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## **The French automobile industry confronting the social, economic and environmental crisis of the 1970s (1968-1981)<sup>1</sup>**

This paper is partly the fruit of previous research on the french public policy in truck industry<sup>2</sup>. It's partly an on going research on the French automobile industry during the crisis. I want to study the built of industrial policy facing crisis at different levels and scales national, regional versus or in relationship with European level<sup>3</sup>.

Until now we had different scholar points of view on French automobile industry facing the 70's crisis. Not surprisingly, historians have focused their analysis on enterprise and the heart of business, the cars sector.

French historians like Jean-Louis Loubet or Americans like James Laux focused upon cars sector and failure of strategy of implementation on US Markets lead at the end of 1970 by Renault and Peugeot. For Laux, Renault did quite well in the 1970's thanks to several small, fuel-efficient models. The state-owned enterprise emphasized exports and tried to return to the US Markets with an agreement with American Motors Corporation<sup>4</sup>.

For Peugeot the development focused on Parayre's strategies and the famous agreement with Chrysler for take over the Chrysler Europe branch. They are quite silent on

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<sup>1</sup> Work in progress; please do not quote without author's authorization.

<sup>2</sup> Jean-François Grevet, *Au coeur de la révolution automobile : l'industrie du poids lourd du plan Pons au regroupement Berliet-SAVIEM, Marchés industries et Etat en France 1944-1974*, PhD in history, University Lille-III, 2005, forthcoming publication; Jean-François Grevet, « La coopération européenne, la meilleure solution face au Marché Commun? Les stratégies de la SAVIEM, constructeur français de poids lourd et filiale de Renault (1958-1973), in Marine Moguen-Toursel, *Firm strategies and Public policy in Integrated Europe (1950-1980), Confrontation and Learning of Economic actors*, PIE Peter Lang, 2007, p. 193-232.

<sup>3</sup> On the European integration 's context, report on the the recent works of Sigfrido Manuel RAMIREZ PEREZ, *Public Policies, European Integration and Multinational Corporations in the Automobile Sector. The French and Italian cases in comparative perspective 1945-1973*, thèse soutenue à l'European University Institute, Florence, 2007

<sup>4</sup> James Laux, *The european automobile industry*, Twayne publisher, NewYork, 1992, p. 233-236. Report on the different Jean-Louis Loubet's books from Peugeot, Citroën and Renault papers, Jean-Louis Loubet, *Citroën, Peugeot, Renault et les autres,...soixante ans de stratégies*, Le Monde Editions, 1995 reed 1999, *Renault, histoire d'une entreprise*, Paris, ETAI, 1998, reed. 2000, J.-L. Loubet, *La maison Peugeot*, Paris, Perrin 2009.

the role and built of public policies and the trajectory of truck sector except the famous take over of 1974 and the mention that rationalization was a nightmare for the truck sector.

In comparative perspective, Timothy Whisler, had highlighted contrast between lack of restructuration of british sector, firms analysis of british motor industry during the seventy's opposite poor British management of crisis by enterprises and State to the quite successful strategies of American, German, Japanese and French rivals.

For this point of view, « when compared to the British methods to preserve the status quo, the rivals displayed a striking degree of flexibility and acceptance of strategic and institutional change during the investigation, preparation, and implementation of recovery plans. The rescue of Citroën indicated that the french government was determined as the British to preserve its indigenous industry. Discouraging Fiat's overtures, the government offered generous loan facilities to support Peugeot's takeover of the car business and Renault's absorption of the truck side in 1976. The government's indicative planning system supported Peugeot's subsequent rationalization and integration of Citroën's facilities and model range into a comprehensive groupe structure »<sup>5</sup>.

Even if access to papers are not no easy the public archives are just beginning to open (like Valery Giscard d'Estaing 's papers), we want to have a new approach on the automobile industry sector in its totality and not only the car sector<sup>6</sup>.

The second issue is to study the firms in their environment, in particular the relationship between industry and State. As Integration became a reality, what kind of public policy is possible for an administration that has until 1960's a nationalistic point? What were the consequences of the Crisis and the attitudes of firms and French State? How was lead the policy? We will have too a strong interest for in the truck industry, a specific industry. The truck is a segmented and specialized market. Since its origins, the research of scale 's economy on limited volume is the main issue for this industry. The aim is with the most reducing group of key components to create the largest range adapted to different uses. The after-sales service is very important and costs heavily. Truck industry has the characteristic to be a Business-to-Business activity but in the same time it's a Business to Administration activity, or Business to State. From the origins until today, States are important markets,

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<sup>5</sup> T. Whisler, *The British motor industry, 1945-94. A Case study in Industrial Decline*, Oxford, Oxford Press, 1999, p. 129-130.

<sup>6</sup> For different enterprises like Renault, it's more difficult to have an authorised access to papers on post 1974 period because of lack of real politics of communication and externalization of papers.

especially for military uses<sup>7</sup>. So the links between State and Enterprise are very strong. As we will show, it explains that the French policy in automobile sector facing the 1970 's crisis is for a big part caused by the truck issues.

The choices of the dates have to be explained. Why 1968 and not 1973? Why 1981 and not 1985, (oil contra-shock) considered by beginning of Rebirth of both Renault and Peugeot groups?

