

For Fiat, the tides have turned

By ANTONIO PEREZ
Epoch Times Staff

Merely four years ago, the future of Italian automaker Fiat S.p.A. looked in doubt. The company was ringing up losses and faced quality and image problems amidst stiff competition not only in Europe, but also on its home turf Italy.

Fiat's operations were so troubling that the world's largest automaker, General Motors Corp., paid Fiat \$2 billion to discontinue its partnership with the company.

Today, the tables have turned. Chief Executive Sergio Marchionne was hired in 2004 to replace retiring longtime chairman Gianni Agnelli and immediately scripted one of the most successful turnarounds in corporate history.

Fiat has a huge stake in Chrysler LLC, and is negotiating with GM to acquire its German brand Opel and British brand Vauxhall. Fiat is also reportedly looking into an investment into Swedish automaker Saab. Fiat could conceivably become the third largest car company in the world.

Remarkable turnaround

The closest comparison to Marchionne is probably Renault-Nissan's iconic CEO Carlos Ghosn.

Marchionne, an accountant from Canada, holds dual citizenship in Canada and Italy. He received his MBA from the University of Windsor in Ontario, a stones throw away from automobile hotbed Detroit.

Marchionne did away with Fiat's vast bureaucracy and hired fresh talent. Soon, those quarterly losses turned into profits and Fiat—which makes cars under the brands Fiat, Alpha Romeo, Maserati, and Ferrari—returned its luster.

Like Ghosn, Marchionne speaks several languages and holds several passports. And it's not unimaginable to see him follow the footsteps of Ghosn, who turned around the fortunes of French automaker Renault and Japan's Nissan.



Fiat CEO Sergio Marchionne leaves following talks with Rhineland-Palatinate's state premier Kurt Beck (not in picture) about the future of troubled German carmaker Opel in early May in Mainz, western Germany. TORSTEN SILZ/AFP/GETTY IMAGES

"This transaction (with Chrysler) represents a constructive and important solution to the problems that have plagued not just Chrysler in recent years, but the global automotive industry as a whole, Marchionne said in a statement following the Chrysler deal.

Win—win for Fiat

Fiat's deal with Chrysler comes at minimal cost to the company, but the reward could be outstanding as the company gets access to Chrysler's extensive North American dealership network.

"Bringing together Fiat's world-

class technology, platforms and power-trains for small and medium sized cars, and its extensive distribution network in Latin America and Europe with Chrysler's rich heritage, strong North American presence and talented and dedicated workforce will create a powerful new automo-

tive company, while helping preserve jobs and a manufacturing industry that is critically important to the U.S. and Canadian economies," Marchionne said.

The two companies would share distribution, supplier, and dealership networks, as well as allow Chrysler to

'... with Chrysler's rich heritage, strong North American presence and talented and dedicated workforce will create a powerful new automotive company...'

use Fiat auto platforms and technologies. This allows Fiat to bring its popular small urban vehicles to North American shores.

The partnership required no cash investment from Fiat.

Opel, Vauxhall on the horizon

Fiat is also in the running to take majority stakes in GM's European operations Opel and Vauxhall. Fiat and Canadian auto parts maker Magna are currently the leading candidates to take over the European automakers.

Opel and Vauxhall's network of dealers in Europe said over the weekend that it is prepared to offer 500 million Euros (\$670 million) for a 15 percent stake as well as a board seat in any transaction.

"It's clearly not an easy time and it is a very intense process," GM Europe President Carl Peter Forster said in an interview with Bloomberg. "Some people are nervous. People should also be proud there's good strong interest in the middle of the deepest crisis for our business."



The Nokia N95 camera phone features integrated GPS, a five-megapixel camera, 30 frames per second video capture, an MP3 player, and internet radio and e-mail capabilities. ETHAN MILLER/GETTY IMAGES

Nokia boss optimistic despite economic crisis

By MARJA-LEENA KOLVULUOTO
Epoch Times Staff

Nokia is the world's number one manufacturer of mobile devices by market share. However, the international economic crisis has reduced sales of telephones, and cost-cutting measures are in the works.

This January, Nokia estimated that sales of mobile telephones in the coming year would decline by ten per cent from last year. This means a reduction in sales equal to 100 million handsets. According to a February press release, in Finland Nokia plans to close one site and concentrate its mobile devices research and development unit at sites in just four Finnish cities.

Approximately 320 white collar workers at the R&D site will also be laid off and the site will be closed by the end of 2009.

In addition, some factory workers will be laid off. The temporary lay-offs will affect about 20-30 percent of employees, but production will not be interrupted. All these measures are made to adjust production to market demand and safeguard future competitiveness,

the news release said.

As expected, the company aims to cut operation costs by 700 million Euros by the end of next year. The greatest number of jobs will be lost in the United States and Britain as Nokia is planning to cut 1,000 jobs in countries outside of Finland, mainly in its marketing and strategy unit.

These plans will affect 1700 jobs globally in R&D, according to the Finnish newspaper, Helsing Sanomat.

However, at its Annual General Meeting in April, more than 1,000 stockholders came to hear what Nokia president and CEO Olli-Pekka Kallasvuo had to say on the future of the company. Kallasvuo reassured his audience that Nokia will make it through.

"Although the global mobile communications market is shrinking this year, I believe strongly that in spite of the difficult market situation, Nokia's future gives reason for optimism," Kallasvuo said.

