

# Cars: a time of transformations

Sunday 26 September 2010, by [VESSILLIER Jean-Claude](#) (Date first published: 30 May 2010).

## Contents

- [Profits restored on the \(...\)](#)
- [Finding new markets to meet a](#)
- [From low cost to ultra low \(...\)](#)
- [The illusion of technical \(...\)](#)
- [Concentration of capital, \(...\)](#)
- [Climate emergency and the \(...\)](#)
- [Jobs vs. companies](#)

What was perceptible from the second half of 2008 has been confirmed: the crisis which has hit the car industry at a world level is not a simple depression preceding an inevitable recovery where everything goes back to what it was before, whether concerning the exploitation of the work force or the use of the individual car.

The crisis of the sector has provided the opportunity for a profound restructuring among capitalist groups, continents and geographical areas, constructors, spare parts suppliers, subcontractors and energy producers. Structural changes combined with sharp conjunctural variations are having a direct effect on jobs and working conditions where flexibility is on the agenda everywhere.

## Profits restored on the pretext of crisis

Crisis, what crisis? This question is posed when we observe the recovery of production and profit registered by the main world manufacturers during the first quarter of 2010. They have all announced increases in production and turnover. World production of cars increased by 57% in the first quarter of 2010 in relation to the first quarter of 2009 [1]. The two US companies, Chrysler and General Motors, placed under the protection of the law on bankruptcy in 2009 are back in profit. GM, which had accumulated 80 billion in losses in three years, has suddenly stabilised through the transfer of activities, debt restructuring and public funds.

Decidedly, the response has only gone in one direction: lower sales and production immediately led to anti worker measures, but on the other hand, any increase in production has first been allocated to the restoration of profits. Even if these figures, however, do not indicate a durable and flourishing recovery whether in the USA, Japan or Europe. The levels of production reached in early 2010 are still broadly below those of the period before the recession of summer 2008. And in most developed capitalist countries, scrappage allowances, that is public subsidies to buy new cars, were still being paid at the beginning of the year. It was not envisaged that they would be extended in most countries and the cuts in public expenditure across Europe will accelerate their disappearance.

Structural problems which, combined with the credit crisis, had caused the recession of the sector in the developed countries, are in no way resolved. Overcapacities of production caused by the inability

to sell at a price guaranteeing the profit expected are still there. The increase in oil prices and the end of this form of energy as an abundant resource already dictate behaviour and investment in the sector: the individual petrol fuelled car is past its golden age in the developed countries.

In this context the car in Europe has become a consumer good which is increasingly sensitive to economic conjunctures, following in this respect the sharp changes at the level of sales traditionally observed in the USA.

That is why the austerity unfolding in Europe will have very significant consequences for the level of activity of the car industry. Even the improvement in profits observed in early 2010 will not resist this. The main factor in this new crisis is primarily to be found in the very functioning of the capitalist economy and the policies implemented by the European bourgeoisies.

A new distribution of zones of production and sale

The eruption of the crisis in 2008 opened a new phase of restructuring and recomposition of the globalised car industry which has not ended. The fall in world car production is combined with a shift in the world geography of countries of production and sale of cars [2].

The maximum number of cars ever produced in the world was in 2007, at more than 73 million. The total estimate for 2009 is 61 million, or a reduction of 12 million vehicles (-17 %). It is a considerable fall whose breadth has not been witnessed since the Second World War. The two preceding oil crises had more limited consequences - 5 million in 1975 in relation to 1973, - 6 million in 1982 in relation to 1979.

The fall observed does not prefigure in itself a new trend. The most recent data concerning late 2009 and early 2010 witness to a new increase in production, even if the pre-crisis levels have not yet been regained. Having learnt nothing from the recent past, the European Commission has just predicted a doubling of world use of the car over the next 20 years.

The singularity of the situation stems from the fact that the geographical equilibria have durably changed, both in terms of production and sales: the situation prepared by the developments of the last decade has been precipitated by the eruption of this crisis.

