







# Fiat

**Fiat S.p.A.**



<b>Type</b>	Public (BIT: F)
<b>Founded</b>	11 July 1899 in Turin, Italy
<b>Founder(s)</b>	Giovanni Agnelli
<b>Headquarters</b>	Turin, Italy
<b>Key people</b>	Sergio Marchionne (CEO) Luca Cordero di Montezemolo (Chairman) John Elkann (Vice Chairman)
<b>Industry</b>	Automotive, publishing, finance and metallurgy
<b>Products</b>	Autos, Trucks, vehicular equipment and financial services
<b>Revenue</b>	▲ €59.4 billion (2008)
<b>Net income</b>	▲ €1.721 billion (2008)
<b>Employees</b>	200,701 (2008)
<b>Subsidiaries</b>	Automobiles: <i>Ferrari S.p.A.</i> <i>Maserati S.p.A.</i>

*Fiat Group Automobiles S.p.A.:*

- *Abarth & C. S.p.A.*
- *Alfa Romeo Automobiles S.p.A.*
- *Fiat Automobiles S.p.A.*
- *Fiat Light Commercial Vehicles S.p.A.*
- *Lancia Automobiles S.p.A.*

Agricultural and construction equipment:

- *CNH Global N.V.*

Commercial vehicles:

- *Iveco S.p.A.*

Components and production systems:

- *Fiat Powertrain Technologies S.p.A.*
- *Magneti Marelli Holding S.p.A.*
- *Teksid S.p.A.*
- *Comau S.p.A.*

Other business:

- *Itedi S.p.A.*
- - *La Stampa*

**Website**

FiatGroup.com

**Fiat S.p.A.**, an acronym for *Fabbrica Italiana Automobili Torino* (English: *Italian Automobile Factory of Turin*), is an Italian automobile manufacturer, engine manufacturer, financial and industrial group based in Turin in the Piedmont region. Fiat was founded in 1899 by a group of investors including Giovanni Agnelli. Fiat has also manufactured railroad vehicles, tanks and aircraft. As of 2009, Fiat is the world's 6th largest carmaker as well as Italy's largest carmaker.

Fiat-based cars are constructed all around the world, with the largest number produced outside Italy being built in Brazil (best seller). It also has factories in Argentina and Poland. Fiat has a long history of licensing its products to other countries regardless of local political or cultural persuasion. Joint venture operations are found in Italy, France, Turkey, India, Serbia and Russia.

Agnelli's grandson Gianni Agnelli was Fiat chairman from 1966 until his death on 24 January 2003; from 1996, though, he only served as an "honorary" chairman, while Cesare Romiti served as chairman. After their removal, Paolo Fresco served as chairman and Paolo Cantarella as CEO. Umberto Agnelli then took over as chairman from 2002 to 2004. After Umberto Agnelli's death on 28 May 2004, Luca Cordero di Montezemolo was named chairman, but Agnelli heir John Elkann became vice chairman at age 28 and other family members are on the board. At this point, CEO Giuseppe Morchio immediately offered his resignation. Sergio Marchionne was named to replace him on 1 June 2004.

## Activities

The group's activities were initially focused on the industrial production of cars, industrial and agricultural vehicles. Over time it has diversified into many other fields, and the group now has activities in a wide range of sectors in industry and financial services. It is Italy's largest industrial concern. It also has significant worldwide operations, operating in 61 countries with 1,063 companies that employ over 223,000 people, 111,000 of whom are outside Italy.

## Automotive

Fiat Group is the largest vehicle manufacturer in Italy, with a range of cars starting from small Fiat city cars to sports cars made by Ferrari, and vans and trucks ranging from the Ducato to Iveco commercial trucks. Besides Fiat Group Automobiles S.p.A, the Fiat Group automotive companies include Ferrari S.p.A., Iveco S.p.A. and Maserati S.p.A. The Fiat Group Automobiles S.p.A. companies include: Abarth & C. S.p.A., Alfa Romeo Automobiles S.p.A., Fiat Automobiles S.p.A., Fiat Professional and Lancia Automobiles S.p.A.. Ferrari S.p.A. is 85% owned by the Fiat Group, but is run autonomously.