Kallasvuo spoke of Nokia's future plans in a press release earlier this month.

"Nokia is fundamentally chang-

ing its business model to transform both the company and the industry. While we continue to compete with the traditional mobile device manufacturers, we are also dealing with new competitors entering the market from the PC and Internet industries," he said.

The company offers a severance package worth five to 15 months' pay to those being laid off. This voluntary resignation offer is available to all employees worldwide except factory workers and management.

Nokia employs 68,000 people worldwide, about 16,000 of whom work in Finland.

During the first quarter of 2009, the mobile manufacturer released several media advisories about the future development of the market and how it is planning to cope with the economic crisis.

On May 4, Nokia announced that its slimmest smart phone, the Nokia E71x, had arrived on the market and was available at AT&T retail stores and online. Surveys show that in the future people will use more text messaging or e-mail on their mobile phones. "Text it, don't say it," is the latest catchword.

Your personal finance advisor: Municipal bonds

By ELAINE RACHLIN, CFP

With speculation growing that tax rates may be heading higher to compensate for increased government spending, investors are looking for ways to cut taxes. Municipal bonds—debt securities issued by cities, counties, school districts, state governments and other public entities—have become increasingly attractive in recent months, not just due to the tax climate, but also because of their relative value. These bonds began to be priced at levels that made them quite attractive compared to other fixed-income options like Treasury bonds or Certificates of Deposit.

The primary attraction of municipal bonds is a tax benefit because income taxes are generally not on interest generated by the securities though capital gain taxes that may apply on their sale. That is why you often hear them referred to as tax-exempt bonds. For individuals and couples in higher tax brackets, comparisons to other types of fixed income investments on an after-tax basis can look quite attractive. In the current market environment, the after-tax advantage with municipal bonds has the potential to be significant, depending on the type of security.

Not all municipal bonds are alike

When discussing tax-exempt securities, it is important to point out that there are different bond categories that make up this segment of the market. Among the options are:

- **General Obligation Bonds**—the principal as well as the income generated by General Obligation (G.O.) bonds are backed by the ability of the bond issuer (a school district, for example) to levy taxes in order to pay bondholders. That taxing authority makes these types of bonds a fairly reliable option in most situations.
- **Revenue Bonds**—these bonds are backed by revenue generated by the specific public project or enterprise. A city's water system, which charges fees to users, would be an example of a project underwritten by revenue bonds.
- **Pre-refunded Bonds**—these are bonds that aren't just backed by the issuing entity, but also by U.S. Treasury securities. They tend

to have the least amount of risk associated with them in relation to other types of municipal bonds.

Investors can also choose to buy individual bonds. It is important to keep in mind that when you purchase individual debt securities, you have to try to determine the risk of the issuer defaulting on principal and interest payments. Another option is to purchase a mutual fund that invests in a diversified portfolio of municipal bonds. These funds pay exempt-interest dividends but may also pay taxable capital gains. By doing so, the risk is spread out over a wide range of individual securities.

Why choose municipal bonds

Income generated by municipal bonds is not generally taxable at the federal level. If purchasing a bond from an issuer in your own state, the income will also generally be free of state tax requirements. Income from certain private activity bonds may be subject to the federal alternative minimum tax (AMT) although bonds issued in 2009 and 2010 may be exempt from this AMT.

Because of this, the interest rate on municipal bonds is typically lower than yields on taxable bonds of a comparable nature. To make the comparison, you want to determine the tax-equivalent yield of a municipal bond or bond fund that you may be purchasing.

For example, if you are in the 28 percent federal tax bracket, a taxable bond paying 5.2 percent would yield, on an after-tax basis, 3.75 percent. A comparable tax-exempt bond that pays a yield of more than 3.75 percent would generate a more favorable return for the investor than the taxable bond. Of course, when comparing options, after-tax yield should be only one consideration in judging the appropriateness of a bond (or bond fund).

The higher the individual's tax bracket, the more valuable the tax-exempt feature of municipal bonds. One that generates a 3.75 percent yield would be paying the equivalent, when taxes are taken into account, to a taxable bond at these different tax rates.

Tax bracket tax-equivalent yield of municipal bond paying 3.75 percent

25%	5%
28%	5.2%
33%	5.6%
35%	5.77%

As this table demonstrates, a person in the 28 percent tax bracket would be better off investing in the municipal bond with a tax-free yield of 3.75 percent if bonds in the taxable market did not pay at least 5.2 percent on a pre-tax basis.

Yields on U.S. Treasury securities have been at historically low levels, meaning that certain comparable municipal bonds and municipal bond funds may offer a significant, after-tax yield advantage and many are choosing that option.

A tax diversification strategy

money generated from savings and Social Security sometimes consider the benefits of tax-exempt income from municipal bonds; however, tax-exempt interest is included in the calculation for the taxation of Social Security benefits. Seniors should keep this in mind before investing in tax-exempt bonds. It is yet another way that municipal bonds provide a means of managing taxes in your investment portfolio.

This column is for informational purposes only. The information may not be suitable for every situation and should not be relied on without the advice of your tax, legal and/or financial advisors. Neither Ameriprise Financial nor its financial advisors provide tax or legal advice. Consult with qualified tax and legal advisors about your tax and legal situation. This column was prepared by Ameriprise Financial.

Financial planning services and investments offered through Ameriprise Financial Services, Inc., Member FINRA & SIPC.

Investment products, including shares of mutual funds, are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.