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# auto**beat** *daily*<sup>®</sup>

## EUROPE

**FRIDAY**  
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**SWEDISH CONSORTIUM VOWS VOLVO BID.** Konsortium Jakob AB, a Swedish investor group, says it could make a rival offer as early as today to buy Volvo Car Corp. from Ford Motor Co., reports Bloomberg News.

Earlier this week Ford named China's Zhejiang Geely Holding Group Co. as the preferred bidder for Volvo but set no deadline for reaching a deal.

Jakob was created this summer by the head of Volvo's engineers' union and has been lining up unidentified investors since then. The group has not said how much it will offer for Volvo, which Ford acquired a decade ago for \$6.5 billion. Geely reportedly will bid about \$2 billion and has promised to invest another \$3 billion in the company.

Jakob's prospects may hinge on management and intellectual property issues more than price. FKG, a group that represents 300 automotive suppliers, warns that at least some of Volvo's high-tech suppliers may refuse to do business with the company if its control is turned over to a Chinese company. Jakob has promoted itself as a Swedish-based group with strong ties to the company's workforce.

Media reports say Ford also remains concerned about protecting Volvo's technology—much of it integrated into Ford vehicle programs—if the company is sold to Geely. The Chinese company has vowed to maintain Volvo research, production and management operations in Sweden. But one analyst tells Bloomberg that Geely will probably want to move production to China as a cost-cutting step in 3-4 years. About 75% of Volvo's 20,000 employees are located in Sweden.

**BMW RATED BEST, GM WORST IN SUSTAINABLE PRODUCTION.** The world's 17 largest carmakers vary sharply in reducing the environmental impact of their production methods to sustainable levels, according to a major assessment by researchers in Europe.

*Sustainable Value in Automobile Manufacturing*, which looks at a company's ratio of sustainable value to profit or loss, covers the period from 1999 to 2007. The assessment says BMW ranks best, followed by Asian carmakers. Daimler, PSA, Renault and Volkswagen only occasionally matched the industry leaders, and Fiat consistently trailed the group. Ford and General Motors had negative ratios, with GM worst among all 17 companies by a significant margin.

The report says BMW doubled its sales-weighted sustainable value to €2.8 billion over the period. GM generated a negative sustainable value of €9.87 billion over the

same time span, largely because of big financial losses. The report evaluates how much profit or loss was generated by each company's use of environmental resources and uses the result to normalize the data so performance can be directly compared.

The study attempts to assess the total societal impact of car production. Researchers calculated a sustainability index for each company based on capital use, water use, number of employees, number of work accidents, waste generation and emissions of CO<sub>2</sub>, nitrogen oxides, sulfur oxides and volatile organic compounds.

The report was a collaborative effort among Queen's University Management School in Belfast, the Euromed Management School in Marseille and IZT (the Institute for Futures Studies and Technology Assessment) in Berlin. The group says it was unable to collect enough data to rate several carmakers, including Daihatsu, Kia, Porsche and the Chinese auto industry.

**RUSSIA LOWERS INTEREST RATES AGAIN.** Russia's central bank reduced its prime interest rate to 9.5% from 10%, the eighth cut since April. The bank says the move is intended to encourage lending activity.

Some analysts, noting that Russia is likely to report that it experienced zero inflation in October for the third consecutive month, predict the rate will be lowered to 8.5% by the end of the first quarter.

**VOLKSWAGEN NET EARNINGS PLUNGE.** Volkswagen AG says its year-on-year revenue in the third quarter fell 10% to €26 billion. Net income fell to €172 million from €1.2 billion, and operating profit dropped 81% to €278 million.

VW's unit sales rose 4% to 1.6 million vehicles in the quarter compared to a year earlier. Production for the period declined by 2% to 1.5 million units. The company affirms that its full-year earnings will fall below last year's result. But it expects to gain market share this year by achieving a smaller sales decline than the industry average.

**CONTINENTAL POSTS €1 BILLION QUARTERLY LOSS.** Continental AG says its year-on-year adjusted EBIT, which ignores special items, improved 29% to €413 million in the third quarter.

But one-time charges—including an €876 million goodwill impairment in the Automotive Group—left it with a net loss of €1 billion. Quarterly sales fell 9% to €5.3 billion. It

was Conti's fourth consecutive quarterly loss.

By March the company expects to raise at least €1 billion in new capital and renegotiate a €3.5 billion loan currently due next August. The company ended the third quarter with €9.5 billion in debt and cautions that higher capital expenditures are likely to increase its net debt in the fourth quarter.

**MAN PROFIT EVAPORATES.** Net earnings at truckmaker MAN SE plummeted in the third quarter to €6 million from €302 million a year earlier. Sales for the period were €2.7 billion, equal to the previous quarter but 13% below year-ago volume. MAN's year-on-year revenue through the first nine months of the year was €8.8 billion, down 20%. Net income over the period was €214 million from nearly €1.1 billion in 2008.

MAN's gloomy sales outlook matches those from other makers of commercial trucks. The company says industrial production will take "several years" to recover. It expects its commercial vehicles business to remain at current levels and says slumping demand for its diesel engines and turbo machinery will be offset this year by an existing backlog of orders to fill.

**RUSSIA PREPARES SCRAPPAGE PLAN.** Russia hopes to finalize details this weekend for a 10 billion ruble (€231 million) car scrappage plan, but critics say the scheme lacks a system to recycle the 200,000 vehicles it collects, says the *Moscow Times*.

The program, which is to begin in January, will give consumers 50,000 rubles (€1,155) to scrap a vehicle that is at least 10 years old and replace it with a Russian-made new car. The head of the Industry and Trade Ministry's automobile department tells the newspaper it will be up to regional governments to make sure scrapped cars are properly recycled.