The European Car of the Year award, Europe's premier automotive trophy for the past 40 years, has been awarded twelve times to the Fiat Group, more than any other manufacturer. Most recently the Fiat Nuova 500 has won the award for European Car of the Year 2008.

List of Fiat Group models which have won European Car of the Year:

- 1967: Fiat 124
- 1970: Fiat 128
- 1972: Fiat 127
- 1980: Lancia Delta
- 1984: Fiat Uno
- 1989: Fiat Tipo
- 1995: Fiat Punto

- 1996: Fiat Bravo/Brava
- 1998: Alfa Romeo 156
- 2001: Alfa Romeo 147
- 2004: Fiat Panda
- 2008: Fiat 500

## **Commercial vehicles**

Commercial vehicles (Iveco and Seddon Atkinson), buses (Iveco and Irisbus) and firefighting vehicles (Camiva, Iveco and Magirus). For information on their military vehicles, see Ariete. On 17 April 2007 "Fiat Veicoli Commerciali" was rebranded as "Fiat Professional". Some of Fiat's Light Commercial Vehicle products include; Fiat Ducato, Fiat Scudo and Fiat Doblò Cargo. See Fiat Professional for more details on Fiat Commercial Vehicle Products.

## **Motorcycles and aeronautics**

In 1959, Piaggio came under the control of the Agnelli family. Resultantly, in 1964 the aeronautical and motorcycle divisions split to become independent companies; the aeronautical division was named IAM Rinaldo Piaggio. Today the aeronautical company Piaggio Aero is controlled by the family of Piero Ferrari, which also still hold 10% of the carmaker Ferrari.

Vespa thrived until 1992, when Giovanni Alberto Agnelli became CEO — but Agnelli was already suffering from cancer, and died in 1997. In 1999, Morgan Grenfell Private Equity acquired Piaggio .

## **Aviation**

Fiat, as Fiat Aviazione, was an important aircraft manufacturer, focused mainly on military aviation. After World War I, Fiat consolidated several Italian small aircraft manufacturers, like Pomilio and Ansaldo. Most famous were Fiat biplane fighter aircraft of the 1930s, Fiat CR.32 and Fiat CR.42. Other notable designs were fighters CR.20, G.50, G.55 and a bomber, the Fiat BR.20. In 1950s, the company designed the G.91 light ground attack plane. In 1969, Fiat Aviazione merged with Aerfer to create Aeritalia.

## **Components**

The major Italian component maker Magneti Marelli is owned by Fiat, and in turn owns the other brands Carello, Automotive Lighting, Siem, Cofap, Jaeger, Solex, Veglia Borletti, Vitaloni, and Weber; other accessory brands include Riv-Skf and Brazilian Cofap.

## **Metallurgical products**

## **Production systems**

Production systems are made mainly through Comau S.p.A. (now Comau Systems), which bought the American Pico, Renault Automation and Sciaky and produces industrial automation systems. In the 1970s and 1980s, the company became a pioneer in the use of industrial robotics for the assembly of motor vehicles. Fiat assembly plants are among the most automated and advanced in the world.

## **Services**

An insurance company, Toro Assicurazioni, allowed Fiat to control a relevant part of this market (also with minor companies like Lloyd Italico) and to interact with some associated banks. Toro Assicurazioni was acquired by the giant insurance company Assicurazioni Generali and is no longer related to the Fiat Group. Fiat still retains control of Augusta assicurazioni.

## **Construction**

Ingest Facility and Fiat Engineering work in various fields of construction, while IPI is a mediation company that also deals with the management of real estate properties.

## **Information technology**

Fiat Group is present in IT fields and in communications with ICT — Information & Communication Technology, Espin, Global Value, TeleClient, and Atlanet.

