

Fiat output plans spark job fears

Vincent Boland

Fiat, the Italian automotive giant, sparked fears on Thursday of job losses and possible plant closures for its Italian manufacturing operations as it outlined a medium-term industrial plan following the group's takeover of Chrysler of the US.

The group suggested that the lay-offs could come at Fiat's Termini Imerese plant in Sicily after 2011, when production of its Lancia Ypsilon model is likely to be terminated. An "industrial presence" would be maintained at the plant after that date with "non-automotive production activities."

Fiat also said a "thorough reorganisation" of its Case/New Holland agricultural and construction equipment divisions was needed following sharp falls in global demand in the two sectors in the first quarter of this year. That could have a big impact on employment levels at the division's three Italian manufacturing plants.

The company unveiled its industrial plan as Sergio Marchionne, chief executive, met trade union leaders and Italian government representatives in Rome amid mounting concern in Italy about the domestic impact of the group's acquisition of control of Chrysler and its unsuccessful offer to buy the European arm of General Motors, centred on Opel of Germany.

"Current market performance, medium-term expectations and the significant under-utilisation of production capacity necessitate a thorough reorganisation of the business, rationalisation of existing production sites, and definition of a plan to manage redundancies," Fiat said in a statement issued to coincide with the meeting, referring to the CNH divisions.

Global demand for construction equipment fell 57 per cent in the first three months of this year, Fiat said. Global demand for combine harvesters and tractors fell 23 per cent and 10 per cent respectively.

"A serious restructuring of the automotive industry is now absolutely necessary if it is to be economically viable," Fiat said.

"The operational, industrial and economic measures which Fiat has employed to date are no longer sufficient by themselves. Far-reaching strategic measures are necessary to achieve an adequate level of critical mass, increase volumes produced for each platform and expand geographic presence."

Mr Marchionne, who has sought to place Fiat at the forefront of a planned global overhaul of the automotive industry, appealed to Italian unions and the government to work with the company to minimise disruption during the restructuring. He said the time had come "for everyone to acknowledge that significant milestones can only be achieved by joining forces".

Mr Marchionne said: "Maintaining equilibrium in employment levels in the face of these extremely difficult market conditions is no easy task. The production-related initiatives that we outlined today will contribute in part to achieving this target, but they also need to be financially viable."

Financial Times, New York, June 18, 2009, Companies, online.