

Fiat SpA

Canada Pension Plan 2011 Investment

\$6 million

With assets of US\$94 billion, Fiat is the largest car maker in Italy, and the sixth largest in the world. Although Fiat is an acronym for Fabbrica Italiana Automobili Torino, the word has a Latin meaning as well, "let it be done."

In modern parlance, fiat can mean an arbitrary order, decree or dictate issued by a authoritarian ruler. This is appropriate because during World War II, Fiat made armoured vehicles, light tanks, fighter planes, submarines, machine guns and other weapons, not only for Mussolini's fascist regime but also for Hitler's Nazi forces as well.

Fiat Chrysler and Israeli Jeeps

In 2009, Fiat began to acquire shares in Chrysler, a US-based car maker that had largely been held by Daimler since 1998. (See pp.21-22.) By January 2012, Fiat share in Chrysler was 58.5%. Fiat, however, has said that it intends to boost its stake in Chrysler to 70%.

Chrysler has been supplying jeeps to Israel's military since 1990. These military vehicles are based on Chrysler's "Jeep Wrangler." In Israel, these jeeps, called "Storm" (or "Sufa" in Hebrew), are the workhorse of the Israeli military's land forces.

Chrysler's latest deal reached a milestone in August 2011, when the first of about 550 "Storm 3" jeeps were delivered to Israel's army. A celebratory event to mark this occasion was described by automotive journalist Bill Cawthon. He reported that Brigadier General Haim Rubin, head of the Ground Forces Technological Brigade of the Israel Defense Forces (IDF), praised this latest generation of Chrysler jeeps saying it is "an excellent tool that meets the IDF's needs."

A month later, *Israel Defense* magazine reported that the "Rapid Intervention Vehicle, a patrol version of the 'Storm 3' jeep...has recently en-



**Sufa [Storm] 3
Patrol / Reconnaissance model**

tered into operational use" "in a number of [IDF] Special Forces units."

As the photograph from a promotional brochure for the patrol/reconnaissance model of the "Storm 3" shows, this vehicle is "especially suited to be fitted with various machine gun or special equipment mountings."

The Israeli website, *ynetnews*, reported that the "Storm 3" deal was worth about US\$36 million, including US\$23 million in US military aid. This, it said, was "the most expensive contract for the purchase of an unarmored Israeli vehicle to be signed by the [Israeli] Defense Ministry."

The "Storm 3" deal amounted to a unit price of about US\$65,000. This is considerably higher than the previous jeep contract in 2002. At that time, the IDF ordered 1,500 "Storm 2" jeeps for US\$70 million, making the unit price about US\$47,000. When reporting on that earlier deal, with Daimler-Chrysler, Israel's *Globes* business news remarked that "US military aid will probably finance most of the deal."

Regarding the IDF's latest acquisition of Chrysler jeeps, *Globes* reported that the vehicles were "built to IDF specifications" and paid for by "US military aid to Israel funds." It was, *Globes* said, "a complicated deal... [that] includes buying kits in the US, to be put together and armored in Israel." In Cawthon's words, Chrysler shipped "the vehicles to Israel as CKD (completely-knocked-down) kits" that were then assembled by an Israeli company based in Nazareth, called Automotive Industries Ltd. (AIL).

The process of developing the

Chrysler, which is now 58.5% owned by Fiat, has sold jeeps to Israel's military since 1990. Fiat Chrysler began delivery of 550 Sufa 3s to Israel in 2011.

"Storm 3" was a cooperative venture between Chrysler, the IDF and AIL. Cawthon describes it by saying that in 2009, "Chrysler sent three prototypes for testing by the IDF." These "vehicles were driven tens of thousands of kilometers" to see how they should be modified to meet the IDF's needs. Chrysler then built the components for this made-to-order jeep and shipped them to Israel for assembly by AIL.

One of the "Storm 3" jeep's most crucial components, its engine, is made by VM Motori SpA. It is 50% owned by FPT Industrial, a subsidiary of Fiat Industrial. (See p.32.)

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