

A vintage Peugeot car, heavily overgrown with moss and leaves, in a forest setting. The car is dark and weathered, with a large opening in the roof. The Peugeot logo is visible on the front. The scene is dappled with sunlight and shadows from the surrounding trees.

PEUGEOT

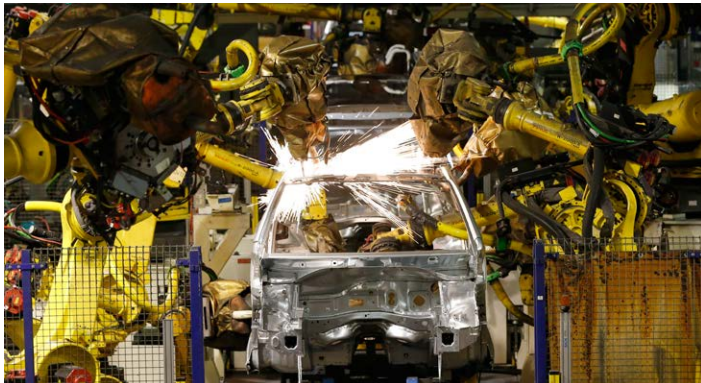
The rise and fall of Peugeot is an image of France itself.

Out of gas

BY SOPHIE SASSARD, MARK JOHN AND GILLES GUILLAUME

A vintage Type 203 car of French carmaker Peugeot at the Autofriedhof Franz Messerli auto graveyard near Bern, Switzerland, 2008. **REUTERS/ ARND WIEGMANN**

PEUGEOT DECLINE OF A LION



RALLYING FORCE: Peugeot, which has owned Citroen since the 1970s, has a reputation for reliability and ruggedness. Left, Peugeot 208s at the plant in Poissy, near Paris, 2013. Right, French world rallying championship leader Sebastian Loeb in a Citroen Xsara at the Acropolis Rally of Greece, 2004.

REUTERS/GONZALO FUENTES/YANNIS BEHRAKIS

PARIS, DECEMBER 4, 2013

The rush to Paris's Charles-de-Gaulle airport for flights to China began on Friday, Oct. 11. A first set of bankers booked onto the 10-hour overnight Air China Flight; over the next 48 hours, they were followed by top management from PSA Peugeot Citroën and the French Finance Ministry.

Peugeot was ailing – and it had just started talks about selling a stake to state-owned Chinese automaker Dongfeng.

“There’s a big exodus to China right now,” a bemused trade unionist at the Paris-based company told Reuters that weekend.

For the bankers, it would be just another deal, but for the car-maker, it could be a lifeline. Dongfeng and the French state are contemplating a joint investment to prop up the 200-year-old firm, which is struggling to contain losses that burnt 3 billion euros (\$4 billion) of cash last year.

PSA gave the world its first series-manufactured car in 1891 – 22 years before Ford took mass manufacture to a new level with the Model “T”. It has survived two world wars and become an emblem of France. After years watching its position eroded by rivals and now hit by the financial crisis, it has reached a critical point.

Its rich history and current difficulties in

many ways mirror those of France, a former global power also fighting to define its role in a world of harsher economic and political forces. The parallels between Peugeot’s decline and France’s economic malaise are startling. Today, both the automaker and the country are struggling to bring down heavy debt and adapt to global markets. In PSA’s case, the company is at stake; France’s economy is a mounting worry for investors in the euro zone.

Once known worldwide for the reliability and ruggedness of its cars, Peugeot – which has also owned the Citroën brand since the 1970s – has in recent years watched rivals spot global opportunities and snatch them from under its nose.

Both France and PSA must find a way – if there is one – of competing in world markets while funding the labour and welfare provisions that make up the country’s cherished social model. France’s share of euro zone exports has fallen by a third since 2000 to just over 12 percent, while PSA’s share of the Western European car market

“Every time there is a crisis, people say it’s worse than last time.”

Jean-Louis Loubet
car historian

has fallen to just over 11 percent from a peak of 15 percent in 2002.

Earlier this year there were signs America’s General Motors, which already has a seven percent stake in PSA, might be interested in a wider tie-up to help put the French firm back on its feet. Those talks cooled. Now China is key.

“It is the only card they have left to play,” said Patrick Fridenson, car historian at France’s EHESS institute.

PLUS CA CHANGE...

The group is no stranger to crisis – or to escaping it.

In the 1980s, debts accrued after an ill-starred takeover of Chrysler’s European operations were about to send the company to the wall when it produced the Peugeot 205 – a first-generation “hot hatch.” The car sold millions and helped save the company.

“Every time there is a crisis, people say it’s worse than last time,” said Jean-Louis Loubet, author of “The House of Peugeot”, charting the history of the firm, which after its 1810 launch made everything from saws to corsets.

The challenges facing PSA now are bigger than ever. Like many in France, the company must overcome entrenched resistance to change.