<b>Location</b>	<b>Sales 2009</b>	<b>Variation 2009/2007</b>	<b>Production 2009</b>	<b>Variation 2009/2007</b>
European Union	14 500 000	-10 %	13 944 000	-18 %
USA	10 402 000	-35 %	5 711 000	-53 %
Japan	04 559 000	-15 %	7 935 000	-32 %
China	11 756 000	+28 %	13 791 000	+55 %
India	1 988 000	+1 %	2 633 000	+17 %

We could genuinely speak of a collapse of production in the USA, the key country in terms of cars since the 1930s, and it amounts to the most significant fall observed since the end of the Second World War. The level of production of cars in the USA was equivalent in 2009 to that of the period before 1950. In Europe, the breadth of the crisis differs among countries:

<b>Location</b>	<b>Sales 2009</b>	<b>Variation 2009/2007</b>	<b>Production 2009</b>	<b>Variation 2009/2007</b>
European Union	14 500 000	-10 %	13 944 000	-18 %

<b>Location</b>	<b>Sales 2009</b>	<b>Variation 2009/2007</b>	<b>Production 2009</b>	<b>Variation 2009/2007</b>
Germany	3 977 000	+15 %	5 210 000	-19 %
France	2 438 000	-4 %	2 050 000	-33 %
Spain	980 000	-93 %	2 170 000	+55 %
United Kingdom	2 180 000	-26 %	1 090 000	-60 %
Italy	2 335 000	-17 %	843 000	-52 %
Poland	360 000	+ 4 %	879 000	+10 %

In all European countries the falls in production have been higher than those of sales. This is the consequence of massive destocking undertaken by all firms — evaluated at a million vehicles (all European countries and manufacturers lumped together). It is also obvious that the general context of crisis has served as a pretext and opportunity for the manufacturers to decrease their production in the European Union in a much higher proportion than that which would have been required by a simple adjustment to lower sales.

The violence of the crisis varies according to the different European countries. In the United Kingdom and Italy, the falls in production have been of a breadth equal to the collapse observed in the USA. In Germany and France “scrappage allowances”, public subsidies for the purchase of new vehicles, have largely allowed the level of sales to be maintained. If this has been preserved, the same is not true of levels of production. France has experienced the biggest fall in production over the last two years, compared to the evolution of the level of sales. That means that, among European car manufacturers, the French have been the most active in using the crisis to internationalise their production.

More globally, Europe, North America and Japan have been the most affected by this crisis which is all the sharper in that it takes place in a context of recession. In permanent search of branches which guarantee capital the best rate of profit, the capital present today in the cars sector only remains there on condition of finding new sources of profit. Because today there are no better means of doing so than on the basis of human labour, the end of the car is not on the agenda for them. What they are preparing are new ways of selling and producing for new markets. That is why the car industry is today experiencing a time of transformation where rhythm and content are dictated by the imperatives of capital and the social relations of force.

### **Finding new markets to meet a crisis of over-production**

There will be no second chance for the car in the old developed capitalist countries: Western Europe, North America and Japan. The car there has reached a maximum level of equipment with a car density stabilised since 2005 at around 600 cars per thousand inhabitants, whereas in the USA it has for several years been around 800. The gap is considerable in relation to the ratios in China and India (respectively 34 and 14 cars per 1,000 inhabitants). In China, the car is reserved for the richest fractions and its use is still very restricted on the scale of the country as a whole. That does not prevent urban damage and pollution engendered by car traffic being suffered by the whole population whereas less than 5% benefit from access to individual motoring.

But for this globalised industry, the new market of China is a very significant opening, exceeding the number of cars sold in the USA, with 12 million cars sold in China in 2009. The development of the use of the car in China is more rapid than that observed in the US in the 1950s and Europe in the

1960s. Understandably, this is a market fought over by all the world car companies. Whereas the Chinese productive apparatus as a whole is increasingly export-oriented, the car industry is evolving differently. Car production is primarily focused on the country's internal market. In 2009, less than 10% of cars produced were exported. China is not today the workshop of the world in terms of car production.

