

# Elettrificazione & occupazione

Luca Ciferri *Automotive News Europe*

# Merger maestro

Tavares shares views on epic bid to combine PSA and Fiat Chrysler



## Meet the boss

- **NAME:** Carlos Tavares
- **TITLE:** PSA Group CEO
- **AGE:** 61
- **MAIN CHALLENGE:** Successfully merging PSA and Fiat Chrysler.

“I don't care about the win for the brand, for the region or for the function. I want PSA to win as a whole.”

Many in the automotive industry are talking about the need to consolidate to overcome the challenges of emissions regulations and autonomous cars, but Carlos Tavares is doing something about it. In 2017, PSA acquired Opel/Vauxhall from General Motors and within 18 months the money-losing German/British brands were recording 5 percent operating margins. This year, Tavares is dreaming bigger, hoping to engineer a merger with Fiat Chrysler Automobiles that would create the world's fourth-largest car company. He spoke with *Automotive News Europe* Associate Publisher and Editor Luca Ciferri and Correspondent Peter Sigal about the road ahead.

**What is the rationale for a potential PSA-FCA merger?**

The two companies are very complementary on technology and very complementary on geography. They have the confidence that comes from the fact that they have turned themselves around, and the maturity to understand that it's better to face the challenges ahead together rather than alone. All this is the foundation for synergies that could generate value for shareholders and stakeholders.

**In the proposed merger, you would be CEO for five years and the 11th board member, with five each from PSA and FCA. How would you use that power?**

The CEO is just a tool to make things happen, and the toolbox is very, very big. I want to be very humble. I'm privileged to have the opportunity to bring this deal to a conclusion with all the teams involved. I want to underline that Mike [Manley, FCA CEO] and I have a longtime relationship and mutual respect and trust for what we hope to build together. The [overall] CEO would be there to make sure the new company is moving forward in terms of technology investment, profitability, work-life balance and everything. Success for all of us would be that in a few years nobody remembers who appointed the board members.

**The chairman of the new company would come from FCA, and the vice chairman would come from PSA. Is the arrangement as fair as it could be?**

The top executives at each company should be at ease. These are two great companies based on the public numbers

published by both. Neither is currently in crisis. So, full respect to the current top executives of the two companies — *chapeau bas* (hats off), as we say in French. [PSA-FCA would be] such a big entity, with such a high level of things to be achieved, that we would need all of them. The second thing is that the only rule would be meritocracy: In the interests of everybody in the company, in each key position you should pick the best possible executive to deliver results for everybody to enjoy.

**Do you want to become a bigger automaker or become a mobility provider?**

A bigger carmaker would be very helpful, because if you don't become larger to dilute your R&D costs and have a volume scale effect on the purchasing of components such as batteries you could be in trouble. It's especially helpful with electrification, because you will have leverage to buy kilowatt hours at the most competitive price. Those two factors are real. That is where it helps. And specifically, for people working in regions where there are going to be significant breakthroughs on CO2 objectives, scale would be a real benefit.

**PSA does not have a designated chief operating officer. How do you manage decision-making?**

I am a strong believer in a matrix organization. At PSA we operate within three axes: the regions, the brands and the functions. Even within this three-dimensional operation, we have business units that go through and try to boost the system. For example, we could have the CEO of Peugeot reporting on volumes and profit, then the European head report on total profits, volumes, market share, quality and customer satisfaction for all brands in the region. On the functional side, we would look at whether we are ready to launch a new car, are manufacturing costs being reduced? So we are constantly reviewing the business in three dimensions.

**How is this beneficial?**

It's very important to let the matrix breathe. People are human. They have different characters, and they express them in a personal way. If you "lock" the matrix, it will break because you can't force people to all act in the same way. In the end, I don't care about the win for the brand, for the region or for the function. I want PSA to win as a whole.



Tavares says PSA feels it has an ethical responsibility to reduce CO2. To do so it will offer models such as the full-electric Peugeot e-208.

**You are a big believer in agility. When your company grows, how do you maintain its maneuverability?**

Adding Opel/Vauxhall to Peugeot, Citroen and DS was a good learning experience. What I'm trying to do is find the spirit in what we want to achieve as an efficient team. People come to me with a paper with, say, 10 bullet points. I will listen to what they are, then say, "OK, what is the spirit of what we want to do?" If people understand that then they won't ask you every day what they should or should not do. They don't have to ask me for validation. Therefore, you will have more time because people will have more autonomy. It is rewarding and they can unleash their potential in a way that is much more fulfilling for them, and it gives me much more time.