## **Leisure**

The Fiat Group owned the Sestriere skiing facilities; the village in the Alps is a creation of the Agnelli family. The Sestriere skiing facilities were sold by the group in 2006.

## **Publishing and communication**

Fiat group also owns important editorial brands, like La Stampa (created in 1926 for the famous newspaper), Itedi, and Italiana Edizioni. Some national and local newspapers are owned or otherwise controlled by the different companies. A specialised advertising space reseller is Publikompass, supported by the Consorzio Fiat Media Center.

## **Other activities**

Fiat Gesco, KeyG Consulting, Sadi Customs Services, Easy Drive, RM Risk Management and Servizio Titoli are minor companies that work for public services, delivering services in economics and financial fields. Other activities include industrial securitisation (Consorzio Sirio), treasury (Fiat Geva), Fiat Information & Communication Services.

Fiat supports the *Fondazione Giovanni Agnelli*, an important foundation for social and economic research. Palazzo Grassi, a famous ancient building in Venice, now a museum and formerly supported by Fiat, was eventually sold to the french businessman François Pinault in January 2005.



Fiat has recently begun sponsoring the Jamaican bobsledding team and promoting this sponsorship through commercials. Many like Jamaican athletes because they see them as underdogs and as people who enjoy life. While Volvo sponsors golf, Mercedes tennis, and Hyundai soccer, Fiat is trying to look unique and more light-hearted. Further, the team is relatively cheap to sponsor.

The group is present in many countries, not only in the West. Notably, it was one of the first companies to build factories in Soviet territory, with the best known examples in Vladivostok, Kiev and Togliatti. The Russian government later continued the joint venture under the name AutoVAZ (known as Lada outside the former USSR). The venture was most notable for the Lada Riva. Fiat also has a subsidiary in Poland at Tychy, (formerly called FSM) where Fiat's small cars (the 126, Cinquecento and now Seicento) are made. Fiat also has factories in Argentina, Brazil, and Italy. In addition, its cars are produced through licensing and joint-venture agreements in China, Egypt, France, India, South Africa, Turkey, and Vietnam. Local variants of Fiats are produced at these factories as well as a world car, the Palio. As of 2005, the company holds the first position in the Brazilian automobile market with a market share close to 25%.

Fiat has articulated that it wishes to focus on expanding into third-world markets because, in the words of former chairman Paolo Fresco, "those are the only markets where you can expect growth. And it is true that Fiat's specialization in smaller cars puts it at an advantage in those markets, but cars sold in third-world countries tend to be much simpler than those sold elsewhere (e.g., most lack air conditioning), and thus require much less money to develop.

Fiat is also present in the combat vehicle sector through a consortium between Iveco and OTO Melara, their most notable product being the LAV B1 Centauro.

## Evolution

Giovanni Agnelli founded Fiat in 1899 with several investors and led the company until his death in 1945, while Vittorio Valletta administered the day-to-day activities of the company. Its first car the 3 ½ CV (of which only eight copies were built, all bodied by Alessio of Turin) strongly resembled contemporary Benz, and had a 697 cc (42.5 cu in) boxer twin engine. In 1903, Fiat produced its first truck. In 1908, the first Fiat was exported to the US. That same year, the first Fiat aircraft engine was produced. Also around the same time, Fiat taxis became somewhat popular in Europe. By 1910, Fiat was the largest automotive company in Italy — a position it has retained since. That same year, a plant licensed to produce Fiats in Poughkeepsie, NY, made its first car. This was before the introduction of Ford's assembly line in 1913. Owning a Fiat at that time was a sign of distinction. A Fiat sold in the U.S. cost between \$3,600 and \$8,600, compared to US\$825 the Model T in 1908.

Upon the entry of the U.S. into World War I in 1917, the factory was shut down as U.S. regulations became too burdensome. At the same time, Fiat had to devote all of its factories to supplying the Allies with aircraft, engines, machine guns, trucks, and ambulances. After the war, Fiat introduced its first tractor, the 702. By the early 1920s, Fiat had a market share in Italy of 80%.



