3rd Edition

tms

# Automotive Textiles

## Moving towards a new global equilibrium



Adrian Wilson

From the publishers of mobileTex

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3rd edition  June 2013



By Adrian Wilson

Editor: Geoff Fisher

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# Introduction

## THE AUTOMOTIVE MARKET

Leading car manufacturers reported record sales in 2011 and 2012, and despite the prospect of another economic slowdown in parts of the world – most notably in Europe owing to the ongoing euro crisis – there are no signs of the overall automotive market declining.

Between 2007 and 2009, automotive industry production in North America and Europe experienced the steepest peak-to-trough declines in history. In North America, vehicle production fell by more than 40% – from a high of 15m units in 2007 to a low of 8.6m units in 2009. In Europe, industry production also declined by more than 20%, from 20.2m in 2007 to 15.6m in 2009.

As a consequence, the industry has undergone major restructuring and consolidation in response to overcapacity, narrow profit margins, excess debt and the necessary realignment of resources from mature markets to emerging ones.

This restructuring and consolidation continues, but at the same time 84.1m vehicles were produced globally during 2012, up 5.1% from 80m in 2011, and perhaps surprisingly, growth is not currently all in China by any means. There was a 70% surge in car production in Thailand in 2012, for example, and more than 27% in Indonesia, too. In Eastern Europe, Slovakia registered a sales surge of over 40%, while US production, perhaps surprisingly, also increased by 19.3%.



### US market

In the US, for example, double-digit sales during 2012 were reported by Chrysler, General Motors and Ford, coupled with even stronger North American growth by Toyota and Honda. This follows a resurgence in the US in 2011, with growth of 11.5% achieved in the production of more than 8.6m vehicles, according to the Organisation Internationale des Constructeurs d'Automobiles (OICA), the international organisation of motor vehicles. In 2012, the US produced 10.3m cars and other light vehicles, having previously reached a production record in 2007 of 15m units.

### European market

The significance of the EU as an automotive trading block is also often overlooked, but currently under question. With a population of well under half that of China, the EU as a whole, led by Germany, still produces a comparable amount of cars and commercial vehicles as China – just over 18m in 2011.

However, the current problems faced by the EU resulted in lower production of 16.6m in 2012, according to IHS Automotive, with a further 2-3% decline forecast for 2013. The level of 2011 is not expected to be matched again until at least 2015, while even allowing for average 2.8% growth, European production is not ex-

# Faurecia

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

Faurecia is the second largest automotive equipment supplier by sales in Europe, its annual turnover of more than €17bn putting it ahead of all other European-headquartered companies, with the exception of Bosch. At the end of 2012, Faurecia had 94,000 employees at 320 sites and 30 research and development (R&D) centres worldwide.

The company's stated strategy for the coming years is to achieve growth of 6-7% annually to reach €22bn in 2016, with anticipated sales outside Europe swelling to 55% of the total, compared with 37% in 2012.

Over the past three years, Faurecia's net income has moved back into the black, but prior to this, it recorded significant losses for each year since 2005. In 2012, however, net income was significantly impacted by restructuring charges.



***Table 14: Faurecia: financial performance, 2007-2012***

| (€m) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Sales (€bn) | 11.7 | 12.0 | 9.3 | 13.8 | 16.2 | 17.4 |
| Operating Income (loss) | 121.1 | 91.2 | (91.7) | 455.6 | 650.9 | 514.0 |
| Net income (loss) | (237.5) | (574.8) | (417.3) | 232.4 | 413.3 | 142.0 |

*Source: Faurecia*

The history of Faurecia is inextricably linked with that of PSA Peugeot Citroën, which still owns 57.4% of the company. However, Faurecia has repositioned its European sales footprint in recent years. By 2012, approaching 50% of its European business was with the German original equipment manufacturers (OEMs) – BMW, Daimler and Volkswagen (VW) – with PSA accounting for 20%, Renault Nissan 12% and Ford 8% of sales.

Faurecia was formed in 1998 through the merger of Equipements et Composants pour l'Industrie Automobile (ECIA) and Bertrand Faure Group. (ECIA was itself founded in the 1980s as a merger between Peugeot Steels and 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 this reliance had reduced to 60%.

