Paris Auto Show Opening Amid Deep Gloom

Greg Keller, AP Business Writer

PARIS (AP) — Europe's carmakers could be forgiven for worrying that the slogan for this year's Paris Auto Show, "The Future, Now," is a threat of more hardship to come rather than a promise of prosperous times.

Across the region, car sales are in their fifth straight year of decline and lots and factories are filling up with unsold cars. According to analysts at PwC's Autofacts industry forecasting arm, car sales in Europe are expected to drop 5 percent to 12.5 million units this year. Meanwhile, executives estimate factories have the capacity to build 20 percent more cars than they are able to sell.

The most recent data from Europe's carmakers' association ACEA show new passenger car registrations dropped a staggering 8.9 percent in August, for the 11th consecutive monthly decline. They're down 7.1 percent over the first eight months of the year and certain to continue the unabated drop that began in 2008 for another year at least.

This year, mass-market automakers Fiat, Peugeot-Citroen PSA, General Motors' Adam Opel, and Renault have all reported losses. Renault and archrival Peugeot Citroen, along with Italy's Fiat and Ford of the U.S., have been losing market share in Europe to German car makers BMW and Daimler, while mighty Volkswagen has managed to be the only major car maker to grow sales this year in a market that fell 6.6 percent in the eight months to end-August.

Eight out of Europe's top 10 car markets will see "dramatic decreases" in sales this year, according to auto industry consultants Alix Partners in a June report titled "Europe in Reverse Gear."

The consultancy estimates that around 40 of Europe's 100 or so car plants were operating under capacity and well below the break-even level.

Fiat and Chrysler CEO Sergio Marchionne has warned that unless automakers are allowed to close unproductive factories, one or more automakers will fail in the medium- to long-term. But he argues the issue can't be solved on a national level, and has urged European officials to provide a "concerted road map" for the auto industry to close idled plants.

Earlier this month Marchionne had to bat down rumors he planned to move Fiat away from Italy — but he said he has had to review investments and slow down new car rollouts to adapt to a contracting European market to avoid squandering capital.

France's Peugeot, Citroen and Renault see the Paris Auto Show — which has its press preview on Thursday and opens to the public at the weekend — as a chance to show off their latest models to a hometown audience.

The decline in the country's auto industry has been particularly marked: France 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.

One of the manufacturers, PSA Peugeot Citroen, will be hard-pressed to gloss over its financial straits, having recently announced it lost €819 million in the first half alone, and announced plans to eliminate 8,000 jobs and shut a major factory in France.

"The group is facing a difficult time," PSA Peugeot Citroen's CEO Philippe Varin said when announcing the cuts this summer. "The depth and persistence of the crisis impacting our business in Europe requires the launch of the reorganization of our French production and a reduction in our structural costs."

In response to the gloom in the French auto industry, the government has unveiled a raft of incentives. Taxes are set to be introduced on larger, more polluting cars to pay for rebates that are designed to encourage French consumers to buy electric or hybrid cars — which French carmakers are strong in.

The country's carmakers will be aiming for the mass market with their launches at the auto show.

Renault will be unveiling the new Clio IV, the latest iteration of Renault's top-selling small car. Renault will be depending on the new model, replacing the last version unveiled seven years ago, to attract many of the average French car shoppers who make up the bulk of the visitors to its stand.

Peugeot, meanwhile, will be showing off a small crossover concept car designed to take on the Clio. Called the 2008, the car is based on its popular 208 small vehicle. The carmaker will also roll out its own concept supercar, dubbed the Onyx.

Other new models among the 100 presentations promised by the auto shows' organizers are the new Jaguar F-type sports car and McLaren's P1 supercar.

But motoring aficionados will have to wait until next Spring to ogle the upcoming new Aston Martin Vanquish, as the British automobile icon will skip the French gathering and save its latest offerings for the Geneva Motor Show.

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