1968 is clear because the social events of may-June have different consequences on automobile industry. But it is not sufficient. In July 1968, the Common Market was a reality with the end of tariff's barriers. At the autumn, Fiat-Citroën agreement initiated a long industrial monopoly in Europe and clearly asked the question of French industrial policy and reorganisation of public policy, especially for truck industry. So the period from 1968 to the first oil shock is fundamental. We couldn't understand the giscardian intervention in December 1974, at the beginning of crisis if we haven't explained what has happened since 1968.

For the end, 1981 choice was made for different reasons; the first is of course the new deal that occurred with François Mitterrand 's election. The second is that this date of 1981 was traditionally considered by journalists specialized on truck sector as the launch of ambitious advanced program named VIRAGES, that has been considered as the root of Rebirth of Renault Industrials vehicles at the beginning of 1990's. Until this research, I have made hypothesis that it was certainly a socialist initiative from the new government.

So the paper will follow a chronological scheme in three parts: the 1968-1973 period, then the 1974-1977 period and at last the 1977-1981 period.

So this paper is partly a work in progress. That 's why my final conclusions, especially for the period after 1977 and the second oil shock in 1979, are provisory. They could be maybe reconsidered, after I finished the papers opening.

## **1968-1973: before the oil crisis, the truck industry's crisis**

### **The Automobile industry trajectory, fruit of "a no industrial policy"<sup>8</sup>?**

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<sup>7</sup> On this aspect, report on Jean-François Grevet, « Le rôle de l'armée dans le développement du poids lourd avant 1914 », Cahier du CEHD, 2000, p. 185-216, Monika RIESS, *Die deutsch-französische industrielle Kollaboration während des Zweiten Weltkrieges am Beispiel der Renault-Werke (1940-1944)*, Peter Lang, 2002. Report too on the GDR research group on the enterprises during the German Occupation, Patrick Fridenson, J.F Grevet and Patrick Veyret, « L'épuration dans l'industrie automobile, entre mythes et réalités » communication avec, in Marc BERGERE (dir.), *L'épuration économique en France à la Libération*, Rennes, Presses Universitaires de Rennes, 2008, p.229-256.

Before the 70s crisis, the French government has developed a large range of skills to help in automobile industry. The main was different loan system like the FDES (economic and social development fund) who push the industry to develop plants in economic depressed areas or rural areas. Since 1955, French automobile industry has developed different plants in the West: Citroën near Rennes or Renault near Le Havre or Nantes.

The tariff barrier was another one. Since 1950's, industrialists have been reluctant face to the European Market. They have made many effort to keep Tariff's barriers and technological specific laws.

Since the Second World War, the ministry of Industry and specifically the direction for mechanical and electrical industries was the automobile industry's authority<sup>9</sup>. In comparison with Financing Ministry, it was a weak administration that was delivering advices to industrialist and was the defender of their interest like during Kennedy Round French producers have militated to keep British producers out Common Market when Great Britain has asked for admission in 1963 and 1967. During the Kennedy Round, they managed to keep the truck industry out the negotiations. Berliet lead the action against 10 tons per axle project who was supported by Germany, and after 1973 by Great Britain. The Treasury and the Ministry of Finances were important. In particular Giscard d'Estaing have played a major role in financing Renault by different capital increase planning with financial State source. But Valery Giscard was ready to help too private firms. As Sigfrido Ramirez has revealed, Citroën was ready with State help to made Peugeot's acquisition. That was why Peugeot had preferred sign an original alliance with Renault in 1966<sup>10</sup>.

The DIME and Gaullist government finally have given their benediction at the different strategies developed by Renault Group and private firms. At the end of sixties, this direction was unable to define and lead a strong industrial policy.

### **A specific industry, the truck sector;**

In 1968, three main firms were on the French truck market. The leader was Berliet; a family firm founded in 1899, and was established in Lyons. Led by Paul Berliet, the firm

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<sup>8</sup> C. Stoffaes, Jacques Vittori, *Nationalisations*, Paris, Flammarion, p. 84-94.

<sup>9</sup> Jean-François GREVET, « Des turbines au Plan, la Marine au service de l'économie dirigée ou les ambitions des ingénieurs du Génie Maritime à la direction des Industries Mécaniques et Electriques (1940-1944) », dans Jean-Paul BARRIERE, Marc de FERRIERE LE VAYER, *Aéronautique, Marchés, Entreprises, Mélanges en mémoire d'Emmanuel Chadeau*, Pagine Editions, 2004, 473-513

was in trouble, because of M Management reform's failure, social troubles and products. The firm was keeping strong position in Africa and was too very active in the business with the socialist countries like China, Algeria and Cuba.

SAVIEM was the subsidiary of Renault Group, created in 1955 by the merger of small producers. The firm had a strong financial support by the government to develop decentralized plants: Blainville in Normandy, Annonay in Ardeche and an ancient arsenal at Limoges. The major financing State to Renault was in fact for SAVIEM.

