

## ITALY'S FIAT TAKES 35% EQUITY STAKE IN CHRYSLER-DODGE

### CHRYSLER



Today Fiat and Chrysler released corporate statements confirming that over the longer term, in exchange for a 35% equity stake in Chrysler, Fiat will provide no cash of its own to the struggling American automaker. Instead, Fiat, Italy's largest automaker will provide "technology", including the engineering underlying some of Fiat's popular small cars. "It makes their chances for viability much better," said George Magliano, an auto industry analyst with consultants IHS Global Insight. "And it might get the government to fund more cash into Chrysler." And with a Feb. 17 deadline looming for Chrysler to submit a workable turnaround plan, that may be key to helping the car maker hold onto \$4 billion in federal loan money. "Your first goal when you come in each day at Chrysler is to survive the day. They've got some beautiful stuff over there at Fiat and a lot of things can be sold in the U.S.," said Magliano. Unlike Chrysler, Fiat is well known to specialize in small, fuel-efficient cars that are popular in Europe. But the sort of "platform sharing" envisioned for Chrysler and Fiat takes years so don't expect to see a Dodge version of the Fiat Punto at your Chrysler dealer anytime soon, said Magliano. Also, the structure of a deal like this, without one company firmly taking the lead, creates specific challenges. "It's an alliance, and so the question ultimately is who controls the business and what's the strategy of the business," said Paul Ellie, U.S. automotive transaction services leader for the consulting firm PriceWaterHouseCoopers. Despite a global downturn, Fiat earned \$4 million more this year than last, according to Reuters, including results from the company's tractor and truck units. Fiat is now considered a relatively strong automaker partly on the basis of improved product designs and quality. For its part, Chrysler has promised to assist Fiat with bringing its brands to the U.S. market. Only Ferrari and Maserati are currently sold here and Fiat has long wanted to bring the luxury Alfa Romeo name back to the U.S. In addition to those brands and the mass-market Fiat brand, the Italian car maker also makes and sells the Lancia brand. In the short-term, Magliano suggested that Chrysler and Fiat could make minor changes to Fiat products - just enough to meet U.S. crash safety and emissions standards -- and simply sell them through the Chrysler, Dodge and Jeep dealer network under the original Fiat name.

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