

Volvo Trucks reduces capacity in the European production system

Volvo Trucks is taking measures to downsize capacity in its European production system to meet the declining demand for trucks in the European market. As a consequence, the company will initiate negotiations with the unions regarding staffing level cutbacks of approximately 1,400 employees at the company's plants in Ghent in Belgium, and Gothenburg and Umeå in Sweden. A cost-reduction plan will also be implemented to meet the lower sales levels and increasing raw material cost.

Volvo Trucks has in recent years gradually increased capacity in response to the growing demand. Adding night shifts has been a costly temporary solution to reduce delivery times. The European truck demand is now slowing. The negative market development has been accentuated by the recent events in the financial markets resulting in financial uncertainty and credit restrictions. The company's customers have become more conservative in replacement of vehicles and some are not being granted loans to finance new trucks.

The adjustments will rebalance production capacity to more normal levels. The downsizing affects up to 400 temporary employees in Ghent, where the temporary night shift will close by the end of December this year. In Gothenburg, the ambition is to reduce the evening shift, which will affect up to 610 persons. In Umeå, approximately 370 employees are affected as the cab plant is planned to downsize in April next year.

The planned reductions are not only being undertaken to rebalance capacity, but also to increase efficiency in production and to compensate for the higher raw material prices that we are now experiencing. To mitigate the impact of cost-inflation a cost-saving program will be introduced throughout the entire Volvo Trucks organization and it will include measures to improve efficiency in the commercial operations, says Staffan Jufors, President and CEO of Volvo Truck Corporation.

Negotiations with the unions will start immediately.

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Volvo Trucks provides complete transport solutions for professional and business-driven customers. The company offers a full range of medium to heavy duty trucks, with a strong global network of 3,000 service points in more than 130 countries. In 2007 Volvo Trucks sold more than 100,000 trucks worldwide. Volvo Trucks is a part of the Volvo Group, one of the world's leading manufacturers of trucks, buses and construction equipment, drive systems for marine and industrial applications, aerospace components and services. The Group also provides solutions for financing and service.