At last, Unic was since 1966 a Fiat subsidiary. Renting firms and big fleet for deliveries were in big development. International long haul transport needed powerful engines. But European Market was divided in several weight and size standards. For the truck, the main was the ton per axle norm that was 13 ton per axle in France, 10 tons in Germany and Great Britain. The maximum weight authorized for an artic truck was 35 tons in France and only 32 tons in Great Britain. In fact, these different national codes explained different technological paths in Europe and USA for the heavy truck's conception. In Great Britain, the market was dominating by eight-wheeled carriers, semi-trailer with six/two wheeled drive tractor. In Germany, the dominant vehicle was carrier with trailer, in opposition French market was dominating by two axle carrier of 19 tons, three axle carrier for tipper and special purpose, and semi-trailer with two axle tractor for long haul transport market. Germany was developed a new legislation on the trucks engine that from 1972 had to develop a mini of 8 HP (DIN) per ton power.

Thanks to a generous national code, Germans and Swedish truck makers were on the top and propose turbocharged engines or atmospheric engines; in contrast, french trucks lagged of power and the essay of turbo has been a failure that caused a damage of reputation, on the Berliet top of range. Berliet was made an important investment to develop its own technology

The restructuring of truck industry was in discussion since the Liberation and in particular since the Common Market's era. But in spite of State pressure, the industrialists didn't manage to sign an agreement. SAVIEM preferred develop European agreement with German MAN in the top of range and Italian Alfa-Romeo. SAVIEM Managers persuaded the French administration that it the best way to be competitive at the European scale. But, in fact, the cooperation was unequal and the balance was positive for MAN who bought expensive technology and could access at the French market.

### **The consequence of 1968**

When Fiat and Citroën announced in September 1968 their agreement, the government was quite surprised. Renault Peugeot and SAVIEM made different non-official pressures on ministry. So De Gaulle said no to the Fiat 's majority in Citroën's capital. But the government was unable to propose another alternative realistic strategy to this emerging European champion. But the consequence was that Renault-Peugeot Association accelerated investment and obtained the most generous condition to develop new plants in North of France, in coal depressed areas.

After Pompidou presidential election, came a new team and a reorganisation of ministry of industry. US gap and German competition in Europe explained that industrial imperative was the new gospel of French technocratic elite. For the SAVIEM and Renault, it was a good opportunity. During thee years, from the end of 1969 to autumn 1972, SAVIEM and Renault behind the scenes made an intense lobbying to the top of government in order to take Berliet control. In summer 1969, SAVIEM ' s assistant director Maurice Bosquet began to built a strong file of different good reasons to give Renault the control of Berliet. The main argument was that the restructuring of truck sector could be the great example of the new industrial policy and Renault SAVIEM ' s strategy was exactly that the government wanted to promote. In Ministry of Industry, the main actor was Polytechnician Jean Paul Parayre, who was member of quatuor so called in 1972 by a newspaper "the musketeers of industrial policy". The ministry of Defence was too reluctant. Against European point of view, he wanted to keep national suppliers in truck sector. The second European producer Fiat was too reluctant to take Berliet's control of with social issues. In fact, he has yet Unic, 3<sup>rd</sup> truck manufacturer that gives a good French market's share. Unic Management was against Fiat-Unic-Berliet agreement. So, when hard press campaign was lead by Renault direction to destabilise the Citroën-Berliet group, Agnelli, more interested by Citroën than Berliet agreed with pompidolian pressure in truck sector. Fiat-Unic-Berliet studies were stopped in June 1970. Renault SAVIEM kept the pressure and managed to block talking between Mercedes and Berliet. But Michelin said no to Renault-SAVIEM-Berliet merger, reluctant to give Berliet, an icon of family business, to a nationalised firm like Renault. Pompidou's Government tried different levels of pressure. In may 1972, a compromise on 11 tons per axle was accepted by France and Germany but refused by Great Britain, newcomer in EEC, who

preferred maintain its own standard<sup>11</sup>. French government promised a financial help for Berliet to adapt his product to the new standard but at the only condition that he accept to merge with SAVIEM. An interministerial committee in august 1972 forbade Mercedes-Berliet agreement. In 1972, Peugeot has proposed to be the arbitrator between Renault and Michelin with a small participation in future group. Finally Michelin attempted to deal with Volvo but tyre manufacturer didn't succeed. SAVIEM tried to. Government used his position of military vehicle buyer and prefer give the priority to SAVIEM armoured trooper prototype than Berliet vehicle. Berliet argued from social employment issue and managed to keep a small number for gendarmerie 's purpose. Berliet was in recovery, thanks to a new model range. He was able to reach an agreement with Ford: Berliet became Ford furnisher of its news cab. With little Michelin 's financial help, Lyons firm made huge investments, in the hope to be indispensable in a future truck European group. But its financial structure was degrading. For SAVIEM and Renault the situation was very critical. The agreement with MAN couldn't be improved because of Mercedes-MAN technical cooperation under federal ministry of Defence was developed. The common advanced research on gas turbine revealed its limits: it's been too expensive and the fuel consumption was too high. The future for high power was the diesel turbo engine. SAVIEM has attempted to develop since 1971 a Club of European small truck makers DAF (Nederland), Volvo (Sweden) and Magirus Deutz (Germany). With Volvo, an agreement was signed in the car sector for a common motor made in the new Douvrin plant (North of France). SAVIEM, Volvo, DAF and Magirus Deutz launched studies for a medium range of new trucks with a single cab, produced in Blainville. But This Club of Four couldn't give a European General Motors. Volvo wanted to keep his independence and the Van Doorne family preferred to give a strong participation to International Harvester, American leader on US truck market. In 1974, Magirus-Deutz was taken over by Fiat to create a new multinational truck group, named IVECO. So in the light truck, SAVIEM signed an agreement with Fiat for Diesel engine 's development. But the plant was in Italy...SAVIEM ads values to national economy was very limited.

