

# Pooling carmakers

*Auto industry must press ahead with its consolidation*

A year ago Sergio Marchionne predicted that within two years the economic crisis would reduce the number of big carmaking groups by about half to just six. Fiat's chief said this with an insider's knowledge: just a few weeks later the Italian carmaker announced an alliance with Chrysler.

The industry has long had too many players running too many factories. The collapse in car sales in the US and Europe that began late last year seemed to presage a long-needed shake-out. But car companies – and their allies in governments – returned to their usual defensive form.

Governments in the US, Europe and Asia shovelled enormous sums into bail-out loans and scrappage subsidies to keep national champions afloat, mostly without demanding rationalisation. The family owners that control about half of the industry held meetings with competitors, but balked at diluting their birthright or brand heritage. Until now.

Last week Volkswagen, one of the industry's most feared and followed competitors, announced an alliance with Suzuki that will see the companies buy each other's shares and co-operate on small cars and in emerging markets. This came less than a week after PSA Peugeot Citroën and Mitsubi-

shi Motors said they were discussing deeper partnership.

Mr Marchionne's forecast may not come to pass. But further change and consolidation among carmakers over the coming year will be inexorable. Carmakers need to pool costs if they are to rise to the challenges of two megatrends: consumers' shift into smaller and cleaner cars, and the explosive growth of car ownership in Asia.

At a time when developing an engine or a new model can cost half a billion euros or more, even jealous family owners such as the Peugeotts, the Fords and BMW's Quandts know they need to grow and share more. Governments will mostly be bystanders in this process – though, having become creditors to a large chunk of the industry over the past year, they can and should demand change.

France missed an opportunity to rationalise or even merge PSA Peugeot Citroën and Renault this year when it gave them €6bn of bail-out loans. Germany opposed Mr Marchionne's proposal to add Opel to Fiat and Chrysler. If governments really want to help carmakers, they now need to think in terms of the industry's emerging new game rather than returning to the reflex of putting up national flags and postponing the inevitable.