**Are you making fewer decisions now?**

Certainly. But there are still topics where people don't feel comfortable enough to take a strong position, so they can use their monthly one-on-one, one-hour meetings with me to ask for guidance.

**One area, however, in which both companies are weak is China. How would a merger with FCA help?**

At least for PSA, I can recognize that we haven't achieved very much in China. But if we come together it could give us a lever to get things done there. The fact that we would be together would, perhaps, open other doors or different doors than the ones we could open alone.

**On Jan. 1 new EU CO2 regulations will start to take effect and fleet emissions will have to drop sharply to 95 grams per kilometer. How will PSA flip that switch?**

We have a very precise process. I can't say a lot about it because it's highly competitive, but it involves our production, our order book, and making our dealers actors in what we are doing, not just followers. For us, it's an ethical matter [to meet CO2 targets], not just a financial matter. Our employees' children might ask them someday, "What did you do to fix the global warming issue?" So, they want to say that despite working at a car company, they are contributing — and working really hard — to address global warming.

**Meeting emissions targets means electrification. Do you have any battery supply concerns, and should Europe have more battery factories?**

We have secured enough battery supply for the next three years, but in the longer term the question will be there. That is why we support the idea of a European battery champion project. We understand that strategically, on a long-term basis, we don't want to be dependent on the Asian suppliers, despite the fact that we have excellent relations with them. But such a project cannot succeed if we don't get the appropriate support as a strategic investment from the EU. **ANE**

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## How is it possible to reduce emissions and a company's carbon footprint while simultaneously protecting auto industry margins and employment?

I don't think there is a magic formula, but citizens should understand that the cost for reducing emissions will be paid by them, either through taxes or through reducing their freedom of mobility, from an affordability standpoint. People want better crashworthiness, they would like to have less or zero emissions, they would like to have more connectivity and more convenience, but nobody wants to pay for it. So, somebody will have to make the hard choices.

**I want PSA to win as a whole.**



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**REGULATION (EU) 2019/631 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL****of 17 April 2019****setting CO<sub>2</sub> emission performance standards for new passenger cars and for new light commercial vehicles, and repealing Regulations (EC) No 443/2009 and (EU) No 510/2011**

6. From 1 January 2025, a zero- and low-emission vehicles' benchmark equal to a 15 % share of the respective fleets of new passenger cars and new light commercial vehicles shall apply in accordance with points 6.3 of Parts A and B of Annex I, respectively.

7. From 1 January 2030, the following zero- and low-emission vehicles' benchmarks shall apply in accordance with points 6.3 of Parts A and B of Annex I, respectively:

(a) a benchmark equal to a 35 % share of the fleet of new passenger cars; and

(b) a benchmark equal to a 30 % share of the fleet of new light commercial vehicles.

Limite 2020-2021: 95g/km ovvero BZ 4.0l/100km (25km/l) e Diesel 3.6l/100km (28km/l)

