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Supplying the OEMs

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Supplying the Fiat Chrysler Group

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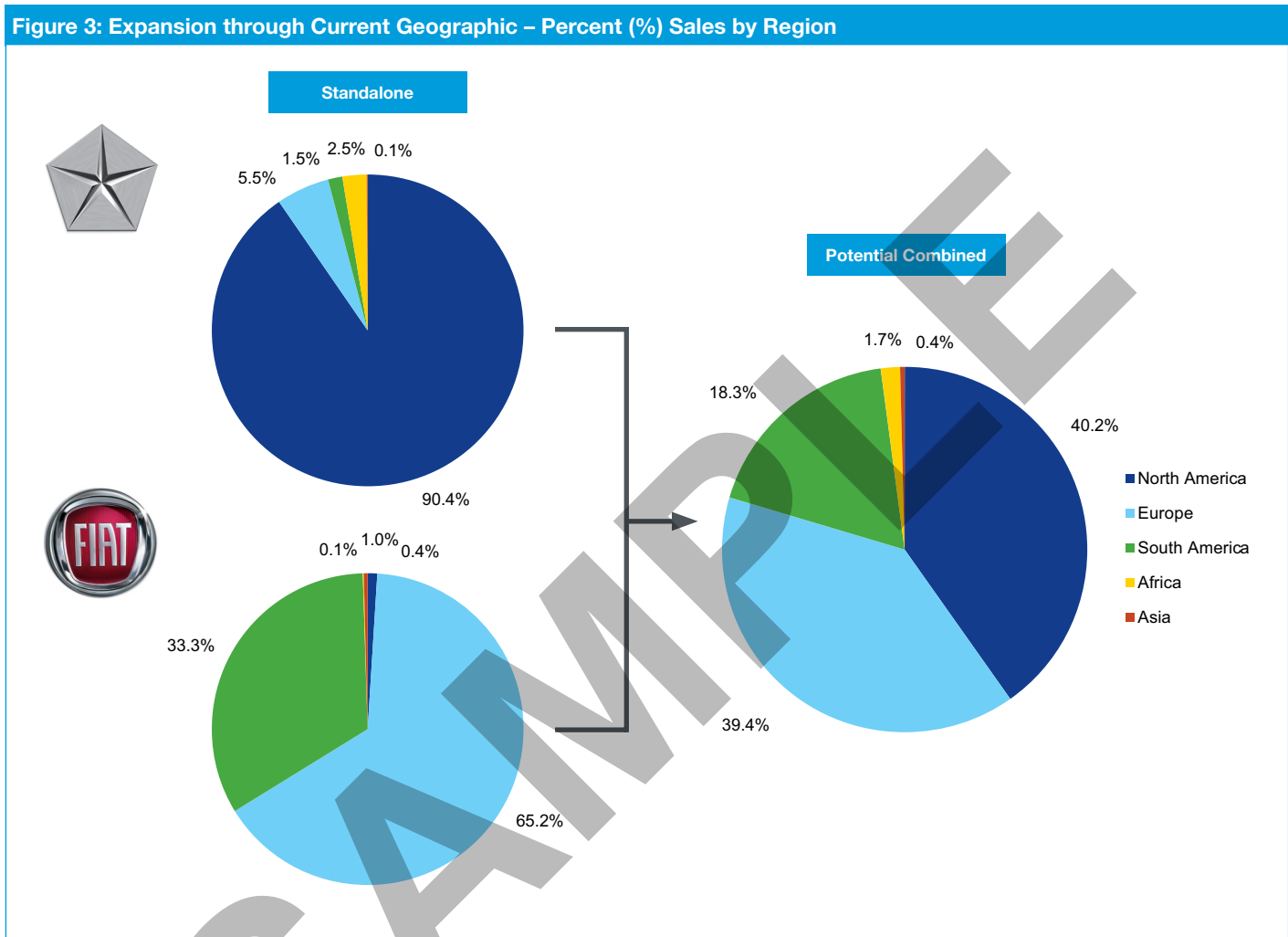
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the country; and finalization of an agreement to distribute Chrysler products through the Fiat dealer network in Latin and South America. Fiat's share in Chrysler was increased a further 5% with the regulatory approval of the Dodge Dart, a passenger based on Fiat platform technology that offers 40mpg.



