

# Automotive News

## Merge GMAC, Chrysler Financial?

**Chrysler executive: Don't bet on it -- savings look iffy**

by Donna Harris

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Those on Wall Street who are assessing the possibility of a merger between GMAC Financial Services and Chrysler Financial Services should forget about it, says Chrysler Financial's boss.

Paul Knauss, the 53-year-old CEO-designate of Chrysler Financial, said there is a greater chance of winning "a big lottery" than a merger of his company and GMAC.

"I can't imagine Cerberus would try to integrate these companies," said Knauss, who will become Chrysler Financial's CEO when the Cerberus deal closes.

Last week, the private equity firm Cerberus Capital Management LP acquired Chrysler Financial as part of its deal to buy 80.1 percent of the Chrysler group. After the deal was announced, Wall Street speculated that a financial merger might be in the works because Cerberus owns 51 percent of GMAC.

In an interview Thursday, May 17, Knauss told Automotive News that a merger with GMAC would dilute Chrysler Financial's primary mission of helping the Chrysler group sell vehicles.

"I would be concerned about whether we would have folks committed and responsive, who understand our business and want to work with us," he said.

But Knauss' pronouncement might not end the merger speculation. Last week, General Motors CEO Rick Wagoner said he sees "potential synergies" between GMAC and Chrysler Financial.

"It's clear there are value opportunities," Wagoner told a Detroit audience. "We haven't developed any ideas, but I'm sure that will be happening over time."

### **Chrysler Financial**

**Employees:** 4,200

**Receivables managed:** U.S., \$60 billion; Canada, \$11 billion; Mexico, \$1.5 billion

**Dealers:** 3,900, supported by 8 regional business centers

**Contracts:** 3 million customers

**U.S. headquarters:** Farmington Hills, Mich.

Source: Chrysler Financial

A merger of the two finance companies could generate efficiencies in finance and in remarketing off-lease vehicles, said Bill Lovejoy, a former GMAC president.

But Knauss noted that GM has an option to repurchase Cerberus' stake in GMAC - a potential obstacle to a merger. He added that Cerberus owns several foreign banks and has kept their operations separate.

Knauss said GMAC and Chrysler Financial already run efficiently. A merger at best would achieve limited synergies, such as the purchase of generic computer accounting systems, he said.

Knauss acknowledged that Chrysler Financial's cost of capital could rise once Cerberus takes the Chrysler group private. But he said Cerberus "is putting together a comprehensive and detailed financing package" for the captive.

That's good news for John Schenden, a Chrysler-Jeep dealer in Denver who is on Chrysler's national dealer council. Schenden said maintaining Chrysler Financial's independence is "a huge concern for dealers."

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