

Detroit Auto Scene

31201 Chicago Road South
Warren, Michigan 48093
586-939-6800

Contact us:
Info@DetroitAutoScene.com

Deadline: Thursday 5:00 p.m.
for the next edition of Monday

William Springer II, publisher
Lisa A. Torretta, operations
Jim Stickford, news

Detroit Auto Scene is a registered
trademark of Springer Publishing Co.

www.DetroitAutoScene.com

Chrysler-Fiat Deal is 'Great News,' Says Analyst Mike Wall

by Jim Stickford

It's a new year and a new day at Chrysler.

On Jan. 1, the automaker issued a press release stating that Fiat has reached an agreement with the UAW that allows the European carmaker to acquire the union's share of Chrysler stock.

This effectively completes the merger between Chrysler and Fiat. The press release said, in part, "Chrysler Group and the International Union, United Automobile, Aerospace and Agricultural Implement Workers of

America (the UAW) have agreed to a memorandum of understanding (MoU) to supplement Chrysler Group's existing collective bargaining agreement.

"Under the MoU, Chrysler Group will provide additional contributions to the VEBA Trust of an aggregate of \$700 million in four equal annual installments.

"The initial payment will be made on closing of a transaction in which the VEBA Trust will sell to Fiat North America, one of Fiat's wholly owned subsidiaries, all of the VEBA Trust's equity interest in Chrysler. Additional payments of \$175 million will be payable on each of the next three anniversaries of the initial payment. Chrysler Group expects to fund the initial contribution to the VEBA Trust from available cash on hand.

"In consideration for these contributions, the UAW will agree to certain commitments to continue to support the industrial operations at Chrysler Group and the further implementation of the Fiat-Chrysler alliance, including to use best efforts to co-

operate in the continued roll-out of Fiat-Chrysler World Class Manufacturing programs, actively participate in . . . these programs across all of Fiat-Chrysler manufacturing sites . . ."

Mike Wall, director of automotive analysis for IHS Automotive, called the move great news and not entirely unexpected.

"This merger is finally coming to fruition," Wall said. "It's been years in the making, going back to 2009, when Fiat and Chrysler first established a relationship. So it's not surprising they came to a deal, since both sides were wrangling toward this. It was just a matter of coming to terms on the price of the stock. The result will be one company better able to operate in the international marketplace."

Wall said that calling Chrysler an Italian company is incorrect.

"I always push back when I hear that said," Wall said. "When you look at where the cars sold in North America are being designed, it's the good old U.S. of A. It's the North American operations that are broadly helping

sustain the company."

And now that the merger is complete, the coordination between Detroit and Italy will be even greater. The deal will also allow the company more access to cash.

"This is a true merger of equals," Wall said. "When, during the 1990s, they talked about the Chrysler-Daimler deal as merger of equals, that really wasn't the case. It became a more Germanic company with the decisions being made over there. But now we're seeing leadership coming from both sides of the Atlantic. It's a very pragmatic deal."

And, Wall said, no matter what the Zip Code of the company's "official headquarters," Sergio Marchionne's Zip Code is on a Gulf Stream jet.

"Sergio spends a lot of time going between here and Italy," Wall said. "Now the company has engaged leadership on both sides of the Atlantic. This shows the blurring of borders and makes the company a much more global entity. This isn't an Italian company now. It's international."

Fiat Stock Rises, But in Italy, Unions Worried About Jobs

ROME (AP) — Shares in carmaker Fiat soared last week on the news it will take full ownership of Chrysler, but Italian union leaders worried what the deal will mean for jobs and investments in the country.

In a New Year's day announcement, Fiat SpA said it could complete its acquisition of Chrysler without having to raise new capital through a rights issue. Investors cheered the details of the deal, bidding the shares up 12 percent on the Milan exchange. The stock was up by as much as 15.8 percent earlier in the day.

Fiat said it had reached an agreement with the United Auto Workers union-controlled trust fund holding 41.5 percent of Chrysler's shares. Fiat already held all the other shares.

The agreement caps the dream of Sergio Marchionne, Fiat's chief executive and CEO of Chrysler Group, to run a truly global automaker. Marchionne called the deal one of life's "defining moments that go down in the history books."

Italian unions have long worried that Fiat's global reach could come at their expense, in terms of Fiat production in Italy, job security and contract conditions. Their leaders immediately pressed for guarantees, even appealing to the Italian government to help them protect their concerns.

"The agreement reached between Fiat and the Veba (trust) fund heads off the risk of a merger failure, but we contend that the acquisition of the remaining capital shares of Chrysler group was possible thanks to the maximizing of industrial capital and of human capital of the workers of Fiat Group in Italy," said Michele De Palma, in charge of the FIOM metalworkers' union at the automaker.

"In fact, the ownership didn't have to recapitalize to reach 100 percent of Chrysler," De Palma said in a written statement. "Before celebrating, we contend it is fundamental to understand the deal's terms."

The union leader added that he will ask the premier's office to summon all sides to talks about "the employment and industrial future of the Italian plants, and thus have certainty about the investments for the industrial plan of our country." Italy is mired in recession and plagued by unemployment.

Fiat SpA brought Chrysler out of bankruptcy in 2009. The Italian company in late October lowered its 2013 earnings targets amid continued weakness in the European economy and car markets and lower sales in Brazil. Without Chrysler, Fiat would have lost significantly more in the third quarter of 2013.

Fiat Buys Chrysler Shares, Merger Seems Imminent

CONTINUED FROM PAGE 1

The deal eliminates the need for an initial public offering of the union fund's stake, which analysts had previously valued at \$5.6 billion.

Fiat went to court last year seeking a judgment on the price, but the trial date was set for next September.

Marchionne can't spend Chrysler's cash on Fiat's operations unless the companies merge. In recent months, he made it clear that he preferred to settle the dispute without an IPO, but filed the paperwork for the offering in September at the trust's request.

Chrysler's profits have helped prop up Fiat on the balance sheet as the Italian automaker struggles in a down European market.

The Auburn Hills automaker earned \$464 million in the third quarter on U.S. sales of the Ram pickup and Jeep Grand Cherokee, its ninth-straight profitable quarter. The results boosted Fiat, which earned \$260 million in the quarter. Without Chrysler's contribution, Fiat would have lost \$340 million.

WANT TO SHOW OFF?
How about 72,143 times per day!

FOR SALE

127.7 ACRES

**1-75 & Saginaw
FRONTAGE!**

EXIT 106



CALL: 248.505.7975
TOLL FREE: 855.231.6500

GEORGE J. NAHAS REALTOR® & INSURANCE AGENT

**MICHIGAN'S
HOME REALTY, LLC**

**Looking for a better
certificate rate?**

9-month at .90%APY

Locations in Auburn Hills, Troy & Center Line

NCUA

**CORNERSTONE
COMMUNITY
FINANCIAL**

www.CCFinancial.com | 800.777.6728

*APY=Annual Percentage Yield. Promo rate only good for new money not currently on deposit at the credit union. Minimum \$1,000, maximum \$250,000. Dividends paid at maturity. Limit one certificate per member. Restrictions and fees may apply. Subject to change without notice. Limited time offer.

Banquet Facility

Royalty House

Proudly Family Owned for 40 Years

Seating Accommodations for 80-1200

"Experience the Elegance with Royalty"

(586) 264-8400

www.royaltyhouse.com • royalty@royaltyhouse.com