Investment in China, programmed by US and European firms, is primarily aimed at finding openings in China and South Asia and of course to make profits there which can be repatriated to the head offices of the parent companies. The alliances created between national and foreign firms in China indicate an industrial organisation which has not yet stabilised. Numerous provincial and municipal authorities have supported the growth of local manufacturers and parts suppliers, leading to the appearance of more than 80 manufacturers and more than 7,000 suppliers. Competition is organised among all of them with the aim of weighing on working conditions and wages and moving towards a reorganisation whereby only a limited number of enterprises is maintained.

Today, through joint ventures, the Volkswagen, General Motors and Toyota groups are the most present in China, but all the other firms seek opportunities and authorisation to enter the country (governmental and regional authorisations are necessary before any investment takes place). Thus in 2009 Volkswagen sold 1.40 million vehicles in China, which became its biggest market ahead of Germany, out of a total of 6.29 million sales worldwide. It has been present in China for 25 years with seven production sites. In three years, between now and 2012, Volkswagen will invest 8 billion euros to open two new production sites. It says it will finance them through liquidity created by the two Chinese joint ventures it has created with the Chinese firms SAIC and FAW [3].

The mobilisation of millions of workers which would be demanded by the pursuit of car production on such a grand scale would raise the level of demands in terms of wages and working conditions. The placing in competition of employees across China, the massive recourse to workers from the countryside rejected and thrown out of the factories because of the slightest conjunctural variation will meet the limits of the finished character of the territories in competition, the necessity of a qualified workforce and a stabilisation of the labour force, as well as the resistance to this exploitation which is beginning to emerge in the country.

The strike by workers at the Honda factory in Foshan which began on May 17, 2010, witnesses to the current situation in China. Among the many strikes by Chinese workers in recent years, this is one of the longest and it should serve as an example [4]. Around 1,900 trainee workers and employees under contract stopped production of spare parts and brought about the halting of all Honda assembly factories in China. Their demands centred on a wage increase, the rejection of wage differentials both inside the enterprise and in relation to other Honda factories, an end to employer repression, and the reorganisation of the enterprise trade union. This strike can serve as an example in a context where the foreign companies established in the factory face a rise in demands from employees and more particularly migrant workers, who demand wage increases and better working conditions.

The damage caused by car pollution to health, the environment, the climate and the organisation of urban space are just as perceptible in Beijing as in Europe or the USA. Certainly the Chinese car industry will be able to place itself as among the most advanced in the areas of emission standards, because it has the advantage of being a more recent industry than its competitors. But it is part of a globalised industry which does not know how to respond to the challenges of the climate emergency.

Finally, it is most improbable that Chinese capitalists and the Chinese state will in the medium term accept the maintenance of the domination of the Western partner firms of the "joint ventures". Thus the SAIC, property of Shanghai city, which is involved in co-enterprises with Volkswagen and

General Motors, will probably spread autonomously in China and in other countries. It is necessary to have the arrogance of a Detroit or Wolfsburg boss to believe that they are going to be able to continue to govern the capitalist world of cars.

### **From low cost to ultra low cost**

Since the generalised measures of pay restraint of the 1980s, the car industry has found it increasingly difficult to find buyers for its new vehicles. To sell dearer cars to a smaller number of buyers had been the recipe found to maintain the profit levels expected by shareholders. This policy was at its most exacerbated in the USA with the 4X4 gas guzzlers which have inundated the country. But this tendency was general in all the developed countries. This collided with the crisis of 2008: financial crisis and increased oil prices condemned this headlong rush to bigger and more expensive cars.

A reverse tendency has emerged: finding buyers through cheaper cars. In all European countries, smaller cars are selling more than others, though this amounts to a simple slippage to models designed before 2008. The new element is the introduction in Western European countries of "low cost" models whose design has been guided by this search for "low cost".

In the late 1990s, Fiat had followed this policy with the Palio, first produced in Brazil and sold in dozens of emergent countries. But this model had been little sold in Western Europe. Renault took the same path with the Logan, built by its Romanian subsidiary Dacia. The main reason for the "low cost" of manufacture of this type of vehicle rests primarily on its design and manufacture, using more classical techniques than the majority of new European products. The wages of Romanian workers do not explain the price of this model because if that was the case, cars manufactured in Slovenia, Slovakia or Turkey should be sold with the same advantage.

