

## Fiat targets Saab in global auto shakeup

Written by AFP / The Swedish Wire

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Fiat led a major shakeup of the global auto industry on Thursday, planning to expand its empire over three continents by grabbing parts of General Motors as the US giant risks bankruptcy.

Fiat, which last week won a deal to take a stake in the bankrupt US car maker Chrysler, presented a document to the German government outlining plans including a takeover of GM's German-based subsidiary Opel, reports here said.

It also plans a shopping spree across Europe and beyond, buying Sweden's Saab and Britain's Vauxhall as well as other GM operations in South America and South Africa, according to the document cited by Dow Jones Newswires.

It may shut down sites in Germany, Italy, Britain and Austria if it succeeds in taking over Opel, and aims for annual savings of 1.4 billion euros (1.9 billion dollars) from 2015.

Fiat's plan has faced scepticism so far from the German government and labour groups who fear cut backs. Dow Jones Newswires also cited concern among analysts over Fiat's 6.6 billion-euro debt burden.

The moves in Europe would cost Fiat around seven billion euros over two years, the document estimated.

General Motors, owner of Opel, meanwhile reported a six-billion-dollar first-quarter loss, saying global sales had crashed amid speculation that the troubled US auto giant may soon collapse.

A senior GM executive said the company wanted to seal a deal for its European business "sooner rather than later" and was in talks with "many interested parties" beyond Fiat.

"We're talking to many interested parties in terms of our European business, not solely Fiat,"

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said GM chief financial officer Ray Young.

A Fiat spokesman said earlier that its boss Sergio Marchionne, credited with rescuing the Italian firm from collapse, would become chief executive of Chrysler once the US company's bankruptcy procedure was complete.

Chrysler has agreed to an alliance that will initially give Fiat a 20 percent stake. In return, Fiat will allow Chrysler access to its technology to enable it to produce the smaller, greener cars that are increasingly in demand.

The international financial and economic crisis has forced major changes on the world auto industry. Plummeting demand has crippled many manufacturers and pushed governments into providing massive aid and incentive schemes.

In the United States, the oldest names in the auto industry were humbled by a surge in fuel prices last year, which made their big, gas-guzzling vehicles less attractive to consumers, and by a worldwide economic downturn.

The role of General Motors and Chrysler looks set to decline as production shifts to smaller, more ecology-friendly cars.

Analysts have been sceptical of massive consolidation but agree that auto makers will be forced to cooperate more extensively in research and development and production in order to achieve economies of scale.

Fiat's business dealings took a complex turn on Thursday as the New York Times reported that General Motors was seeking a 30-percent stake in Fiat in exchange for GM operations in Europe and Latin America.

But the paper said Fiat was willing to cede only 10 percent of its equity to obtain the GM

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Debt-ridden GM has taken more than 15 billion dollars in government loans and faces a June 1 deadline to complete a major restructuring plan, failing which it will be forced to follow Chrysler into bankruptcy court.

GM chief executive Fritz Henderson nonetheless remained confident the company could emerge from the flood of red ink. He cited an overhaul plan unveiled last month that would give effective control of GM to the US government and its main union.

Meanwhile German sportscar maker Porsche and giant Volkswagen, the world's second-biggest producer behind Toyota of Japan, on Wednesday unveiled plans for a tie-up, though analysts said the deal still raised a lot of questions.

"It's not really clear how they will construct it," said Juergen Pieper from Metzler Bank.

Following a special meeting of the Porsche family on Wednesday, Porsche and VW gave themselves four weeks to agree on an alliance.

Heavily indebted Porsche would benefit from VW's research and development and access to a vast auto parts purchasing network in addition to VW's hefty cash reserves.