The Peugeot family retain a minority

shareholding which carries a veto on major decisions, and have fiercely defended the company's independence. Their Protestant ideals have made them social pioneers: Over the decades they provided low-cost housing to workers and free healthcare in a specially built hospital. A pension scheme for workers' widows began as early as 1811.

"The Peugeots are like that," said one source close to the company. "They are genuinely good guys, loyal patriots with the best intentions. But they are horrified by change. And this culture spread to every level of the company."

Current and former employees speak glowingly of an atmosphere of solidarity – a fierce pride and a desire to fight when the company's back is to the wall. But the same people complain that the best of intentions have often come up against turf wars and internal red tape.

Even a largely symbolic move announced last year – when the group sold its prestigious head office a stone's throw from Paris's Arc de Triomphe – foundered on indecision. "It took years to convince them to execute a decision that was pure common sense," said one company insider.

In Peugeot, the CEO is lodged between four Peugeot cousins with senior roles: Thierry Peugeot heads the supervisory board, Robert runs the family holding, Xavier is products chief for the Peugeot brand and Frédéric Banzet, a cousin by marriage, heads the Citroën brand. Neither CEO Philippe Varin nor the Peugeot family would be interviewed for this story.

The company has maintained nearly half its global autos workforce in France – a bigger share than Renault employs – which prompted Industry Minister Arnaud Montebourg this year to hail what he called its patriotism. Yet critics argue its fierce sense of independence has meant PSA missed opportunities for strategic partnerships, such as a tie-up with up-market German group BMW or Japan's Mitsubishi Motors.

“The Peugeots are ... loyal patriots with the best intentions. But they are horrified by change.

Source close to the company



ON THE WAY OUT: Philippe Varin, Peugeot Chief Executive, will be replaced by a former Renault executive. **REUTERS/BENOIT TESSIER**

The management of Peugeot's rivals has also become more international. Other companies, including Renault, started adopting English and local market languages. Renault is led by Carlos Ghosn, a French-Lebanese born in Brazil. And it has two Japanese officials sitting on a management board that conducts its business in English, as do an increasing number of French companies.

Just one non-Frenchman – UK-born director of communications Jonathan Goodman – sits on PSA's 13-man executive committee, which still carries out its business in French.

A company spokesman said that when Varin joined in 2009, he said "we are too European, too middle-range, too small," and then embarked on a strategy to change that. But as Europe's debt crisis poisoned the wider economy, the

European car market fell off a cliff.

"The strategy has not changed – indeed it is more relevant than ever," the spokesman said. The crisis has "provided the impetus to help us learn to work differently and more efficiently."

THE EMBODIMENT OF THE STATE

That weekend dash to China was not the first mission to rescue the company. In the 1940s, its founding family had to salvage what they could from the ruins of post-war Germany.

In 1946, the Peugeot factory in the town of Sochaux in the Jura Mountains was in ruins, largely destroyed by Nazi forces and its machinery pillaged to help Hitler's war effort. The Peugeots brought the equipment back. A train bearing the French flag and 600 tonnes of machine tools returned.

The cars turned out by the re-built Sochaux plant included legends such as the sleek 203, which saw off BMWs and Jaguars to win the 1950 Liege-Rome-Liege rally – a foretaste of the great African rallies Peugeot would dominate in the 1950s and 1960s.

At the same time, France itself was on the move. Its post-war leaders embarked on an era of reconstruction that was to transform it into a modern economy with infrastructure and public services that would be the envy of the world. The French discovered a taste for leisure and motoring. In the post-war recovery known as the "Glorious Thirty" years, French car ownership rocketed from 1.7 million vehicles in 1950 to 14 million in 1973.

French moviemakers, writers and designers wooed the world. On the road, the 1955 Citroën DS offered a completely new driving experience – hydraulic suspension and directional headlights that adjusted their beam to match the turn of the steering wheel. It was one of the most instantly recognisable symbols of France's post-war Fifth Republic. General Charles de Gaulle chose it as the presidential car, and Citroën

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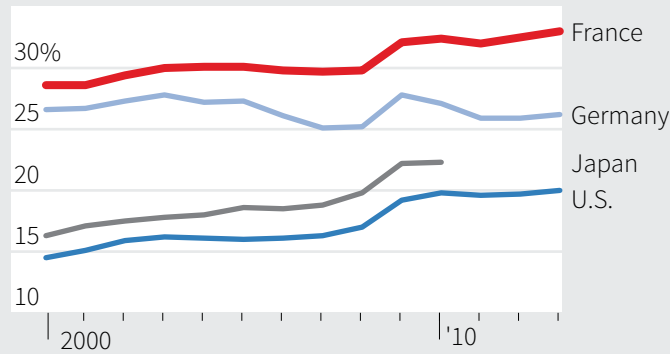
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Vital signs

