

Fiat Chrysler weighs potential Europe and Asia mergers

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Waiting for the green light? Fiat Chrysler is considering potential offers from a number of suitors

Fiat Chrysler Automobiles is torn over what partnership would most help the company turn around in its European fortunes and face looming EU emissions limits, analysts said Wednesday.

The Italian-American automaker is often cited as a possible merger

candidate for European carmakers, with the latest reports saying France's Renault may join Peugeot as an aspiring FCA partner.

In Asia, South Korean automaker Hyundai has been tipped as a potential suitor, while Italian media reported that FCA chairman John Elkann courted China's President Xi Jinping at a recent dinner in Rome.

FCA CEO Mike Manley has done little to quell rumours he is actively seeking a partnership, saying earlier this month that the owner of prestigious brands Maserati and Alfa Romeo is open to alliances that could strengthen it.

"Fiat is not in a position to go on like this for long, something's got to change," Giuseppe Berta, a modern history professor at Milan's Bocconi University and former director of the Fiat Archives, told AFP.

"Its US brands are going strong, but its Italian-European brands are performing increasingly badly," he said.

The world's seventh-largest carmaker has been hit by a slowdown of car sales in Europe—one that could dramatically worsen in the case of a no-deal Brexit, according to experts.

The company's European arm "would be sold off, or strongly scaled down," Berta predicted.

FCA saw a drop in deliveries of 5.3 percent in February—11.5 percent down for Fiat, which is seen as suffering from an ageing range.

FCA's Jeep, however, roared ahead with registrations up 35 percent.

The company's decision in the US to abandon production of sedans, and focus on Jeeps and Ram pickups instead, has paid off.

But FCA's reliance on one region has spooked investors, who note that US demand is starting to slow.

European deal to smooth CO2 woes?

Supporters of a European deal say it could benefit the Italian-American giant.

A tie-in with French carmaker PSA, which owns the Peugeot, Citroen and Opel brands, could ease Fiat Chrysler's entry into China, where PSA has a strong footing.

Additionally, by 2021 the companies will have to fall into line with strengthened EU CO2 emissions regulations, and Peugeot already has the necessary technology—unlike Fiat Chrysler, which is lagging behind rivals in developing hybrid and electric vehicles.

Manley has said that FCA has three options, and will take the least costly approach to complying with the regulations.

"You can sell enough electrified vehicles to balance your fleet. Two: You can be part of a pooling scheme. Three is to pay the fines," he told reporters at the Geneva Motor Show earlier this month.

The auto giant agreed in January to a \$515 million (457 million euros) settlement in the United States on charges it installed "defeat devices" on cars to evade emissions tests—something the company claimed at the time was unintentional.

Italy's biggest-selling newspaper Corriere della Sera said a deal with a company that is ahead of the game on emissions in Europe could be the answer to at least one of FCA's problems.

"At a time when investments required to build electric and self-driving cars (...) are significant, every manufacturer is looking for cost advantages," the newspaper said.

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