Automotive Textiles

The changing landscape for tier 1 and tier 2 suppliers

40 company profiles

2nd Edition

From the publishers of mobileTex

Adrian Wilson

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Textile Media Services

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By Adrian Wilson

Editor: Geoff Fisher

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Introduction

In a little over two years since the publication of the first edition of this report, the automotive industry has experienced unprecedented changes to its global structure. As a result of the 2008/09 financial crisis, global light vehicle production fell for the first time in more than 30 years in 2008 — and has declined even more steeply in 2009 (Table 1).

Table 1: Global production of light vehicles[1], 2001-2009

(m)	2001	2002	2003	2004	2005	2006	2007	2008	2009[e]
Western Europe	16.8	16.5	16.4	16.4	16.1	16.2	16.1	14.7	11.3
Eastern Europe	2.9	2.9	3.3	3.9	4.2	4.4	4.7	6.4	5.5
NAFTA	15.5	16.4	15.9	15.7	15.7	15.6	15.9	12.6	10.0
Rest of the world	19.7	21.3	23.0	25.3	27.4	28.6	30.3	32.4	29.8
World total	**54.9**	**57.1**	**58.6**	**61.3**	**63.4**	**64.8**	**67.0**	**66.1**	**56.6**

[1] cars and light commercial vehicles (< 6 tonnes)

[e] estimate

Source: various forecasts

While the automotive industry is currently the subject of rescue packages and other initiatives at government level in many countries around the world, the impact of the current economic downturn on suppliers to automotive original equipment manufacturers (OEMs) has been fairly disastrous. This has been compounded by escalating raw material costs, resulting in many plants being closed or idled and companies pushed into bankruptcy.

Even before this latest recession, however, the automotive industry supply chain had been in a process of both ongoing consolidation — in 1988 there were an estimated 30,000 suppliers and by 2010 it is likely there will be less than 3,000 — as well as migration from developed to developing markets.

There was stagnation in the vehicle output of North America and Western Europe between 2001 and 2007, while in other parts of the world — notably in China, other Asian countries and Eastern Europe — significant growth was witnessed. Despite the current sharp decline, global light vehicle production is still expected to climb to 79.1m units by 2013 from its last peak of 67.0m in 2007.

According to a number of (probably optimistic) forecasts, 2009 will be the low spot, with production falling back to 2002/03 levels, before growth begins again. Over the next decade, total growth is likely to equal the output of the entire North American or West European markets today — albeit achieved in emerging markets.

Automotive industry conditions in North America and Europe inevitably continue to be particularly challenging as a result of this global shift. However, Table 2 shows CSM Worldwide's predictions for growth between 2008 and 2013 in the key new markets.

Table 2: Light vehicle production, estimated growth in new markets, 2008-2013

(m units)	2008	2013	CAGR (%)
China	7.3	11.3	9
Central/Eastern Europe	6.3	8.0	5
India	2.1	3.9	13
South East Asia	2.5	3.7	8

Source: CSM Worldwide

North America

The fortunes of the North American automotive industry rest with the outcome of much current financial manoeuvring, including government initiatives, particularly in respect of the Detroit Three — Chrysler (formerly DaimlerChrysler), Ford and General Motors (GM).

DaimlerChrysler was founded in 1998 when Germany's Daimler-Benz merged with US-based Chrysler. The buyout failed, however, to produce the transatlantic automotive powerhouse dealmakers had hoped for, and in May 2007 Chrysler was sold to private equity company Cerberus Capital Management. Chrysler subsequently filed for Chapter 11 bankruptcy in April 2009, owing huge debts, mainly to its suppliers. Italian car manufacturer Fiat has subsequently purchased a 20% stake in Chrysler, in a bid to nurse it back to health.

Similarly, GM filed for Chapter 11 bankruptcy in June 2009 and, at the time of writing, its European Opel brand has been in negotiations to be sold, with a number of potential buyers including Tier 1 supplier Magna International, whose interior subsidiary Decoma is profiled in this report (page 55).

