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Fiat Buys Up Chrysler Shares; Can Merger be Far Behind?

(AP) DETROIT – Automaker Fiat SpA has reached an agreement to acquire the remaining shares of Chrysler for \$3.65 billion in payments to a union-controlled trust fund.

Fiat already owns 58.5 percent of Chrysler's shares, with the remaining 41.5 percent held by a United Auto Workers union trust fund that pays health care bills for retirees.

Under the deal, Fiat will make an initial payment of \$1.9 billion to the fund, plus an additional \$1.75 billion upon closing.

Chrysler will also make addi-

tional payments totaling \$700 million to the fund as part of an agreement with the UAW. The deal is expected to close on or before Jan. 20, according to a statement from Chrysler.

Sergio Marchionne, CEO of both Fiat and Chrysler, has long sought to acquire the union's shares in order to combine the two companies.

"The unified ownership structure will now allow us to fully execute our vision of creating a global automaker that is truly unique in terms of mix of experience, perspective and know-how,

a solid and open organization," Marchionne said in a statement issued by Turin, Italy-based Fiat.

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.

Chrysler-Fiat Deal is 'Great News,' Says IHS Auto 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."

The release continued, "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 cooperate in the continued roll-out of Fiat-Chrysler World Class Man-

ufacturing programs, actively participate in benchmarking efforts associated with implementation of these programs across all of Fiat-Chrysler manufacturing sites to ensure objective performance assessments and provide for proper application of WCM principles and actively assist in the achievement of the Group's long-term business plan."

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 the vehicles, Wall said, are being built in the United States as well as Canada and Mexico, which are all NAFTA countries. 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. No, this isn't an Italian company now. It's an international company."

Law OKs Driverless Car Tests

LANSING, Mich. (AP) – A new law that will allow companies to test driverless cars on Michigan roads will be a boost for the state's auto industry, according to Gov. Rick Snyder and the sponsor of the legislation.

Snyder signed the bills last week.

He said the legislation, which requires a person to be in the driverless vehicle to take the wheel if necessary, was needed to keep Michigan in the lead in vehicle research and design.

"Michigan is the automotive capital of the world," he said in a statement.

"By allowing the testing of automated, driverless cars today," he continued, "we will stay at the forefront in automotive technological advances that will make driving safer and more efficient in the future."

Snyder's office said that Michigan businesses and universities in the state of Michigan "are leading the way in many intelligent, connected vehicle programs

aimed at driverless cars.

"This legislation . . . is key to the future of research and development of automotive technology in the state."

Both bills were sponsored by state Sen. Mike Kowall, R-White Lake. He told *The Detroit News* that the laws could help retain research business in Michigan.

Continental Corp. had considered moving some autonomous vehicle testing to Nevada, Kowall said. The company has facilities in Auburn Hills and the Sault Ste. Marie area.

California and Florida also allow such tests.

In November, the University of Michigan announced a collaboration with government and business to make Ann Arbor the first American city with a shared fleet of networked, driverless vehicles by 2021.

Researchers are conducting a street-level connected vehicle experiment called Safety Pilot that involves 3,000 area residents in networked vehicles.

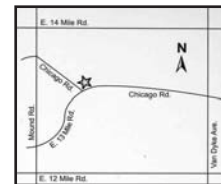
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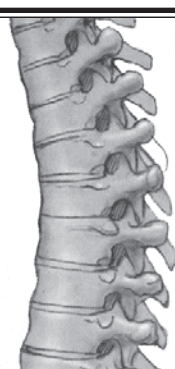
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