Source: Chrysler

After taking over portions of Chrysler held by the US Treasury and the Canadian government, Fiat now holds 58.5% of its partner OEM (as of October 2013). Although the Italian company has outlined ambitions to acquire the remaining percentage for USD3 billion, a final price-per-share remains to be agreed. The 41.5% balance is now held by a United Autoworkers (UAW) health care trust, also known as a Voluntary Employee Beneficiary Association (VEBA), which has announced that rather than going with the Fiat offer, a portion of the Chrysler stock could be sold on the open market through an initial public offering (IPO). This is clearly a tactic designed to leverage an improved price-per-share offer from Fiat. If the Italian OEM refuses to play along – Fiat CEO Sergio Marchionne has stated that 100% Chrysler ownership is not a prerequisite to a successful partnership – and the IPO goes ahead, Chrysler share values could actually fall as a full Fiat takeover looks less likely. The IPO is unlikely to happen until first-quarter 2014, but such is Fiat's opposition to the move, the OEM has already released a statement saying that it would have to reconsider a total company buyout should the revenue-raising deal move ahead.

Contentious business dealings aside, Chrysler has gained a valuable ally in its quest to become a profitable, global OEM. As it stands, the company now has access to the vehicle architectures and related technology developed by Fiat, as well as production technologies, engineering and management resources and vehicle distribution networks outside North America. This will help to minimise costs at the American OEM, both in terms of vehicle development and purchasing, while giving Chrysler the ability to refresh and improve its range on a constant, rolling basis.

As for Fiat, the tie-up with Chrysler has opened an invaluable channel to the North American market, including the US dealer network and manufacturing in Mexico, possibly leading to a future reintroduction of one or more of the Fiat brands at a later date. Also, with the merging of the brands in terms of part sharing and production, Fiat can look to negotiate better price-per-part purchasing deals with its suppliers. In terms of technology, the Italian OEM can now look to roll out the four-wheel drive expertise of the Jeep brand across its own vehicles, while rebranded Chrysler models can help to flesh out what is a dwindling number of alternatives in the Fiat, Alfa Romeo and Lancia ranges, with all the related market benefits of offering niche models.

Major model programmes

Ram 1500

Through 2011, the best-selling vehicle in the Fiat Group remained the Punto hatchback, but with the on-going assimilation of Chrysler products into the now Fiat Chrysler Group portfolio, the Ram 1500 took over as sales leader in 2012. Formerly known as the Dodge Truck Division, the proposal to separate what is now known as Ram Trucks from the Dodge brand was first announced in 2009, the idea being that to split the two would allow Ram trucks to develop a 'working truck' brand identity while Dodge would go on to largely focus on performance-oriented passenger cars.

By 2010 the split had been completed and since then, quarterly sales of Ram Trucks have been steadily trending upwards, from 44,000 units in fourth-quarter 2009 to almost 122,000 units in second-quarter 2013. This increase has coincided with the market rebound being enjoyed by most OEMs active in the North American markets, but the growth in US market share for Ram Trucks has been particularly strong, with a reported increase from 11.5% in 2010 to 19.1% in 2013, in a vehicle segment that over 2013 has recorded 15% growth year-on-year.

The full-size half-ton payload capacity Dodge Ram 1500 was first introduced in 1981 as the replacement for the Dodge D-Series pickup. The name Ram is derived from the ram ornament that was first used on pickups in 1933. Essentially a rebodied version of the D-Series, the first Ram included the now-familiar range of pickup bodystyles, including standard, extended 'Club' versions and four-door crew cabs. Engines included the Slant-6 or G-engine six-cylinder version, which featured a 30° incline on the cylinders, and also a V8 alternative, which in 1989 was upgraded with the addition of electronic fuel injection. In the same year a new four-speed overdrive A500 automatic transmission was introduced to improve fuel economy. The A500 and related A518 were later designated 42RH and 46RH, where the first digit was the number of gears, the second the relative torque capacity, 'R' was rear-wheel drive and 'H' for hydraulic shift control. Dodge Ram 250 and 350 versions also offered the straight six-cylinder Cummins turbodiesel engine, which unlike the V8 engines from Ford and GM, had direct injection, negating the need for glow plugs.

