

# Chrysler-Fiat Talks Intensify

By Eric Mayne

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ROMULUS, MI – Chrysler LLC has suspended its aggressive-of-late pursuit of partnerships in a bid to conclude a proposed deal that would give Fiat Auto Group an ownership stake in return for technology.

“We’ve always been open (to partnerships),” Chrysler Vice Chairman and President Jim Press says, noting past agreements with Mitsubishi Motors Corp. and Hyundai Motor Co. Ltd.



## Chrysler Vice Chairman and President Jim Press

“But now that we are in talks with Fiat, we are not speaking with any other company about anything in the future until we find out what the end result is going be with Fiat.”

Press, speaking to journalists here during a break in dealer meetings, says a Fiat partnership would not affect current pacts with Nissan Motor Co. Ltd. and Volkswagen AG. But he sheds no new light on the specifics of a Fiat deal’s impact on Chrysler’s product lineup.

“We don’t really know,” he says. “(Fiat vehicles) have to be homologated for U.S. safety and emissions (standards).”

Chrysler’s focus on the Fiat discussions represents a departure from the culture of collaboration that has taken hold in the 18 months since Cerberus Capital Management LP acquired a controlling interest in the auto maker from then-DaimlerChrysler AG. While the Cerberus deal returned Chrysler to its American roots, it also exposed the auto maker as a non-player in the global market, a disadvantage its leadership team has sought to address with deals such as the Nissan agreement.

Announced last year, the Nissan partnership allows for Chrysler to build pickups for the

Japan-based auto maker. In return, Nissan will supply Chrysler with small cars.

However, not every Chrysler partnership wrapped up so neatly. A deal to acquire small cars from Chery Automobile Co. Ltd. was dissolved in December, after Chrysler lost patience with the China-based auto maker's progress on product development.

**Chrysler's concentration on Fiat sends a clear signal, says Van Conway, senior managing partner of Conway MacKenzie, an international financial and management consultancy.**

**"When you're spending serious money on financial advisors and lawyers, you want somebody to go exclusive with you," Conway tells *Ward's*. "Typically, that means (negotiations have) got to a more serious stage."**

Adds Lars Luedeman, director-automotive analytics, Grant Thornton LLP: "(Chrysler is) trying to show the market they are focused, that the (Fiat) deal is real, and that it is critical for their future. They have a lot of people to convince."

Chrysler sales chief Steve Landry is optimistic, saying the talks are progressing "quite well" and "in the right direction."

A non-binding agreement between the auto makers calls for Fiat to acquire a 35% stake in Chrysler in return for access to Fiat's small-car platforms and downsized, fuel-efficient engines. Meanwhile, Press speaks out to calm fears that U.S. taxpayer support will benefit an offshore auto maker. If an agreement is finalized, Fiat will not take any profit from its Chrysler holdings until Chrysler repays its government loans, Press says.

The auto maker received \$4 billion in emergency financing and expects to get another \$3 billion. The loans, intended to cover Chrysler's operating expenses, were extended after last year's credit-market collapse closed the door on funding from conventional sources.

And there is no contingency involving Fiat, Press says. Chrysler can "start earning our own way" based solely on the business plan it submitted to Congress last year, before the non-binding agreement was reached.

"There's a lot of restructuring that needs to be done," Press adds. "Not just within the company, but also within the constituents that surround our company – suppliers, our dealers, the union, our banks. So we're going through that process now showing that everybody (is) in and

that it creates a viable plan, so that we will be able to repay this loan and we will not be back (for more)."

Asked if anything could derail either the Fiat deal or final approval of the \$7 billion set aside by Chrysler, Press jokes: "Bad media coverage."