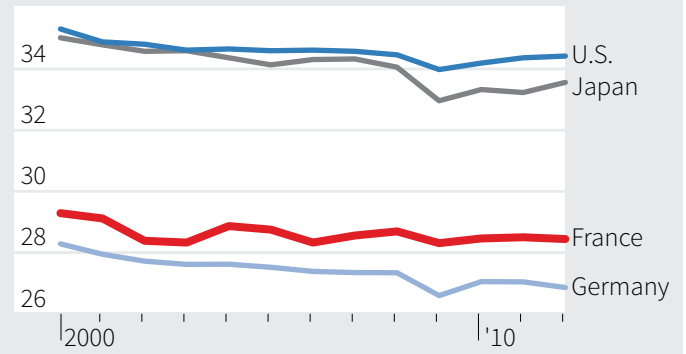
France's economic picture is among the weakest of the main rich nations.

High social expenditure and low average working hours...

Public social expenditure as a pct. of GDP

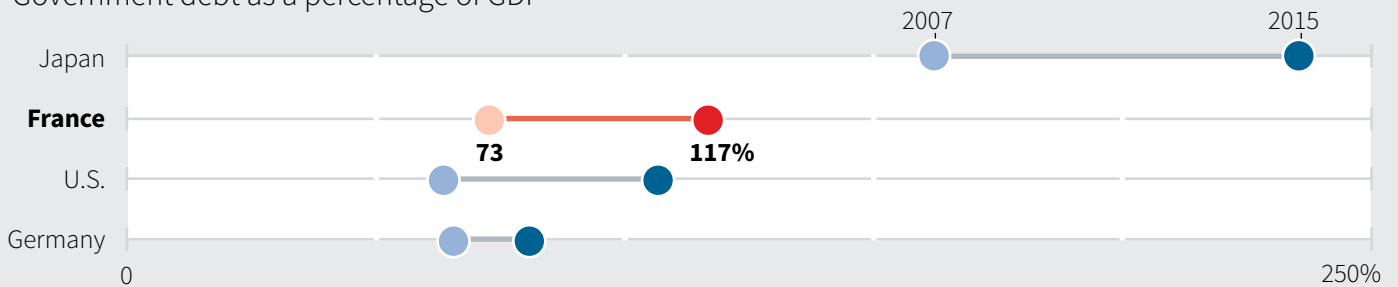


Average hours worked per week



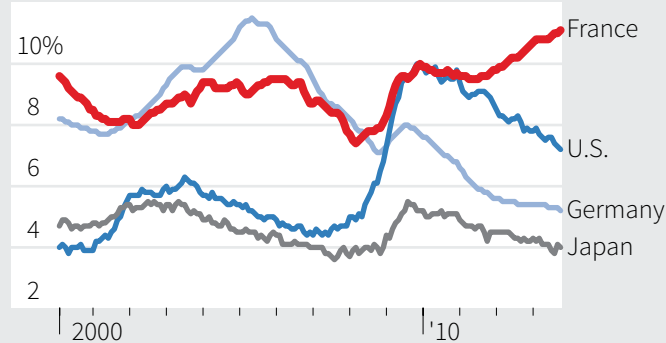
...combine with a heavy debt burden...

Government debt as a percentage of GDP

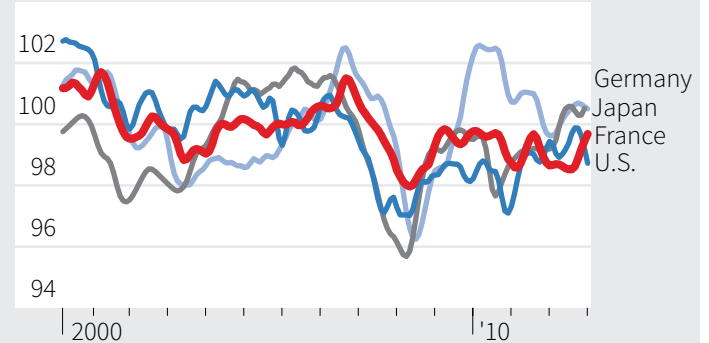


...as joblessness keeps rising but confidence falters.

Unemployment rate



Consumer confidence*



*Long-term average = 100

Sources: OECD (consumer confidence, hours worked, public expenditure); Eurostat (unemployment); DataStream (debt to GDP)

produced a special version for senior civil servants in the provinces.

“A cortege of black DSs is the embodiment of the French state,” said Marc-Andre Biehler, director of the Citroën Conservatory in a hangar by the group’s Aulnay site north of Paris.

SEEDS OF DIFFICULTY

But the post-war rise of the state was also sowing seeds of later problems. France’s leaders dictated the reconstruction according to centralized plans, and built one of the world’s most generous welfare systems.

