

Sweden: Koenigsegg bid to buy Saab under threat

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Having announced in June that it was set to purchase the Saab automobile division, there is a strong possibility that the consortium Koenigsegg Group AB may be unable to finance its bid.

On August 18, just days after announcing it had signed a stock agreement with former owner GM confirming the terms for the sale of Saab, Koenigsegg Group revealed that it had been unable to secure sufficient financial backing for the takeover from private investors.

The group, which includes Koenigsegg Automotive, a manufacturer of luxury sports cars, also enjoys links with international investment groups. Christian von Koenigsegg, the group's CEO, said that the reason for the shortfall in funding was the ongoing turmoil in the international banking system.

Appealing to the Swedish government to provide the necessary finance to clinch the deal, Koenigsegg told *Svenska Dagbladet*, "We have tried to find financing for around 30 percent of the total capital requirement, which equates to around 3 billion kronor (€294 million). But as the banking system is not currently functioning normally it is reasonable to expect to be able to secure a bridging loan until we can secure the capital."

The government responded in the negative, insisting that it was not prepared to act in place of private investors. The right-wing Alliance administration has pledged to provide loan guarantees to allow the European Investment Bank (EIB) to lend Saab €500 million, but this deal is not scheduled to be considered until September 22. According to reports, the decision could even be delayed until October since information about Saab's business plan is yet to be received by the EIB.

Confirming the government's opposition to Koenigsegg's request for further funding, Prime Minister Frederick Reinfeldt stated, "There are those trying to change the way companies should be run in Sweden. Firstly, the buyer stumps up insufficient funds. Then the venture capital and credit markets ... decline to join in. And then the state is left there as the largest venture capitalist of them all, who with welfare money should go in and assume the risk that no one else wants to take."

Such professed concern for the security of taxpayers' money is highly conditional, however. Last October, the government was prepared to rush through a package of guarantees for Sweden's banks worth 1.5 trillion kronor (€147 billion), to bail out their speculative practices. But the provision of a tiny proportion of this sum to industry is considered inadmissible since it would expose the state to extensive "risk."

The government has cited a number of concerns regarding the Koenigsegg Group, which have been apparent since the initial deal was struck in June.

Just prior to Reinfeldt's statement declining finance, questions had been raised by under-secretary for enterprise Jöran Hägglund about the ownership structure of the Koenigsegg consortium. Hägglund, who has been heavily involved with negotiations over the Saab deal, said that Koenigsegg's "lack of transparency" was a problem. He cited rumours that Mark Bishop, one of the key shareholders in Koenigsegg, had off-loaded his shares in the firm just as negotiations were commencing over the purchase of Saab. Bishop, an American investment banker, controlled around 20 percent of Koenigsegg and was considered one of the key figures who would finance the Saab acquisition. Koenigsegg spokesmen declined to answer this concern.

Hägglund's questioning of the ownership structures of Saab's potential buyer has drawn strong criticism from trade union leaders, who had set great store in the proposed deal.

Such a position is entirely in keeping with the unions' nationalist and pro-capitalist orientation. Their main concern has been to secure a Swedish buyer for Saab, in order to preserve their own national negotiating position, and the privileges afforded by it. They vigorously sought to prevent a common struggle between Saab employees in Sweden and their fellow GM workers across Europe, as well as in the US, all of whom face job cuts and the downsizing of the entire industry.

In March, with Saab just entering bankruptcy, the trade unions organised demonstrations claiming that the crisis at Saab was of GM's making, and that Saab could return to profitability if the Swedish state funded a takeover bid. The same role has been played by the national trade unions across Europe, who have promoted the defence of their "own" industry at the expense of workforces in other countries.

The consequences are growing unemployment, speed-ups, rationalisation and the undercutting of auto workers' conditions in Europe and internationally.

If Saab fails, those made redundant will join the growing ranks of the unemployed. The latest figures put joblessness in Sweden at 9.1 percent, with youth unemployment having doubled in the past 12 months. The economic outlook remains unstable. The Swedish economy is predicted to contract this year by around 5 percent, with unemployment expected to reach 11 percent in 2010.

Even in the event Koenigsegg Group is able to cobble together agreements to raise the cash it requires, Saab workers will continue to face the threat of job losses and attacks on their working conditions.

Koenigsegg Automotive, the sports car manufacturer at the centre of the deal, produces barely 20 cars per year and employs just 45 people. It focuses on the "high end" of the auto industry. The *Financial Times* described the latest Koenigsegg exhibition as, "the world's most exclusive car showroom. Customers fly in by private jet to a former Swedish air force base where each Koenigsegg 'supercar' is custom-made. They test drive the 245 mph vehicle around the airfield before deciding whether to part with the €1m (\$1.4 m)

needed to buy one. Just 18 were sold last year."

Von Koenigsegg has been quick to criticise those who have questioned the ability of such a small company to ensure Saab's future. In a recent interview on the deal he insisted, "Koenigsegg the supercar manufacturer is not buying Saab, it's a company called the Koenigsegg Group, which I personally, the supercar company and a group of investors are in. Within that group of people there's a strength and energy to get the job done."

Nonetheless, reports indicate that the group envisages a much smaller operation at Saab. Among the possibilities discussed in the Swedish press at the time of Koenigsegg's initial interest in June was the building of an environmentally friendly car, known as the Quant, at Saab's main factory in Trollhätten.

More generally, commentators anticipate that the value of Saab vehicles could increase three or four-fold, with claims that the workforce could be reduced to one-quarter of its current size. Such rumours were fuelled by remarks by Bard Eker, one of the financiers behind the deal, who stated in a Norwegian newspaper that Koenigsegg could accomplish the same with 10 employees as Saab could with 600.

Saab's demise would not only result in the loss of over 3,000 jobs directly. It is believed that a further 12,000 jobs are dependent on the automaker. In addition, the knock-on effect throughout the economy would be devastating, particularly in a country where the auto industry accounts for 15 percent of GDP.

The defence of auto jobs and the industry as a whole is above all an international question. Saab workers must reject the nationalist outlook promoted by the unions and fight for a unified struggle with their colleagues throughout Europe and in North America, all of whom confront the imminent prospect of layoffs and attacks on working conditions.



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