Sweden: Uncertainty over future of Saab

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Two months after filing for bankruptcy protection, the future for Swedish automaker Saab remains unclear. Reports in recent weeks indicate that the number of potential buyers has been reduced significantly, with two or three now in advanced talks over purchasing the General Motors-owned brand.

GM announced its intention in February to sell Saab as part of its restructuring proposals submitted to the US Congress to secure loan guarantees. It would cease funding the automaker by the end of 2009 if a buyer were not found.

Speculation has mainly focused on Chinese carmakers as potential buyers. Reports that Italian auto firm Fiat were in talks with Saab, as part of its wider plan to take control of GM's European operations in Germany and the UK, were denied by Saab spokesmen. Saab CEO Jan Ake Jonsson commented to news agency TT, "It was the head of Fiat who put two and two together and turned it into four, but that's nothing I want to speculate about. We aren't holding any discussions with Fiat."

This came in the wake of Fiat chief Sergio Marchionne's trip to Germany to negotiate terms with the government over a potential deal to acquire Opel, part of the company's so-called "Project Phoenix" which threatens the destruction of thousands of auto workers jobs across Europe.

Saab spokesmen suggested that two or three bidders remained in discussions over a possible takeover, adding that a sale would hopefully be secured by the summer. According to a report in the GöteborgsTidningen the main competitors are Fiat, Chinese firm Geely and an unnamed German bank. The report went on to suggest that while Geely had already submitted an offer, GM head Fritz Henderson remained wary of competition from Chinese automakers and is opposed to such a deal.

While Saab continued to deny any links to Fiat, Sweden's centre-right government revealed that Fiat representatives had been in touch with them to enquire about the automaker. At the same time, speculation has increased in the press, with former chief of Saab's auto division Sten Wennlo publishing an article in Expressen claiming that it was a mistake to join with GM in the early 1990s, suggesting that continuing its existing partnership with Fiat would have been more beneficial.

Although the identity of a new owner for Saab remains to be decided, it is clear that whoever takes control of the automaker will be compelled to launch a programme of job cuts and other cost-cutting measures. The automaker has been a loss-making company for a number of years and it has seen sales slide sharply since the onset of the economic crisis. Already last month 750 workers were laid off at its plant in Trollhätten as reports circulated that Saab would run out of money in a matter of weeks.

The outlook is not much better for Ford-owned Volvo, which announced on May 7 that negotiations to secure a 200 million euro loan from the European Investment Bank (EIB) had fallen through. Talks broke down after the Swedish government, led by Prime Minister Frederick Reinfeldt and the right-wing Alliance, refused to act as a guarantor. The government claimed that Ford's announcement that it was in negotiations with possible buyers for Volvo made a state guarantee of the loan too risky.

In reality, the Alliance has consistently opposed offering state aid to Swedish industry, while at the same time providing a blank cheque to the financial sector through the passage of a 1.5 trillion kronor ($200 billion) package of loan guarantees last November. As the economic environment has continued to worsen dramatically, the government is being confronted with a mounting state debt, with the budget deficit set to surpass 100 billion kronor this year. As well as state guarantees to the banks, this growth is being fuelled by mounting costs for unemployment and other social benefits as the number of those out of work rises.

As well as Saab and Volvo Cars, truck makers Volvo Group and Scania have laid off workers. Volvo group announced over 1,500 job cuts in April, adding to the 5,600 workers already laid off since the start of the crisis.

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The growing frustration of Volvo workers was shown on May 7 when chief executive Leif Johansson received a hostile reception at the firm's main plant in Göteborg. As he attempted to address a crowd of workers preparing for a protest march to Volvo's headquarters, he was booed and heckled. Just one month earlier, Volvo had been forced to abandon plans to award large bonuses to 250 top executives at the same time as it announced the mass lay-offs.

Electronics companies have also suffered badly, with Sony Ericsson revealing large first quarter losses in April of 297 million kronor, followed by an announcement that 2,000 jobs would be cut globally. On May 8, it announced a further 800 job cuts in Lund in southern Sweden, with further dismissals likely.

ST-Ericsson, which deals in wireless technology, is also set to make at least 400 workers redundant in Lund, although this number could rise up to 2,000. Ulf Bengtsson, of the Swedish Association of Graduate Engineers commented, "There was talk of 2,000 after the quarterly report and Lund makes up almost half the global workforce. So 400 is maybe at the lower end of the calculations.

"But the entire situation is threatening. We had a first quarter that cost us 35 million kronor a day if my mental calculations are correct, and things won't be good unless we can alter that development."

Overall unemployment rose to 8.3 percent in March, and government estimates show that it will rise to 11.1 percent next year and to 11.7 percent in 2011. A report by the public employment agency released last month estimated the number of those likely to become unemployed will rise to 500,000 by 2010.

Government predictions suggest that economic output will contract by 4.2 percent in 2009, the sharpest economic decline since 1939.

In measures announced as part of the spring budget last month, finance minister Anders Borg allocated an extra 10 billion kronor to pay for unemployment insurance costs and job creation schemes, as well as an additional 17 billion kronor for local authorities to help offset the costs associated with the downturn. He stated that between 45 and 90 billion kronor would be required over the coming years to tackle the problem, adding that by 2011 up to 250,000 Swedes would be in some form of job training or job creation scheme.

The opposition Social Democrats has stated that the government is seeking merely to improve the statistics by engaging people in training programmes, rather than providing real jobs. Economics spokesman Thomas Östros stated that government proposals were "hiding 220,000 people in purely passive programmes."

The Social Democrats have made job creation one of the central issues in its campaign for next month's European elections, as well as pledging to fight the national elections due next year on the issue of jobs. They have also presented themselves as a party offering more support to those out of work.

In her May Day speech, party leader Mona Sahlin vowed to increase unemployment benefit to 80 percent of previous wages. Since it came to power in 2006, the Alliance government has made the reduction of unemployment insurance a priority, while at the same time raising the level of contributions. This has been presented as a means to encourage more people in to work.

Sahlin added that if her party won next year's elections the issue of taxes would be discussed. "We dare to raise taxes when it's necessary, and we dare to lower them when it's necessary. But jobs always come first, always before major tax hikes," she said.

While feinting to the left and posturing as a defender of working people and their jobs, the Social Democrats are and will remain a party of big business. The last Social Democrat-led government, supported by the Green and Left party, ruled for over a decade and imposed cutbacks to social welfare.

They prepared the way for the current Alliance government and its reforms.

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