In cars sector, the situation was quite different. I will be more allusive because thanks to Jean-Louis Loubet's work, the situation is well known. Thank to original design, the French automakers managed to develop theirs sales in Common Market and Europe. After May-June 1968 events, the major problem was to built cars. In fact, the situation was under pressure: the social imperative was combined with the industrialists' need of financing and

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<sup>11</sup> Marine Moguen (eds), « Les entrepreneurs de standard », special issue, *Entreprises et histoire*, juin 2008.

labour forces. Recruitment in Parisian region was not easy, when work was more repetitive. Foreign employees were recruited. But it wasn't without problems. So as said before, several plants were building in North, in coalfield. The employment primes explained non-intensive productive system. Peugeot and Renault association worked quite well; they managed to keep the control of Chausson, a coach builder and radiator maker; Chausson was urged to develop like his powerful protectors a new plant in North. In 1971, the new plant was established at Maubeuge

Another issue were the environmental and road security issues. Since 1969, Renault and SAVIEM have pushed for the elimination of constraints on European level. Renault was the first to promote the creation of European committee to create a European standard, against American standard. In 1974 June, with the presentation of Basic Research Vehicle, Renault was very proud and have attempted his goals. Europe will not take the US standards as new legislation<sup>12</sup>. In fact, it was a no-tariff protections and a technical protectionism.

In advanced research, when oil crisis arrived, the research was launched with different partners in economical interest group (GIE) with EDF and so one. In 1973 Renault SAVIEM created TREGIE to develop new forms of mobility and energy like a dual mode bus. But nothing has been really efficient.

## **1974-1976: a Giscardian New Deal?**

### **1974, a huge State's intervention or a compromise between State and firms?**

The crisis revealed the previous issues. Citroën was heavily touched. So, at the end of 1974 spring, Michelin proposed to Peugeot a merger. For Peugeot, it was a divine surprise. For Renault, Peugeot-Citroën merger project was an unpleasant surprise. Pierre Dreyfus and Bernard Vernier-Palliez understood that the Peugeot-Renault Association couldn't be more developed in the future. Facing the crisis, Pierre Dreyfus wanted to develop an ambitious strategy of diversification. The objective was to have 50 %of sale in another sector than the car's sector.

During the summer, a new round of negotiations began.

For the French Government, Citroën's collapse was a main social issue. But, the automobile sector was the main contributor of French trade balance. The crisis was here and

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<sup>12</sup> Société d'histoire du groupe Renault, Board of Direction, June 1974.



unemployment was growing; after Mitterrand electoral failure, the left was very critical about the government policy. Unions organized lots of Strike and manifestation in public sector. So the government was urged to interfere. But how?

In fact, a reorganization of Ministry of Industry was operated. Like a Ministry of War, former high military engineer were named at the top of a new Delegation general for Industry. The goal was to build a new industrial policy linked with commercial and military diplomacy. In particular, France wanted to equilibrate the trade balance with oil producers and deal commercial packages oil for military equipments, engineering and so one. The automobile and truck industries became strategic.

In the ministry of industry, the Berliet-SAVIEM merger's idea was back again. And the idea of a compensation for Renault emerged. Peugeot Peugeot wasn't interested by the truck sector. So a general agreement was hardly negotiated by firms, Direction of Treasury, Ministry of Industry. For Peugeot, one of the negotiators was Jean-Paul Parayre who had left the Ministry of Industry for private firm few months ago. Compared with previous round (1969-1973), Michelin was in weakest position. Facing Citroën's financial issues, the firm couldn't wait a long time. For the truck, the situation wasn't brilliant. With the crisis, the truck sales dropped. The merger of Berliet with another European enterprise was difficult because they are lots of possibilities. For Michelin, the final agreement concluded in December 1974 was like a diktat. Finally, the government though FDES lent one billion of F to Peugeot to take Citroën, and another 450 millions to Renault to take Berliet.

It was a major step in the restructuring industry. De facto, it was the nationalization of the truck industry, except Unic who remained under Fiat IVECO 's control.

But its was too a precious help to the private firm Peugeot and Michelin. So the mixed economy promoted since the Liberation seemed unchanged. In fact, some left leader asked for a total nationalization of Automobile Industry, like in Great Britain<sup>13</sup>.

One another interesting thing is that the negotiators were those would the CIASI (committee interministerial of reorganisation of industrial structures), a structure that would examine from 1974 to the eighties how to bring help to all the enterprises affected by the crisis.

### **1977-1980: The Golden age of Industrial Policy?**

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<sup>13</sup> For further details report on JF Grevet Phd, 2005, 4th part.

After 1974, the ambition was to define the pertinent levels of public policy on automobile, in order to avoid that government without sufficient thinking took wrong decision. With a broad approach, the group has to define scenario of Future.

