



Official name: *FCA Italy S.p.A.* (formerly *Fiat Group Automobiles S.p.A.*)

Owned by: Fiat Chrysler Automobiles

Owns: Alfa Romeo, Lancia, Maserati & others through a vast network of complementary companies. FCA formerly owned 90% of Ferrari, with Piero Ferrari owning the remaining 10%. FCA sold 10% of its share to the public, and the remaining 80% was distributed to its shareholders

Current situation: Fiat has lost money for most of the last decade. Fiat vehicles are frequently poorly built and unreliable.

Fiat recently swallowed bankrupt American carmaker Chrysler. On paper, this is a brilliant strategy, giving Fiat access to the the huge American market.

However, like Fiat, Chrysler produces low quality products and faces an uncertain future.

Fiat's partnership with Chrysler is based on a series of incredibly optimistic plans, many of which seem unlikely to succeed in the harsh light of day.

Chances of survival: uncertain. The uneasy marriage of two unsuccessful companies does not fill us with confidence •



A brief commentary on Fiat

Fabbrica Italiana Automobili Torino (*Fiat* for short) was founded by Giovanni Agnelli in 1899, and his family has owned much of it ever since. Like many Italian names it sounds exotic, but simply means: ‘Italian Car Factory of Turin’.

After innovative racing beginnings, Fiat settled down to produce cars for the mass market.

Fiat also made planes and military vehicles during World War II, but they weren't very good and probably hastened Italy's defeat by the Allies.

After World War II, Europe was thirsting for cheap, fuel-economic cars, and Fiat had just what the market needed.

During the 1950s and '60s, small cars like the Fiat 500 (below) made Fiat a powerful force in Italy.

Fiat recently released an updated version of the 500 to cash in on the European public's affection for the classic 500 model.



As Europe's economy improved in the 1960s, so did Fiat's models. This was the golden age for Fiat – the cars were well built, innovative, stylish and reasonably reliable by the standards of the day.



Fiat's golden age didn't last long. By the 1970s Fiat had become smug and complacent. Fiat sold the Russian government the rights to build the obsolete Fiat 124 model (above), shipped the factory to Russia and allowed the cash-strapped Russians to pay with steel instead of dollars.



Thus, the Fiat 124 was transformed into the laughable Russian *Lada* (below). Russia exported the Lada to many Western countries. However, Ladas were very badly built and became the butt of a thousand jokes.



However, the Russians had the last laugh – they kept the best steel for themselves and shipped the bad steel to Fiat.

Bad steel often rusts badly, and thus, throughout the 1970s and early '80s, brand new Fiat cars began rusting away within months of purchase. Anti-rust treatment at the factory would have helped, but that was too much like hard work for the lazy Fiat bosses and their equally lazy workers.



Things got worse. As the Japanese carmakers started selling into Europe, Fiat reacted swiftly, but not very skilfully. Out went Fiat's old, chunky, moderately reliable models. In came stylish, speedy runabouts for the city folks of Europe, designed by artists, engineered by accountants and assembled by monkeys.

If it were a lady, it would get its bottom pinched.

What a beauty. She's got a stylish coat of metallic paint.

Tinted windows. A sunshine roof. Alloy wheels. A radio. A sports steering wheel. Velour covered seats.

And she's tastefully colour co-ordinated inside and out.

She's the Fiat 127 Palio.

In Italy, they have their own special way of appreciating such a beautiful lady.

We're certain you will appreciate her, too. Though, perhaps, not quite so cheekily.



The beautiful 127 Palio.

FIAT

Fiat often used sexually-themed marketing, to make trashy vehicles more appealing to gullible carbuyers.

Each generation of these shiny, but crappy models alienated a percentage of Fiat customers; each angry customer became one less sale for the next model.

Fiat was in trouble.



General Motors came to Fiat's aid, but quickly backed away when they saw what a mess Fiat was in. General Motors then paid US\$2billion to get out of an agreement to buy a large share of Fiat.

In an ironic twist, Fiat then briefly became profitable, before reverting back to its usual heavy losses.

Faced with even heavier losses following the 2008 global financial crisis, Fiat was on life support. But you'd never have known this from their adverts.



Fiat 500 By Gucci



Fiat's charismatic boss, Sergio Marchionne, is both an optimist and a realist. He knows that only large companies have much chance of survival in the brutal 21st century car market.



Fiat needed a business partner, and fast. The successful car companies wouldn't touch Fiat with a barge pole. However, Marchionne knew that the American government didn't want the bankrupt American carmaker Chrysler to close down.

Therefore, Marchionne was able to do a deal which eventually enabled him to take over Chrysler entirely. The new company was launched at the New York Stock Exchange, and called Fiat Chrysler Automobiles (FCA).



On paper, this was a good deal: Chrysler helped Fiat survive. Fiat helped Chrysler survive. Chrysler gave Fiat access to the huge American market. Fiat gave Chrysler access to the huge European market.





Fiat Chrysler then raised desperately needed operating capital by selling off Ferrari.

However, without Ferrari, Fiat Chrysler Automobiles was left with a raft of poorly selling brands and not enough customers.

Fiat is awash in debt. Sales in the important market of Brazil have tanked, while there are claims that Fiat Chrysler's American sales figures were falsified. An Illinois car dealer claims that Chrysler strongly pressured its dealers to inflate their vehicle sales figures in order to boost the value of the company.

In 2015, Fiat Chrysler was forced to recall more than 11 million vehicles in the US.

Fiat Chrysler is also burdened with an increasing inventory of unsold vehicles.

Most commentators give the Chrysler-Fiat alliance a poor chance of surviving, at least in its present form.





Analyst Harald Hendrikse, quoted in *Forbes* magazine, summed up his skepticism:

“Reality is a lot tougher than Powerpoint presentations. We believe Fiat’s market forecasts are too high, its market assumptions are unrealistic, its EBIT (earnings before interest and tax) unachievable, and its investment forecasts too low to achieve the grand plans.”

“Fiat seems to be ignoring the reactions and actions of competitors, again, and the fact that car markets can be cyclical.” ...

“Quite apart from [the question of] how this investment will be funded, we think the maths simply does not stack up,” Hendrikse said •