In 1921, workers seized Fiat's plants and hoisted the red flag of communism over them. Agnelli responded by quitting the company. However, the Italian Socialist Party and its ally organization, the General Confederation of Labor, in an effort to effect a compromise with the centrist parties ordered the occupation ended. In 1922, Fiat began to build the famous Lingotto car factory — the largest in Europe up to that time — which opened in 1923. It was the first Fiat factory to use assembly lines; by 1925, Fiat controlled 87% of the Italian car market. In 1928, with the 509, Fiat included insurance in the purchase price.

Fiat made military machinery and vehicles during World War II for the Army and *Regia Aeronautica* and later for the Germans. Fiat made obsolete fighter aircraft like the biplane CR.42, which was one of the most common Italian aircraft, along with Savoia-Marchettis, as well as light tanks (obsolete compared to their German and Soviet counterparts) and armoured vehicles. The best Fiat aircraft was the G.55 fighter, which arrived too late and in too limited numbers. In 1945 — the year Mussolini was overthrown — the Italian Committee of National Liberation removed the Agnelli family from leadership roles in Fiat because of its ties to Mussolini's government. These were not returned until 1963, when Giovanni's grandson, Gianni, took over as general manager until 1966, as chairman until 1996.

## **Gianni Agnelli**

Among the younger Agnelli's first steps after gaining control of Fiat was a massive reorganization of the company management, which had previously been highly centralized, with almost no provision for the delegation of authority and decision-making power. Such a system had worked effectively enough in the past but lacked the responsiveness and flexibility made necessary by Fiat's steady expansion and the growth of its international operations in the 1960s. The company was reorganized on a product-line basis, with two main product groups — one for passenger cars, the other for trucks and tractors — and a number of semi-independent division and subsidiaries. Top management, freed from responsibility for day-by-day operations of the company, was able to devote its efforts to more far-reaching goals. In 1967, Fiat made its first acquisition when it purchased Autobianchi; with sales amounting to \$1.7 billion, it outstripped Volkswagen, its main European competitor, and in 1968 produced some 1,750,000 vehicles while its sales volume climbed to \$2.1 billion. According to *Newsweek* in 1968, Fiat was "the most dynamic automaker in Europe...[and] may come closest to challenging the worldwide supremacy of Detroit." Then, in 1969, it purchased controlling interests in Ferrari and Lancia. At the time, Fiat was a conglomerate, owning Alitalia, toll highways, a typewriter and office machine manufacturer, electronics and electrical equipment firms, a paint company, a civil engineering firm, and an international construction company. Following up on an agreement Valletta had made with Soviet officials in 1966, Agnelli constructed the AvtoVAZ plant in the new city of Togliattigrad on the Volga. This began operation in 1970, producing a local version of the Fiat 124 as the Lada. On his initiative, Fiat automobile and truck plants were also constructed in industrial centers of Yugoslavia, Poland, Bulgaria, and Romania. In 1979, the company became a holding company when it spun off its various businesses into autonomous companies, one of them being Fiat Auto. That same year, sales reached an all-time high in the United States, corresponding to the Iranian Oil Crisis. However, when gas prices fell again after 1981, Americans began purchasing sport utility vehicles, minivans, and pickup trucks in larger numbers (marking a departure from their past preference for large cars). Also, Japanese automakers had been taking an ever-larger share of the car market, increasing at more than half a percent a year. Consequently, in 1984, Fiat and Lancia withdrew from the United States market. In 1989, it did the same in the Australian market, although it remained in New Zealand.

