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Commission approves co-operation agreement between General Motors and Fiat

The European Commission has cleared a co-operation agreement between General Motors and Fiat in the areas of powertrains, joint-purchase of car components and some other joint activities, since it considers that the alliance improves the companies' ability to compete with other car manufacturers in terms of quality, safety standards and prices.

In June 2000, General Motors Corp and Fiat SpA notified to the Commission an agreement to be implemented in Europe and Latin America, by which both parties will cooperate in the areas of powertrains (in particular, engines, gearboxes and suspensions), purchasing of car components and parts, organisation of financial services directed to their dealers and consumers, platform development and R&D programs associated with the production of passenger cars and light commercial vehicles. The two car manufacturers will, nevertheless, continue to compete world-wide in the design of vehicle's components not linked to powertrains as well as on the assembly, distribution, branding, marketing and sale of cars.

The agreement was filed for regulatory clearance under regulation 17/62 -- which implements article 81 of the EU treaty banning agreements restrictive of competition – or alternatively for an exemption from such rules.

After an analysis and consultation of interested third parties, the Commission took the view that although Fiat and General Motors will coordinate, on an exclusive basis, their activities in the production of powertrains and in the purchasing of components and parts, the alliance should benefit consumers.

Components and parts account for a considerable share of the cost of a new car and the increase in the two companies' bargaining power could result in substantial savings which would be passed on to the consumer in terms of better safety standards and lower prices.

The Commission, therefore, concluded that the conditions for an exemption from the EU competition rules are met.

Fiat and General Motors announced their strategic alliance in March which involves GM taking a 20% equity stake in Fiat Auto Holdings BV, a new holding that controls Fiat Group's auto and light commercial vehicle operations, except for Ferrari and Maserati. In return, Fiat receives approximately 5.6 percent of GM's common stock.

The co-operation agreements provide for the creation of a powertrain joint venture to be located in Turin, Italy, and a purchasing joint venture which will be based in Rüsselsheim in Germany.