Sweden: Spyker announces last-minute purchase of Saab

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Spyker and General Motors announced a "binding agreement" at a Stockholm press conference Tuesday, January 28, for the sale of Saab. Presented as a reprieve for the automaker, it offers no security at all for Saab's 3,500 workers in Sweden, or the many thousands employed at dealerships and suppliers internationally.

The agreement will see Spyker pay a $74 million fee up front for Saab, while allowing General Motors to hold preferential shares worth a total of $326 million in the new firm, Saab Spyker Automobile.

A final deadline for the closure of the agreement has been set for mid-February, pending approval of a €400 million loan from the European Investment Bank, which the government in Stockholm has offered to guarantee. Although the European Commission has signalled it intends to review the loan immediately in light of the latest deal, delays in the same process were in part responsible for the collapse of the bid of the Koenigsegg Group in November.

As well as the EIB loan, Spyker has obtained financing from its main investors, which include media tycoon John de Mol and Mubadala Development, an investment firm controlled by the Abu Dhabi government. Vladimir Antonov, a Russian banker who previously held a 29 percent stake in Spyker, was forced to sell his shares to Spyker CEO Victor Muller after GM refused to sell Saab to a firm with significant Russian investment. GM's refusal was driven by business considerations, with Russia offering one of the major areas for expansion in auto sales in the coming years.

Despite the large sums raised, and even in the event the EIB loan is secured, it is hard to see Saab Spyker as a viable concern. The new company's funds will be expended within a year if Saab continues to lose money at its current rate. Losses in 2009 reached €400 million, up from €300 million in 2008. There can be few hopes for a quick turnaround in this trend, with Saab having failed to turn a profit for nearly a decade.

Nor is Spyker in a position to provide long-term backing to an automaker of Saab's size. Since Muller revived the brand in 2000, after it had lain dormant for nearly 80 years, Spyker is yet to turn a profit and has survived largely on extra funds injected by investors. This support has been far from secure, and as late as July 2009 Muller was compelled to acknowledge that the funds for production in 2010 were yet to be secured.

Saab's own market position is perilous and collapsing. Annual sales fell to below 40,000 in 2009, down from over 130,000 just three years earlier.

In a recent interview, Muller noted that he would require sales of 100,000 to make Saab profitable. This figure should be placed in the context of declining auto sales in Europe and North America. Projections for 2010-11 are for auto sales in Europe to fall by up to 10 percent, exacerbated by the removal of a number of state-backed subsidies to encourage consumers to purchase cars in the immediate aftermath of the 2008 world financial meltdown.

One of the few assets at Saab's disposal is the 9-5 model, developed jointly with GM. It is set for release this year—the first new Saab model in nearly a decade. But the 9-5 is not likely to attract sufficient interest, and analysts have concluded that further investment in new models will be urgently required. With Saab only credited with €198 million at the end of last year, the funds will have to come from Spyker. As Jim Hall of 2953 Analytics commented, "Saab risks burning through its cash if it invests on a new model before stabilizing sales and distribution of the 9-5, but delays in introducing another model could jeopardize long-term viability."

Giving an indication of the type of financial backing Saab would need, another consultancy firm suggested that developing a new model could cost at least €500 million. Spyker, according to its latest share price of a little under €5 each, is valued at just over €100 million.

This may lead Spyker to consider another option—the exploitation of the Saab brand as a means to produce high-end, low-volume cars. Spyker is a tiny luxury sports carmaker that does not even produce 50 vehicles per year. The potential to focus on producing a small number of cars was already outlined by the Koenigsegg Group last year during negotiations to buy Saab that eventually fell through. Koenigsegg, an automaker producing handmade cars on the same scale as Spyker, were planning to impose job cuts that would reduce Saab's workforce to a quarter of its current size. At least a third of Saab dealerships in the US were identified for closure in early November.

In all events, Spyker will look to cut labour costs. One possible means by which this could be achieved was indicated in a report that appeared just days prior to the announcement of the deal, suggesting that the Flemish regional government could offer more than €100 million to Spyker if it would shift Saab production to Belgium.

The location identified was the Opel plant in Antwerp that GM Europe has recently selected for closure at the cost of 2,600 workers jobs. Lode Vereeck, an opposition member of the Flanders parliament who presented the suggestion, noted, "There are still opportunities for building a Dutch-Swedish-Belgian company and Trollhättan can't manufacture all Saab cars themselves. Flanders has the technology, the know-how and the capacity."

Even if this is rejected, the fact that such discussions are taking place will create conditions for a bidding war in which the trade unions seek to pit worker against worker. As has been seen across all of the operations at GM Europe, the trade unions in every plant have devoted all their energies to promoting their own location as the most efficient, the most strike-free venue for the exploitation of car workers, while poisoning the air with nationalism and regionalism.

For several months, the Swedish trade unions have been behind a nationalist campaign urging GM to agree to sell the brand in order to "save Saab." Thus CEO Muller chose to use his appearance in Trollhättan on Wednesday to promote Saab's "distinctive" brand, the key feature of which was its "Swedishness." He made no reference to the inevitable layoffs and plant closures.

Muller, a former merger and acquisitions lawyer, has been involved in a series of buyouts of engineering companies and fashion chains. He helped engineer the buyout of a harbour-towage and marine-salvage company in the 1990s, before establishing Spyker in 1999. Over recent months, he has cut the workforce at Spyker by a third, making 45 job cuts, whilst at the same time moving production facilities to a cheaper location in Coventry in the UK.

Despite the evidence pointing to the fact that the Spyker takeover is a gamble and threatens the workforce with cost-cutting and layoffs, the unions immediately mobilised to boost the new CEO and promised greater exploitation of their membership. Paul Akerlund of the IG Metall union at Saab told the press, "It feels really great right now, wonderful that it worked out. It's not going to be a bed of roses and we shouldn't be under any illusions. But now Saab has a stable owner ... I reckon we're going to be a danger to our competitors."

Most of the Swedish press responded with enthusiasm to the agreement, with daily *Aftonbladet* praising Saab employees for having "continued to talk about, and work toward, a solution." *Svenska Dagbladet* noted that it was "completely unbelievable that Saab, the underdog, had made it out."

Workers can place absolutely no confidence in Saab's new owners or the trade unions for the protection of their jobs. The outcome of over a year of negotiations over the sale of Saab demonstrates clearly the need for workers to break with the nationalist, pro-employer unions and advance an independent alternative based on the socialist mobilisation of the working class. In particular, Saab's workforce should urgently seek to align itself with the struggles of GM workers throughout Europe, who are currently faced with the planned destruction of over 8,000 jobs.