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Alstom to cut 1,300 jobs and sell assets

By Michael Stothard in Paris

Shares in Alstom jumped after the French industrial bellwether announced it would cut 1,300 jobs in an attempt to boost competitiveness and offset the effect of weaker markets.

The company, which makes capital goods ranging from gas turbines to trains, said that the accelerated cost-cutting plan would lead to annual savings of €1.5bn by 2016, which helped the shares rise 6.5 per cent on Wednesday.

“In the current low-growth environment, we need to further reinforce our competitiveness; we are accelerating our performance plan,” said Patrick Kron, chief executive. “We want to regain strategic mobility.”

The move comes as large European industrial groups have been suffering from slow business activity in home markets as well as a more moderate growth activity in emerging markets such as China, Brazil and India.

Recent months have suggested that the European economy may be turning a corner, with the region exiting recession in the second quarter. But few economists expect industrial growth to take off in the next six months.

Rival engineering group Siemens earlier this year said that “lower market expectations” meant it would not meet its profit goals for the next financial year. That led to the ousting of then chief executive Peter Löscher.

Many other French companies, including Alcatel-Lucent, Air France and PSA Peugeot Citroën, have also been looking to restructure and cut costs to boost profitability at their European sites.

Alstom also said Wednesday it would sell between €1bn and €2bn worth of assets, possibly including a minority stake in Alstom Transport, the train and rail division, as part of an attempt to focus on core strengths.

Mr Kron said he was not ruling out a listing of Alstom Transport, although he added that all options were on the table for the asset.

“On Alstom Transport, different options are possible: industrial partners, financial partners, eventually a stock market listing . . . At this stage, I don’t exclude anything,” he said.

Results for the first six months of the year came in broadly ahead of expectations with the company reporting net income down 3 per cent at €375m, and flat sales of €9.7bn. The group had cut sales forecasts in May.

Analysts said the main concern was the worse than expected cash burn of €511m over the period, against an anticipated €200m, although their worries were allayed somewhat by news of the imminent cash injection from asset disposals.

Moody’s Investors Service cut Alstom’s long-term credit rating by one level in June to Baa3, the lowest investment grade. Standard & Poor’s said last year that it may make a similar move.