

Marchionne Urges EU To Move On Overcapacity

Colleen Barry, Associated Press

GENEVA (AP) — Fiat and Chrysler CEO Sergio Marchionne said Tuesday that European officials need to provide a "concerted road map" for the auto industry to close idled plants — or risk the failure of one or more European automakers.

Marchionne puts overcapacity of European plants at 20 percent — meaning one-fifth of the installed assembly lines have been idled by the financial crisis that is battering the industry as consumer demand drops. That hits both profits and competitiveness.

Auto companies got a pass on making tough choices during the 2008 financial crisis thanks to incentives that gave car buyers with older polluting cars a bonus to buy new ones. Any hint of factory closures bring protests from national governments, given that the European auto industry is one of the engines of the economy.

Marchionne told reporters at the Geneva Motor Show that either the European Union must discipline countries that distort the free market in its role as guardian of the single, unified market or come up with a plan to evenly distribute the "pain and suffering" that factory closures will bring.

"It can't fix it. It needs to provide a unified, concerted road map to get this done," Marchionne told reporters.

If that doesn't happen, Marchionne warned that there could be "one or multiple failures" in the medium- to long-term.

"Some of us may not be around," he said. "We need to be careful here. We are playing with fire."

Marchionne said Fiat can survive thanks to its partnership with Chrysler. His aim is to produce cars for the recovering U.S. market at Italian plants, which analysts say are running at 60 percent capacity.

Marchionne, who said he has been to Brussels twice in the last two weeks and is the current head of the European Automotive Manufacturers Association, chided EU policymakers for setting standards like quantifying how much emissions cars can emit, while not dealing with industrial imbalances that threaten automakers' survival.

"In the absence of a free, functioning single market, the European Union is not worth much," Marchionne said. "It as designed to provide free access to goods and services across a much larger market place. And if you can't preserve that, you are not doing much."

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Fiat launched the new 500L at the Geneva auto show, a car that will be produced in Serbia, a decision that was made as Marchionne struggled with Italian unions to accept more flexible work rules.

He pointed out that the Serbian factory was built in part with European Development Bank funds, an irony as western Europe struggles with idle production lines.

"You cannot build up capacity in potential members of the union, and look at the current members trying to restrict it," Marchionne said.

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