Public spending as a share of overall output rose from just over 30 percent in 1950 to its current level of 57 percent – the highest of the G7 nations. It also rose in other developed countries – U.S. public spending doubled to its current level just short of 40 percent – but none as high as in France.

The state still owns controlling stakes in some firms and significant holdings in others including France Telecom, airline Air France-KLM and PSA rival Renault. The hand of the state ultimately made the country a world leader in high-speed trains and nuclear technology, but it served France’s car makers less well.

Encouraged by state planners to focus on mass production, Peugeot sacrificed its presence at the luxury end of the market. In Germany, not only did the auto-makers maintain their top-of-the-range models, but the state built the autobahns on which their owners could let their powerful engines rip.

“The French state has to take its share of responsibility in that choice,” said car historian Fridenson.

Citroën’s range was also looking limited. Aside from the DS, Citroën had the rudimentary soft-top 2CV – described way back in its original 1935 specification as “four wheels under an umbrella” – but no really compelling mid-range car.

None of that seemed too serious at the time. France’s unbounded growth meant the

57%

French public spending as a share of overall output – the highest of the G7 nations

Source: French government

Peugeot plant in Sochaux was barely able to match domestic demand, let alone chase foreign markets. In Europe, France felt it had won back the pre-eminent political role that befitted its pre-Occupation standing.

But Europe was heading towards a common market – a project with goals that were increasingly liberal and designed to foster competition. The 1957 Treaty of Rome created a market between the six founding EU members: France, West Germany, the Netherlands, Belgium, Italy and Luxembourg.

“They (PSA) used to consider the French market as their private domain. But after the Treaty of Rome that was no longer possible,” said Fridenson.

MISSED OPPORTUNITIES

In the 1960s, auto firms launched cross-border deals and expanded globally to penetrate the markets of foreign peers. For the most part, the Peugeot family kept aloof, agreeing in 1966 just to cooperate with Renault on engines.

PSA models have been driven by

everyone from former Iranian President Mahmoud Ahmadinejad to New York cabbies and TV detective Columbo. In southern Nigeria, the speedy 404 gave its name to dogmeat – a local favourite eaten in stews or grilled. Armies of battered, decades-old 504 estates still ply the taxi trade in many African countries.

The cars show Peugeot’s vehicles stand the test of time, but they also highlight the limitations of its international strategy. Fiat has the Latin American market, General Motors and Volkswagen are present in China and the United States. Until recently, PSA’s biggest market after France was Iran.

Peugeot built a portfolio of often competing models that was only streamlined from the late 1990s. There followed a series of missed opportunities, strategic setbacks and stop-start efforts to forge a greater international presence.

In 1977, Peugeot passed over a chance to partner with American Motors Corp (AMC). AMC’s Jeep would have carried Peugeot into the four-wheel-drive market, one it entered later than others. It even turned up its nose at the Espace design, which later would become Renault’s world-beating people carrier.

A year later Peugeot bought Chrysler’s European units to increase its presence in West Europe and act as a launchpad for sales across the Atlantic. But the deal soured when it emerged that Chrysler’s European factories were in poor condition. “The biggest lame duck in the entire history of the automobile,” *Le Monde* newspaper called it at the time.

In Africa, Nigeria and Libya asked Peugeot as early as the mid-1970s to set up local assembly plants. But it has been gradually supplanted by first Japanese and now Korean brands.

PSA even made a pioneering move into China. In 1985, it and Volkswagen won early access through deals with local car-makers. PSA took an approach that

had worked in Africa, assembling the 504. Chinese buyers wanted something more modern. Its factory closed in 1998.

“Is it what you’d call a global multinational? No, for a long time ... it did not concern itself with the tastes of its customers in foreign countries,” said Fridenson.

By last year, even the Iranian market collapsed under international sanctions over its nuclear programme. When Peugeot suspended sales in 2012 it lost nearly 10 percent of global deliveries. That same year, France would get a new government run by Francois Hollande and see economic growth slump to zero.

LE CAPITALISME “MADE IN FRANCE”

In the 1980s and 1990s Britain and the United States began to cap state spending and limit wage increases.

France chose a different course.

The Socialists under Francois Mitterrand picked policies aimed at stimulating consumption, cutting work hours and increasing holidays. For PSA, that was a double whammy: It added labour costs, and French consumers chose to flex their new purchasing muscle by buying white goods, Italian shoes and ... German cars.

In 2000, France capped the working week at 35 hours and a subsequent decade of generous wage deals bolstered the costs to industry. The OECD calculates that by 2007, average salary and welfare benefits available to manufacturing workers in France were higher than America, Germany or Britain.

“With its production still largely based in France, the group is squeezed between other mass market manufacturers producing at low cost in eastern Europe and premium German manufacturers (Audi, BMW, Mercedes) attacking the mid-range,” said a 2012 report by industrial expert Emmanuel Sartorius that was commissioned by the government.