It was also at the end of the 1980s that Bertrand Faure stepped up its initial 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



 

# Key Safety Systems

***Key Safety Systems Inc, 7000 Nineteen Mile Road, Sterling Heights, MI 48314, USA. Tel: +1 586 726 3800. Fax: +1 586 726 4150. Web: www.keysafetyinc.com***

Key Safety Systems (KSS), headquartered in Sterling Heights, Michigan, USA, is a private company specialising in the design, development and manufacturing of automotive safety-critical components and systems, including airbags, seatbelts and steering wheels.

The company continues to receive many supplier and industry awards, underlining its commitment to both service and advanced technology, which have recently included:

- 2012 – Hyundai-Mobis Best Supplier Award;
- 2012 – General Motors Supplier Quality Excellence Award;
- 2012 – Maruti Suzuki Vendor Performance Award;
- 2012 – Chery Best Supplier Award;
- 2012 – SGM Technology Innovation Award;
- 2012 – SVW Excellent Supplier Award;
- 2011 – JAC Best Supplier Award;
- 2011 – PACE Award For Inflatable Seatbelt Technology;
- 2010 – Ford World Excellence Award;
- 2010 – Henry Ford Technology Award;
- 2009 – PACE Award on Pelvis-Thorax Side Airbag;
- 2008 – R&D 100 Award for Adaptive Airbag.



With a well-diversified customer base – products are featured in more than 300 vehicle models produced by over 60 customers worldwide – the company has a network of 34 sales, engineering and manufacturing facilities generating annual sales of around US$1bn. Its four main technical centres are located in Sterling Heights; Raunheim, Germany; Shanghai, China; and Yokohama, Japan.

Initially a company manufacturing steering wheels as early as 1916, Key Safety Systems' expansion has followed a predictable trajectory over the past 50 years, with ventures first into Western Europe then Mexico, and more recently into the growing car production centres of Asia and Eastern Europe.

KSS in its current form was founded in the 1980s as Breed Technologies in Lakeland, Florida, USA, by Allen Breed, the pioneer of the mechanical crash sensor that gave rise to airbag technology. The company's history is of particular interest because it faced bankruptcy in 1999 – well before this became a widespread trend among US automotive suppliers.




Key Safety Systems

# Suminoe Textile

***Suminoe Textile Co Ltd, 3-11-20, Minamisemba, Chuo-ku, 542-0081 Osaka, Japan. Tel: +81 72 330 5784. Fax: +81 72 330 2519. Web: http://sumimoe.jp***

Celebrating its 100th anniversary in 2013, Osaka, Japan-headquartered Suminoe Textile had 2,292 employees throughout group operations at May 2012 and sales approaching US$1bn.

It is now split into three key businesses: Automotive Textiles and Traffic Facilities (49.9% of sales), Interior Fittings (44.9%) and Functional Materials (5.2%).

***Table 86: Suminoe Textile: financial performance, 2007-2012***

| (¥bn) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|---|
| Net sales | 76.7 | 80.9 | 71.4 | 70.0 | 70.9 | 75.3 |
| Net income (loss) | 2.72 | 0.98 | (0.85) | 1.41 | 0.66 | 0.63 |

Year ended 31 May

*Source: Suminoe Textile*



## Automotive Textiles and Traffic Facilities

Suminoe Textile's automotive business and the Suminoe Teijin Techno seat covering business recorded an increase in both net sales and operating income in its latest financial year to 31 May 2012, despite the impact of the earthquake in Japan and the floods in Thailand in the first half of the year. Total sales in the Automotive Textiles and Traffic Facilities segment were up 7.2% to ¥37.6bn (US$471m) and operating income climbed 3% to ¥1.80bn (US$23m). This was due in part to the accelerated recovery in the latter half of the year and an increase in orders for car models that were subject to Japan's eco-car subsidy.

Like many companies profiled in this report, Suminoe is still struggling to get back to anything like the profitability it was achieving back in 2007, and as far as the automotive sector is concerned, it has embarked on a strategy of internationalism over the past few years.

Having operated a subsidiary in Thailand since 1993 – where production was temporarily suspended in 2011 owing to the floods in the country – it established Suminoe Textile of America (STA) at a state-of-the-art plant in Gaffney, South Carolina, USA. The plant specialises in woven, knitted and velour automotive fabrics, with finishing techniques including printing, etching, napping and sueding. It also manufactures both tufted and needlepunched automotive carpet incorporating its patented Sound Absorptive backing technology. Further investment was made in new equipment for carpets and seat covering at the Gaffney plant during 2008.

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Gurit announces supply agreement with Airbus
BMW reveals revolutionary fabric-covered GINA concept
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