Know-how in the area of small and cheaper cars is today very much sought in the world of car competition. The capitalist rapprochement between Renault and Mercedes Daimler is explained largely by the desire of the German group to produce and sell something other than big heavyweight saloon cars. Mercedes wishes in this area to produce models with a greater distribution than the Smart. The taking of a holding by Fiat in Chrysler's capital was motivated by the same reasons: to go from 4x4s, which had become unsellable, to the production of smaller cars, Fiat's know-how in this area appearing useful to the third of the giants of Detroit. The Chevrolet brand, a dependant of GM, had in 2005 bought out the Korean firm Daewoo to launch itself in the area of low cost. And it is probable that General Motors, soon back in profit thanks to US federal subsidies, will try new alliances in this sector. In this race for small car know-how, the European leader Volkswagen has not stayed still: it has taken a holding in the capital of Suzuki. This Japanese firm holds under the Maruti brand half the market for car sales in India, the leading country for the distribution of "small cars, and is the world specialist in this area.

If you liked "low cost", you will love "ultra low cost". After the Logan at 5,000 dollars, a car at 2,500 dollars is planned for launch in 2012 with a Renault-Bajaj partnership. This product seeks to compete with the Nano model launched by the Indian firm Tata. Naturally, Renault explains that this product will not be intended for Europe. This same approach was taken during the beginning of the industrialisation of the Logan to be disproved subsequently by the facts. India is in this respect a sub continent where the traditional car, in the format and engine assembly stabilised since the Detroit of the 1930s, appears in new variants, from two wheels to public and semi-public transport. But they remain dependent on oil, even if a lightweight semi-public transport vehicle consumes less fuel per passenger transported than a one ton saloon car.

If the extension of this type of solution was technically possible, this would be something too serious for its generalisation to be left in the hands of capitalists guided by the return on their shares. It is clear that the car companies cannot pass from a world where the average price of a new car sold is higher than 20,000 euros [5] to a situation where it would be five times lower. It would be necessary for them to submerge the planet with their commodities to hope to reconstitute equivalent profit margins.

## **The illusion of technical recipes and the electricity fairy**

It is very much financial interest which guides the behaviour of the car industry. Environmental and climate concerns are suffered as constraints or quite simply denied. It matters little to them that road transport — car and heavyweight — is the sector which has increased its carbon emissions the most over the past ten years. On the other hand, the irreversible increase in oil prices and its end as an abundant energy source forces the car industry to implement other solutions. It does not about the wellbeing of humanity but a strictly financial viewpoint.

The manufacturers, after decades without serious investment in these areas, are beginning to prepare vehicles with hybrid engines and electric vehicles. What they did not do during the years of growth, out of a concern first to pay dividends to the shareholders, they claim to be doing now. For the main car manufacturers, the electric vehicle is today only a small sector of potential activity, and this relates to the size of this industry on the world level. Renault states publicly that sales of electric cars on a 10-15 year horizon would represent 10% of its total sales of new cars in Europe, while PSA predicts 5%, and the German manufacturers 2.5%. With the recent more optimistic predictions, 98% of cars circulating in Europe will in fifteen years still have petrol or diesel engines.

Whatever the “good intentions”, today an electric vehicle continues to be dearer to produce than an oil vehicle and this for less possibilities of use, taking account of the capacities, weight and cost of the batteries used as substitutes for the petrol engine. The batteries will be largely constituted of lithium, a non renewable resource present in only a few countries: Chile, the salt lakes of Bolivia (a third of currently proven world reserves) and Tibet.

Electricity does not flow “from source” and must, of course, be produced. The main source of the production of electricity is today constituted by power stations fuelled by coal or oil. The use of electric vehicles will then not lead to any decrease in the consumption of polluting and non-renewable energy, and will change only the geographical places of emission. In France, a country where most electricity produced is of nuclear origin, a development of the use of electric vehicles would demand an increased number of nuclear power stations.

