French car industry bailout: a new attack on the working class

Antoine Lerougetel
28 January 2009

French Prime Minister François Fillon announced January 20 a plan to inject €5.5 billion into the national car industry in an effort to shield it from the world economic meltdown. This massive transfer of funds to private enterprise is being dressed up as a plan to defend French jobs.

In reality, it's an attack on both French and foreign workers, crudely masked by appeals to economic nationalism designed to pit French workers against their colleagues in other countries. It is implied that French jobs can be "saved" at the expense of workers producing cars in countries where labour costs are cheaper, an approach that has the backing of the French trade unions.

In December, many car workers throughout France and Europe were laid off or put on short-time working, and plants were temporarily closed to clear accumulating stocks of unsold vehicles.

The situation after the Christmas break is still bleak. This is illustrated by conditions at the Renault Sandouville site in Normandy, near Rouen. Workers struck and demonstrated last week when they learned that the factory will only open for eight days in February, and then, only in the morning. During that time, the plant will only produce 240 Laguna cars per day, a total of fewer than 2,000 cars, six times fewer than when the model was launched in autumn of 2007. Last year, only 95,000 were sold, instead of the expected 180,000 to 200,000.

Last July, Renault announced a reduction of the 3,500-strong workforce by 1,000. Its CEO Carlos Ghosn pledged not to close the plant and said that production of a new utility vehicle would begin in 2012. Meanwhile, the workers are on short time and are suffering a loss of wages of 35 percent per day. The average wage of a production worker is €2,230 gross per month.

Renault plans to shed 4,000 jobs in France by the end of April and announced in January that 980 workers had applied for voluntary redundancy.

Management at the Peugeot-Citroën PSA plant at Sochaux, the biggest industrial site in France, after closing the plant for all of December and six days in January, announced the shutdown of the night shift working on the Peugeot 308 and five days of layoffs for the work force in February, followed by four in March. Some 800 workers on short-term contracts will not have them renewed.

The PSA plant in Rennes, Brittany, which had been shut down for four weeks from December 12, will have five days of stopped production per month from January to March and also other "rolling lay-offs." Management plans to shed 1,750 jobs in 2009, 20 percent of the present workforce of 8,000. The plant employed 12,000 workers in 2005 and is scheduled to be reduced to just over 6,000 by the end of 2009.

The government funds announced by Fillon would enable the car companies to avoid paying the 8 percent interest rates demanded by the banks and to offer cheap credits to retailers and buyers. This would be in addition to the €500 million each already handed over to France's main producers, Renault and Citroën, and the €1,000 "scrap bonus" (*prime à la casse)* slated for buyers trading in old cars.

When announcing the aid package for the auto industry, Fillon displayed a concern for keeping plants open in France, but carefully avoided imposing any restrictions concerning job cuts: "There is no question of the state helping out a car manufacturer which might decide to close outright one or more plants in France." In the same vein, Industry Minister Luc Chatel announced that the government was ready to provide the finance to get over "short-term cash problems," but would demand a freeze on plant closures, executive bonuses and dividends for shareholders.

One can be sure, however, that Sarkozy's aid package will not affect the huge incomes of the managers and shareholders. Car bosses are accepting what amounts to aid for the mothballing of unused capacity in hopes of being able to expand production in the future. However, they have arrogantly rejected any interference by the state on matters such as executive and investor remuneration. Christian Streiff, president of Citroën-Peugeot, told the media that an infusion of liquidity was urgently needed, but warned that the government should not tell car companies how to run their businesses. The British *Independent* quoted his comment that industry executives are unwilling to allow government "to substitute itself for management" by imposing a freeze on bonuses and dividends.

Aid may also be extended to foreign-owned companies such as Toyota and Smart to encourage them to maintain their plants in France.

As for the companies' attitude toward plant closures, Peugeot-Citroën spokesman Hugues Dufour was quoted by the *Wall Street Journal* January 21: "We see no reason why a chief executive of an independent, publicly traded company should have to make these sorts of promises to the state."

Streiff stated in an interview with *Le Figaro* that he thought he could keep plants working at reduced production, "if we redefine the size of each factory according to the number of vehicles being produced." The government has expressed no opposition to this caveat.

The *Wall Street Journal* cites, however, a spokeswoman of the 15 percent state-owned Renault company: " 'It's only fair for the government to ask for such assurances,' said Renault spokeswoman Nathalie Bourotte, adding that Renault wasn't currently considering any plant closures in France." The *Journal* expressed scepticism about these assurances: "Promises not to close factories may be hard to keep: Demand for new cars has plummeted and few analysts expect European car demand to return to pre-crisis levels for at least five years." Indeed, as we have seen above, Renault continues to shed jobs.

