Sweden: Koenigsegg pulls out of Saab deal

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After months of uncertainty, the Koenigsegg Group announced November 24 that it was no longer interested in purchasing Saab Automobile. The General Motors division, which has spent six months of 2009 in bankruptcy protection, now faces the prospect of liquidation.

Koenigsegg Group CEO Christian von Koenigsegg cited delays in securing a final agreement as the reason for his decision. Noting that a final deadline of November 30 had been set, he explained that it had become clear that a deal by that date was impossible.

Without mentioning specifics, von Koenigsegg made clear that various processes had been at work in preventing the takeover. The most widely reported had been the on-going hold up in securing a 400 million euro loan from the European Investment Bank (EIB). Although the EIB approved the loan request in late October, the European Union commission had requested further time to examine the state guarantees being offered for the loan by the government in Stockholm, in case they were in breach of EU competition law.

Koenigsegg also took into account the increasing unlikelihood of a rebound in auto sales in the coming period, and the massive debts confronted by Saab, which lost nearly 300 million euros in 2008 and has been a loss-making concern for most of the last decade. Another factor was noted by Todd Lassa on the Motor Trend blog, who wrote that given the high labour costs in Sweden, “It's surprising Koenigsegg got into this in the first place.”

In addition, problems had arisen in negotiations between GM and Koenigsegg Group, with talks having continued without resolution. The involvement of Chinese automaker Beijing Automotive Holding Corp (BAIC), which agreed in September to provide Koenigsegg with three billion kronor (297 million euros) of funding to finance the takeover, played a decisive role. BAIC’s demands to have access to Saab technology in return for its investment raised the prospect of creating a potential competitor to GM in the Chinese car market, a region where it has considerable interests.

Analysts downplayed the significance of these considerations, pointing out that Saab is less important to GM’s core operations than was the case with Opel. Last year, Saab’s sale of little more than 90,000 vehicles represented less than one percent of GM’s total.

Viewed from the standpoint of access to new markets, however, it is clear that the acquisition of Saab technology by BAIC would have been a significant factor in GM’s calculations. BAIC is still believed to be considering a bid for some of Saab’s assets, although an attempt to buy the company as a whole is unlikely. This strategy reflects a broader trend, where Chinese automakers are seeking to obtain access to improved technology to increase their international competitiveness. A recent Reuters article noted that major firms such as Geely had begun looking to export markets, including Africa and South America, but added that Chinese automakers were at least five or 10 years behind international competitors in terms of technology.

Having previously announced that it intends to cease funding Saab operations by the end of the year, GM has little time to find alternative buyers. CEO Fritz Henderson stated he would take several days to evaluate future options, before making an announcement on Saab. The two most likely outcomes would be the decision to hold on to Saab, in order to secure GM’s position in the European market and guard against the emergence of competitors in other regions, or for the Detroit-based automaker to let Saab collapse.

The closure of Saab would directly eliminate 3,400 jobs in Sweden, whilst between 12,000 and 15,000 would lose their jobs in various supply industries dependent upon Saab’s existence. Internationally, tens of thousands more posts at dealerships would be under threat.

Should GM decide to maintain control of Saab, it has made clear that harsh measures would still need to be implemented. As has already been demonstrated with its approach to the workforce at Opel, GM will seek to impose the burden of the current crisis in the auto industry on to the working class. With estimates anticipating a drop in auto purchases in Europe of five percent next year, GM is clearly preparing a new round of cost-cutting across all of its operations.

As the Saab deal fell apart, GM officials announced plans to slash up to 9,000 jobs at Opel across Europe, including the potential shutdown of its plant in Antwerp. Over half of these jobs were set to be cut in Germany, with smaller reductions in Spain and Britain. As interim head of GM Europe Nick Reilly explained, "The competition in this industry is intense and getting fiercer every day and we have to reduce our structural costs so we can make money in a lower market."

Having championed the Koenigsegg Group as providing a firm guarantee of Saab's future, the trade unions were left shocked and surprised by the collapse of talks. Hakan Danielsson, chairman of the union local at the main Saab facility in Trollhättan, said, "This was very unexpected. I thought they'd come a long way in discussions with Koenigsegg and basically thought that the whole deal was completely sealed."

Despite such statements, from the very beginning, numerous questions on the viability of the takeover were apparent. The ability of Koenigsegg to finance the acquisition has always been an issue, particularly after US investor Mark Bishop off-loaded a 20 percent stake in Koenigsegg Group in August. Although with the turn to Chinese investment the funding gap was filled, questions still remained over the ability of Koenigsegg Group to run a company of Saab's size. Koenigsegg Automotive, the carmaker which was at the centre of the deal, employs just 45 people and produces less than 20 cars a year at a retail price of 1 million euros each.

Throughout the negotiation process, Koenigsegg representatives made no secret of their intentions to launch a cost-cutting drive at Saab, including job reductions. Bard Eker, a Norwegian businessman who was to have controlled a 22 percent stake in the group, stated that Koenigsegg Automotive could accomplish more with 10 employees than Saab could with 600. Reports appeared in the Swedish press indicating that Koenigsegg had devised plans to cut the Saab workforce to a quarter of its current size, whilst raising the retail price of its autos. Koenigsegg's commitment to return Saab to profitability by 2011, in the current climate of falling auto sales, could only have been carried out at the expense of the working class.

This did not stop the unions from acting as cheerleaders for the takeover. When BAIC became involved, union heads went out of their way to assure workers that in spite of Chinese investment, Saab was still being bought by a "Swedish" company who would keep jobs in the country. Just one week prior to the failure of the takeover, in a move calculated to reassure workers of the security of the deal, unions announced that production at Saab's Trollhättan factory would be doubled in 2010. At the same time, they trumpeted the fact that 64 of the 700 workers laid off in March had been re-hired.

With the deal's collapse, the unions have turned to boosting illusions in the right-wing government of Frederick Reinfeldt, urging them to step in and provide support. After the inexplicable statement that he still considered the Koenigsegg Group to be a "trustworthy" organisation, IF Metall head Paul Akerlund noted, "We want and expect both formal and informal contact with the government."

The government has given no indication that it would provide direct state aid for Saab. Officials have made clear that without a private buyer, no support will be forthcoming. State Secretary Jöran Hägglund, who has been the chief government negotiator on the issue of providing loan guarantees, stated, "You can't, by state aid, keep a company ongoing, if you don't have any chance for a competitive company." Industry Minister Maud Olofsson, when asked if the state would assume control of Saab, added, "That's not on the cards. It has to be private interests that run the company."

Workers will not be able to mount a successful struggle in defence of their jobs if they remain tied to the perspective of the trade unions. As the past year has shown, Swedish unions have done everything possible to divide Saab workers from their colleagues internationally, seeking to subordinate any movement against job cuts to a national strategy based on appeals to government and the promotion of a "Swedish" owner. Now that this strategy has failed so spectacularly, Saab workers face the urgent task of advancing their own independent perspective, based on a socialist programme of solidarity with auto workers internationally.