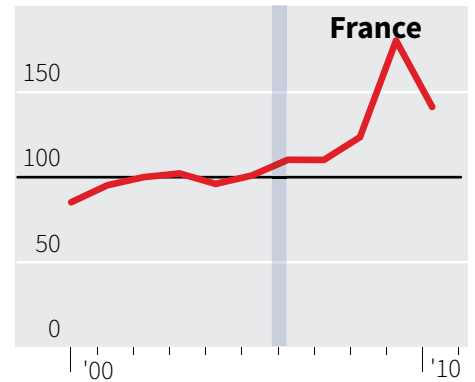
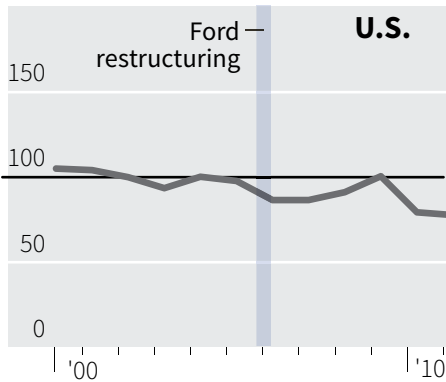
Hollande is trying to restore competitiveness to industry, be it textiles or white

Testing times

Peugeot has not been helped by rising labour costs as its home market shrank. Ford has seen a rebound.

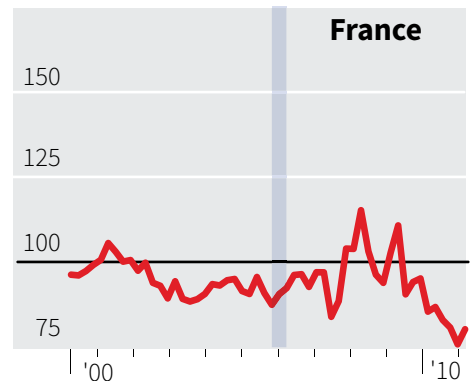
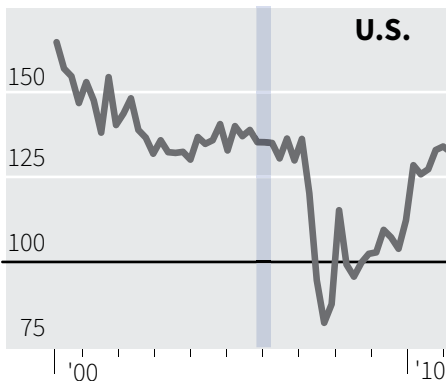
MOTOR VEHICLE UNIT LABOUR COST INDEX

Rebased to 2002



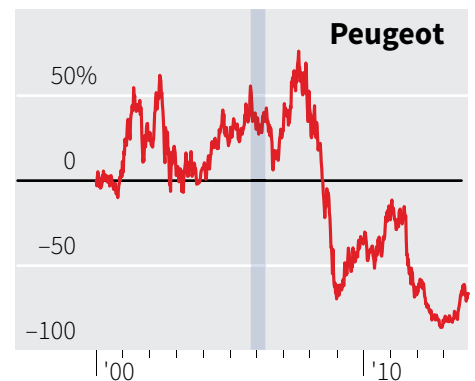
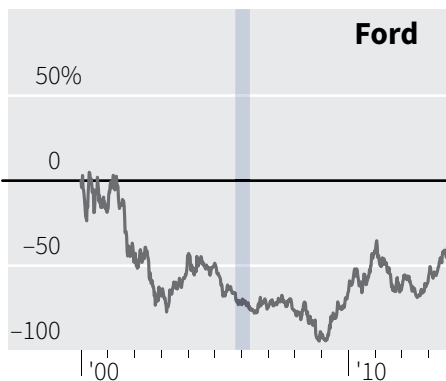
NEW CAR REGISTRATIONS

Index, 2005=100



SHARE PRICE

Percentage change



Sources: DataStream (share price); OECD (Labour cost France); BLS (Labor cost U.S.); St. Louis Fed (registrations)

PEUGEOT DECLINE OF A LION



AN EMBLEM OF FRANCE: For many French people, Peugeot-Citroën is a patriotic brand. Clockwise, from left, President Jacques Chirac in a Citroën-Maserati convertible, 1995; a Peugeot 504 in Bamako, Mali, in 2013; a Citroën 2CV at the centenary Tour de France in 2013. **REUTERS/CHRISTINE GRUNNET/JOE PENNEY/ERIC GAILLARD**



goods. But the effort needed to compete at the top end of a given market is only possible for firms with healthy profit margins. French companies have the weakest in Europe, according to tax data France provides to EU statistics agency Eurostat – around 29 percent compared with a euro zone average of 38 percent.

