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Geneva Motor Show

Sergio Marchionne with Paul W. Smith, WJR-AM 760

[Paul W. Smith] And what a pleasure and a privilege it is to welcome to his stand, our stand as well – we're on the Jeep stand here at the Geneva Motor Show - the gentleman who's calling all the shots and making it happen for Chrysler LLC, and Fiat as well, the chief executive Sergio Marchionne. Thank you for the beautiful job you've done with our Geneva studio.

[Sergio Marchionne] You like it here?

I like it very much here.

Yeah, it's pretty nice.

We're in the middle of all the action.

You are. You are.

And we watched as you made some introductions with Fiat back home you're introducing the 500L, today you introduced the Fiat 500L, the elongated Fiat.

It's a much bigger Fiat.

Five Hundred, and you played the Clint Eastwood commercial.

Yeah, it's in—

You were sending a message, Sergio.

(Laughs)

You were sending a message to Europe, to all the people here.

Maybe we were. I didn't know that Olivier was going to play it. We talked about it, but it's important for Europe I think to find the wherewithal to move it on here. This is – it's a collection of countries that's desperately trying to find purpose. The European Union as a concept was a great concept when it was introduced. I think the implementation has left something to be desired. There are a number of political leaders now in Europe that get the message and I'm trying to move it on.

You're sending a very strong message, and we've discussed this earlier. Daniel Howes of The Detroit News was with us last segment and he did a very nice piece that's in the current issue of The Detroit News or at Detnews.com and part of the theme is that you're saying Fiat and others need to take a cue, a message from the United States.

They do. I think that people underestimate what happened in the United States. People who have lived through the process as painful as it was back in 2008 and 2009 are – should be incredibly proud of what was accomplished. Looking at those gloomy times in hindsight they look like a distant, distant past. It wasn't that long ago; it was about four years ago, but we all

learned a lot. I think we got our act together. You know, I'm looking at the Ford stand here from where we're sitting, and you know, Ford is having a huge comeback; GM is doing well; Chrysler is doing relatively well, and if we can use that example on the pain associated with a restructuring as a way of laying out the road for the automotive industry in Europe it would be useful because it – there appears to be a desire not to do anything; to leave things as they are and that will not do. We are seeing –

Well, we went through that in the United States years ago.

And as you well know, when you don't deal with the problem it just keeps on getting larger and larger.

And that's the stage you're at in Europe.

Yeah, I've been yelling about this in Europe now for a while.

You have.

I have. This goes back quite a while; it goes back to the financial crisis of 2008 when I started pointing out the fact that we had some structural issues that had to be resolved. Europeans were reluctant to engage. Now, you know, of course the voice from my fellow CEOs in Europe is getting larger; we're getting more people to sign on to the cause. We need to get the European Union to tackle this issue as a European issue not as a national issue because otherwise we're going to end up in politics here and that won't work.

But you've said, Sergio Marchionne, as much as – or at least implied – that should it be necessary you would move your home office of Fiat to Auburn Hills; that you would run everything from that fine facility; that you would build Alfa Romeo in America if you had to.

Well, we're going to build Alfa Romeos in the U.S. period whether –

So you are going to?

That's for sure so we have – I just met with the people here from Ferrari this morning and we were discussing, especially with the Maserati guys what we're going to be doing from the powertrain side. Those things in terms of engine development are – need to be uniquely European and I think that by the time we get finished with this we'll probably have the most advanced powertrain group to try and deal with the premium end of the market and I think Ferrari's going to play a big role in this. I don't know whether you saw the new car that they just launched. I'll take you personally across and show you the car.

I would like that, yeah.

It's a unique animal, you know, 740 horsepower out of a (inaudible) aspirated engine.

It's a unique animal.

Yeah, it's a unique animal, and a very expensive unique animal at that.

Yes, I was thinking that was the next part, 700-plus horsepower and a big sticker.

And a big sticker, but –

And very few that are going to be made.

Very few and very exclusive and incredibly great products, but we're – the important thing is that as long as we preserve that part of the Alfa Romeo brand then the actual build of the car can happen anywhere because of the architectural commitments that we've made to the U.S. the U.S. is actually the repository of the architectural knowhow. We transferred it across as part of the endowment to Chrysler back in 2009 and one of the Michigan plants probably will be the one that will be producing the first Alfa of the larger size in the U.S., and it'll be coupled up with powertrains that will be European driven. So the combination works. It has to do with really running a global organization and being able to leverage the strength of the various parts of the house.