**Definizione low emission: <50g/km ovvero BZ 2.1l/100km (48km/l) e Diesel 1.9l/100km (52km/l)**

*Article 5*

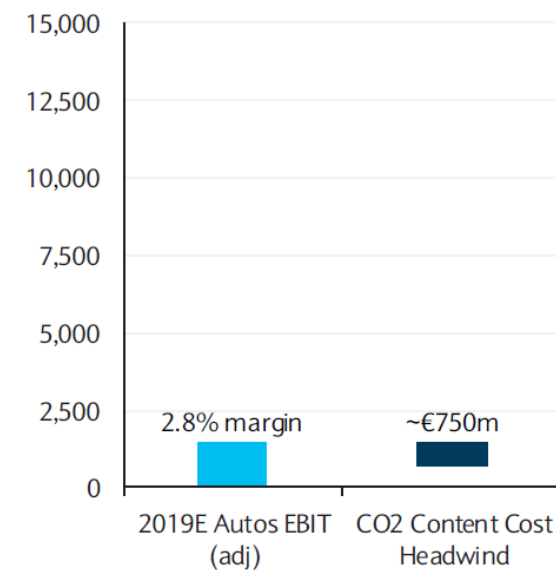
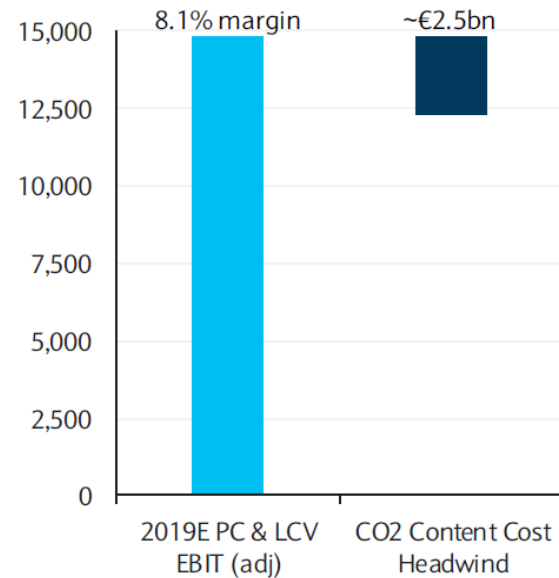
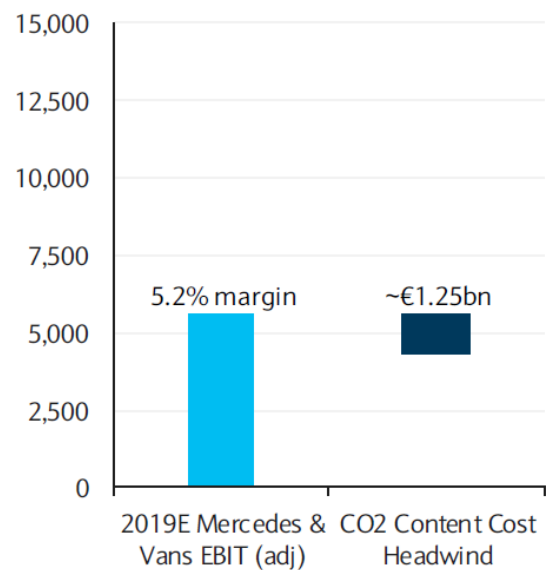
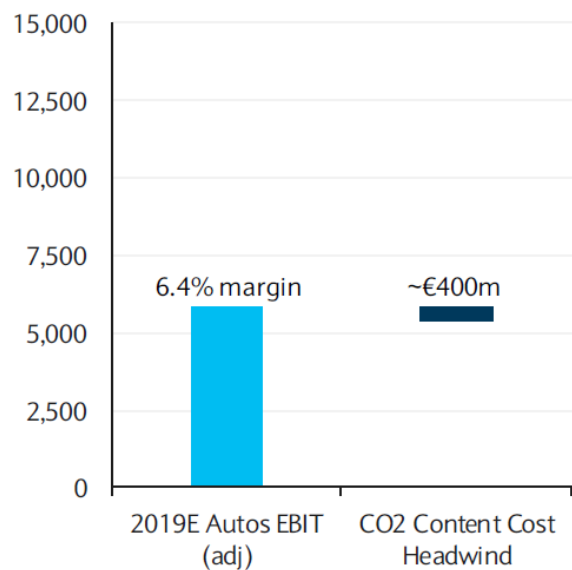
**Super-credits**

In calculating the average specific emissions of CO<sub>2</sub>, each new passenger car with specific emissions of CO<sub>2</sub> of less than 50 g CO<sub>2</sub>/km shall be counted as:

- 2 passenger cars in 2020,
- 1,67 passenger cars in 2021,
- 1,33 passenger cars in 2022,
- 1 passenger car from 2023,