<b>CURRENCY EXCHANGE</b>		
<i>(per euro, overnight)</i>		
<b>COUNTRY</b>	<b>CURRENCY</b>	<b>RATE</b>
<b>Brazil</b>	<b>real</b>	<b>2.57</b>
<b>China</b>	<b>RMB</b>	<b>10.14</b>
<b>India</b>	<b>rupee</b>	<b>69.63</b>
<b>Japan</b>	<b>yen</b>	<b>135.65</b>
<b>Russia</b>	<b>ruble</b>	<b>43.31</b>
<b>South Africa</b>	<b>rand</b>	<b>11.50</b>
<b>South Korea</b>	<b>won</b>	<b>1,756.98</b>
<b>Thailand</b>	<b>baht</b>	<b>49.61</b>
<b>U.K.</b>	<b>pound</b>	<b>0.90</b>
<b>U.S.</b>	<b>dollar</b>	<b>.149</b>

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Only about 20% of about 1.8 million discarded cars were recycled in Russia last year, according to the *Times*.

**UNEMPLOYMENT IMPROVES IN GERMANY.** Germany's jobless rate in October declined to 8.1% from 8.2% in September, reports the country's Federal Labor Agency.

The number of people out of work is 3.43 million, down by a seasonally adjusted 26,000. But analysts warn that the improvement is temporary. Reelected Chancellor Angela Merkel has warned that unemployment in Germany is likely to increase through 2011.

**U.K. CLOSE TO DEAL ON MAGNA AID.** The U.K. is closing in on an agreement to help pay for a portion of €4.5 billion in loan guarantees to support the sale of 55% of Opel/Vauxhall to Magna International Inc. and OAO Sberbank. Media reports say London is preparing to contribute about £400 million (€446 million) to the total—assuming General Motors Co.'s board agrees to sell Opel. Germany is expected to provide most of the loan support.

**KOREAN COURT BANS STOLEN GM DAEWOO DATA.** A South Korean court has issued a preliminary injunction ordering the Korean unit of Russia's OAO TagAZ not to use or pass along trade secrets stolen from GM Daewoo Auto & Technology Co.

Last month Korean prosecutors arrested two former GM Daewoo employees now working at TagAZ and charged them with giving their new employer details about core product technology of GM Daewoo's Lacetti sedan. Investigators says TagAZ used the data to develop its C-100 sedan, which went on sale in Russia several months ago.

# TECH REPORT

## **MITSUBISHI WILL ADD COMPACT CROSSOVER IN 2010**

Mitsubishi Motors Corp. says it will introduce a production version of its Concept-cX show car in Japan in February. The small crossover will be unveiled in Europe at the 2010 Geneva auto show.



**Mitsubishi crossover is due in February.**

The new vehicle rides on MMC's new midsize global platform. The company describes the car as the latest step in its plan to move away from a focus on SUVs toward environmentally friendly cars and crossover vehicles that feature proprietary technologies.

## **EU PROJECT TO DEVELOP SELF-DRIVE SYSTEM FOR CARS**

Project SARTRE (Safe Road Trains for the Environment) aims to develop technology that enables groups of vehicles to drive themselves in a closely spaced chain on highways.

The program, which is partly funded by the European Commission and led by Ricardo UK Ltd., expects to begin testing vehicles as early as 2011. The researchers believe such a system could reduce accidents and cut CO<sub>2</sub> emissions 20% by improving the fuel economy of vehicles in the group.

SARTRE envisions groups of 6-8 vehicles led by an experienced driver who is familiar with the route and drives normally. Participating cars would automatically be linked in as they approach the convoy, but drivers would be able to resume control of their vehicles at any time to leave the group. When a car leaves the group, the vehicles behind would automatically close the gap.

Developers envision each car being equipped with a navigation system and transmitter/receiver unit able to communicate with the lead vehicle. They point out that their approach could enable the use of road trains without the need to install special roadway infrastructure to guide the convoys.

Other SARTRE collaborators include Spain's Idiada and Robotiker-Tecnalia, Germany's Institut fur

Kraftfahrwesen Aachen and Sweden's SP Technical Research Institute, Volvo Car and Volvo Technology.

## **CONTI DEBUTS MINIATURE SPEED SENSOR**

Continental AG's Chassis & Safety Division has begun producing an ultra-small integrated wheel speed sensor that measures only 3.2 mm in diameter. Conti says the device is the first such sensor it has developed entirely in-house.



Conti says the sensor is small, more durable and less expensive than competing devices. The unit is intended to provide input for braking, transmission control and electric power steering systems. Developers note that plastic injection molding techniques can be used to configure the sensor head to fit specific installation requirements.

## **VOLKSWAGEN SHOW SKETCH OF UPCOMING U.S. MODEL**

Volkswagen AG has released a sketch of the midsize sedan it has designed specifically for the American market. The car, intended to compete with the Honda Accord and Toyota Camry, will be produced locally at the new plant VW is constructing in Chattanooga, Tennessee.

The car appears to combine styling elements from the Phaeton and previous-generation Passat. VW said earlier the vehicle will include a variety of electronic options, including Bluetooth connectivity, and be amply equipped with American-style cupholders. Gasoline and diesel engine options, a six-speed dual clutch transmission and perhaps all-wheel drive are likely.



Reports say the car will be base-priced at about \$20,000 (€13,500) in the U.S. VW plans to produce about 100,000 of the unnamed cars per year in the U.S. and may ship some of the vehicles to other markets. Reports say VW also may produce the car in China and South America.