared with 13.3 percent in July 2005. Chrysler fell to fifth place in July, behind G.M., Toyota, Ford and Honda.

Chrysler is not the only company feeling the pinch of higher gasoline prices. Industrywide, pickup truck sales have dropped about 17 percent this year, while sales of sport utility vehicles are down about 9 percent. Car sales, by contrast, are up 3 percent, according to an Edmunds estimate.

Mr. Toprak said none of the Detroit auto companies thought high gasoline prices would hurt sales so much. "They saw it as a temporary phenomenon," Mr. Toprak said.

Gasoline prices have dropped about 15 cents the last two weeks, to a national average of \$2.78 for unleaded fuel, according to the Lundberg Survey. That has led some analysts to predict that prices have peaked for the year, since gasoline is generally cheaper in the fall than during the summer vacation season.

Asked about gasoline prices, Mr. Pipas, of Ford, said, "We don't see the price of gasoline returning to the levels that we all enjoyed in the 90's and the early part of this decade."

He went on, "The base case assumption around which we're planning our business is that gas prices remain high. The days of inexpensive gasoline are gone."

Mr. Pipas declined to be specific about how high gas prices may rise. "I think only a fool would forecast gas prices," he said.

G.M. forecasts prices internally but does not disclose the figure, said a spokesman, John M. McDonald.

G.M. has been promoting the fuel efficiency of its car lineup, saying it offers more models that get 30 miles per gallon in highway driving than any other company. Through July, those vehicles accounted for about 34 percent of G.M.'s overall sales for 2006, according to an estimate by Edmunds.

Mr. McDonald said G.M. was paying more attention to the fluctuations in gasoline prices, rather than the level itself. "It's the fluctuation that makes people nervous," he

added.

Officials at Toyota and Honda, which have both gained market share this year because of their reputation for fuel efficiency, said they were prepared for a sustained period of high gasoline prices.

“We don’t anticipate that gas prices are going to drop significantly,” said Chuck Schifsky, a Honda spokesman. He added, “We’ve known for a long time that this was coming, and it’s liable to get worse before it gets any better.”

Mr. Toprak at Edmunds said automakers were rattled by the prospect of another hurricane like Katrina, which sent gas prices soaring a year ago. “Who knows what is going to happen? It could make a worse-case scenario even worse,” Mr. Toprak said.

Nick Bunkley contributed reporting from Detroit for this article.