But going back to your first question which is the question of where headquarters will be: one of the things that we've done in Chrysler in the last three years is that for corporate governance reasons which have to do with the funding from the United States Treasury at the time and certainly because of the minority position that VEBA has in Chrysler we have now created a corporate governance system that's effectively capable of handling a public U.S. listed company. It can. We have all the knowhow inside the house to do it; we have the internal controls, we have the corporate governance regime, we have an independent board, we have all the things that are required to make Chrysler –

How close are you to that?

We haven't made a decision as to which way to go from here but – and it's not imminent. The only thing that I need to know, and the point that I made in the interview is that the conditions exist for that to happen. And it's not a painful exercise, it's not something that's going to create an additional burden onto Chrysler; Chrysler can. It's one of the great benefits of having lived through this incredibly strange period of purgatory that we were in back in 2009 and '10 and you know, we've come out of this with not only technical strength to make cars and sell them but also to manage companies. And it's possible – I'm not saying that it's likely but it's possible that Chrysler could end up being Mother Goose. You know, life goes on.

You know, before I say something about how up Jeep sales were in 2011 and some of your expectations for 2012, walking through the Fiat stand over here there is a Fiat Bravo that to me, and I was talking to the guys; Link and I walked by and said, "That would sell in America yesterday." I mean that would sell.

Yeah.

Is there some way you can – it's not easy to just say okay, well let's move it to America, but that looks like a car that would sell right now in America.

It's possible although the car doesn't meet U.S. homologation standards, which is one of the issues associated with these problems. And the minute that you start touching the architecture to try and make it comply with the U.S. requirements, you end up effectively redesigning the car.

Hmm.

The next evolution of that car will be effectively U.S. compliant at birth, and that makes life a lot easier.

Sure.

And so the L0, which you saw before which we now officially unveiled, and it's called the 500L, and it will be in U.S. dealers hopefully by the end of this year/beginning of next, and which will complement the Fiat 500. That was born as a U.S. homologated car and so it will comply with the U.S. requirements; there will be no additional money to be spent to try and make it compliant and that makes life a lot easier. You understand that some of these projects had an origin before the venture with Chrysler so our concern with the U.S. was limited.

Right.

From now on we look at nothing without worrying about the U.S. So everything that we do here has got an eye onto the U.S. because –

And I love that you have an eye onto having them actually built in the U.S. as well.

We do. No, but look, we've proven the fact that American workers can make great cars. The Jeep Grand Cherokee was the first living proof of this issue. Well, you're going to see more of this; you'll see the Dodge Dart now in the dealers in the second quarter of this year. These are all living tangible proof of the fact the machine is now engaged as they say and that we can move it on.

You saw and we're embracing the iconic Jeep brand that somehow along the way had fallen by the wayside and the sales were up tremendously in 2011. Sales in 2012, your expectations for that, Sergio Marchionne? And for that matter, because Jeep is such an iconic brand name and known worldwide – they want them in Russia and China and Italy and you might even start building them there.

Well, there are two things we said about Jeep. When you look at the Chrysler – the Fiat-Chrysler world there are two brands – and I'm excluding the premium brands like Ferrari and Maserati which are truly global, they're unique, they're premium, they're exclusive, but in terms of the mass market there are two brands that we think that we need to internationalize. One is Jeep by definition because of what it is and its history. And secondly is Alfa Romeo. Now, Jeep, we made a commitment to Jeep to make it international subject to a couple of conditions; we will never make a Wrangler outside the United States, and so – and I keep on saying this to our friends in Toledo. I mean their lives are protected forever because that nameplate is going to live on –

And it's a beautiful facility, too. It's a very –

It's a beautiful facility, it's a beautiful car, and we keep on improving its performance. We're delighted with the performance of Wrangler in the market in 2011 and we expect it to do even much better this year. But subject to that constraint we need to be able to move Jeep internationally. So the other one that we're very protective of is the Grand Cherokee, which we make at Jefferson, so as long as we can keep on increasing capacity in Jefferson we'll continue to make them there and not export them. The other ones need to be localized and

so the successor to the Liberty, which is coming out to the market next year, will by definition have more than one manufacturing location. It'll be built in the U.S. as we've announced in Toledo and it will be built wherever it's required, Russia being potentially one location. The other car that needs to find a window into the world is the Compass because the Compass and the Patriot, when you look at the performance of those cars in the so-called C segment for SUVs, the combination of Wrangler, Patriot, and Compass account for nearly half of the U.S. market. So we have done incredibly well. I want to take that experience and take it outside and so that's what we're working on. I saw Putin about – I'm not here to drop names but –

No, I know, but wait, you met with Putin?

No, I met with the president of the Russian Federation.

Okay.

It wasn't the first time.

Okay.

Because the first time I met him I talked to him about Jeep and he liked the idea.

Because Putin is celebrating victory again.

That's what they tell me. I congratulated him before the election. I was almost certain that he'd win.