The thinking group lead by Hugues de l'Estoile achieved his report at the beginning of 1976. Not surprisingly, it was a great and interesting synthesis on the past and present. For the future, it was more on the different ways that could be taken<sup>14</sup>.

The conditions of the December 1974 agreement explained that the Renault Managers took care with Berliet's Board. Bernard Vernier-Palliez was named at the head of the group. The firms Berliet and SAVIEM kept their identity, their brand, and their sales networks. Paul Berliet remained in charge of commercial issues and export sales. Thanks to his experience, Berliet developed sales in Middle East. A complicate structure with directory system was created. At the mid-1975, Renault presented to the Ministry of Industry a planning of development: the goal was that SAVIEM 's sales were equal to the Berliet's sales. The ministry of Industry agreed this planning. At the autumn 1975, remission of taxes on investment artificially provoked a brief rebound of sales. The debate on the European standard on the size and weight wasn't close and after 1974, renewed by Germany who refused 11 tons per axle. Berliet was very active and took the opportunity of different French national committees on energy saving to promote a status quo on 13 tons per axle. The firm tried to increase the weight of semi trailer on 40 tons, in order to manage the conversion of Germany to the French standard of 13 tons par axle.

During two years, different committee worked for the study of rationalisation of the products. But it was very slow and difficult because, the decision's process was quartered between Paris and Lyon. In fact, each firm wanted to kept the main part. The management was troubled because of lots of change at the top of enterprises. In 1975, it was the Pierre Dreyfus retirement. To take the place the former Industry Inspector, Bernard Vernier-Palliez was named as new chairman. Former polytechnician engineer and high civil servant, Christian Beullac became the new delegate for truck Industry and diversification. But in 1976, Christian became the ministry of Work. So F Zannotti, another polytechnician engineer, former Renault director for Common Market and the assistant of Bernard Vernier-Palliez took the place. The commercial and industrial was very bad at the end of 1976. Government asked SAVIEM to build a new plant for light trucks in Lorraine to solve unemployment caused by steel crisis.

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<sup>14</sup> Archives contemporaines, rapport du groupe interministériel de réflexion sur l'avenir de l'automobile, janvier 1976, 163 p.

For the car sector, as shown by Loubet and Laux, the commercial situation was better. In 1976, the new group Peugeot-Citroën was able to repay the 1974 loan to the FDES. The two groups Renault and Peugeot were able to compete with their European and others competitors; with State helps promoted by AEE (Agency for Saving energy), different research programs were launched. Strikes were too present during 1975, especially at Chausson plants. At last, Renault 's diversification was ambitious in leisure sector, motors, machine tools, and financing services and was now an impressive conglomerate, that was less efficient and needed huge investments.

### **A big public debate on the Renault Case in French industrial policy**

So after Pierre Dreyfus left the Renault direction in 1975, the debate rebounded on the Renault case and the French Industrial policy. The Senate, and his Financing Committee with Edouard Bonnefous renewed ancient critics about the no control of nationalized firm. The chamber wanted that the new chairman Bernard Vernier-Palliez and the ambitious and expensive politics of diversification would be more controlled.

In ministry of Industry, a Group of reflexion on Industrial strategies was created and published several studies. In May 1975 an important colloquium on industrial restructuring has been organized in Paris.

Facing critics, Pierre Dreyfus wrote a book. So called "the freedom to succeed" this book defended nationalisation by a vibrant argument for Renault trajectory since the end of 2WW. The Renault success explanation was on the self-government of different chairmen since 1945 towards the State. Former Citroën's CEO, Pierre Bercot wrote too his testimony book called *My Years in Citroën*. In order to explain its failure, it highlighted the negative State policy in prices controls and the activity of Renault<sup>15</sup>.

But the debate wasn't only in the automobile family. As Stoleru in 1969, a new generation of technocrats, polytechnician engineer with MBA degree, wanted to lead the government policy. In the legislative context, Jacques Attali published a book named *La parole et l'outil* that could be translated as "The word and the skill". Alain Boubilil published *Industrial socialism*, 1977. During the summer 1977, the left was divided between CERES of Jean-Pierre Chevènement very anti-capitalistic point of view and more pragmatic PSU of

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<sup>15</sup> Pierre Dreyfus, *La liberté de réussir*, Paris, Simoën, 1977. Pierre Bercot, *Mes années chez Citroën*, Paris, La Pensée universelle, 1977,

Michel Rocard who were conscious that the total nationalization of French economy wasn't possible. Christian Stoffaës and ENA (high administration school) J. Vittori wrote a book so called *Nationalisations*. Divided in Three parts, Yesterday, Today and tomorrow, the books examined the trajectories of nationalised firms. It was an answer to left proposition and the large program of nationalization. Was the Renault case an example to be generalised to the total French industry? In few words, in a chapter named "Renault Great Race", C Stoffaës analyse was than Renault trajectory was not so bad as the French automobile industry. The high civil servant acted that it was the result of a "no industrial policy", and agreed with P. Dreyfus explanation of autonomy. One year later, C. Stoffaës wrote a distinguished book that gave a new impetus to the debate on French industrial policy<sup>16</sup>. Against neo-protectionism resurgence defended by Jean-Marcel Jeanneney former Gaullist Ministry of Industry, he wanted to promote a "liberalism organized", inside the GATT and by States, but too more cooperation between European firms. Ad least, it was a partisan of contractual policy between State and enterprise, though contracts of program for few enterprises and carriers sectors ("secteurs porteurs"), in order to give French Economy a specialization on emerging technological markets. Part of solution was in the Third World, as emerging market. Of course, a big part was devoted to automobile industry, our great sector of international competitiveness". The automobile industry helped the France to face the crisis without too much damages. It was the main sector that has pursued to create jobs since 1974.