In 1986, Fiat acquired Alfa Romeo from the Italian government. Also, in 1986 15% of Fiat company stock was owned by Libya, an investment dating back to the mid-seventies. U.S. foreign policy under President Reagan's administration canceled a Pentagon contract to produce earth-movers with Fiat and pressured the company into brokering a buyout of the Libyan investment. In 1992, two top corporate officials in the Fiat Group were arrested for political corruption. A year later, Fiat acquired Maserati. In 1995 Alfa Romeo exited the U.S. market. Maserati re-entered the U.S. market under Fiat in 2002. Since then, Maserati sales there have been increasing briskly.

## **Paolo Fresco**

Paolo Fresco became chairman of Fiat in 1998 with the hope that the veteran of General Electric would bring more emphasis on shareholder value to Fiat. By the time he took power, Fiat's market share in Italy had fallen to 41% from around 62% in 1984. However, a Jack Welch-like management style would be much harsher than that used by the Italians (e.g., precarious versus lifetime employment). Instead, Fresco focused on offering more incentives for good performance, including compensation using stock options for top and middle management.

However, his efforts were frustrated by union objections. Unions insisted that pay raises be set by length of tenure, rather than performance. Another conflict was over his preference for informality (the founder, Giovanni Agnelli, used to be a cavalry officer). He often referred to other managers by their first name, although company tradition obliged one to refer to others using their titles (e.g., "Chairman Fresco"). The CEO of the company, Managing Director Paolo Cantarella, ran the day-to-day affairs of the company, while Fresco determined company strategy and especially acted as a negotiator for the company. In fact, many speculated the main reason he was chosen for the job was to sell Fiat Auto (although Fresco fervently denied it). In 1999, Fiat formed CNH Global by merging New Holland NV and Case Corporation.

## **Recent events**

### **Partnership with GM**

Over time, most automotive companies around the world have become holding companies of foreign as well as domestic competitors. For example, General Motors owned a controlling interest in Saab Automobile and, until recently, in Isuzu. Fresco signed a joint-venture agreement in 2000 under which GM acquired a stake in Fiat Auto. This made it appear as if Fiat was next, although GM has made joint ventures with other companies (such as Toyota) without acquiring them. Nevertheless, Fiat did not see the GM partnership as a threat, rather as an opportunity to off-load its automotive business. The agreement with GM included a put option, which held that Fiat would have the right to sell GM its auto division after four years at fair market value. If GM balked, it would be forced to pay a penalty of \$2 billion. When Fiat tried to sell GM the company, GM chose the penalty. On 13 May 2005 GM and Fiat officially dissolved their agreement.

The current CEO however views alliances such as these as the deciding factor of the future success of Fiat. In 2005 Fiat was courting Ford. In more recent events Fiat is in the process of acquiring 20% of Chrysler (with possibilities of increasing this share) and has expressed an interest in acquiring GM Europe (Opel and Vauxhall).

As part of the recent divestitures, in 2003 Fiat shed its insurance sector, which it was operating through Toro Assicurazioni to the DeAgostini Group. In the same year, Fiat sold its aviation business, FiatAvio to Avio Holding. In February 2004, the company sold its interest in Fiat Engineering, as well as its stake in Edison.

Fiat faces a multitude of threats, including rising steel prices (up by 16-30% beginning of 2008), a strong Euro, and increased competition from Japanese and South Korean car manufacturers in Europe. Although the light-vehicle market share of Japanese and South Korean automakers in Europe is less than in the U.S. (12.5% and 3.9%, respectively versus 30% and 3.9% in the US), it has been increasing steadily at about a half a percent a year.

Fiat has drawn criticism within New Zealand for an advertisement it ran in Italy, which a New Zealand Ministry of Foreign Affairs and Trade spokesman described as "culturally insensitive and inappropriate". The advert showed women performing the haka beside the new Fiat car and crowd noise is in the

background to simulate the atmosphere in an All Blacks rugby union match. As the haka is finished a woman drives away in the Fiat car and a boy in the back of the car pokes out his tongue, which is the action used to finish the haka.

### **Potential Takeover of GM Europe**

In April and May 2009, the possibility of a take over of GM Europe, a subsidiary of General Motors, was being discussed between the two companies. GM Europe owns Opel/Vauxhall and Saab.