Peugeot has in recent years opened factories in Slovakia and Russia; in February 2012, a link-up with General Motors was billed as “a long-term and broad-scale global strategic alliance.” But by November that year, ambitions for the tie-up were being scaled back amid concerns over Peugeot’s finances. The family turned to GM in mid-2013 for help. In the weeks that followed it became clear GM’s CEO Dan Akerson, already preparing to hand over the company and head into retirement, was reluctant.

CHINA OR BUST

In late September, a former Bond girl stepped in. French actress Sophie Marceau landed in Shanghai to help sell the group’s luxury DS range to a new generation of wealthy young Chinese – a new bid to revive Peugeot’s fortunes.

Her role was to embody French elegance: She smiled demurely in a red ballgown as she posed in front of a gleaming white DS5, to the delight of Chinese autograph-seekers. Arnaud Ribault, head of the brand in China, called the campaign “Innovative spirit from Paris.”

The DS project – which is not with Dongfeng, but another Chinese partner – shows PSA has learned to differentiate its brands, the company says. The DS in China is aimed at the “modern independent business elite”, average age 35, who “work hard

and play hard” and have a household income just below 40,000 euros – high by Chinese standards.

Whether by selling cars or winning finance, PSA’s fate is now intimately wrapped up with China, and whatever happens with Dongfeng, that will mean change. Peugeot said in November CEO Varin will be replaced by former Renault No.2, Carlos Tavares, who built a relationship with Dongfeng in a former role.

But historian Loubet, who had exclusive access to family files for his research, still believes Peugeot will not be rushed.

“My analysis is that when you have got 200 years of history behind you, you don’t quite see time with the same eye as if you only had 50,” he said.

Additional reporting by Laurence Frost in Paris



FULLER FOCUS: Reuters photographer Joe Penney has shot Peugeot 504s in action in Mali.



A French warhorse in Africa

While Peugeot the company may be struggling to find its way, Peugeot the car is still going strong on some of the world's most treacherous roads in the former French colonies of West Africa.

The indefatigable 504 estate, based on the saloon produced by the French automaker from 1968, remains the mainstay of the cross-border bush taxi trade in the region. Millions depend on the vehicles to visit relatives or trade goods between countries such as Mauritania, Senegal, Mali, Burkina Faso and Guinea.

Local cab-owners jack up the rear-end to provide greater ground clearance, then add a third bench at the back of the car to pack in even more passengers – typically a total of eight plus the driver.

The bodywork is then festooned with stickers, favourite maxims (“Chaque jour est une vie” – “Each day is one life”) or professions of faith, including sometimes the name of the driver's local religious leader or “marabout”. Luggage – and the occasional live goat – are stored on the roof rack.

A 500-mile (800 km) trip currently runs at around 20 euros (\$27) per passenger, or slightly more for those wanting a seat by the window or up-front with the driver.

A lively trade in second-hand spare parts from France and an abundance of mechanics mean that even in West Africa's smallest villages, it is possible to get a broken-down 504 back on the road within the hour.

For nearly four decades until the mid 2000s, the 504 was assembled in Nigeria. But in the past decade it has been shunned by Africa's growing middle-class for whom Japan's Toyota Land Cruiser became a status symbol. A Land Cruiser is well beyond the means of the average taxi-driver.

“But I can tell you,” Insa Diaw, 56, a Senegalese cabbie who has been driving his 504 since 2002, told Reuters in the capital Dakar, “if you know how to drive a 504 properly, it can go places where a 4-wheel drive can't.”

Diadie Ba



View the photos in our gallery:
<http://link.reuters.com/nan25v>

In Detroit and Paris, a tale of two layoffs

By Nicholas Vinocur and Bernie Woodall

Five years after Jeffrey Hand took a \$100,000 buyout to leave Ford Motors, the U.S. auto industry has surged back to profit and is once again hiring. Hand, who has spent the years living on his payout, has now applied to work at an auto parts supplier a few hours away from his old factory near Dearborn, Michigan.

Across the Atlantic, father-of-three Hassan Chnaiti took a buyout from French carmaker Peugeot earlier this year, as it prepared to close his plant near Paris. But having pocketed his severance pay, he will soon start work as a public bus driver, thanks to a job placement scheme funded by his former employer.

"Peugeot gave me a chance," said Chnaiti, a 34-year-old immigrant from Morocco with French nationality, who had worked his way up to the rank of supervisor. "But I don't see much of a future in this business for me."

Though separated by 6,000 km (3,700 miles), Hand and Chnaiti have much in common. Both spent more than a decade building cars and were squeezed as their respective firms, saddled with high labour costs in ever more competitive markets, fought to regain an edge. Both their employers resisted a bailout from the state. And both men accepted buyouts to leave a company they referred to as their "family."

But the differences between their stories – some of them unexpected – highlight fundamental contrasts between running a business in the United States and France. Hand, a talkative midwesterner, received almost double the lump sum that Chnaiti collected in Paris; indeed, the average severance paid by Ford in 2008 for its departing staff was markedly higher than the sum Peugeot has budgeted per worker this past year, a Reuters analysis has found.