Ford, meanwhile, continues to record significant losses. In addition to all this, the North American automotive industry has for some time been characterised by significant overcapacity and fierce competition.

In June 2009, the US Treasury denied a request from an automotive supplier trade group for as much as US$10bn in loan guarantees, on top of US$5bn already granted earlier in the year.

As far as the US automotive textiles market is concerned, the biggest changes in recent years have been the transformation of the former Collins & Aikman and the Interiors division of Lear Corporation (page 151) into International Automotive Components Group (IAC) (page 123).

In less than two years between March 2006 and October 2008, IAC emerged as the world's largest automotive interiors supplier, with annual revenues of US$5.5bn and 29,000 employees in 16 countries.

Faurecia

Faurecia SA, 2 rue Hennape, F-92735 Nanterre, France. Tel: +33 1 7236 7000. Fax: +33 1 7236 7007. www.faurecia.com

Faurecia is the second-largest automotive equipment supplier by sales in Europe, its annual turnover of more than €12bn putting it ahead of all other European companies, with the exception of Bosch. At the end of 2008 Faurecia had 61,000 employees at 190 sites and 28 research and development (R&D) centres in 29 countries worldwide. It is publicly traded on the Euronext Paris Eurolist and has a market capitalisation of €1.2bn.

Having sustained substantial losses in 2008, at the beginning of 2009 the company announced a €600m cost cutting programme with the target of reducing its breakeven point by 15%. This is being backed by a €450m capital increase, with pre-emptive subscription rights maintained for shareholders, fully underwritten by Peugeot.

The history of Faurecia is inextricably linked with that of PSA Peugeot Citroën, which still owns 70% of the company. However, Faurecia has in recent years experienced a sharp decline in its sales to PSA and the other French car manufacturers, while growing sales to automobile companies elsewhere in the world. In fact, by the second half of 2008, 40% of its sales were to the German carmakers BMW, Mercedes-Benz and Volkswagen (VW) Audi.

Faurecia was formed in 1998 through the merger of ECIA (Equipment and Components for the Automobile Industry) and the Bertrand Faure Group. ECIA was formed in the 1980s as a merger between Peugeot Steels & Tools and Cycles Peugeot. Initially, ECIA achieved more than 90% of its turnover through sales to Peugeot, but by the time of the merger with Bertrand Faure Group this reliance had reduced to 60%.

VW, Renault, Daimler-Benz, Opel, Honda and Mitsubishi ordered exhausts, seats, vehicle interior parts or front ends from ECIA, and it made several significant acquisitions, including exhaust suppliers Leistritz Abgastechnik in Germany and PCG Silenciadores in Spain, becoming the European leader in this field.

It was also at the end of the 1980s that Bertrand Faure stepped up its international development, adding to acquisitions carried out in Spain and Portugal by buying the Rentrop Group of Germany. This made Bertrand Faure the European leader in vehicle seating components. Throughout the 1990s it developed its automotive supplier business, while hiving off all other activities including beds (Epéda and Mérinos), luggage (Delsey) and aeronautics (Ratier-Figeac).

At its formation, Faurecia Group had a turnover of more than €4bn and employed 32,000 people. It was further boosted by the acquisition of Sommer Allibert's automotive business financed by the PSA Peugeot Citroën Group. By 2001, the expanded Faurecia recorded a turnover of €9.6bn.

Faurecia is now the leading European player in five areas:

- Seating;

- Door Panels/Modules;
- Exhaust Systems;
- Instrument Panels/Cockpit;
- Front End Modules.

In Europe, Faurecia is the second-largest supplier of acoustic packages and the leading supplier of floor carpet and package trays. Each year it produces 20,000 tonnes of felt, 50,000 tonnes of heavy layer (processed), 24m m^2 of needlepunched carpet and 3m m^2 production of tufted carpet.

