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# Coventry car production dealt another killer blow

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## Ryton to lose another shift

Following closure of Jaguar's Browns Lane plant (at a direct cost of 1,100 jobs) and last year's shut down of Peugeot's fourth shift (losing another 700 jobs), we now learn that Peugeot is to close yet another shift this summer, at a cost of another 850 jobs! These losses affect far more people than simply the workers made redundant: those in companies supplying components to Peugeot, as well providing services to Peugeot workers also suffer. The 15 percent increase in production announced at Land Rover in Solihull will make up only some of the losses to the local economy. Worse news still is that Peugeot is widely expected to close down its Ryton plant altogether by the end of the decade, at which time the industry expects that the 206 model currently in production will be outdated and therefore phased out. All these closures, disastrous for the local economy, have, of course, been eclipsed by the announcement this month (April 2005) of the insolvency and closure of the last British-owned car manufacturer, MG Rover at Longbridge in Birmingham, with the loss of the remaining 6,500 jobs.

## Capitalism is to blame

Much attention has been focussed on 'greedy bosses', who make a great deal of money out of their stewardship of businesses that ultimately collapse, while workers are just thrown out of work with very modest redundancy pay offs. All this is true, but it should not blind us to the fact that, while the fat cats have leapt at opportunities to enrich themselves, this is not what is to blame for the collapse of our motor industry. The cause is to be found in the archaic capitalist economic system, which is lovingly preserved by the rich and the powerful, the great and the good, because of the opportunities it presents for them to become even richer and even more powerful, while the vast majority of people get poorer and poorer.

It is the laws of this archaic capitalist economic system that have sentenced British industry to death, not the fat cats, who would probably prefer to be able to continue to run it and make even more money out of it. These laws dictate that whoever can produce as good or better a product at the lowest unit cost will capture the market and will drive other less 'efficient' producers out of business. A major component of the cost of producing anything is labour costs, so the car manufacturer who wishes to survive has not only to invest in machinery that will reduce the number of workers per vehicle produced, but also to go where adequately trained workers are cheap.

The British-owned car manufacturers were mainly driven out of business by foreign companies whose investment in modern machinery was over 10 times higher per worker than theirs. These companies are able to produce cars at a handsome profit even in Britain, with its relatively high labour costs. Toyota increased production by 16.2 percent in Britain last year and Honda by 4.7 percent. Nissan is struggling and lost 3.7 percent of its output, but has received over the years some £178m in government grants to enable it to maintain a 'healthy' level of profitability through its British production. Peugeot, however, although it scored a hit with its 206, which until recently vied with the Volkswagen Golf as the EU's best selling car, is now facing increased competition in the small car sector, and cannot maintain its sales momentum. Sales of the 206 fell by 5.2 percent in February alone, and over the year Peugeot is down 16.5 percent. Peugeot's profits last year amounted to a slim £763m (on sales of nearly 45 times that amount, and a net fall

over the previous year of 9 percent). It will obviously start recording losses pretty quickly if it does not drastically cut down expenses in line with its falling sales. So serious are the projections that Peugeot has turned down a government grant of £14.4m to help convert Ryton for the 206's successor model.

It is nothing more or less than the law of the market which is driving Peugeot out of Britain and into the Czech Republic, as at one time it took over the Ryton facility in Britain at the expense of expanding production in its home country, France. Production costs at Peugeot's new factory in Kolin are 40 percent of those in France, much lower than in Britain. If Peugeot is to survive the sharpening competition, it HAS to move. The same economic laws that are deporting Peugeot, are exerting their power on other car manufacturers and industries as well. According to Price Waterhouse Coopers' 2003 Global Automotive Financial Report, all the mass production (cheap) car manufacturers are striving to get an entry-level vehicle at under \$5,000 (£3,400) at the factory gate. With a German made VW Polo costing £5,000 or more, a French-made Citroen 2 at £4,900 and a British made Nissan Micra costing £4,800, the threat to not only British, but all western European production is obvious, although luxury cars are all right for the moment.

## Manufacturing moves abroad

To reduce production costs as much as possible, all car manufacturing multinationals are moving into countries where wages are really low, including eastern Europe, China and India. PWC points out that while in western imperialist countries labour costs are between \$30-\$50 an hour, in eastern Europe and Latin America they are about \$5, in China 50 cents and in India only slightly above that. In most of these countries, these low rates are brought about principally by the dire poverty of the workers. In China lower wages are facilitated by the fact that the abolition of private ownership of land means that workers pay only the smallest fraction of what western workers do for accommodation. There is nothing to pay landowners or building society or bank loan sharks - so wages can be lower.

The laws of capitalism require working people to be prepared to work for lower and lower wages, competing with each other to offer to work longer hours, more flexibly, more unsocial hours, always for less and less, if they are to have any work at all.

Nothing short of the overthrow of this archaic capitalist system, which causes not only job insecurity, but also war, and condemns the majority of the world's population to hunger and disease can solve the problem. In the short term, however, the working class needs to fight to preserve their jobs, which the laws of capitalism have condemned to it death. The fight will be difficult and complicated as the fighting organisations of the working class, the trade unions, are mostly controlled by loyalists of the pro-imperialist Labour Party who see their function only in terms of negotiating the best redundancy deals. Nevertheless, strikes to preserve jobs, conditions and pensions have a good chance of success at least in companies that are still generating profits, and attempts by our ruling class to preserve their profits at the expense of the working class should not be taken lying down. Ultimately, however, the working class cannot close its eyes to the necessity of overthrowing capitalism altogether and establishing socialism so that it is not constantly made the victim of the vagaries of the capitalist market.