The motor industry is subordinated to market conditions and profit requirement. Guarantees to maintain jobs and plants are worthless. On closures, Reuters quotes Industry Minister Chatel: "It's a tall order at a time when overcapacity in the sector is estimated to be at 20 percent in Europe, which means the eventual closure of ten to twelve sites."

The announcement of the motor industry rescue passage came in the context of the global "credit crunch," which has provoked a sharp contraction of manufacturing throughout the world. The auto industry has been hit particularly hard. Car sales dropped in December in Europe by 18 percent and are predicted to decline by 15 to 20 percent in 2009 with a similar rate of job losses, some 150,000 to 200,000, according to the Association of European Constructors.

In France, the auto industry and its suppliers currently employ 2.5 million workers, 10 percent of the country's wage earners. December sales were down "only" 6.5 percent in comparison with December 2007. The €1,000 scrap bonus for new car buyers temporarily slowed the decline, but largely encouraged the buying of small cars produced abroad. The sales decline is predicted to be much steeper in 2009. Credit Suisse estimates that Renault has the greatest overcapacity of any carmaker in Europe.

Le Figaro points out that "The maintenance of production in France also means reversing a strong tendency which has been seen in recent years, manufacturers decreasing the number of cars produced in France—a million fewer between 2002 and 2007—and increasing it in Eastern Europe, where costs are lower. The two manufacturers have notably relocated to the East the production of their smaller models, whose sales are the most buoyant in France."

The price to be paid by the working class for maintaining production in France is partially spelt out by Carlos Ghosn, CEO of Renault. He has indicated that he was ready to make agreements in exchange for public money, but he considered it "fundamental" that the government should act in return to maintain the competitiveness of French industry by granting concessions on taxes and employers' social contributions. These are significant, hidden attacks on the social rights of workers.

Ghosn has asked for the suspension of the professional tax and a lowering of social contributions. He explains: "The difference between the production cost [of a vehicle in France] and an Eastern European country is about 10 percent, an average of 1,400 euros. Salaries account for 400 euros, the professional tax 250 euros and social contributions 750 euros."

The professional tax goes to finance local government services, and the employers' social contributions pay for social security benefits (sickness, unemployment, retirement). These proposed cuts and the threatening reference to €400 in wages provide a picture of the current effort to destroy workers' living standards using the blackmail of unemployment. Under the present conditions of devastating global slump, the concessions demanded by Ghosn will quickly be dwarfed.

The different national car companies and politicians, actively aided by the trade unions, use economic nationalism to attempt to make workers fall in line with sackings, cuts in wages and benefits, and intensified exploitation. Henri Guaino, President Nicolas Sarkozy's principal advisor, in an interview in *Le Figaro* January 24, plays the nationalist card in denying any priority to the living standards of workers: "But boosting the economy through consumption would be an economic mistake. The purchasing power handed out would be above all used to buy imported products. The question is to know if the taxpayers' money will be used *to save our jobs or those of others*" (emphasis added).

The attempt by both governments and auto companies to drive down labour costs beneath those of their rivals can only be fought by uniting struggles of workers in the different companies and countries to defend jobs and conditions. This will mean breaking from the existing trade unions and establishing independent organisations of struggle based on socialist and internationalist perspectives.

The CGT [General Confederation of Labour, close to the French Communist Party], because it accepts the profit system, plays a role in encouraging nationalism and competition among workers. A CGT leaflet entitled "Renault Contract 2009: Nothing for the workers," declares: "Management can begin a sales offensive for the Laguna model by putting it on the market *at more competitive prices than the competition* instead of cutting 1,000 jobs at Sandouville" (emphasis added).

A September 9 CGT press release uses a "Green" argument in an effort to split French Renault workers from their foreign colleagues: "And if Renault talks a lot about ecology, they should explain to us how transporting Logans from Rumania, Twingos from Slovenia, Koléos from Korea, and the Clio estate from Turkey, and now the Sandero from Brazil, constitutes an advance for ecology."

In a letter to Sarkozy, the CGT appeals for his support again on the basis of economic nationalism: "Most industrial investments are being made internationally (Morocco, India or participation with the Russian manufacturer Aftovaz) to the detriment of the sites...located in France."

Sarkozy had made it clear that he counts on the trade unions to help him impose the burden of the crisis on the backs of workers and smother opposition. New mechanisms are being set up for that purpose.

The business daily *Les Echos* January 14 reported : "Nicolas Sarkozy yesterday received the trade union leaders to discuss the effects of the crisis on employment. He promised to involve the trade unions in the prevention and treatment of sackings, with working groups for different industries.... The first such meeting will take place at the end of January in the automobile industry." *Les Echos* reports that "Bernard Thibault [CGT] is pleased at the monitoring arrangements announced."