French automaker PSA plans to slash jobs at Poissy, shift production to Asia

By Stéphane Hugues
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After the recent closure of its Paris-area Aulnay factory, Peugeot-Citroën (PSA) has now announced cutbacks to one of the two production lines at its nearby Poissy factory. This line produces the Peugeot 208 model.

According to PSA, it will eliminate one of two shifts, representing 684 jobs. Only high-end of the 208 models will now be produced in Poissy. The production of the low-end of the 208 model is expected to be moved to PSA's Trnava plant in Slovakia.

In reality, this is only the first step in PSA’s plan. The CGT (General Confederation of Labor) trade union has said that, at an Enterprise Committee meeting at the end of December, management laid out plans to shut down the whole Peugeot 208 production line, cutting 1,400 jobs.

PSA claims that there will be no redundancies, just reclassifications of workers to other jobs. There are over 800 temporary workers onsite whose contracts could be terminated in March without Peugeot admitting to any redundancies, however.

Furthermore, there are already rumors of the possible cutbacks or even closure of the “La Janais” plant near Rennes, France. Management already claims that they have found 1,400 workers who will take voluntary redundancy from the plant this year.

PSA was losing over a billion euros a year after the European auto market collapsed in 2011. Peugeot'’s share price plunged from 27 euros to less than 5 euros in the 18 months that followed.

These attacks on auto workers are part of an international cost-cutting strategy that in France alone will result in over 11,000 sackings, or 25 percent of its 44,000 workers in France, by 2015. By the beginning of this year, Peugeot has already reduced its yearly operating losses to less than €500 million; its share price rose to €12.

PSA’s strategy was laid out in internal documents dated August 23, 2010, whose contents were announced by the CGT the next year, including plans to close Aulnay. The newly-appointed CEO, Philippe Varin, said his objective was to make PSA a global player “with the lowest possible production costs so as to resist competition through the ‘compacting’ of the factories and a work force adapted to this.”

The news site *Médiapart*, which also had access to the internal PSA documents, concluded: “The corporation considers that it has too many production units in France and the European Union, in a European market with structural overcapacity [due to] the multiplication of factories in Eastern Europe, Turkey and Russia.” In order to “shore up very small profit margins,” PSA is aiming for “saturation of production sites” and economies of scale.

The claim that European auto markets face “structural overcapacity,” advanced by PSA and France’s Socialist Party (PS) government, is a cynical lie. PSA in particular has been devastated by the collapse in its key markets—Italy, Spain, as well as France—due to the 2008 financial crash and the destructive austerity policies imposed by the European Union (EU) on Greece and other southern countries.

French imperialism is seizing upon the resulting industrial collapse—due to the criminal economic mismanagement of the banks and deliberate policies of the EU—to dramatically restructure class relations and intensify its exploitation of the working class.

It is seeking to return PSA’s domestic operations to profitability through plant closures, mass sackings, speed-up, and the smashing of working conditions. It is modeling itself on such programs as the Obama administration’s “bailout” of the US auto industry, jointly negotiated with the United Auto Workers (UAW) union, which oversaw a 50 percent pay cut for new hires. France's unions have negotiated wage cuts at Continental's auto plants in Toulouse and a wage freeze and drastic reorganization of working hours at PSA's Sevelnord plant.

At the same time, PSA—Europe's second-largest automaker after Volkswagen, producing 2.9 million cars—also plans to shift production to Asia, to realize huge profits by super-exploiting workers there.

PSA management is bringing in Carlos Tavares to replace Philippe Varin, who is retiring as CEO this year. Tavares was second-in-command at Renault-Nissan of Carlos Ghosn, who "turned around" his firm in five years by sacking 20 percent of the workforce, eliminating 10 percent of the dealerships, and selling shares Renault owned in other companies.

Both Varin and Tavares have been closely associated with the expansion of PSA's ties to Dongfeng, a Chinese state-owned automaker. In recent months, as PSA completed the closure of Aulnay, it has been working closely with the French government and Dongfeng to reorganize the company. Its goal is to concentrate production in a number of major factories chosen to exploit the lowest labor costs possible.

Peugeot first started producing cars in China with Dongfeng in the early 1990s. However, sales really took off starting in 2004. From 2004 to 2012, yearly production rose five-fold, from 89,000 to 442,000 cars. In 2013, Dongfeng Peugeot-Citroën Automobiles are expected to produce over a half million cars; in 2015, they aim to build over 750,000 cars.

PSA also has a partnership with the China Chang'an Automobile Group. Called CAPSA, it aims to produce over 200,000 cars by 2015. In total, PSA therefore plans to build over 1 million cars through joint ventures in China next year. By 2020, over half of PSA's production is expected to be in China, for the Asian market.

While PSA owns half the shares in its joint ventures in China and therefore automatically gets half the profits, it will in reality receive far more, as it will charge for the use of PSA technology in its Chinese operations.

At the same time, the French state and Dongfeng are handing over massive amounts of cash, roughly €1.5 billion each, to PSA in order to recapitalize the company. The PS government's role is to make sure PSA remains in French hands, as Dongfeng is controlled by the Chinese state. The Peugeot family, Dongfeng, and the French state will each hold 14 percent of the firm's capital at the end of this exercise.

The Peugeot family will, however, lose their controlling share—currently 25 percent of shares, but 38 percent of shareholder votes—and find themselves on an equal footing with their two partners.