

GM sells European brands to France's Peugeot

March 6 2017, by Angela Charlton And Tom Krisher



In this Feb.14, 2017 file photo, an Opel car, in front, is offered for sale by a Peugeot dealer in Gelsenkirchen, Germany. General Motors Co. is selling its loss-making European car business—including Germany's Opel and British brand Vauxhall—to French automaker PSA group. The 2.2 billion euro (\$2.33 billion) deal announced Monday March 6, 2017 in Paris by GM and PSA—maker of Peugeot and Citroen cars.(AP Photo/Martin Meissner, File)

General Motors is selling its unprofitable European car business to the French maker of Peugeot, marking the American company's retreat from a major market and raising concerns of job cuts in the region.

With the 2.2 billion euro (\$2.33 billion) deal announced Monday, GM is giving up brands—Opel in Germany and Vauxhall in Britain—that have given it a foothold in the world's third-largest auto market since the 1920s. They have not, however, made a combined profit in 18 years despite multiple turnaround efforts.

For the once-struggling PSA Group, which makes Peugeot and Citroen cars and has just recently reshaped its own business, the acquisition will turn it into Europe's No. 2 automaker after Volkswagen.

Carlos Tavares, the CEO of PSA, said the deal was "a game-changer for PSA."

GM Chairman and CEO Mary Barra said it was a "win" for both sides. "This was a difficult decision for General Motors but we are united in belief that it is the right one," she told reporters in Paris.

Britain's vote to leave the European Union, which caused a plunge in the pound, weighed on the decision. "Without Brexit, we would have reached the breakeven goal" at last in 2016 for the European business, Barra said.

PSA will join with French bank BNP Paribas in the purchase, which foresees taking over 12 manufacturing facilities that employ about 40,000 people, according to a joint statement by the companies.

Executives insisted that no job cuts are currently foreseen, and that PSA will respect all existing agreements with workers.

General Motors Co. will keep its manufacturing center in Turin, Italy. GM and PSA will continue to collaborate on electric car technologies and maintain existing supply agreements on some Buick models.

Shares in PSA were up 3.4 percent at 19.46 euros, suggesting investors find the terms of the deal broadly advantageous for the French company.

The purchase marks a major turnaround for PSA, bailed out just three years ago by Chinese investors and the French state. CEO Tavares, recalling PSA's "near-death experience," said he hopes to parlay his success to similar savings at Opel, cutting costs through scale and better use of factory capacity.

For GM, the agreement indicates that Barra decided to focus on profits over market share.



The logos of car makers : Opel, Vauxhall, Peugeot and Citroen are displayed during a press conference held in Paris, France, Monday, March 6, 2017. General Motors is selling its loss-making European car business, including Germany's Opel and British brand Vauxhall, to France's PSA group in a deal that realigns the industry in the region. (AP Photo/Zacharie Scheurer)

Asked whether the arrival of the Trump administration played a role in GM's decision to sell, Barra said GM looked at "the changing landscape from a regulatory, a geopolitical and customer preference standpoint" before making a decision.

GM could redirect the money it has been spending in Europe toward new products and services, such as self-driving cars and ride-hailing services, as well as pension obligations and an ongoing share buyback program.

Western Europe is the No. 3 auto sales market, behind China and the U.S. Opel and Vauxhall last year sold just under 1.2 million vehicles, amounting to only 5.6 percent of the market, according to GM. GM has recently shown a willingness to pull out of unprofitable regions—it abandoned Russia in 2015 as that country's economy fell into recession.

The deal, subject to regulatory approval, is expected to be completed at the end of this year.

The move will see PSA make 5 million cars a year and would give it access to technology and a larger scale to spread out engineering and other costs. The companies said they expect annual savings of 1.7 billion euros by 2026—and Tavares repeatedly insisted that those savings would not necessarily depend on job cuts.

Amid uncertainty over Brexit, Vauxhall appears most vulnerable, and its

4,500 jobs.

The leader of the Unite union in Britain said in a statement Monday it will focus on trying to persuade the new management that it makes sense to continue "building in Britain."

Unite general secretary Len McCluskey insisted there is a role for government as well, as "the uncertainty caused by Brexit is harming the U.K. auto sector."

Factory closures are a concern in Germany as well, especially in an election year.

German Economy Minister Brigitte Zypries and the governors of three German states said in a statement Monday that PSA made a series of commitments regarding "locations, employment and investments."

PSA executives held talks with unions before finalizing the deal, and a council representing Opel workers said Monday that it obtained guarantees for factories and jobs.

The price for Opel is relatively small because of a big pension contribution for Opel's underfunded plan. GM, which may take a 4.5 billion euro writedown on the deal, will keep most pension plans.

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