## Powertrain mix and CO2 content headwinds by OEM (BE)

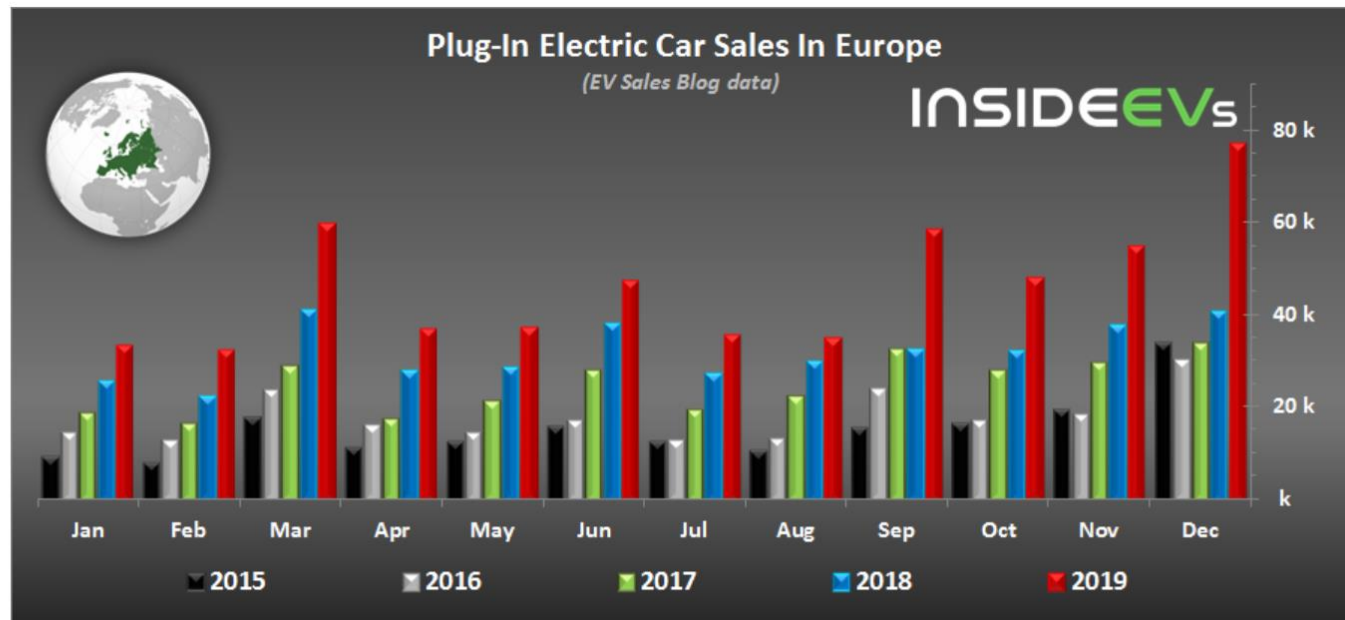
BMW					Daimler					Volkswagen					Renault				
Powertrain Mix	2018	2019E	2020E	2021E	Powertrain Mix	2018	2019E	2020E	2021E	Powertrain Mix	2018	2019E	2020E	2021E	Powertrain Mix	2018	2019E	2020E	2021E
Europe					Europe					Europe					Europe				
PHEV %	4.9%	5.4%	10.1%	17.0%	PHEV %	1.4%	2.0%	10.0%	15.0%	PHEV %	0.9%	0.7%	2.6%	4.1%	PHEV %	0.0%	0.0%	3.0%	5.0%
BEV %	1.3%	3.3%	5.0%	8.0%	BEV %	1.5%	1.5%	4.0%	8.0%	BEV %	0.5%	1.0%	6.0%	12.0%	BEV %	2.2%	2.9%	7.0%	12.5%
Global					Global					Global					Global				
PHEV %	5.2%	5.1%	7.3%	11.5%	PHEV %	1.1%	1.4%	6.9%	9.0%	PHEV %	0.7%	0.6%	2.0%	4.5%	PHEV %	0.0%	0.0%	1.6%	2.5%
BEV %	1.7%	2.2%	3.5%	4.7%	BEV %	0.8%	0.9%	2.3%	6.0%	BEV %	0.5%	1.5%	6.0%	9.4%	BEV %	1.4%	1.7%	3.5%	6.0%
EU CO2 g/km	128	128	104	104	EU CO2 g/km	133	137	102	102	EU CO2 g/km	122	125	96	96	EU CO2 g/km	112	113	92	92
CO2 Headwind in 2020 (EURm)					CO2 Headwind in 2020 (EURm)					CO2 Headwind in 2020 (EURm)					CO2 Headwind in 2020 (EURm)				
7% of 2019E EBIT					22% of 2019E EBIT					17% of 2019E EBIT					52% of 2019E EBIT				