The second-generation Dodge Ram was launched in 1994. The exterior front design was significantly altered to resemble a full-sized rig and the change proved popular with customers, as sales jumped from a 1993 total of 240,000 units to slightly more than 400,000 units in 1999, far exceeding sales of competing GM and Ford pickups. Ram sales did later decline in the face of redesigns from both these competing OEMs. In addition to a series of V6 and V8 petrol engines and the 5.9-litre inline six-cylinder Cummins turbodiesel, this version also offered a new V10 engine; a heavily-revised version of this was used in the Dodge Viper sports car, and after withdrawal of the original version, this unit was used in the Dodge Ram SRT-10 (Sport and Racing Technology), a direct competitor to the V8-powered Ford F150 SVT Lightning.

In 1998 a 'Quad Cab' version of the 1500 was introduced, with two rear-hinged suicide doors giving access to the rear seats and in 2000, all versions were upgraded to use four-wheel disc brakes. Two transfer cases were used across the 1500 versions, the NP231 and NP231HD (heavy duty). A variety of axles was used across the range, but the 1500 continued with the Dana 44 version, earlier versions of which were first introduced in the 1950s. This series is offered in both solid axle (front and rear) and independent front suspension versions, although with this second model the rear axle was the 9.25 Chrysler (Spicer) unit.

The third-generation Ram 1500 debuted in 2002. The model was redesigned from the ground up, including an all-new frame, suspension, exterior panels, interiors and powertrains. Key changes included the replacement of the solid front axle with a standard fully-independent suspension (the 2500 and 3500 retained the solid axle for added durability). Engines in this version ranged from a 3.7-litre PowerTech V6 to a 5.7-litre HEMI V8 (where 'HEMI' refers to the hemispherical

combustion chamber). From 2006, the HEMI version was updated to feature the Multi Displacement System; the same engine was also offered on some Chrysler and Dodge passenger cars. This further featured cylinder cut-off that deactivates cylinders under light engine loads.

The new pickups proved to be a sales success, with almost 500,000 units sold in 2003. Yet despite an update in 2006, sales declined to 280,000 units by 2008, again largely due to the launch of new segment competitors from GM and Ford and the introduction of the new Nissan Titan full-size pickup.

Figure 4: The 2014 Ram 1500 pickup



Source: Chrysler

The latest version of the Ram 1500 was unveiled at the North American International Auto Show (NAIAS) in Detroit in January 2008 and went on sale in the fourth-quarter of that year. The truck featured a range of improvements to challenge segment competitors, including the replacement of the leaf-spring rear suspension with a coil spring multi-link independent arrangement. Other additions included standard ABS, ESP and side curtain airbags and the 'Rambox' storage system, with locking storage units in the sidewall of the pickup bed. In addition, the Mega Cab variant was replaced by a true four-door crew cab version. In terms of powertrain, the Ram 1500 is now the only vehicle in the segment to offer a manual transmission as competitors only offered with automatic 'boxes, while the latest four-wheel drive versions all feature manual shift-on-the-fly transfer cases, with BorgWarner being the exclusive supplier in place of New Venture Gear.

For 2014, the Ram 1500 will offer an additional engine choice in the form of the 3.6-litre Pentastar V6, driven by the same 'TorqueFlite' ZF eight-speed transmission now being applied across a variety of Chrysler models. Another new engine option will be the six-cylinder EcoDiesel. This is manufactured by VM Motori which, now part of the Fiat Group, has been delivering engines to Chrysler since 1992. This is claimed to be the first time a diesel has been offered in the light-duty pickup segment. With a diesel oxidation catalyst, diesel particulate filter and selective catalytic reduction, the engine is emissions-compliant in all 50 states, including emissions-strict California. The latest Ram 1500 will also offer optional air suspension packages with four ride height settings.

Reid Bigland, who in addition to other roles at Chrysler, is president and CEO of the Ram Truck Brand, said this about the latest model: "The new truck builds on a very successful 2013 model, which has won every award we could have hoped for. Adding the new EcoDiesel engine is more than just icing on the cake, it answers a long-time consumer demand and Ram is the only manufacturer to offer it."