Sweden: Luxury automaker Koenigsegg announces purchase of Saab

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The struggling automaker Saab will be sold to Koenigsegg, a Swedish company that manufactures luxury sports cars. The deal is expected to be finalised in the coming months and will include financing of 600 million euros from the European Investment Bank (EIB) guaranteed by the Swedish government. The sale came several weeks after Saab had been awarded an additional three month period to restructure its operations, having filed for bankruptcy protection in February.

Much remains unclear with regard to the financing of the takeover. Reports suggest that current owner General Motors will initially receive no money for the sale. According to AP, should Saab return to profitability then GM would receive 107 million euros in capital left over from GM’s ownership.

On June 17 a district court wrote down nearly 75 percent of Saab’s outstanding debt, the greatest proportion of which was owed to GM. Prior to this decision, Saab’s total debt was in the region of 10 billion kronor (just under 1 billion euros). Koenigsegg made debt write down a condition for the purchase, with the tiny sports car company unable to deal with the scale of Saab’s financial obligations.

Koenigsegg Automotive was founded in 1994 by Christian von Koenigsegg. The company manufactures only 18 vehicles per year, employing just 45 workers. Last year Koenigsegg posted an annual turnover of just over 10 million euros. By contrast, Saab has a total workforce of 3,400 in Sweden, with another 12,000 jobs directly dependent upon its continued existence.

Koenigsegg will be leading a consortium of investors that includes the Norwegian investment firm Eker Group, a San Diego-based investment banker Mark Bishop, and von Koenigsegg’s own firm, Alpraaz. A newly-created consortium, named Koenigsegg Group, will provide the financing to sustain Saab’s operations, although former owner General Motors will collaborate in the manufacturing of some of its new models. Von Koenigsegg’s own company will control a 42 percent share in Koenigsegg Group, with Koenigsegg Automotive holding a further 22 percent share. Eker Group, headed by Norwegian investor Bard Eker, already has a 49 percent stake in Koenigsegg Automotive but will also hold a share of close to 12 percent in Koenigsegg Group.

Eker has been involved in Koenigsegg’s operations for several years. He heads a company that specialises in design and development, with its Web site boasting that they “run our business as lean and mean....”

Eker insisted that he was not investing in Saab merely to sell off its most profitable parts. “I want to make one thing clear. We are not buying Saab just to chop it up. That’s not what we do,” he told Norwegian daily *Dagbladet*.

Eker’s record suggests something different. According to business daily *Dagens Industri*, Eker Group sold Projectdesign, a company in which it held a 54 percent share, immediately prior to the deal being finalised to purchase Saab. Eker reportedly pocketed 250 million Norwegian kronor (27.7 million euros) from the sale of the concern, which specialises in technical design.

Concern has been expressed by Sweden’s Enterprise Minister Maud Olofsson that Koenigsegg Group lacks the financial commitment required to sustain Saab. Given that a key part of the deal is the Swedish government’s willingness to guarantee 600 million euros in EIB loans, such expressions of scepticism over the financial power of Saab’s new owners means there is a real possibility of the government refusing to provide the guarantees.

As *Aftonbladet* wrote, “They (the government), in theory at least, could come to the conclusion that the whole affair is an adventure that should not be guaranteed with taxpayers’ hard-earned money.”

Such concerns were given further weight when Saab applied to Vännersborg district court to write down 75 percent of its outstanding debt. While over 80 percent of creditors agreed to the write-down, including GM, the Swedish government refused to endorse the move and voted against it.

Even in the event the deal is secured, Saab workers confront inevitable massive job cuts and attacks on working conditions. According to Ian Hammar, an auto analyst writing on *realtid.se*, Koenigsegg's business plan could see Saab reduced to a quarter of its current size. At the same time, he added that Koenigsegg may seek to increase the value of Saab's vehicles, from between 200,000 and 300,000 Kronor to nearer 1 million Kronor. Such moves would result in devastating job cuts for workers.

Saab's new owners have already made clear that they will not flinch from imposing thousands of redundancies. In comments reported widely in the media, Eker declared that Koenigsegg could accomplish the same task with 10 employees that would require 600 at Saab. With Koenigsegg suggesting that it will make Saab profitable by 2011, the only way this can be achieved in the current climate is through deep cost-cutting measures.

Another potential plan would see Koenigsegg use Saab's facilities in Trollhättan to build its own electrical car, the Quant. The model, developed in collaboration with Swiss company NLV Solar AG, is powered electronically and is also designed to draw energy from the sun. Koenigsegg intends to have them in production within three years and has explained in a television interview that his current facilities are too small.

Attacks on Saab's workforce would have been enacted regardless of who took over as owner from GM. As negotiations were conducted with interested buyers, Guy Lofalk, the attorney overseeing Saab while it remained in bankruptcy protection, noted that all potential candidates had signed an agreement that committed them to a business plan. This plan included full support for the restructuring process that has already resulted in the elimination of 700 jobs since February, as well as a commitment to concentrate production in Saab's main facilities in Trollhättan.

Calls for the concentration of production in southwest Sweden have been coupled with the promotion of nationalist illusions, particularly by the trade unions. The advantages of having a "Swedish" owner have been emphasised, with Saab Chief Executive Jan Ake Jonsson noting that the new owners would enable Saab to rebuild "through an exciting new product line-up with a distinctly Swedish character."

IF Metall union head Stefan Löfvén declared, "We have all along said that we want to see an owner who wants to and who can develop Saab and its operations in Sweden with research and development as well as production."

This approach is in keeping with trade unions internationally. Whether it is the campaign by UK unions for "British jobs for British workers" or the promotion by the German unions of an independent Opel free from GM, these initiatives have had the effect of dividing workers along national lines, paving the way for further job reductions and cost-cutting measures.

Sweden, no less than any other country, is confronted by a rapid economic deterioration. Government projections see economic output declining by at least 4.2 percent this year, but figures for the first quarter of 2009 showed a 6.5 percent contraction from the same period in 2008.

Unemployment, which has been steadily rising from last August, jumped from 8.3 percent in April to 9 percent in May, with job losses in manufacturing, mining and the energy sector contributing most to the rise. Elsewhere in the auto industry, large job cuts have taken place at truck maker Volvo Group, which has laid-off over 5,000 since the beginning of the economic downturn. Truck manufacturer Scania, in collaboration with the unions, announced wage cuts of up to 20 percent in order to avoid lay-offs for the coming six months. At Ford-owned Volvo Cars, which is up for sale, 4,000 workers have been made redundant since last year. In March unions agreed to a freeze in salaries in 2009 to avoid further cuts.

This will place added financial pressure on the government. State finances have suffered badly, principally due to the massive sums made available to the banking sector, as well as falling tax revenues and mounting bills for unemployment and other social benefits. Whereas earlier forecasts pointed to a state deficit of around 100 billion kronor this year, the latest predictions anticipate at least a 200 billion kronor shortfall. The government has already made clear that restrictions will have to be placed on public spending, refusing to grant any more funding to local authorities facing financial shortages.

Sweden's local authorities are projected to face budget deficits of 3 billion kronor this year, with the Swedish Association of Local Authorities and Regions suggesting that cuts of up to 5 billion kronor will have to be made next year to balance the books. This will rise to 8 billion kronor in spending cuts in 2011.

In this environment, it is clear that there can be no "Swedish" solution to the current economic downturn. Moreover, there remain fears that Sweden could be adversely effected by the on-going economic crisis in the Baltics, which has seen the Latvian government cut spending by over half a billion euros in a bid to avoid devaluing its currency.