

Renault CEO: Carmakers Must Push Outside Europe

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GENEVA (AP) — The European car market is going to be tough for five more years, Renault CEO Carlos Ghosn predicted Tuesday, and the only way for struggling carmakers to survive is to push into other markets.

Hit by fleeing customers, struggling economies and idle production lines, Europe's carmakers are finding it harder to recover from the collapse of the car market in 2008 than some of its rivals in the U.S. and Asia.

On top of this, building a car in Europe is more expensive than in many competitor countries thanks to rigid labor agreements that drive up wages and offer generous benefits. Those same agreements also make it difficult to transfer jobs elsewhere.

Ghosn said he is already trying to make Renault's factories in France more competitive by seeking a deal with its unions on staffing and labor practices — but that's a long-term solution.

Carmakers have been hit hard by the European financial crisis, which has sent unemployment soaring and led to a sustained fall in overall retail sales across the region; car sales in the EU pulled back another 7.8 percent in 2012, the fifth year of decline.

Renault is looking to make up for the shortfall in Europe by tapping markets outside the region. Renault saw its net profit fall 15 percent in 2012; the company's alliance with Nissan helps it do just that.

The carmaker saw its net profit fall 15 percent last year, but it's still faring better than rival PSA Peugeot Citroen, which is heavily focused on the French market. PSA posted a €5 billion (\$6.5 billion) loss last year.

On the sidelines of the Geneva Motor Show Tuesday, Ghosn said he was buckling down for a few more tough years of declining sales.

"What we don't want is for it to become catastrophic. As long as the decline is 2-3 percent or at best stable for the next five years, we can manage," he said. A larger, sustained decline of 5-10 percent must be avoided, he said, and he thinks it will.

Still, carmakers have to prepare for the worst-case scenario, he warned. "The only way to prepare for that is to make sure you have strong growth and profitable growth in other markets."

Maxime Picat, head of brands for Peugeot, said the company is aware that it needs

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to attract more buyers outside of France to survive. It's putting many of its hopes in its new Peugeot 2008 — a crossover SUV — which was jointly developed by designers in Shanghai, Sao Paulo and Paris.

"We're sure that we have a product that's not French; it's a global product," he said.

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