# Fiat Seeks Chrysler For An Italian Joint Venture

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MILAN (AP) — Fiat and Chrysler CEO Sergio Marchionne on Friday proposed a joint venture with Chrysler LLC to build Alfa Romeo and Jeep brand vehicles at Turin's Mirafiori auto plant.

But he said he needed union cooperation to make the factory more competitive.

The proposal marks the first significant step toward integration in Europe between the Italian and U.S. automakers since Fiat took control of Chrysler with a 20-percent stake in June 2009.

In the U.S., Fiat has launched the iconic, subcompact 500 and has started to build engines with Fiat technology at U.S. plants.

Marchionne made the proposal during ongoing talks with Mirafiori unions seeking more flexible work rules, as Fiat is doing at all its Italian plants as a condition for €20 billion ($26.64 billion) investment to increase production at the underutilized factories.

Under the proposal, Fiat and Chrysler would invest a total €1 billion in the Mirafiori plant, proportional to the volumes produced by each brand. Mirafiori would produce up to 280,000 cars — including Jeep and Alfa Romeo brands — a year by 2012, more than half for export, especially to North America, Fiat said. That compares with 178,000 last year.

"The consensus of the unions and workers is indispensable to assure the necessary level of competitiveness," Fiat said at a statement. Fiat is seeking more flexibility in production and work rules.

Marchionne pointed out in a talk show appearance last month that Italy ranks 118th in competitiveness out of 139 countries.

Fiat already has won more flexibility at the Pomigliano plant near Naples, including 18 shifts a week and greater autonomy when dealing with labor issues. As a result, it agreed this summer to go ahead with a €700 million investment to repatriate the new Panda from a plant in Poland.

Fiat is seeking deals at the other plants in the coming weeks, but Mirafiori would be an important breakthrough.

Union leaders greeted the Mirafiori proposal as positive, with the exception of the more left-leaning FIOM union, the only one to vote against the Pomigliano deal.

"If they want to use the Pomigliano model, we think it is a mistake," said FIOM

representative Giorgio Araudo on Sky News 24.

The Mirafiori plan would help Fiat reach a milestone to raise its share of Chrysler by providing a way to improve Chrysler sales internationally.

Fiat received a 20-percent stake of Chrysler in exchange for clean-burning engine and small car technology lacking at Chrysler, as well as management prowess. It can raise its stake to 35 percent in 5-percent increments by meeting defined targets, including the introduction of more efficient engine technology, which it is achieving through the launch of the 500, and improving Chrysler sales abroad.

Marchionne has said he expects to reach the 35-percent share by the end of next year, which is also the timeline for launching a public offer for Chrysler, currently 55-percent owned by its unions.

Fiat also is preparing for the separation of the auto and industrial vehicle businesses into two distinct companies after Jan. 1, a key step toward Marchionne's goal of creating a global car company with Chrysler LCC. Analysts expect the two automakers will eventually merge.

Mirafiori produces Fiat branded Punto, Idea and Multipla vehicles, the Lanca Musa and the Alfa Romeo Mito. Fiat has already announced replacements for the Idea, and the Musa will be built in Serbia because of labor concerns, while the Multipla is being phased out.

Mirafiori employs 5,800 workers, a number which could increase.

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