Despite, or perhaps because of this, Ford in the United States had a much easier



GOODBYE TO ALL THAT: Former auto worker Jeffrey Hand, left, took a buyout from Ford in 2008 which was more generous than that given by Peugeot to Hassan Chnaiti, seen here receiving his certificate as a bus driver. **REUTERS/JOSHUA LOTT/BENOIT TESSIER**

time laying people off than Peugeot. Ford announced its major restructuring in 2006. Two years on, it had closed eight plants and laid off nearly 40,000 workers. Over the 17 months since Peugeot began its restructuring in July 2012, the French firm is set to close just one plant and is struggling to reduce headcount by just over 11,000, though it says more cuts may be necessary. That makes it harder for the firm to reinvent itself.

One key difference has been in the companies' dealings with trade unions. Ford, where manufacturing personnel are represented by the United Auto Workers union, positioned itself for a rebound. The union agreed to a two-tier pay system which has since allowed Ford to pay new hires a lower hourly wage, with reduced health benefits and less advantageous pensions. Ford is hiring again.

Peugeot has been hit by strikes. Public opinion, including the government, was immediately hostile to what will be the first closure of a large French car plant since 1992. Eventually, unions agreed a wage freeze for a company pledge to close no more plants for three years. That deal helps existing workers, but it leaves Peugeot saddled with unused capacity in a shrinking European market – the very problem the restructuring was meant to address.

The French firm says it is using just 61

percent of its domestic manufacturing capacity, but Ford says its North America plants are running at 135 percent, because it has added shifts to the standard working day. Some lines now operate around the clock, while others are working six days a week. In 2005, the company said it was using about 88 percent of its North American capacity.

Of course, there are many other differences between the two companies, and direct comparisons don't take into account such important factors as the size of the market, costs and standards of living, plus other benefits that are available.

But where Hand in Detroit aims to return to the auto business, Chnaiti is moving on. "I've turned the page," he says.

END OF THE LINE

Hand, 47, who had worked for Ford for 14 years when he took his buyout, said that when he and thousands of colleagues received the offer, it was an easy choice. "Assembly line work is very, very boring," he said. "And you can't leave the line to take a break just when you want to. If you have to go to the bathroom, it doesn't matter. You have to wait until the next break."

He was offered a range of severance packages, including full-time university or vocational school retraining of \$15,000 for tuition a year, for up to four years, and an

annual stipend worth half pay. Some Ford workers went to Oxford and Harvard, but Hand took the most popular option: a cash payment.

Because he was not eligible to retire, he got \$100,000 plus continuing health care for six months in return for a vow to give up post-retirement benefits other than the pension he had accrued. He was helped by the fact he has no dependants and has been living rent-free in his parents' former home. He likes to work on house improvements.

In France, Chnaiti left Peugeot with 13 years under his belt and 40,000 euros – \$54,000 – including overtime, holiday pay and a statutory legal payout. On top of that, he decided to re-train as a bus driver, which Peugeot funded at an average cost of 10,000 euros. His healthcare and pension allowance are covered by France's existing state systems.

The two cases are, roughly, representative of the programmes at each firm. Ford says its average cost per worker was \$100,000 which does not include healthcare or pensions. Peugeot declined to provide an average per worker, but a spokeswoman said total restructuring costs were due to reach 600 million euros by the end of 2013. That sum divided by the 11,200 workers who are due to go is 53,571 euros, or about \$72,000 each.

The Peugeot spokeswoman said the budgeted 600 million euros includes other costs linked to the shutdown. That implies Peugeot's actual severance cost per worker is probably lower.

CONSENSUS

The most crucial difference lies not in the workers' experience, but in the companies'.





Ford's layoffs over two years affected nearly one in two of its factory workers across the United States. Peugeot's overhaul is much smaller: Cuts it has announced so far show the company wants to reduce its French headcount by about 17 percent, or about 2 percent of all those employed in the auto industry in France.

Even though Ford's cuts were much







Downsizing in Paris and Detroit

A factory restructuring operation launched five years ago by Ford cost more per worker, and cut much further, than one announced in 2012 by French auto maker Peugeot.