On May 30, 2009, German officials named [Magna] International, an Austro-Canadian car parts manufacturer, to take over Opel. The Opel/Vauxhall partnership is the largest of GM Europe's operations.

### **Sergio Marchionne**

Sergio Marchionne has impressed investors since taking over as CEO in June, 2004. Losses have fallen steadily since 2002, and Q4 of FY2005 saw its first profit in 17 quarters, and had a profit of €196M for the first 9 months of FY2006. Mr. Marchionne has reduced Fiat's managerial bureaucracy and changed its tone to a focus on markets and profit. While the chairman, Luca di Montezemolo, dealt with politicians and unions, Marchionne rebuilt the car business. The success of the Grande Punto model has in large part been responsible for the turnaround in Fiat's fortunes, but the quite successful Bravo (successor to the Stilo) and the award winning 500 have really cemented it. Fiat has formed a joint venture with India's TATA Motors and China's Chery motors. Under Marchionne it has also re-entered several large markets that it had exited years before, such as Mexico and Australia. Marchionne has recently confirmed that Fiat plans to return to the United States market by 2010 with the new 500.

### **Partnership with Chrysler**

On 20 January 2009, Fiat S.p.A. and Chrysler LLC announced that they were going to form a global alliance. Under the terms of the agreement, Fiat would take a 35% stake in Chrysler and gain access to its North American dealer network in exchange for providing Chrysler with the platform to build smaller, more fuel-efficient vehicles in the US and reciprocal access to Fiat's global distribution network.

The new equity holder would have the option of increasing that to as much as 55%. Fiat, the stronger of the two, would not immediately put cash into Chrysler. Instead it would obtain its stake mainly in exchange for covering the cost of retooling a Chrysler plant to produce one or more Fiat models to be sold in the U.S. Fiat would also provide engine and transmission technology to help Chrysler introduce new, fuel-efficient small cars.

The deal is the latest maneuver by Fiat's chief, Sergio Marchionne, who has pulled the Italian company back from the brink of collapse since taking over in 2004. The partnership would provide each company with economies of scale and geographical reach at a time when both are struggling to compete with larger and more global rivals like Toyota, Volkswagen and the alliance of Renault S.A. and Nissan. On April 30, 2009 Fiat announced the alliance with Chrysler, at first Fiat will get 20% stake and it can become the majority owner once the government loans are repaid.

Fiat would not have to pay any money for its 20% of Chrysler. On June 7, 2009, the Indiana State Police Pension Fund, the Indiana Teacher's Retirement Fund, and the state's Major Moves Construction Fund asked the U.S. Supreme Court to delay the sale of Chrysler to Fiat while they challenge the deal. The funds argued that the sale went against U.S. bankruptcy law because it unlawfully rewarded unsecured creditors ahead of secured creditors. On June 9, 2009, the Supreme Court lifted the temporary hold, clearing the way for Fiat to acquire Chrysler. See *Indiana State Police Pension Trust v. Chrysler* for more information.

On Wednesday, June 10, the Supreme Court announced that Fiat was now an owner of the new Chrysler Company a.k.a Chrysler Group LLC. Fiat CEO Sergio Marchionne has been named CEO of the "New" Chrysler, and Jim Press, who has been with Chrysler since 2007, will probably be in charge of day-to-day operations of the company as Deputy CEO when Marchionne is in Italy.



1899



1901



1904



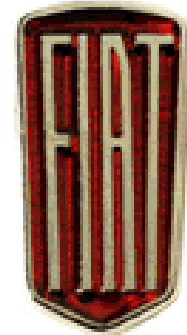
1921



1925



1931



1932



1968



1999



2006





Bravo



Bravo





















1899-1901



1901-1904



1904-1921



1921-1925



1925-1929



1929-1931



1931-1932



1932-1938



1938-1959



1959-1965



1965-1968



1968-2000