Yes, I think he was almost certain he'd win, too. But it was an open election.

I make no comment.

I know, I don't want you to. You'll get in trouble. I can say it. I'm a talk show host.

No, no, I – you know, I have a huge amount of respect for what the president has done in Russia. I think the fact that he's inviting foreign investment in that country and he's providing the basis to get that done is a good sign of Russia getting closer to the rest of the world. I think his desire to come in and be part of the WTO is a good sign. These are all things that create the conditions for companies such as Fiat-Chrysler to come in and be their partner. And they've also been kind enough to provide funding for this exercise which is going to alleviate the financial requirements that Chrysler will have going forward. But we need to take it there, we need to take it to China, so big plans for Jeep.

Big plans for Jeep, and God bless you for that because it's doing so extremely well. You had taken an interest in Opel in the past and in Peugeot. GM has kind of tied up Peugeot; doesn't mean they're completely off the table, and Opel today winning with their – what is it the Ampera? Ampera as the car of the year in Europe, which actually the Chevrolet Volt car of the year in Europe; first time we're aware of, of a car developed, constructed in America, Michigan specifically, that won European Car of the Year. Does this take – do you think at tie-up like that would be useful for you with Opel for example?

That particular tie-up and the way in which I understand it was constructed would not be of interest to us because it doesn't go far enough and it doesn't get –

Are you talking the Peugeot-GM?

I'm talking the Peugeot-GM deal.

Yeah, okay, all right.

That transaction and the fact that it maintains arms length in terms of the companies and it's only a seven percent stake in Peugeot Citroen, there's no commitment to jointly manufacture at the beginning to look at the production footprint in Europe in a joint way; those things are too far out for somebody like me. I need to be able to get to the assets a lot faster and really to work them over. So I'm not sure that I could replace either party in that dance.

Mm-hmm.

Given the nature of the arrangement I don't think that it precludes anything else from happening, I mean so I think in some fashion Fiat-Chrysler could also play a role with them.

What about Opel?

Well, Opel is part of GM so.

No, I thought you were – okay, well.

You know, the GM – when we talk about GM and Peugeot Citroen –

You talk about it all –

We're talking about Opel because the real point of contact between Peugeot Citroen and GM is through Opel.

Oh, okay.

Opel is the linkage and so we tried to get to Opel a number of years ago about the same time that we were dealing with Chrysler and things didn't work out at the time.

Are you approached by other manufacturers around the world that want to tie up with you?

Sure. Yeah, I mean we get approached all the time, and the level of engagement of Fiat-Chrysler with them ranges anywhere from sharing a particular engine to an architecture to a particular project. So none of them have to be as wide-ranging sort of strategic tie-ups but we continue to work on these deals all the time. They're essential to bring down the capital costs associated with doing these – running these businesses.

Finally, Sergio Marchionne, you spoke with us the morning after the Super Bowl and the big halftime in America commercial, Clint Eastwood; 7:00 in the morning you spoke with us. I'm happy to say you didn't speak with anyone else about it. That was it; that was the conversation right then and there for that day, and I thank you for that; and it made worldwide headlines and then it became a political hot potato. That aside, it never was political for you. It wasn't political for Clint Eastwood. It wasn't political for the young guys who wrote and produced the commercial, so it became a figment of a bunch of

people's imagination, but did you ever expect, coming off the Eminem a year earlier, did you ever expect the success of Halftime in America like that?

Expect it? No. Hope? Yes. But you never know these things until you air them. I know that I watched that commercial as we worked on it for maybe, I don't know, two, three hundred times, and every time I got to the end I started bawling, so I mean maybe I'm getting old, I don't know what it is, but the emotional impact of that message was so large that I was hoping that it would actually be able to move some type of emotion in the country, and it did.

It did.

Unfortunately it moved a lot of political egos, too, which is unfortunate.

That came and went. I mean people finally figured out that it just wasn't a political statement period.

But it was –

You said that morning you couldn't control who might glom onto it and try to pretend, and the White House pretended briefly, which made the Republicans react, but it wasn't political.

It wasn't and I think it was a great statement about what the United States is as a country and I think it reflected our hopes for the future of the place.

God bless you for that, for the fact that you've announced Alfa Romeo will be built in the United States, the fact that you've put down roots in Oakland County, bought a house; it's just all good news.

It is.

We're liking it all.

So far.

And thanks for the stand, too, our broadcast facility here in Geneva.

I'm glad.

And for supporting us around the world as we bring this international market to our listeners back at WJR in Detroit.

Great. Good to see you.

Good to see you, Sergio. Thanks very much. Sergio Marchionne here, the head of Chrysler and Fiat, at 7:34. Back to the Golden Tower of the Fisher Building.

[End of interview]