Germany: Insolvency of former Siemens division threatens 3,000 jobs

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The fate of the BenQ mobile phone producer has been decided: The company has applied for insolvency, and the jobs of more than 3,000 workers in Germany are immediately threatened. But the question remains as to the role played by the German Siemens company, which only recently sold off its mobile phone division to Taiwan-based BenQ.

Rumours and mutual accusations abound, but there is increasing evidence that both companies will profit from the closure. Siemens is freed from responsibility for more than 3,000 of its former employees, while BenQ has been able to take over patents and market share from one of its leading competitors.

On September 28, it was announced that the Taiwanese parent company of BenQ had stopped payments to its German subsidiary. Immediately affected are 1,600 production workers in the towns of Kamp-Lintfort and Bocholt in the state of North-Rhine Westphalia, as well as 1,400 employees involved in administration and development at the company's headquarters in Munich.

Workers travelling to work only learned of the problems confronting the company from radio broadcasts. At hastily called factory meetings on September 29, they learned that BenQ had made an application for insolvency.

The rage and indignation of the workers are directed not only against BenQ, but above all against the previous owner of the company, Siemens. In Munich, BenQ workers protested in front of Siemens's headquarters with placards declaring, "BenQ Is Doing the Dirty Work for Siemens," "Orphaned Children Remain Children," "Klaus [referring to Siemens chief executive Klaus Kleinfeld] Is Neatly out of It (+30 percent)—BenQ-Siemens Is finished!"

The prime minister of North-Rhine Westphalia, Jürgen Rüttgers (Christian Democratic Union—CDU), hurried to the factory meeting in Kamp-Lintfort to express his concern and sharply criticised Siemens. Nobody should be deceived, however, by such crocodile tears. Such proclamations of concern by politicians are aimed at damage control and serve to divert attention from their own responsibility. The same applies to the factory trade union committee and the main union involved—the IG Metall engineering union.

In August 2005, Siemens transferred its mobile phone division to BenQ. For Siemens, it was a relatively cheap way of ditching an unprofitable part of its business empire. Siemens was required to pay the Taiwan parent company 350 million euros, but this was still cheaper than a closure program in Germany, which entails compensation payments and a social plan for the workers involved.

One year previously, Siemens had planned to shift production to Hungary, a move that led to extensive protests by the workforce. Eventually, the works council and IG Metall agreed on a "compromise": in exchange for a vague promise to secure jobs for two years, employees were required to sacrifice between 25 and 30 percent of their income. The work week was extended from 35 to 40 hours without any corresponding wage increase, and holiday payments were cut.

The extension of the work week introduced by Siemens was welcomed by the media and has since been extended to other companies. Most of the collective bargaining agreements in recent years have concentrated on concessions from the workforce, rather than wage increases. A similar situation applies to public service workers, where most are now required to put in a work week of 40 hours or more.

BenQ took over responsibility for the Siemens mobile phone division last summer. The unions immediately sought to assuage workers' concerns over the move by stating that the new company would extend job security another year. However, as soon as the year had passed, BenQ applied for insolvency.

There are a number of indications that BenQ had systematically prepared for the insolvency. Following the takeover of German operations in the summer of 2005, BenQ mobile was split up into several different companies, allowing the parent company to take advantage of the 1,750 patents that BenQ took over along with the cell phone production facilities.

It is now presumed that BenQ was doing the dirty work for Siemens and applied for insolvency under conditions in which workers are no longer entitled to a social plan or compensation. Even those workers who signed termination agreements in the course of redundancy procedures over the last few months now fear they will not be eligible for redundancy payments.

For its part, BenQ will be compensated by the lucrative licences and patents obtained from its former competitor. From now on, the company can concentrate its production of mobile phones exclusively in Asia, where production costs are substantially lower.

BenQ has justified its action by citing increasingly fierce competition in the field of mobile communications, which led to large losses last year for the parent company, with a total workforce of 18,000, predominantly in China, Taiwan, Malaysia and Mexico.

