

## The Decline of the Belgian Car Industry



170

[ EWALD PIRONET ]

The car industry in Belgium has been going downhill for years, but the pace of decline has quickened markedly in recent years. In 2006, the Volkswagen Vorst plant was subsumed into Audi Brussels, a move which cost 3,000 of the 5,000 jobs. Four years later, in 2010, the Opel plant in Antwerp closed, axing 2,600 jobs in the process. And in 2012, Ford decided that its factory in Genk also had to close, with 4,000 job losses. Ten thousand direct jobs in the car industry were thus lost within the space of a few years. And all this after Renault, without any prior warning, abruptly closed its plant in Vilvoorde in 1997, putting more than 3,000 employees out of work. There is now only one car assembly plant left in Belgium: Volvo in Ghent. And the Volvo management, too, has hinted that the future of this plant cannot be guaranteed, however good its productivity figures may be. What is going on here? Or, to put it in automotive terms: why is the engine stuttering? Time to lift the bonnet and have a look.

Let us first take a step back in time - because there was a time when Belgium even had its own car makes which were famed and desired far beyond the Belgian borders. The best-known was probably Minerva in Antwerp, along with Excelsior in Zaventem and Imperia in Nessonvaux. The Minerva company was founded in 1897 and initially made bicycles, then motorcycles, and from 1904 onwards cars, too. Minerva became synonymous with beautifully crafted, luxurious, fast and even customised cars. The cars were easily identified by the distinctive mascot in the form of the head of the Roman goddess Minerva adorning the radiator cap. The cars were sold to members of the royal houses of Belgium, Romania, Thailand and India, as well as to members of the nobility and film stars. The legendary carmaker Henry Ford is also said to have driven one.

The golden age for Minerva was the 1920s: in 1927 the company employed more than 6,500 workers. During that period, the company was keen to expand further and went in search of new investors. However, those ambitious plans were thwarted by the stock market crash in New York on 24 October 1929. The economic crisis in the 1930s made its presence felt and demand for luxury vehicles slumped. In 1934, the recession forced Minerva to throw in the towel. Twelve hundred workers lost their jobs overnight. Today, Minervas are still highly sought-after vintage cars, and there is also a model gracing the MAS (Museum aan de Stroom) in Antwerp.

Around the time that Minerva was in its heyday, foreign carmakers came to Belgium in droves to set up business. This was the result of a requirement by Belgian law, which stipulated that any foreign carmaker which sold more than 250 vehicles in Belgium had to have a vehicle assembly plant in the country. First came the Americans, starting with the Ford Motor Company in 1922, which opened a factory in Antwerp. Two years later, Ford was followed by GM, which wanted to build Chevrolets in Antwerp; after the Second World War, this would become the Opel factory.

After the Americans came the French, with Citroën opening a plant in Vorst in 1926, followed a year later by Renault with a factory in Vilvoorde, and in 1938 Peugeot also crossed over the border. The Belgian company D'Ieteren had by this time already been assembling American Studebakers for four years, and from 1954 onwards built Volkswagens as well. In fact, the company is today still the Belgian importer of VWs, along with sister brands such as Audi, Porsche and Skoda. And then there was Mercedes-Benz, which began assembling cars in Mechelen.

This was just the first wave, as the 'golden sixties' and rising prosperity brought even more car manufacturers to Belgium. Ford laid the first stone for a new factory in Genk in 1962. In 1964 Morris, MG and Land Rover (all British Leyland brands) began building cars in Seneffe, in Wallonia, and a few years later Volvo opened an assembly plant in the port of Ghent. Later arrivals were Simca in Nivelles, Daihatsu in Aartselaar and Saab in Mechelen. It would be only a slight exaggeration to say that at a certain point it seemed as if Belgium was just one large car factory. In fact it is not such an exaggeration at all, because in the peak years more than a million vehicles rolled off the Belgian production lines every year. With the production of roughly a hundred cars per thousand inhabitants, Belgium was the record holder for the number of cars assembled per head of the population. No one at that time gave a thought to the possibility that this situation might ever come to an end.

## A portent

There was a rude awakening from that dream on 27 February 1997. News editors received an invitation to attend a press conference that was to be held in a Brussels hotel on that same day by the management of Renault. Everyone present was taken completely by surprise by the announcement that the Renault plant in Vilvoorde, which at that time built the Mégane, was to close. Employees, employers' organisations, politicians – everyone, in fact – reacted with incredulity to this bombshell, even though it had been known for some time that there was overcapacity in the car market. But the announcement that the Renault factory had to close still came like a bolt out of the blue. We have to go back to 1981 to find anything to compare with this event, when British Leyland, which at the time was struggling to survive, decided to close its factory in Seneffe, making 2,200 workers jobless overnight.

