

## Volvo Chief Sees a Plus in Shrinking Done by Ford

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Arnd Wiegmann/Reuters

Volvo's new XC60 is built in Belgium where costs are in euros, adding to the dollar price of the car. That puts the XC60 at a disadvantage compared with American-made S.U.V.'s.

For Volvo, the Swedish maker of safe, sturdy cars, life is getting lonely. Its aristocratic English cousins in the Ford Motor Company family, Jaguar and Land Rover, are in the final stages of being sold to Tata Motors of India, leaving Volvo as Ford's only European luxury brand.

It does not help that Ford hemmed and hawed for months over whether to sell Volvo — BMW was a rumored buyer — before deciding in November to hold on to the 81-year-old company.

Now, however, Volvo sees a silver lining in being left behind. With Jaguar and Land Rover no longer competing for Ford's money and attention, the Volvo chief executive, Fredrik Arp, says his company will be able to get more out of its financially stressed parent.

"We're very pleased we have a clear situation when it comes to how we fit into the Ford family," Mr. Arp said at the Geneva Motor Show, where Volvo introduced on Tuesday a compact sport utility vehicle, the XC60, that it claims is the safest vehicle it has ever built.

Given Volvo's belt-and-suspenders reputation, that is no small claim. Among other things, the XC60 will automatically brake if the driver does not react in time to prevent a crash with a car in front of it.

The feature, using a radar sensor on the windshield, kicks in only at low speeds, typically during city driving, though it sounds a warning at higher speeds.

Mr. Arp hopes that the XC60, which goes on sale this year in Europe, will also be a hit in the safety-conscious American market where it will go on sale next year. The trouble is, Volvo will assemble the XC60 at its plant in Ghent, Belgium, where costs are in euros, putting it at an instant disadvantage to American-made sport utility vehicles.

High on Mr. Arp's agenda is producing Volvo cars in Ford's assembly plants in North America. That would give the Swedish company a hedge against trans-Atlantic currency fluctuations, which have devastated Volvo's business in the United States, its largest market.

"When you sell to the U.S. at \$4 billion a year," Mr. Arp said in an interview, "and you have a reduction in the dollar's value of about 50 percent over four years, it hurts. It's not a good situation, and unfortunately, we share it with most of our European brothers and sisters."

Actually, Volvo is feeling even more pain than its German rivals, Mercedes and BMW, because they assemble S.U.V.'s and other cars in the United States.

Volvo makes cars only in Belgium and in Sweden, where the krona has also risen in value against the dollar.

Over the last four years, Mr. Arp estimated, unfavorable currency swings have cost Volvo more than \$1 billion in profits. Even though Volvo sold 458,000 vehicles in 2007 — a record — it lost money. Ford does not break out Volvo's results in its Premium Automotive Group, which includes the money-losing Jaguar and Land Rover, but the unit lost \$164 million.

As a part of that group, Volvo shares more components with Jaguar, Land Rover and Ford of Europe than it does with Ford in the United States.

Now, though, Ford's chief executive, Alan R. Mulally, is pushing a global product development strategy, known as One Ford, that could link Volvo more closely with Ford models in the United States.

"When Ford goes more global with their platform strategy, we can piggyback on that for eventual North American production," said Mr. Arp, a Swede who has run Volvo since October 2005.

Despite Volvo's current losses, several analysts said the brand was worth keeping for Ford. While it is indisputably upscale, some noted that Volvo was not as exclusive a brand as Mercedes or BMW. That makes it less of a stretch for Ford, and less costly than, say, reviving the Jaguar name.

"Volvo is upmarket but nearer the mainstream," said Garel Rhys, director of the Center for Automotive Industry Research at Cardiff University in Wales. "That allows you to get to bigger sales volumes easier than if you were competing head to head with Mercedes or BMW."

Volvo is also a valuable source of technology for Ford, particularly in the area of safety. Ford bought the carmaker for \$6.45 billion in 1999, during a heady period in Detroit, and predicted it would sell 650,000 cars a year. While Volvo has made money until recently, it never hit that target.

For Volvo, the weak dollar has been a double whammy, Mr. Arp said. Not only does the carmaker make less on the cars it sells in the United States, but it has deliberately trimmed its sales volume, offering only its more expensive models, which can still turn some kind of profit.

As a result, unit sales in North America have declined from 130,000 vehicles in 2005 to a projected 90,000 this year. Mr. Arp clearly hopes this is the bottom for Volvo.

"We're very committed to the North American market," Mr. Arp said.

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