The car manufacturers, great defenders of the market economy and of competitiveness, do not envisage an initial development of electric vehicles without public subsidies. Electric cars and vehicles with hybrid engines are dearer than the cars of today and the manufacturers are turning to the state to request subsidies. Renault CEO Carlos Ghosn was very clear in September 2009: “It is simple, we will not go to countries where there is no interest in electric energy and which are not ready to implement the necessary incentives. We select countries according to the interest that we observe” [6], citing Israel, Denmark, Portugal, the USA and Japan. “The electric car is not only an approach to car manufacture, it is necessary to have the combination of a manufacturer and a municipality or a government”. This is an extension of the policies followed for some decades, with cars circulating on urban roads financed by public bodies. The capitalist firms reap the profits, the state provides the finance. The individual car, as today produced and sold, guarantees profits only on this condition.

## **Concentration of capital, physical dispersion of production**

Faced with this situation, the car industry is constituting an oligopoly around a few groups who organise themselves to ensure survival and profits. "Thanks to the agreement with Daimler, the Renault-Nissan alliance is situated, with Volkswagen and Toyota, in the closed club of manufacturers who produce more than 7 million cars" [7]. With this comment, Renault fixed the level of the entry ticket to gain access to this "closed club". This acceleration of concentration inside the car industry is global: the activity of mergers and acquisitions in the car area at the world level tripled in 2009 to reach 122 billion dollars. This concentration of capital combines with an increase in the dispersion of the physical production of cars.

The time of big workers' citadels of several thousand workers has passed in Europe. Only the Volkswagen site at Wolfsburg has more than 50,000 employees. The average size of the other most significant European car factories is around 10,000. The production of cars breaks down increasingly between assembly factories, some mechanical engine factories, spare parts providers and subcontractors of various ranks. Whereas the proportion was half in 1990, less than a quarter of the value of a car is today directly produced by the manufacturer who places their label on the finished product. During the crisis which broke out in 2008, workers in the subcontracting enterprises were the first to be affected because it was there that it was "easier" to close a factory [8].

In France, the social reality of summer 2009 was punctuated by struggles breaking out at small and medium enterprises under the blow of closures decreed by very distant headquarters. All the factories thus attacked were far from the finished car product. The coordination of workers across the whole branch was advocated by the Nouveau Parti Anticapitaliste (NPA), while the trade union movement refused to envisage any test of strength. The centralised demonstrations which took place at the initiative of workers in struggle have not led to any coordinated overall struggles.

Faced with the internationalisation of production, a nationalist poison can spread. In France, moving production out of the country has become a significant theme of public debate. However, unlike other goods, cars cannot be transported all around the world to be sold. That is why there is not been in Europe in recent decades a surge of cars manufactured in Japan or South Korea. On the contrary, Japanese companies have set up factories in France, Britain and Spain. And cars made in China are not ready to be sold by the million in Europe.

On the other hand, for French manufacturers in particular, there has been the establishment of an area of European dimensions (enlarged to Turkey) inside of which production is restructured according to a deliberate desire to disperse production as an insurance against social risks and cost imperatives. A race downwards is organised, factories and machines being exchangeable. What is practiced at the level of assembly is again to the advantage of suppliers and subcontractors. The placing in competition by the givers of orders, constituted in only a few big firms, is systematic. The world of this "reverse auction" guided from the computer screens of the purchases department becomes the norm in this enlarged Europe and the whole world. For Renault, this is simply blackmail: it is among European manufacturers the champion in terms of sales, on its historic territory, of cars produced elsewhere. This can only be fought by a battle of the workers' movement to be built beyond the borders of each state.

## **Climate emergency and the workers' movement**

There is not in Europe a massive synchronisation between the social movement which has begun to

emerge around the climate emergency, which challenges the current use of the car, and the workers' movement in the car sector, facing the attacks we have just described. Actions and reflections on the subject are almost entirely systematically unbalanced. Either the car industry is seen as one of the places where a collective ability for workers' resistance is forged and of polarisation of social relations between classes. Or the use of the individual car is legitimately criticised as responsible for carbon emissions, a factor of segregation of humanly inhabited areas, and the bearer of a destructive individualism.