Nearly 70 percent of the mobile phone market is dominated by just three companies—Nokia, Motorola and Samsung. In 2003, the share of the market for Siemens amounted to 8 percent, but then fell steeply in subsequent years.

When BenQ took over, Siemens's production amounted to less than half of 1 percent of the world total, and since then the world market share for BenQ-Siemens has fallen to 3.2 percent. Hopes that sales last Christmas would bring some relief were disappointed.

Nevertheless, the current state of affairs points clearly towards a plot against the workers and their jobs. In a commentary on September 29, the *Süddeutsche Zeitung* spoke of "a closure of the Siemens mobile phone section camouflaged as a sale to Taiwan."

While hopes were raised at the time of sale that the mobile phone division would have better chances of survival with BenQ, it is likely that an entirely different scenario was being contemplated. "There are some indications that the managers did not leave it simply at the level of hoping for the best, but were already at that time taking a worst case scenario into account," wrote the *Süddeutsche Zeitung*.

This conclusion is reinforced by the large sum Siemens was prepared to offer as part of the deal for the transfer of its division.

Irrespective of the exact details—most probably the full picture will emerge only after some time—the whole affair recalls similar cases of asset-stripping in America, where large concerns such as airlines, and more recently the auto supplier Delphi, applied for insolvency. In many cases, thousands of workers lost not only their jobs but also their pension benefits and health insurance. In what remained of the original concerns, workers were required to accept inferior working conditions and lower wages. Now the same ruthlessness on the part of management is on show in the case of Siemens and BenQ, and could very well be extended throughout the German economy.

Responsibility for production at BenQ mobile phones for the next three months has been taken over by an insolvency manager, which means the company is being financed by insolvency funds—i.e., tax revenues. It is expected that the company will then be closed down.

According to the insolvency manager, Martin Prager, the company has to be profitable by January 1, or production will stop. After the experiences of the past few months, such a rapid return to profitability is highly unlikely, and the BenQ workers confront losing their jobs and benefits. For many workers, it will not be their first experience of redundancy; and for some families, both wage earners will be affected.

The Siemens-BenQ factory in Kamp-Lintfort is the second largest employer in the city. A number of workers in the region, who had lost their jobs through rationalisation in the mining industry, switched to Siemens in the hope of securing their jobs. The town's biggest employer, the coal mine Friedrich Heinrich with 4,000 jobs, is also expected to close soon as subsidies for coal production are cut.

IG Metall and the local factory council have played an especially cynical role in the fate of the BenQ works. In 2004, the union was instrumental in blackmailing workers on behalf of the Siemens executive, helping to impose wage cuts and longer working hours. The union even produced its own appraisal to assure management that workers at Kamp-Lintfort could produce nearly as cheaply as workers in Hungary.

From the start, the union excluded any possibility of a joint struggle by workers in Germany and Hungary, or between different sections of workers who confront similar problems. The unions never questioned for a moment the subordination of the interests of workers to the profit interests of the companies, whether in Germany or Taiwan.

After BenQ's request for insolvency, union officials hypocritically expressed the same surprise and indignation as management representatives and politicians—and quickly came up with a new diversion. At a recent factory meeting, factory council members distributed standard letters to employees allowing them to register individual claims for damages against the Siemens executive committee, on the grounds that the workers were victims of "a malicious deception by the Siemens Co."

While the reproach of "malicious deception" is fitting, the fact is that IG Metall and the factory council share responsibility for the deception and failed to conduct any principled struggle in defence of jobs.

With regard to the legal status of the damage suits, even the factory council doubts their chances of success. Instead, it is pinning its hopes on Siemens agreeing to set up a company to retrain and relocate the jobless workers. This proposal is yet another dead end for the workers. Countless occupational retraining and relocation schemes have proven to be brief stop-gaps on the way to full-time unemployment.

The bitter experiences of the Siemens-BenQ workers raise above all the need for a political break with the perspective of the trade union bureaucracy. The only effective basis for a successful struggle to defend jobs, working conditions and wages is an international socialist programme that unites workers across national and sectional boundaries and prioritises the needs of working people above the profit interests of big business.