

Fiat Splits In Half To Prepare For Merger With Chrysler

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MILAN (AP) — Fiat split its industrial vehicle business from its automaking unit on Monday, unwinding two vastly divergent businesses with the goal of creating a global automotive company with Chrysler LLC.

As Fiat Industrial began its trading life as an independent entity, opening at euro9 (\$12.03) on the Milan Stock Exchange, Fiat and Chrysler CEO Sergio Marchionne anticipated his next moves, saying that Fiat could take a majority stake in Chrysler this year.

"I think it is possible, I don't know whether it is likely, but it is possible that we go over the 50 percent if Chrysler decides to go to the market in 2011," Marchionne told reporters at the stock exchange. "There will be an advantage if that happens."

Fiat took a controlling 20-percent share in Chrysler in 2009 in exchange for small-car and clean-engine technology, as well as management know-how. It expects to meet three milestones, each yielding another 5-percent share, to raise its total share to 35 percent this year.

In order to raise its share to 51 percent, Fiat would have to repay Chrysler loans from the U.S. government.

The unwinding of Fiat Industrial — which includes CNH agriculture and construction vehicles and Iveco trucks — marks a historic shift for the 111-year-old automaker, Italy's largest industrial concern and employer.

Fiat Industrial opened at euro9 before dipping to euro8.76, while Fiat SpA — which includes Fiat Group Autos plus Maserati and Ferrari — opened at euro7.10, hitting a minimum of euro6.90 before reaching euro7.03.

The combined company closed Thursday at euro15.43 — shy of its five-year highs above euro23 in mid-2007 but well above lows under euro4 in early 2009 as global markets slumped.

Marchionne said the operation will allow each of the businesses to operate with more clarity, and give them greater agility to seek alliances. Fiat has forecast the new auto company will have revenues of euro64 billion by 2014 while Fiat Industrial revenues will be euro29 billion.

"This is a very important moment for Fiat, because it represents at the same time a point of arrival and a point of departure," Marchionne said at an opening ceremony at the stock exchange. "Faced with the great transformations in place in the

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market, we could no longer continue to hold together sectors that had no economic or industrial characteristic in common."

Marchionne's next corporate milestone will be to quote Chrysler on the U.S. stock exchange, a move expected later this year. Analysts expect the companies to eventually merge, although Marchionne repeated Monday he has no immediate plans to do so.

"A legal merger is not going to change our life," Marchionne said.

Marchionne has said he is on the lookout for alliances that will help each of the industrial and auto businesses thrive. He has shrugged off Volkswagen's expressions of interest in the struggling Alfa Romeo sports car brand, which he plans to launch in the United States. On the industrial side, potential partners include Daimler.

Marchionne's ambitious plans to create a global automaker producing 6 million cars a year by 2014 have been mired in labor disputes in Italy, where Fiat is the country's biggest industrial concern.

Fiat has reached deals for more flexible work rules in two key plants — Pomigliano near Naples and the flagship Turin plant Mirafiori, clearing the way for euro2 billion in investments.

Marchionne has made the more flexible work contracts — which, for example, add shifts and make it more difficult to strike during full production — a condition for his plans to invest a total euro20 billion in Italy and double auto production. Much of that would be badly needed exports.

Marchionne has promised to raise salaries to reflect improved production. But that has not persuaded one union holdout, FIOM, which says the plant-by-plant negotiations are undermining Italy's system of national contracts.

While the deal for Pomigliano — where Fiat will make new Pandas — has been formalized over FIOM's objections, the agreement in Mirafiori still faces a worker referendum later this month. FIOM has announced an eight-hour strike on Jan. 28 to protest the new contracts.

Marchionne has announced a joint venture at Mirafiori to build Alfa Romeo and Jeep brand vehicles, the first overseas expansion for Chrysler under Fiat's stewardship.

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