With a zest of provocation, he wrote that "we could say that the differences between British and French economical performance were explained by the fact that Leyland who is a chronically enterprise is British whereas Renault and Peugeot are French...But the book pointed several clouds in the sky of this industry: he forecasted at mid and long term a word war due to US rush and Japanese aggression. European firms were too small face the world market. He pointed too the debacle of truck industry and identified several points mentioned supra. The balance for truck industry was sharply negative. The France has to do all the possible to preserve chance of his automobile industry considered until now as 'benign neglect'. In march 1978, C Stoffaës was named by the new minister of Industry A Giraud, polytechnic engineer and former oil company on the head of Circle of studies and forecast in Ministry of Industry.

But, government called again the automobile industry for solve employment in East and North after steel capacity reduction of Davignon Plan. At Valenciennes, with generous

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<sup>16</sup> Christian Stoffaës, *La grande menace industrielle*, 1978, reed. 1979, p. 135-163.

Peugeot built a new plant for gears boxes while Renault accepted to employ thousand steel workers at Douai plant. At Maubeuge, Chausson plant didn't manage to keep a good productivity because constant models change on product line. The initial product sport cars didn't succeed. Although an original design, the Fuego car wasn't a success in Europe and in USA. Other reason was the break between former associate Renault and Peugeot. For Chausson, the north operation, decided in 1969, wasn't a good business. Renault remains alone and kept finally the control of the plant that was renamed Maubeuge Chausson Automobile<sup>17</sup>.

### **The big collapse of the truck industry 's reorganisation and the "Growth Program" of 1977**

At the beginning of 1977, the situation was critical for French truck industry. His home market knew a sudden plunge and the export markets weren't terrific. The solution was more and more loan to sustain activity of both enterprises sharply indebted. The Renault top managers built an ambitious new 5 years planning to recovery competitiveness for 1985. Bernard Vernier-Palliez and Zannotti team planned a huge investment of 5 Billions of franc (constant franc). Presented to Government, in April, it was accepted and integrated in governmental industrial package called "contract of program". An important interministerial committee for economical policy accepted to finance this ambitious rescue plan. The Regie could benefit from a minimum of 1, 200 Billion of francs for the four next year and a supplement of capital of 200 millions. In optimistic view, the government expected than equilibrate commercial balance in truck sector will generate a 3 Billion of surplus in 1980 and 9 Billion of francs in 1985. The priority was the reconquest of home market and the development of exports sales, especially in Europe. But, René Monory, former garage-man, estimated that the both enterprises absence from US market was intolerable. He urged the group to find a way for go on profitable market and Promised Land, the USA market. Another objective was to recover the national independence for main components (motors, gearboxes and rear axles) to avoid Man. To disarm critics on centralization on Paris, the transfer of RVI headquarters at Lyon was decided, but in new location, out of Berliet estate.

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<sup>17</sup> Archives du Monde du Travail, Chausson papers, Chausson, Renault, annual reports 1968-1983.

In order to accelerate the rationalization and to stop the intestinal struggle between Berliet and SAVIEM team, the merger of Berliet and SAVIEM was announced in June 1977, to be effective in 1978.

So when second oil shock arrived, RVI was in troubles. Against part of management and P. Berliet's willingness, it was the end of the locomotive badge in the front of trucks. The first apparition of new model under Renault badge was at the Scottish Motor in Glasgow in November 1979. A light tractor for 32-ton unit was designed from a Berliet frame and SAVIEM "Club" cab for British specifications. A plan to concentrate the sales network generated lost of markets share. Mercedes was the big winner of French civilian commercial struggle. Its market share rose gradually and brought the German firm to a strong 3<sup>rd</sup> position after Berliet and SAVIEM in midterm of 1970. At the end and after the merger, it took the second position on the French market, the 3rd market in West Europe after Great Britain and German. It would maintain it during all the eighties.

A so-called "plan of safeguard of employment" planned thousand jobs cut and cost heavily although National fund for employment helped to cut in employee's number. Spare stocks were a big problem. In 1979, RVI has 180000 pieces to be able to assure during 10 years correct after-sales services to the Berliet and SAVIEM fleet. At this moment, the Mercedes spare stock was estimated at 140 000 pieces. Bourg initially built in 1964 for special purpose vehicles for army and public's works suffered of lack of army orders, after end program and army choice was on SAVIEM vehicle for tactical use. Over capacity of production, recessive markets and commercial war were the roots of heavy losses and unemployment. In fact, the new structures and reorganization hit more plants workers than engineers and employees. A plan of automation was built but the operators were reluctant and wanted to be associated to the operations. Without clear management, endless program 's change, and thousand jobs abolishing, the demoralization of RVI employees was general.