THE RESTRUCTURE

	FORD	PEUGEOT
Restructuring duration	2006-2008	2012-present
Plant closures launched in restructuring ¹	 16	 1
Original factory workforce/ planned cuts	 90,000 40,000	 64,700 11,200
Estimated cost of programme per employee ²	\$100,000	\$72,000
Sample severance package	Jeffrey Hand, 14 years of experience: \$100,000	Hassan Chnaiti, 13 years of experience: \$54,000
Added benefits in restructuring package	Cover for pension, college healthcare, up to half of hourly wages	Job training worth \$13,500

THE COMPANIES TODAY

	FORD	PEUGEOT
Market capitalisation	 \$66.9 billion	 \$5.1 billion
Annual output (vehicles)	 5.7 million	 2.9 million
Capacity use (percent) ³	135%	61%
Rough hourly pay for new workers	\$15.78	\$16.00 appx ⁴
2012 full-year earnings	 \$5.7 billion	 \$6.75 billion loss

Notes: 1. Ford has continued to close or sell plants in North America. 2. Ford estimate. Peugeot declined to provide an average. A spokeswoman said total restructuring costs were due to reach 600 million euros by the end of 2013. Here, that is divided by the headcount cut and converted into dollars. 3. Figures provided by the companies based on a two-shift day. Ford's total shows shifts have been added. 4. Based on monthly pay of 1,700 euros. 1 euro = \$1.35

Sources: Ford Motor Co., PSA Peugeot Citroen, Reuters calculations

bigger, and painful for all involved, there were no strikes.

Marty Mulloy, vice president for labour relations at Ford, said it was helped by the fact the UAW understood its perilous financial situation in 2006: Without a sweeping reorganisation, unveiled that year under the name “Way Forward,” the company would have gone bankrupt.

The UAW talked with Ford throughout the restructuring process. “They were very cooperative in what we had to do at the end of the day,” Mulloy said of the UAW.

The union did not respond to requests for comment.

Ford promised that no one would be forced out, though some workers did have to move homes for work. It also used the talks to press the UAW into accepting plans for a new wage scale. This helped the firm hire new people for nearly half the rate they had been paying veteran line workers. “It takes about a year for the company to recoup the expense of a buyout,” Mulloy said.

FIGHT “TO THE END”

Like Ford, Peugeot pledged no worker would be forced out. But after its plans were announced, Chnaiti described the atmosphere at his Aulnay-sous-Bois plant as explosive. The leaders of the CGT and FO unions vowed to fight “to the end” to force Peugeot to keep the plant running. French Industry Minister Arnaud Montebourg criticised Peugeot’s plans in parliament, although he said later job cuts were inevitable.

After a series of protests gathering all unions, hard-line leaders staged an occupation of a factory facility in early 2013 that lasted five months.

At the heart of the dispute was the strikers’ contention that Peugeot did not really need to close the factory. Philippe Julien, a leader of the CGT union at the plant, argued that the company still had plenty of money to keep operating it. It was

“For a brand like Peugeot, the perception that workers are being fired to please shareholders can hurt sales.

Fabien Berruyer

HR consultant

management and not workers who should pay for strategic errors, he said.

“If the Peugeot brothers (key shareholders) had been less obsessed with spending on dividends, they would have made better decisions,” Julien said. “As it stands, they are the ones who should lose their jobs, not the workers.”

The Peugeot family declined to comment, but the company said it had no choice: The firm was burning 200 million euros a month. Peugeot sources at Aulnay argued that workers were merely seeking to raise the stakes for when it came to negotiate their severance pay. Management and the strikers even filed criminal charges against each other.

It was only when a long-serving Human Resources director, Philippe Dorge, was called in from another plant that the deadlock was broken. For the 200 or so strikers, the compensation was a one-time payment from Peugeot of 19,700 euros, on top of normal severance pay, although strikers forfeited the right to vocational training. Peugeot declined to say how much the dispute had cost.

“The strikes cost Peugeot money – but even then, it was more a question of image for the company,” said Fabien Berruyer, head of a human resources consultancy specialising in the auto sector. “For a Franco-French brand like Peugeot, the perception that workers are being fired to please shareholders can actually hurt sales.”

“WIN-WIN”

When Peugeot’s strike ended in May, the company spent 10 million euros turning Aulnay

into a giant job placement centre, complete with motivational posters, classrooms and interviews with potential recruiters.

“It’s win-win,” said Chnaiti, as he received his certification as a bus driver. “But I’m one of the lucky ones here – a lot of other people didn’t get the job they wanted.”

In July this year, Peugeot took steps to ease the tension. As a condition of a state guarantee for a major loan, it planned more frequent talks with unions and opened up two board seats for union members on its supervisory board – a first for Peugeot, but a measure Renault has already used to seek consensus.

The result was a deal announced in October: Unions accepted a one-year wage freeze in exchange for company promises to keep three factories open in France.

Yet with sales continuing to fall in Peugeot’s main European markets, Peugeot’s outgoing Chief Executive Philippe Varin is considering idling more production lines.

In Detroit, Hand’s payout and savings are running low. Eight years from now, he expects between \$800 and \$900 in monthly pension payouts from Ford. But he says he’s not counting on that much – pension plans like his, which give an idea what payments retirees can expect, are coming under increasing pressure across the United States.

Additional reporting by Laurence Frost in Paris; Edited by Sara Ledwith and Simon Robinson

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