Delphi’s exit from Spain to be followed by other relocations

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Following the announcement in February that the Delphi-owned Puerto Real factory in Cadiz would be closed due to unprofitable operating costs, the automotive parts manufacturer has left Spain with a severance deal of 120 million euros (US$163 million) for the 1,600 workers left jobless. Workers voted overwhelmingly to accept the offer negotiated between the unions and the company.

According to reports in the Spanish press, the company is also preparing to hand over the factory assets to the regional government, estimated to be worth 160 million euros, and promises to take on additional debt to help fund “industrial regeneration.”

The Puerto Real plant is located in the southern region of Andalucia, one of Spain’s poorest regions. Unemployment is above 100,000, at a rate of 14 percent, the third highest in the country.

Delphi was originally owned by General Motors, but was spun off in 1999, as GM itself tried to cut costs by closing factories. Delphi filed for bankruptcy protection in October 2005. Known as Chapter 11 in the United States, bankruptcy protection gives a firm a limited time to regain profitability while protected from its creditors. The Spanish subsidiary filed for an insolvency proceeding in March.

Delphi spokesman Ignacio Campos Garcia blamed the decision to close the Puerto Real plant on operating losses of 150 million euros over the past five years and high operating costs. The future of three other Spanish Delphi plants is also uncertain. Plants at Pamplona, Tarazona, and one east of Barcelona now face the threat of closure, with the loss of 4,000 jobs.

Under the terms of the agreement worked out between Delphi, the Spanish government and the largest union, the UGT (aligned to the ruling Socialist Party-PSOE), the firm will pay the Puerto Real workers a severance package of 45 days’ pay for every year they have worked. Delphi had to obtain the release of the money from the US bankruptcy courts. If the deal had fallen through, they told the courts, the Spanish government could have dismissed the settlement and reverted to a 2005 agreement under which they would have been liable to cover 60 days’ pay for every year workers had worked, as well as continuing paying wages until 2010.

The trade unions and government officials present the closure of the plant, with the loss of hundreds of jobs, and the smooth exit strategy of Delphi, as some kind of Pyrrhic victory for the workers. They claim it is a warning to other transnational corporations considering a similar course of action. It is, rather, a clear indication of the role they have played in betraying the struggle against closure.

Antonio Fernández, the head of the regional labour department, tried his best to give a positive sheen to the events with a hollow and almost comical threat: “It is a warning to any company looking to pull out that it will have to leave its assets behind in Andalucia.” Without explaining how these “assets” of specialised machine tools and technology can be maintained as a viable productive facility, he made the vague assertion the factory would be utilised for alternative “industrial projects.” Aside from recycling, it is difficult to imagine what kind of industry he has in mind.

In like manner, the head of the UGT, José Barriga, commented, “It is harsh signing a deal to close a factory’s 1,600-strong workforce, but the agreement we have is the lesser of two evils, since Delphi wanted to pay the minimum severance of 20 days’ pay per year.”

The closure in Spain coincides with Delphi’s acceptance of a new bid from the private equity firm

Appaloosa Management LP and others to invest up to US$2.55 billion—after turning down proposals from other competitors such as Cerberus Capital Management, which recently bought out Chrysler in the United States. Delphi was already intending to close 20 of its least productive plants and transfer production to areas of lower labour costs. It was also seeking to restructure its administrative departments away from better-paid European and North American workers. There can be little doubt that the new directors will pursue further closures and job cuts.

Some political conclusions must be drawn. Opposition to the closure has failed, with the direct collusion of the UGT and the PSOE government of Prime Minister Zapatero. It was not until April 20 that union leaders were forced to call a general strike. They confined this to 14 towns. Rather than seeking to unite Puerto Real workers with other Delphi workers internationally, the unions made their central demand that Zapatero should intervene directly to prevent the job losses and take legal action against Delphi for its breach of the original agreement with the government. They focused the strikes and protests on demanding that jobs and industry be kept in Andalucia.

The "industrial plan" stipulated that Delphi would enjoy special treatment in the form of low corporate taxes and subsidies on condition that it remains within Spain until at least 2010. According to Andalusian authorities, Delphi's Puerto Real plant has received regional and central government grants worth 60 million euros since 1986. But the possible illegality of Delphi's exit has been passed over by the PSOE in virtual silence, and the limited compensation deal has been lauded as a smokescreen to conceal this betrayal.

These developments follow a similar pattern to that of workers experiencing job losses and wage cuts in the US. The United Auto Workers (UAW), the largest Delphi union in the US, has assisted Delphi in imposing wage cuts and the shutdown of several plants. The central agreement between the UAW and Delphi, affecting about 16,000 workers at 21 plants, is to cut workers' wages from US$27.00 an hour to US$18.50.

Delphi has applied to the courts to reject labour agreements, particularly on pension and health care provisions, allowing it to cut its global workforce by as much as a quarter and eventually reduce wages by 25 percent internationally.

The experiences in Spain reflect the same process that is taking place across the advanced capitalist nations—the relocation of production to areas able to fulfil capital's need for cheap labour and low taxes.

In the 1980s, Spain was able to provide these requirements as one of the lowest-wage countries in the EU, but this is no longer the case. These conditions are now being met in areas of eastern Europe and Asia.

Almost immediately after the plant closure in Spain, Delphi announced that a new factory in Romania would be built. Wage levels in Romania, the recent and newest entrant into the European Union, are among the lowest on the continent. According to the Romanian state news agency, the factory will be ready by 2012 and will produce injectors and other components for diesel engines and employ more than 1,000 workers. Delphi's former parent company, GM, is also interested in the new EU member and is in negotiations with the Romanian government to buy a former Daewoo plant.