France Plans To Save Car Industry By Going Green

Sarah DiLorenzo, Sylvie Corbet, Associated Press

PARIS (AP) — Green technology is the answer to the declining fortunes of France's auto industry, according to a new government plan to turn the sector around.

The strategy for France's carmakers was unveiled Wednesday by the Ministry for Industrial Recovery — a government department created by President Francois Hollande to put his plan to "re-industrialize" France into action.

Across Europe, lots and factories are filling up with unsold cars. Industry executives estimate factories have the capacity to build 20 percent more cars than they are able to sell. Sweden's Volvo and Germany's Daimler both said this week that their profits dropped in the second quarter.

Frances' PSA Peugeot Citroen, which reported a loss for the first half Wednesday, two weeks ago unveiled plans to eliminate 8,000 jobs and shut a major factory in France.

The government said the decline of France's auto industry has been particularly marked: The country produced just 2.2 million cars last year, as compared to 2005's 3.5 million. It employs 800,000 people — 30 percent fewer people than it did 10 years ago.

"France isn't abandoning its automotive industry," Prime Minister Jean-Marc Ayrault said Wednesday after a Cabinet meeting where the plan was explained to government ministers.

Hollande's administration hopes France can carve out a space for its auto industry by driving hard into environmentally friendly cars — a sector the country's automakers are already prominent in. The plan includes a variety of measures aimed at rewarding companies that invest in green technology and drivers who buy environmentally-friendly cars.

Industrial Recovery Minister Arnaud Montebourg, who unveiled the plan, said the government will also launch a "Made in France" campaign — and has signed up famed director Luc Besson to participate — to encourage consumers to buy locally, although no monetary incentives were mentioned.

The main part of the government's plan is to increase the rebates French consumers receive for buying an electric or hybrid car — no matter who makes it. The government estimates that it expects to pay out around €500 million ($600 million) in such rebates next year.

Several hundred millions of euros of incentives will also be offered to carmakers and their suppliers, especially small companies, that invest in green technology or create new jobs, Montebourg said. Much of the money for those incentives comes from funds already budgeted that are being redeployed.

Employment Minister Michel Sapin, who was also at the plan's launch, said it put the government "on the offensive." He said that France would have to anticipate changes in the automobile sector in order to succeed.

"We want to support clean cars, green cars," said Ayrault. "It's the choice of the future."

In addition to the rebates for consumers, most of which will be paid for from higher taxes on polluting cars, the only new spending in the plan is €175 million that is included in incentives for small companies that create new jobs in the auto industry and allowances to buy clean-energy cars for state use.

Mostly, the plan maintains funds that would have expired or redeploys funds already budgeted.

Here's a look at where they'll go:

— €250 million to small companies, especially the small subcontractors that work with the major auto firms, to help them invest in green technology or otherwise modernize their operations,

— €350 million for investment in auto research,

— €400 million in tax credits for auto research,

— €50 million to build more charging stations for electric cars,

— €260 million for the modernization of plants of auto equipment-makers.

Varin, the Peugeot chairman who has been in the government's sights recently because of its cost-cutting plan, said the new incentives would be good for the industry.

"This support for innovation is an excellent thing," he told reporters as he announced the company's earnings. "If there is money for hybrids, that will lead us of course to develop our existing models."

Investors, too, initially seemed cheered by the plan, parts of which were leaked late Tuesday in the French press. Shares in PSA Peugeot Citroen surged when the market opened despite an announcement of less-than-stellar earnings. Renault, the other major French carmaker, was also up early in the day. It announces its earnings Friday.

But trading in both companies was extremely volatile as analysts tried to parse the

deal. In afternoon trading, Peugeot had erased nearly all of its gains and was largely even; Renault was 1.2 percent higher.

Source URL (retrieved on *10/25/2014 - 8:35pm*):
http://www.impomag.com/news/2012/07/france-plans-save-car-industry-going-green?qt-most_popular=0