The closure of the Renault Vilvoorde plant cost 3,100 jobs. The factory was occupied, lawsuits were instigated against Renault for failure to comply with the rules on mass redundancy and the Belgian sculptor Rik Poot created 'De Vuist' ('The Fist'), which was erected on a roundabout in Vilvoorde, where it stood as a



sign of protest. People declared that they would never buy another Renault. But despite all this, the assembly plant shut down for good. This brought to an end the building of Renault cars in Belgium which had begun seventy years earlier. It was just the start of a series of factory closures in the car industry.

But why did Renault end its assembly activities in Belgium? The basic explanation is simple: Renault was not selling enough cars. That had been the case for years; the figures were deeply in the red and the losses were piling up. Renault had therefore been cutting costs in all its operations for some time. In practical terms, this meant that it was winding down factories and making workers redundant. In his memoirs, the then head of Renault, Louis Schweitzer, pointed to another factor which convinced him that there was no alternative but to close the Renault plant in Vilvoorde. According to him, a major advantage of having a factory in Belgium had disappeared: in the past, Belgian import duties had to be paid on fully assembled vehicles, but this requirement disappeared with the formation of the common European market. It is a stark example of how, as well as being good for the economy, European unification also led to mass redundancies.

One further point: the day after the announcement of the closure of Renault's Vilvoorde plant, the Renault share price rose by 15 percent. Consumers did not stop buying Renault cars – in fact quite the opposite, because Renault achieved a record market share in Belgium in subsequent years. A social plan was drawn up which was intended to help the more than 3,000 redundant workers at the Vilvoorde factory to find new jobs, and ultimately only around a hundred ended up in the unemployment figures. What still survives today is the 'Renault Act' which was introduced in 1998. The Act states that advance notice must be given of mass redundancies and that negotiations must take place first. The government can also demand repayment of any state aid granted. Reference is still regularly made to the Renault Act today whenever there are factory closures. And Rik Poot's 'De Vuist' still stands on the same roundabout in Vilvoorde.



The closure of the Renault factory in Vilvoorde could have served as a wake-up call suggesting that the future of the car industry in Belgium was not assured forever, but the warning was not heeded. Politicians and trade unions continued to believe that car assembly in Belgium had a rosy future. And if car sales should slow down and fewer cars needed to be produced, for many the solution was very simple: redistribute the work among all European factories. It was also consistently asserted that Belgium, in addition to its central location in Europe, had another enormous trump card: its car factories were among the best-performing and most productive in Europe.

*De Vuist (The Fist). Vilvoorde. Artist Rik Poot protesting against the closure of the Renault Vilvoorde Plant*

## **A story of decline**

Economists were less optimistic about the future of the Belgian car industry. Professor Paul De Grauwe, for example – at that time attached to KU Leuven and today to be found at the London School of Economics – had the courage to say that the future of the car industry in Belgium lay behind us. He described a further decline in employment in the industry as ‘inevitable’. According to De Grauwe, there were three reasons for this: globalisation (cars destined for the Belgian market no longer needed to be built in Belgium); delocalisation (companies were moving their factories to countries where it was cheaper to manufacture); and technological progress (new production machinery meant carmakers could produce more with fewer workers).

Captains of industry also took a sombre view of the future. Top industrialist Karel Vinck, for example, did not mince his words when he declared a few years ago that ‘Car assembly will eventually disappear from Belgium. The scope for technological breakthroughs has been exhausted and we are saddled with high wage and energy costs. In such a situation, the only conclusion a government can reach is that it needs to run down car assembly in a controlled way while it

looks for alternatives. That's something that you have to start doing a few years in advance.' That did not really happen, however.

A fundamental element running through the story of the decline of the car industry in Belgium is that the car industry in the whole of Western Europe has been in deep crisis since the middle of the 1990s (and in fact not just in Europe: the car industry in the US is also fighting for survival). The European automotive market had shown healthy growth of several hundred thousand vehicles every year since the Second World War, reaching a peak of 13.5 million vehicles in 1990. The first major downturn came in 1993, when the market slumped to 11.5 million units. Many believed this was just a blip, which they were convinced would be rectified when annual growth of around 3 percent resumed.

