Goodyear North American earnings hit record levels but losses in Europe mount

But those stellar results herecouldn’t offset weakness in Europe where currency crises in several countries have sapped consumer confidence – pushing down sales of replacement tires and new cars that also sport new tires.

“I’m proud of our progress in [Goodyear's North American tire business] whose turnaround is comparable to any in the auto industry,” Goodyear Chairman and Chief Executive Richard Kramer said during a conference call with analysts and reporters Tuesday.

“In 2009, this business lost more than $300 million. In 2012, we delivered record earnings,” he added.

Still, those sales in North America couldn’t overcome big declines in Europe. Because of losses there, Akron-based Goodyear’s global earnings fell 38 percent last year to $212 million. Kramer said things there aren’t getting any better, so the company has lowered its earnings expectations for 2013.

“During the fourth quarter, it became increasingly clear that the effects of the European economic crisis will be felt for an extended period of time,” Kramer said. “Though recently there has been some stabilization, we believe there has yet to be a comprehensive and lasting solution.”

Goodyear isn’t alone in its concerns over Europe. Last month, Ford announced it lost nearly $1.8 billion there last year and could lose $2 billion there this year. General Motors reports earnings on Thursday, and that company has warned that its European losses will be large as well.

Kramer said Goodyear hopes to turn around its European business the same way it returned North America to profitability - focus on expensive high-end tires, close plants to improve efficiency and grow sales in key markets.

The company plans to close a French tire plant this year, but it won’t see the economic benefits of that until 2014, Kramer said.

“The passenger tires produced in this plant are low-value tires,” Kramer said.

In this region, Goodyear’s focus on higher-end tires has meant rising prices for its products but lower sales. In North America last year, it sold about 63 million tires last year for an average of $154 per tire. In 2012, it sold 66 million tires for an average of $149.

Though not a cost-cutting measure, Kramer also wants to pre-fund much of the company’s pension obligations to get those volatile expenses off of its balance sheet. Pension funding requirements fluctuate with interest rates, and with rates at record lows, many pensions are under-funded.

Kramer said Goodyear has already frozen pensions for salariedworkers, giving those employees 401(k) stock savings plans instead. Those plans make up about $1 billion of Goodyear’s $2.7 billion in under-funded pensions.

“We should take the step of freezing in our other plans as well,” Kramer said, referring to pensions paid to United Steelworkers members and other union-represented plants. “Obviously that’ll require discussions with our workforce and you have some additional steps that will take some time so that hasn’t happened yet. We’re obviously anxious to do that as quickly as possible.”

Goodyear’s contract with the USW expires this year. In 2009, winning pension increases was a major bargaining point for the union, so the issue could face some resistance during talks later this year.

The tire company’s numbers were a bit better than Wall Street had been expecting, but the lowered outlook in Europe pushed its stock down a bit Tuesday. Shares closed at $13.86, down 5 cents.