## Light vehicle sales forecasts

Barclays Sales Estimates (units mn)	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Western Europe	12.9	13.6	14.9	15.8	16.3	16.2	16.3	15.7	15.6	15.7
Europe	13.8	14.6	16.0	17.2	17.7	17.8	18.0	17.4	17.3	17.4
Pan Europe*	18.0	18.3	18.9	19.8	20.6	20.6	20.5	20.0	20.1	20.5
Greater China	21.4	23.1	24.4	27.6	27.9	27.1	24.9	24.4	25.0	26.0
U.S.	15.6	16.5	17.5	17.6	17.2	17.3	17.0	16.5	16.2	16.2
Japan	5.3	5.5	4.9	4.8	5.1	5.2	5.1	5.0	4.9	4.8
Brazil	3.6	3.3	2.5	2.0	2.2	2.5	2.7	2.8	2.9	2.9
Rest of World	19.7	19.8	20.0	20.5	21.2	21.1	19.3	19.3	19.8	20.5
<b>Global Sales</b>	<b>83.5</b>	<b>86.6</b>	<b>88.3</b>	<b>92.2</b>	<b>94.3</b>	<b>93.7</b>	<b>89.5</b>	<b>88.0</b>	<b>88.9</b>	<b>90.9</b>

## Plug-In Electric Car Sales In Europe – December 2019



Overall in 2019, some 564,206 plug-in electric cars were sold (a new record, 45% above 2018).

The average market share of 3.6% (2.2% for BEVs alone) is a new record, and a noticeable improvement compared to 2.5% in 2018.

<https://insideevs.com/news/394870/plugin-sales-europe-record-december-2019/>

PI	Europe	December	YTD	%
1	Tesla Model 3	22137	95247	17
2	Renault Zoe	4700	47408	8
3	Mitsubishi Outlander PHEV	2372	34597	6
4	Nissan Leaf	2804	33155	6
5	BMW i3	2997	32828	6
6	VW e-Golf	2998	28710	5
7	Hyundai Kona EV	2173	22667	4
8	Audi e-Tron	4225	18483	3
9	Mini Countryman PHEV	1714	15975	3
10	Volvo XC60 T8 PHEV	1576	14395	3
11	BMW 530e	1200	13892	2
12	BMW 225xe Active Tourer	900	13138	2
13	Jaguar i-Pace	1180	12722	2
14	Mercedes E300e/de	1470	11820	2
15	Smart Fortwo EV	1306	11815	2
16	Kia Niro PHEV	301	10804	2
17	BMW 330e	2996	10172	2
18	Kia Niro EV	647	10139	2
19	Hyundai Ioniq Electric	816	9771	2
20	Tesla Model S	1215	8810	2
	Others	17521	107658	19
	<b>TOTAL</b>	<b>77248</b>	<b>564206</b>	<b>100</b>



Conventional powertrains may have as many as 2,000 moving parts, Canis notes, while electric powertrains may have as few 20.

The reason for the forecast is simple: while at least 1,200 parts are installed in a combustion engine, only about 200 are needed for an electric car.

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## **KEY POINTS**

- Morgan Stanley's Adam Jonas says electric vehicles are here to stay and that means the auto industry is going to see serious, widespread changes to its labor force.
- He estimates that the global auto supply chain employs "in the range of 11 million people."
- The trend toward greater production and sales of electric vehicles could cost the industry 3 million jobs in the next three to five years, the analyst said.

Morgan Stanley estimates that the global auto supply chain employs “in the range of 11 million people.” Jonas pointed to recent statements by [VW Group](#) CEO Herbert Diess, who said it takes 30 percent less labor to produce an electric vehicle than a similarly priced car that has the traditional internal combustion engine. This would result in a headcount cut of more than 3 million workers from the global auto industry.

But that number could increase, Jonas said.

Jonas said tech start-ups like Tesla and Rivian could build electric vehicles at “a 50 percent reduction in direct labor ... or more.” That would reduce the global auto supply chain labor force even further. Even at just a 30 percent cut, Jonas estimates the labor force reduction would cost automakers “collectively and over time upwards of” \$60 billion.

Maintenance and servicing for electric vehicles is less expensive than traditional cars, another consideration in terms of the labor force needed as the switch to the newer cars continues.

The switch to electromobility could result in serious job losses in Germany's auto industry, a new study has found.

In the production of engines and gearboxes alone, up to 88,000 jobs could be cut, according to research by the National Platform Future of Mobility (NPM) for the German government, reported newspaper [Handelsblatt](#) on Monday.

In total, the NPM working group, chaired by the head of union IG Metall Jörg Hofmann, believes 410,000 jobs are at risk of being slashed in Germany by the end of the decade.

"The assumption that up to 410,000 jobs could be lost in the coming years is based on an unrealistic extreme scenario," [said](#) German Association of the Automotive Industry (VDA) Managing Director Kurt-Christian Scheel.

**Bloomberg**

Hyperdrive

## **Carmakers Shed 80,000 Jobs as Electric Shift Upends Industry**