For the car, the situation became too difficult; Peugeot suffered of difficult digestion of Chrysler subsidiary absorption. Renault, the situation was better; in fact, the debts were growing quickly. The French producers knew a fall of their sales on their domestic market. Germans competitors like Volkswagen or Mercedes; American subsidiaries in Europe and Japanese were strong competitors on the export markets as on the French market.

Left and right opposition criticized governmental industrial policies and firm management in the context of legislative elections of March 1978. In both party, former employee collected arguments: at right, it was Caillié for Jacques Chirac party, RPR. On left, it was Alfred Bardin, former technical director of self-lead experience of 1944-1949 period

attempted at Berliet works. As former troskyst, then CGT-FO member, Alfred Bardin was close to PSU of Rocard and have relations with local section of Socialist Party. He made a brief history of group and different surveys<sup>18</sup>. At last, it was André Gerin for French communist party. Both criticized the American agreement with Mack, the waste of investment, and governmental policies who neglected workers issues and social aspects. Now, the socialist party was militating for a strong position in Mack capital. But it was critical too on the Peugeot strategies with public loans in trucks subsidiaries Chrysler Europe in Great Britain and Spain. A technical agreement between Daf and Dodge-Barreiros generated the threaten that Peugeot could make strong investment in truck sector<sup>19</sup>. In order to avoid a new national struggle between RVI and Peugeot, like anterior Berliet-SAVIEM match, the PS urged the private group to transfer to RVI his trucks subsidiaries. The Batilly plant in Lorraine was too blamed. For RPR, it was “an industrial heresy”.

Although heavy looses, Renault Véhicules Industriels survived only with huge financing direct State help though Renault capital increase<sup>20</sup>, loans banks and Credit National.

### **1981, roots of RVI rebirth, thanks to left victory, giscardian heritage or internal enterprise energies?**

The next year, in March 1981, the socialist party made some “socialist propositions for automobile’ to prepare presidential elections<sup>21</sup>. The socialist renewed their proposition of Automobile of France group. State had to take a public participation in Peugeot Capital.

Divided in 6 main parts, the program was partly an actualization of the left common government program established with French communist Party in 1972 and 1978. In fact, socialist was partly in same way than giscardian policy. A big part was given to research development with strong public help.

The Socialist Party militated for protectionist policy lead at European level, against Japan importation and the opening of EU-Japan round to open Japanese market. In cooperation with Renault and French big group like Michelin tyre manufacturer, Aluminium producer Pechiney or engineering firm Bertin, RVI built an ambitious long-term research

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<sup>18</sup> Fondation de l’automobile Marius Berliet, Bardin papers, correspondance 1978-1979.

<sup>19</sup> Renault Véhicules industriels Socialist section and Rhone Socialist party federation, Livre blanc sur l’industrie française du véhicule industriel, 1980.

<sup>20</sup> As shown by excellent Daniel Fixari, « Histoire de comptes : le financement de Renault 1945-1992 », *Cahiers de recherches du Centre de Gestion Scientifique*, Ecole des Mines de Paris, n°13, octobre 1997.

<sup>21</sup> Les Cahiers de documentation socialiste, « Propositions socialistes pour l’automobile », Club socialiste du Livre, mars 1981, n°1.

program on experimental vehicle. So-called VIRAGES, (for Advanced research on saving energy and security vehicle), this program was the equivalent of EVE program and VESTA developed by Renault in car's sector<sup>22</sup>.

Pierre Dreyfus became the ministry of industry, and led the nationalization waves. Bernard Hanon became the new chairman and Vernier-Palliez was named as ambassador in USA, his youth dream.

In September 1981, after left coalition victory, program VIRAGES was accepted and partly financed by Ministry of Transport and AEE (Saving Energy Agency)<sup>23</sup>. In 1982, F. Zannotti left RVI. Pierre Semerena was named as chairman and Paul Berliet as vice president. He has the mission to engage the rebirth and return to profitability. The VIRAGES went on. A first prototype VE 10 was achieved in 1985 and a second in 1988. An important work on rankinization process was testing but wasn't a success. Its front axle was advanced; an unusual and generous high cab was clearly separated from the frame, in order to isolated cab from engine party and give more silent. A completely flat floor explained an unknown comfort for the driver. Active and passive security was researched with spoiler and lateral protection. The driver in high position could more anticipate the reaction of other road users. The frame in aluminium, streamlined design of tractor coupled wit trailer brought down fuel consumption. Electronic requirements was generalised with a synchronized gearbox. All of technical solutions would not be industrialized. But, in fact, this program launched in 1980 was a part of origin of the new revolutionary heavy range AE/Magnum who was launched in 1990. It marked the rebirth of Renault on French, European and export market during 1990's. The motors were for one hand from Renault for one hand from Mack for the top of range. For the first time Renault Industrial Vehicles was a technological leader. Innovations were inspiration for rivals, like Mercedes, who bought the first vehicle product<sup>24</sup>. This new range stimulated his sales networks and for the plant personnel.