Globally, Faurecia ranks second in Door Panels/Modules, Exhaust Systems, Instrument Panels/Cockpit and Front End Modules, third in Seating and fourth in Acoustic Packages. Prior to the current recession, Faurecia estimated that these five markets would be worth €120bn by 2010.

Over the past few years, Faurecia has opened many new plants around the world, in addition to relocating from its traditional base within Western Europe. Within Greater Europe, openings have been predominantly in eastern countries where the automotive industry is rapidly growing, such as Poland, Slovakia and Romania, while elsewhere expansion has centred largely on both China and the US.

The company is still predominantly European, but becoming less so. In 2005, 81% of its sales were achieved in Europe compared with 11% in North America, 4% in Asia and 4% elsewhere. By 2008, Europe accounted for 74.4% of sales, North America 14.8%, Asia 5.9% and the rest of the world 4.9%.

Europe

Significant changes to Faurecia's French operations were first announced in April 2005, with investment in its three research centres in Brières (Essonne), Flers (Orne), and Magny-Vernois (Haute-Saône), and rationalisation measures to improve the competitiveness of seat frame, adjustment mechanisms and foam trim manufacturing across the country. The group closed its foam trim plant in Beaugency, and a reorganisation and specialisation plan was also put in place for plants at Cercy-la-Tour, Pierrepont, Brières-les-Scellés and Celles-sur-Plaine.

Meanwhile, downsizing plans were also put in place at the door panel plants at Marles and Auchel in France, and at Madrid in Spain at this time.

In July 2008, Toyota Boshoku took over Sieto, a Faurecia subsidiary located in Somain, near Lille, in northern France. Sieto is an automotive seating assembly facility entirely dedicated to Toyota and to the seats of its Yaris model.

At the beginning of 2009, Faurecia announced a further rationalisation in France owing to a rapid decline in the automotive seating business. This involved the French sites at Saint-Nicolas-de-Redon, Pierrepont and Flers/Caligny and will affect 1,215 jobs between 2009 and 2011.

Faurecia: sales by sector, 2005-2008

(€m)	**2005**	**2006**	**2007**	**2008**
Automotive Seating	4.79	4.81	5.18	5.00
Vehicle Interiors	3.48	3.46	3.55	3.30
Exhaust Systems	1.96	2.66	2.99	2.76
Front End Modules	0.74	0.72	0.95	0.95
Other modules	2.	3.38	3.94	3.70

Source: Faurecia

Faurecia: plant openings, 2004-2008

Region	**Country**	**Location**	**Date**
Western Europe	France	Poissy*	2004
	Germany	Rastatt*	2004
	Germany	Leipzig*	2005
	UK	Banbury*	2006
Central Europe	Slovakia	Kosice	2004
	Romania	Talmaciu	2004
	Poland	Jelcz	2005
	Poland	Walbrzych*	2005
	Slovakia	Hlohovec	2005
	Slovakia	Lozorno*	2005
	Romania	Pitesti	2006
	Czech Republic	Písek	2006
	Slovakia	Trnava *	2006
	Romania	Pitesti (Euro APS)*	2007
	Czech Republic	Karviná	2008
Outside Europe	USA	Auburn Hills*	2004
	USA	Lordstown*	2004
	Mexico	Hermosillo	2004
	South Africa	Rosslyn*	2004
	China	Changchun	2004
	China	Wuxi	2004
	USA	Cleveland	2005
	China	Changchun	2005
	China	Wuhan	2005
	China	Anting	2005
	China	Chongqing	2006
	Russia	Nizhny Novgorod	2006
	South Korea	Pusan	2006
	USA	Fountain Inn*	2006
	USA	Fraser	2006
	USA	Northwood	2006
	USA	Shelby	2006
	USA	Sterling Heights	2006
	USA	Sterling Heights*	2006
	USA	Toledo*	2006
	Iran	Tehran	2006
	Morocco	Kenitra	2008

* just-in-time sites (on the same sites as automakers)

Source: Faurecia

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