The criticism of the current use of the car is urgent and necessary. Again it is necessary to be in a position to translate it into appropriate demands and slogans by a social movement. Today in Europe the use of the car has become a constraint imposed by the organisation of the urban area and the shortcomings of public transport. There is no longer any correlation between high income and possession of cars. It is the more well off city centres with the densest public transport networks, like Paris and Tokyo, which constitute in the developed countries the areas where there are fewer cars per inhabitant. That is why the concrete translation of a radical criticism of car use is the systematic prioritising of free public and semi-public transport.

It would be utopian to believe that developments of the existing system would render decreased use of cars possible. When green liberals demand a carbon tax to help the capitalist reconversion of the car industry, they accept the laws of the market which will choose its solutions according to its own imperatives of profitability. The answer can only involve a political solution, from the viewpoint of the interests of workers, favouring the satisfaction of social needs for the travel of all, and posed as a consequence of a central confrontation with those who decide in this society in their own interests.

Whereas public transport is privatised and gets worse, the fight for the maintenance of a service accessible to all is an area of social urgency. Of course, the new resources of public and semi-public transport remain to be invented because the choice could only be between the car and the new super systems of transport exclusively designed to get employees to their workplaces. The resources of this social inventiveness exist first and foremost among the workers in the sector. But this creativity cannot be deployed without workers' control over production and confrontation with employers who are not concerned by the social use of the commodities that they sell on the market.

As noted by Lars Henriksson, a Swedish worker at the Volvo factory, says, "If we do nothing faced with this and we hope simply that others take responsibility for it, there are many chances that we will soon find ourselves unemployed. To transform car production can appear an impossible task for we who work at the lowest level of the enterprise. But the truth is rather that we are the only ones who can do it! No help or solution can be expected from the bosses" [9].

## **Jobs vs. companies**

And those who defend jobs are surely not to be found among the leaders of the capitalist car industry. After restructuring and increased productivity, they have for thirty years organised the cutting of employment in cars in Europe and North America, They are the gravediggers of jobs in the name of profits and the survival of their companies. All the solutions they try to apply in the midst of the crisis take this form. The more the car face difficulties, the greater the obstinacy of the bosses in maintaining their profits.

The opposite path is to defend jobs and not companies. Jobs mean the workers, the solidarity of work and struggle, a knowhow and experience, a life in short and that is what we need to preserve. That will not be done by reconversions or industrial solutions seeking only to patch up this industry in crisis. Yes, there is an urgent need to impose other solutions. The car is the industrial sector which



employs the most people in Europe and it is here that the sharpest class confrontations are established. The continuation of the history of the car industry will not be decided by the secret strategies of the employers but by social and political confrontations.

## Jean-Claude Vessillier

---

### P.S.

\* Translation: International Viewpoint.

\* Jean-Claude Vessillier is a retired statistician and former trade-unionist at Renault. He is a member of the NPA in France. He contributes to a remarkable website (in French) devoted to the car industry, <http://www.npa-auto-critique.org/>

---

### Footnotes

[1] "Financial Times", May 5, 2010, citing a study by the professional services company Price Waterhouse Coopers.

[2] Data on production and sale which form the basis of the tables presented originate from the reference site <http://freysenet.com/>. Supplementary sales figures originate from the European association of manufacturers: [www.acea.be](http://www.acea.be)

[3] SAIC (Shanghai Industry Motor Corporation): owned by the city of Shanghai, in partnership with General Motors and Volkswagen. FAW: First Auto Works created by the Chinese government in 1956: partnerships with Volkswagen, Toyota and Mazda.

[4] <http://www.worldlabour.org/eng/node/348>

[5] The average price of a new vehicle in 2009 in France was 20,424 Euros.

[6] Agence Reuters, September 29, 2009.

[7] "Les Échos", April 26, 2010.

[8] The only big car assembly plant threatened with closure in Europe since summer 2008 is the Opel factory in Antwerp.

[9] Henriksson, who works at the Volvo Cars assembly plant in Gothenburg (Sweden) is a member of the Socialistiska Partiet, Swedish section of the Fourth International.  
<http://carfree.free.fr/index.php/2008/12/01/entre-crise-economique-et-crise-ecologique-l%E2%80%99industrie-automobile-a-t-elle-encore-un-avenir/>