On the bus sector, the study on future bus R312 provoked a new bus that was sold in 1985. For the car, it was the R1 in 1983. The Mack agreement began quite well with 10000 Midliner sold on American market. In 1983, RVI raised his participation but didn't have the

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<sup>22</sup> On the research system developped by Renault, some aspects in Jean-Pierre POITOU, *Histoire des bureaux d'études Renault de l'origine à 1980*, Aix-en-Provence, Publications de l'Université de Provence, 1988

<sup>23</sup> RVI, annual report, 1980-1982.

<sup>24</sup> Pascal Stich, « Renault VI lance la gamme AE 380 et 500, des véhicules grands routiers révolutionnaires », *La revue économique du transport- Camions magazine*, juin 1990, Special issue.



majority. Mack knew some problems from the mid-1980. In 1990, Renault took at last the control. A rationalisation of product was planned, with a common purchase policy.

Talking between Peugeot and RVI began in autumn 1980. In April 1981, both groups concluded an agreement in which RVI take the half of capital of Dodge truck subsidiaries.

Dodge UK brought in theory 10 % of market, but another plants like Dunstable and disparate range of vehicles. In Spain, the gain was more with 2<sup>nd</sup> strong position in closed market, behind Pegaso, truck subsidiary of state-owned ENASA. Thanks to an intelligent hybridization lead by former Berliet engineer, Spanish subsidiary brought a good position, even if Renault didn't preserve all position against importers. In short term, this new agreement cost heavy and generate industrial and commercial complications.

### **Conclusions**

During crisis, the strategic choices are not easy to do in complete uncertainty.

In fact, this study has shown that strategic choice isn't only a matter of decisions taken in the closed boundaries of firm. In fact, the firms have to deal with complex environment. In fact, even the choice and definition of product design, often described as the heart of automobile strategy is the fruit of different interactions between firm and their environment. I don't think that it's only French history singularity, thanks to a long unchanged Colbert's heritage that could explain everything in French industrial policy. In fact, in different states in Europe, USA, Japan and in the Third World, the state was an essential interlocutor during the crisis.

For French industrial policy, the 70's could be considered as a transition period, between the ambitious industrialist de Gaulle vision and Mitterrand era. In fact, it appeared particularly fascinating and complex. In some aspects, this industrial policy appeared more ambitious than De Gaulle and Pompidou policies: the intervention of 1974 is quite revolutionary with a nationalization de facto of Berliet, a family firm. So the liberal image couldn't be accepted to characterize this policy. The authoritative vision of State couldn't be accepted too. In fact, Renault managers like Peugeot managed to convince high civil servants and politicians for adopt their visions on different crucial issues. The merger of 1974 is largely due to Renault- SAVIEM lobbying since 1968. Beyond this spectacular intervention, the public institutions maintained a large autonomy to Renault managers, with disparate results. In fact, politicians largely endorsed the choices. The origins of politics in automobile

sector were largely generated in the boundaries of firm. Industrials managed to set the agenda for social, environmental or security issues. The norms were reshaped through a closed discussion between firms and administrations. So C Stoffaës was wrong when he wrote in 1979 that “the enterprises need lobby in administrative concert (that what the role devoted to ministry of industry to defend industrialist in different administrations) and they didn’t have it”. From automobile industry case and specially these of Renault group, ministerial and firms’ papers prove the contrary. That what Renault –SAVIEM was well defended and made a strong lobbying that they managed to take over Berliet in 1974 and lead the costly reorganisation of truck industry. Renault, Peugeot and all automobile suppliers like Chausson managed to perceive large subsidies for the redeployment in North and East. As the Common Market was a reality, and for the crisis, it was a precious direct help. At the European level, like on security issue as on road transports norms, the industrialists were always heard. They found strong support in different administrations during the international negotiations in the aim to maintain technological neo protectionism, tariff and quotas system against extra-European threats.

Social, technical and economical considerations explained that automobile industry didn’t change radically of product, energy or manufacturing system during the crisis.

But French industrial geography is largely a heritage of 70s choices: industrial decline of Parisian region, and his social and political consequences on Parisians suburbs, in the eighties explains partly troubles in closure plants, with foreigner workers and extremism rise. The redeployment in North and East of France on coal and steel fields explained largely why today, in present crisis, these regions are suffered since two years. It explains too that for these regions, alternative industry to automobile industry with automobile plants and suppliers who can be considered like a new mono-industry is difficult to find...

On technological aspect, we can say that this period stimulated research for new models, but in fact, the short term was a strong constraint and determined several choices. The electrical conversion will be come later. The gas turbine was condemned the dieselisation was more efficient and for the truck the turbo air cooled engine has a big future. Collective transports didn’t manage to the individual. But in this area, the crisis reshaped relationships between automobile manufacturers, suppliers, energy suppliers, and different research public agencies. In this case, too, business continued beyond the firm, in order to maintain the key place of automobile sector in French economy.

## Appendix

### Renault Véhicules Industriels results (1977-1982)

	Sales (Bn Francs)	Export sales	Net profits	Military and public sales
1977			-73,5	621,8
1978	8 639,2	2 844,4	- 398,7	939
1979	9 192,7	3 129,2	- 269,6	1 201,9
1980	11 130,8	3 973,3	18,2	1 442,3
1981	12 246,2	4 877,9	- 307,7	1 875
1982	13 169,6	5 099,9	- 746,3	1 745

(Sources Renault Véhicules Industriels, annual reports)