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## FCA can gain clout with Renault merger Biggest challenge is European job losses

By Eric D. Lawrence (excerpt)  
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A strong wind fills the sails of a potential Fiat Chrysler-Renault merger, but rocky shoals lie ahead.

The lure of massive savings — FCA estimated \$5.6 billion annually — is one key reason many experts say the idea has merit.

Those savings will be needed as the automakers navigate a future that demands more expensive technology. Savings would come, FCA said, from common vehicle platforms, powertrains and technologies. ...

### ... 'Every single job'

In Italy, Deputy Prime Minister Matteo Salvini struck a positive tone about the proposal during a press conference, but he also emphasized jobs, according to Reuters.

"Fiat Chrysler expanding is good news for Italy ... I count on it being a brilliant operation that preserves every single job while creating a European car industry giant," Salvini said, according to the news service.

So job protections are key, but the way to achieve real economies of scale is to streamline, which is certain to affect someone, according to David Kudla. CEO and chief investment strategist for Mainstay Capital Management.

"That cost saving has to come from somewhere. That's less plant equipment and manpower," he said. "What workers, what unions, what plants, what countries does that affect?"

Kudla noted that if an automaker begins sharing, say, powertrains, then that would affect a plant that produces the powertrains that are no longer needed.

"The positive thing is there's real efficiency in that," Kudla said. ...

### ... Nissan-UAW bad blood

One of the concerns the UAW might have is how tightly the proposal ties it to Nissan, which is in an alliance with Renault. It would have a seat on the board and would then have a role overseeing UAW-represented plants. The UAW has battled against Nissan, such as at the automaker's plant in Canton, Mississippi. ...

... Kudla, of Mainstay Capital Management, said he does not believe the issues, whatever they are, are insurmountable.

"I think it can happen. I don't think we know enough yet about what the hurdles might be. We know there are people who want to see it happen," Kudla said.

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