

## Fiat chief in Berlin to push for acquisition of G.M.'s Opel

*Carter Dougherty*

*The German government on Monday said it would consider helping the Italian automaker Fiat grab control of Opel, the German subsidiary of General Motors, the ailing American giant.*



*Andreas Rentz/Getty Images*

*Fiat's chief executive, Sergio Marchionne, left, after meeting with German officials on Monday in Berlin.*

Less than a week after he clinched a deal for a 20 percent stake in Chrysler, Fiat's chief executive, Sergio Marchionne, traveled to Berlin to convince skeptical German officials that his company is the right match for Opel, which employs over 25,000 Germans at plants across the country.

Trying to resolve the politics and finances of a deal, Mr. Marchionne sketched out a plan that would put Fiat in control of a large stake of Opel with 5 billion to 7 billion euros (\$6.5 billion to \$9.1 billion) in "bridge financing," presumably from governments, officials said. And aiming to placate German politicians leery of big job cuts in an election year, he said Fiat had promised it would maintain the three main assembly plants in Germany.

"It's an interesting approach, without question," Karl-Theodor zu Guttenberg, the German economy minister, said after the meeting in Berlin.

The bid to bring German officials on board is part of Mr. Marchionne's effort to recast Fiat, which has revived after a slump in which it was dogged by a reputation for shoddiness, as a credible global player with the economies of scale that automakers need to finance investments in expensive new technology.

Fiat said Sunday that it was prepared to spin off its car business from the rest of the sprawling industrial conglomerate into a new listed company, and combine the business with the European operations of General Motors, which include Opel and the British brand Vauxhall. That company would then hold the stake in Chrysler.

A combination of Fiat, Opel and Chrysler would have annual sales of about 5.5 million vehicles and revenue of about 80 billion euros, or \$106 billion. Fiat foresees a combination which would include its own ultra-small car platform, an integrated one that would include Opel's small and midsize car capacity, and Opel's larger cars.

The plan places a premium on putting Fiat in charge without incurring new debt. Instead, Fiat would bring "technology and management skills to the table," a Fiat spokesman, Gualberto Ranieri, said.

G.M. has said that Opel needs 3.3 billion euros to get through its current crisis, and the German government has said it is open to the concept of loan guarantees, provided a private investor is on board.

There are many political hurdles to a deal in Germany, which is facing national elections. The German government's demands range from minimizing the state role to preserving jobs to presenting a persuasive plan for reviving the automaker.

The conservative half of Chancellor Angela Merkel's coalition in Berlin has been reluctant to push for further intervention in the economy, as it is losing ground to a free-marketizing centrist party. The Social Democrats, who form the other half of the coalition, have made saving jobs their priority, a cause that would also attract Mrs. Merkel's attention.

Mr. Guttenberg said that a Fiat-Opel combination would involve "a certain need for consolidation."

The Berlin meeting included Frank-Walter Steinmeier, the Social Democrat who will challenge Mrs. Merkel in the fall, and he emphasized a solution that would support Germany's position as an automotive superpower.

"We are not just talking about Opel but we're talking about Germany's position as an industrial center," Mr. Steinmeier before the meeting.

Germany's labor unions, who hold strong sway with Social Democrats and are also represented on the board of Opel, have registered their support for a deal with Magna International, the auto parts and engineering company, based in Aurora, Ontario. Mr. Guttenberg last week called Magna's proposal "interesting," but "a rough concept."

The Magna combination would also include Russia's GAZ, an automaker, and Moscow-based Sberbank, news reports said. The Russian bank did not respond to calls after business hours.

Mr. Marchionne has said he wants an agreement in principle within 30 days, but Mr. Guttenberg gave no definitive time frame for a decision on Monday.

Mr. Marchionne has said that to be competitive in the current market, an automaker needs to make at least five million vehicles a year, with one million units on each car platform, to succeed. That is more than double Fiat's current scale.

Ferdinand Dudenhöffer, director of the Center for Automotive Research in Duisburg, Germany, said that a joint Fiat-Opel would offer greater volume but that there would be a number of disadvantages to the combination, some very acute.

Fiat's hefty debt load would prevent it from investing heavily in new, energy-efficient technology, Mr. Dudenhöffer wrote in a new study.

Also, the automaker is a "very emotionally run organization," with a history of frequent management changes.

"A whole series of reasons show that a takeover of Opel by Fiat would bring clear dangers," he wrote. "Opel would not be more secure after a Fiat takeover, but would face markedly greater risks."

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