

# Swedish government to provide backing to Saab sale

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Sweden's right-wing Alliance government announced on October 7 that it would provide support to the bid of the Koenigsegg Group to take over automaker Saab.

Backing will be in the form of loan guarantees, intended to ensure that Saab can secure a loan deal with the European Investment Bank (EIB) worth approximately €400 million.

The announcement came after several weeks of attempts to ensure sufficient financing for the takeover, following the Koenigsegg Group's admission in late August it was 3 billion kronor (€294 million) short in funds. The EIB board will now consider the loan application from Saab on October 21. The same meeting will also decide whether the loan guarantees from the state adhere to European Union competition law.

In early September the Chinese auto firm Beijing Automotive Industry Holding (BAIC) was revealed as a new investor in the Koenigsegg consortium. Reports suggested that they would assume a minority stake in the Koenigsegg Group and provide sufficient funding to meet the 3 billion kronor shortfall. BAIC is the fifth largest automaker in China, with projected sales this year of 1.13 million units. It is likely to own a 20 percent stake in the Koenigsegg Group.

Then on September 15, GM announced that it was prepared to provide 10 billion kronor (just under €1 billion) of extra funding for the deal. GM had already committed to supporting Saab with shared technologies for some of its new models, and will continue to hold preferential shares in the automaker.

The involvement of BAIC in particular appears to have convinced the government that the deal should be supported. Industry Minister Maud Olofsson commented, "China is a big market and previous partnerships with Chinese companies have been good experiences."

Koenigsegg's bid to purchase Saab has faced a number of problems since the initial announcement in June. The main obstacle has been obtaining the required finances to secure the deal, with the Swedish state refusing to provide funding in the form of direct loans. This difficulty was compounded

in August when it was reported that US-based investment banker Mark Bishop, who was set to take a 22 percent share in Koenigsegg Group, had off-loaded his shares as soon as negotiations were initiated over the purchase of Saab. Although Koenigsegg refused to confirm these reports, shortly afterwards they revealed that there was a 3 billion kronor shortfall in financing for the takeover.

This prompted the turn to Chinese investment, in the form of BAIC. Koenigsegg and Saab spokesmen have pointed to the important role BAIC will play in the future of Saab. Speaking from the Frankfurt motor show last month, Saab Chief Executive Jan Ake Jonsson outlined his views on the potential of China as one of Saab's main markets. "Beijing Automotive is an opportunity for us to establish ourselves in the Chinese market with their experience," he declared. On the prospects for future sales he added, "It is in China and eastern Europe that demand will rise."

This expansion will come at the expense of auto jobs in Europe. Christian von Koenigsegg, the founder of the luxury sports car maker Koenigsegg Automotive, which is at the centre of the takeover, stated that he may consider setting up assembly lines in China to avoid import tariffs on Saab vehicles. As he explained, "Wherever synergies can be found that are beneficial to both parties they should be looked upon, and I'm sure we can find a lot of good mutual benefits in the future."

Achieving a presence in the Chinese market would necessitate a drastic cut in production costs, at the expense of Saab workers. Saab's European workforce would face competition from China, where labour costs are a fraction of those in Europe. In this way, calls will be made to ensure that all Saab cites are "competitive," a means by which it will be possible to push for sharp wage cuts and layoffs.

The trade unions have rallied behind Koenigsegg Group, insisting that they offer the best future for Saab and its 3,400 employees in Sweden. Anette Hellgren, of the IF Metall union, declared that the revelation that BAIC would invest in Saab and that GM was prepared to increase its contribution to the deal was a firm guarantee of its success. "It's

gratifying that we can go out with this news now. It dispels concerns for both employees and customers,” she said.

At the same time, she continued to promote the nationalist orientation adopted by the unions. Suggesting that a “Swedish” owner would offer some sort of guarantee for workers’ jobs she commented, “What’s important is that BAIC is a minority owner in Koenigsegg Group. It’s still Koenigsegg Group that is buying Saab. There won’t be any direct Chinese ownership, which feels safe. There is a lot of apprehension when it comes to Chinese companies, but I have faith in this case.”

Such a perspective offers nothing to working people. It ensures the continued division of the working class along the reactionary lines of nationalism, preparing the way for workers to be played off against each other in a drive for cost-cutting and speed-ups. As well as at Saab, the results of such a policy can be seen across Europe at GM’s other operations, where the unions of each country involved have lined up behind “their” auto industry, calling for job cuts to be implemented abroad in order to protect the privileges of the various bureaucracies.

The presentation of Koenigsegg Group as a “reliable” owner by the unions is particularly misleading given the statements made by von Koenigsegg and other leading figures. Aiming to return Saab to profitability by 2012, reports have indicated that Koenigsegg will cut the workforce to a quarter of its current size, increase the value of Saab vehicles three- or four-fold, and concentrate production in Trollhättan at the expense of other sites. Job cuts have already been announced in Austria, in order to bring the manufacturing of its convertibles to Sweden.

Added to this, the deal remains far from secure. Norwegian investor Bard Eker, who is set to control slightly more than a 20 percent stake in the Koenigsegg Group, threatened to pull out of the deal if terms were not finalised by the end of September. While this deadline has now passed, and he has made no further comment, any delay could call into question his involvement.

Some questions have also been raised regarding the partnership with BAIC, and whether an agreement can be reached with GM. Koenigsegg Group’s agreement with BAIC reportedly contains terms that will see the sharing of technology between Saab and the Chinese automaker, enabling the latter to develop new models. Whether GM will be prepared to sanction such collaboration, particularly given the effect it would have in increasing competition, is still unclear. However, the recent consideration by GM management to hold onto its Opel division, in the face of proposals from Magna to share technology with Russian firm GAZ, points to the fact that the Detroit-based automaker is unwilling to permit the development of strong

competitors in markets where it has its own expansionary interests.

More fundamentally, the auto industry as a whole remains in a state of crisis. According to an estimate from Credit Suisse, auto sales in Western Europe will fall by 5 or 6 percent next year. Purchases by individuals in Germany will drop by 21 percent, as government programmes to encourage auto sales come to an end. As the *New York Times* recently noted, “With Europe plagued by huge manufacturing overcapacity, other automakers are likely to suffer further losses.”

The auto industry in the US is showing no sign of recovering to its pre-crisis levels, with sales anticipated to rise only to around 11 million next year, still 28 percent below 2007 levels. Thus, any attempt to return Saab to profitability in the coming period will be carried out at the expense of its workforce.

With GM sticking to its plan to end financing for Saab by year’s end, a failure of the current takeover will almost certainly lead to its demise. The shutdown of Saab would not only result in the elimination of the 3,400 jobs directly dependent on the automaker. It is estimated that a further 12,000 to 15,000 jobs are dependent upon Saab for their existence. The Swedish auto industry as a whole employs over 150,000, accounting for 15 percent of GDP.

Even in the event the Koenigsegg takeover is finalised, workers will face a massive onslaught on their jobs and working conditions. To oppose this, Saab workers must reject the nationalist propaganda of the trade unions by uniting their struggles with fellow workers across Europe and the world, all of whom face similar threats of layoffs and downsizing.



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