This proved not to be the case, however: the car market stagnated. The number of new people wishing to buy a car failed to grow, and many existing owners put off replacing their current vehicle for as long as possible. On top of that, more and more Japanese and Korean cars came onto the European market: in 1993 there were 1.3 million Asian cars in Europe, with a market share of 12 percent; by 2007 that number had increased to 2.6 million and the market share was more than 18 percent. Automotive analyst Vic Heylen said it five years ago: 'The European car industry will have to produce between four and five million fewer vehicles annually than planned. That means there are almost fifteen car plants too many in Europe. It's as simple as that.'







The consequences were inevitable. First came the restructuring operations, with many redundancies: 117,000 jobs were lost in the European car industry in the period 2000-2006, roughly 70,000 of them from 2004 onwards. Jobs were also lost in Belgium, at Ford in Genk, at Opel in Antwerp and at VW in Vorst. As an example, around 3,000 of the total of 5,000 jobs at VW were scrapped in 2006, when VW Vorst was relaunched as Audi Brussels. The new operation retained 2,200 workers, though they had to take a 20 percent pay cut. This development was hailed by politicians as a great victory. The then Prime Minister, Guy Verhofstadt, declared triumphantly: 'The 2,200 jobs and the new models are proof that the car industry still has a future in Belgium.' Barely 24 hours later it was announced that the Opel factory in Antwerp was to scrap 900 jobs, on top of the 1,400 redundancies that had already been announced. Like VW Vorst, Opel Antwerp had halved in size within the space of just a few years.

During this period there was some hopeful news to be gleaned from the Ford factory in Genk: the plant had succeeded in winning the contract to build the Mondeo, but at the price of pay cuts. The deal would mean work for the next ten years, according to those involved. Even then, however, the first gloomy reports were already appearing in the American business newspaper *The Wall Street Journal*. Ford was putting together a plan to scrap surplus production capacity in its European factories, according to the report, and the plant in Genk might be in the firing line. Following these reports, uncertainty about the future of Ford Genk grew.

In order to shore up employment in the car industry, employees made sacrifices and governments made efforts to provide clarity. Government leaders travelled to the headquarters of the car manufacturers to listen to their concerns and to point out the advantages that Belgium had to offer. All kinds of incentive measures were rolled out to entice carmakers, and governments also came up with cash – lots of cash. Precisely how much money was involved is something that no one has ever been able to discover, because as well as the federal government, the regions, provinces and cities kept dipping into their purses too.

None of these efforts helped. In early 2010 it was announced that the Opel

plant in Antwerp was to close for good, and on 15 December of that year the last car rolled off the production line. The remaining 2,600 workers found themselves without a job. Many of them looked for work in similar companies such as Volvo Cars in Ghent, Audi Brussels or the bus assembler Van Hool. Some of them looked for work in a completely different sector such as the construction industry, the hospitality industry or even in the funeral services sector. After two years, 25 percent of the victims were still without work.

### **The end of the story?**

At the end of 2012, it was finally announced that the Ford plant in Genk would close at the end of 2014. The plant had lost out in the competitive battle with other Ford factories. Because while car showrooms compete against other makes, factories belonging to the same manufacturer compete with each other. Production of the Galaxy, Mondeo and S-Max will move from Genk to Valencia in Spain, where wage costs are apparently 42 percent lower. The Ford plant in Genk currently employs around 4,000 people and is therefore still one of the biggest employers in the province of Limburg, and in Flanders. But it is worth remembering that twenty years ago, in 1993, more than 13,000 people – more than three times the present number – earned their living at the Ford Genk factory.

That leaves just one car assembly plant in Belgium: Volvo in Ghent, which employs more than 4,800 people and produces the successful V40, S60 and XC60 models. Doubts are now growing about the future of this plant, too, however. During a visit by the Flemish Prime Minister, Kris Peeters, earlier this year, the head of Volvo made it clear that 'urgent structural reforms are needed in order to improve the competitiveness of Belgian industry.' Wage costs need to be reduced, in other words. Whether that actually happens, and if it does whether it will be enough to allow Volvo to survive in Ghent in a shrinking car market, remains to be seen.

It is therefore increasingly looking as if car production in Belgium is coming to an end. True, the Japanese carmaker Toyota still coordinates its European marketing and sales activities from Brussels, has enlarged its European research and development centre in Zaventem and employs a total of around 4,500 people in Belgium. But there is no industrial activity at these locations. Despite everything, though, Flemish Prime Minister Kris Peeters tries to remain upbeat and even sees new opportunities for the future: 'I believe that Flanders can produce the car of the future: first a hybrid, then an electric car and later perhaps a hydrogen car.' Perhaps. Bonnet closed. ■

