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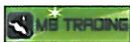
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## One in 10 Europe auto suppliers at risk-trade group

2008-12-15 15:37:33 GMT (Reuters)

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FRANKFURT, Dec 15 (Reuters) - One in 10 European automotive suppliers could go bust within months if governments do not come up with 25 billion euros (\$33.67 billion) in loan guarantees for them, the head of a trade group warned on Monday.

Lars Holmqvist, head of the European Association of Automotive Suppliers (CLEPA), told an industry conference that about 500 European suppliers were in danger of bankruptcy unless the European Union or individual countries stepped in.

"It is ... important the (European) Commission take a look at the industry, make that calculation, and we are likely to come up with a figure of more than 25 billion euros," Holmqvist told Reuters on the sidelines of the conference in Frankfurt.

"This is going to have to be in the form of guarantees so the banks start sending out the money because for the moment they don't," he said.

The impact of a downturn in the automotive industry is spreading quickly in Europe from heavyweight auto manufacturers, which are seeing sales fall steeply, to vulnerable auto parts suppliers.

Britain's Wagon Automotive and Germany's TMD Friction and Tedrive have already said they would file for insolvency for parts of their companies.

There are about 5,000 suppliers in Europe. CLEPA represents 3,000 of the companies with three million employees and 300 billion euros in combined sales.

Holmqvist said German automotive supplier Continental was an example of a company that was doing solid business, but was threatened by tight credit conditions. Continental said on Friday it had asked banks for more time to pay off about 11 billion euros' worth of loans.

Holmqvist said the real impact of the credit crisis on suppliers was yet to come due to the usual delay in payment by manufacturers.

"Cash flow is not yet affected, but it will be from February to March," he said.

As the Big Three Detroit carmakers scramble for a U.S. government bailout, Holmqvist said the fallout from any failure of manufacturers would be dramatic.

General Motor's German subsidiary, Opel, which is in talks with the German government over possible guarantees, not only employs 26,000 staff but indirectly supports work for about 130,000 people in Germany, he pointed out.

Holmqvist said it was in the best interests of European governments to act quickly.

"This is self defence, because we would lose so much," Holmqvist said. "In the short term (it would cost) tax revenues, unemployment benefits and long term (it would) disadvantage for the European industry." (Reporting by Sarah Marsh and Frank Siebelt; Editing by Andrew Macdonald)

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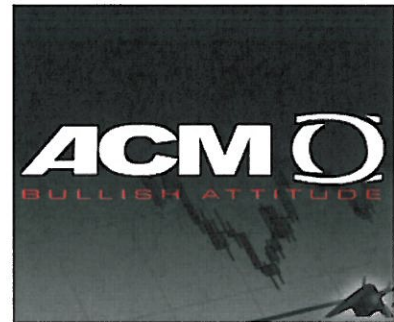
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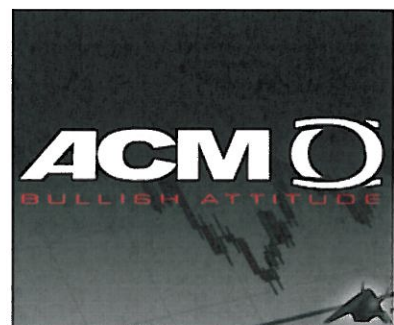
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