European auto industry in crisis

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On Thursday, the German stock exchange fell dramatically as auto manufacturers announced substantial job cuts and austerity measures.

According to media reports, Volkswagen plans to cut up to 25,000 temporary staff and contract workers. Management at the VW headquarters in Wolfsburg denied that decisions have already been made, but did confirm that a “crisis programme” is being worked on.

The *Frankfurter Rundschau* quoted Volkswagen boss Martin Winterkorn saying, “We cannot avoid making harsh cuts.” Addressing 500 top-level personnel in Wolfsburg, Winterkorn said, “Prospects have not been so bad and so uncertain for a long time.” In order to counter the impact of falling sales, shifts are being cut immediately and surplus capacity rolled back.

While the Volkswagen “Betriebsrat” (union-management Works Council) has tried to placate the workforce, describing press reports as panic-mongering and “complete rubbish,” automobile expert Ferdinand Dudenhöffer said he thought the dismissal of 25,000 temporary staff was “not unrealistic.”

He told *NDR Info*, “As we move into the new year, we will have to reckon with these numbers.” The auto industry was being seriously affected by the financial crisis, he said.

The prospects for Daimler also look bleak. The company, which manufactures Mercedes cars, has lowered its profit forecast for the second time in a few months, citing catastrophic last quarter returns. The company announced Thursday that it expects to see an operating profit of €6 billion. In the summer, chief executive Dieter Zetsche, had already lowered his original profit forecast from €7.7 billion to approximately €7 billion.

In the third quarter, the results before interest and taxes sank from €1.89 billion to approximately €650 million. This is mainly attributed to the collapse in operating profits at Mercedes; which slumped in the third quarter by 92 percent to only €112 million.

On Friday, French auto manufacturer Peugot halved its profit forecast, predicting a margin of just 1.3 percent instead of the 3.5 percent it had previously expected. Turnover in 2008 will be approximately 3.5 percent below that of 2007.

“Massive” cuts in production are planned for the fourth quarter. The third quarter saw Peugeot’s projected annual turnover fall to €13.3 billion, down 5.2 percent.

“Renault is also looking sceptically into the near future,” wrote newsweekly *Der Spiegel*. Operating profits for 2008 fell to 2.5-3 percent, the company said on Thursday evening. In response to falling sales the French auto manufacturer is temporarily halting production at all of its plants. The suspension will start next week and last for “one or two weeks,” according to a representative of the CGT trade union.

Volvo, the second largest truck manufacturer in the world, has reported a fall in profits of over 36 percent and has lowered its expectations for the whole year. The Swedish company anticipated its turnover in North America would decrease by approximately ten percent in the current fiscal year. In Europe, too, its sales figures have declined.

Japanese automaker Toyota has announced a decrease in its sales in Germany by some 22 percent in comparison to the same period last year.

Fiat also announced on Thursday that it anticipated its profits would shrink considerably in the coming year. The Italian auto and industrial giant warned that poor trading conditions meant profits could be reduced by 65 percent.

In Europe, the number of new cars sold fell in September by 8 percent compared to the previous year, to approximately 1.3 million vehicles. Customers are delaying their purchase decisions and face difficulties financing a new car, according to the European Automobile Manufacturers Association.

For the second time, Opel has halted production at its Bochum plant, where production lines will remain still for two weeks. In Eisenach its plant has already been idle for a week and production will be suspended until the end of the month. Opel plants in Antwerp (Belgium) and Ellesmere Port (Britain) have been shut down for two weeks.

In the company's Kaiserslautern works, which supplies the Bochum and Eisenach plants, some 550 of the 2,400 workforce have been put on short-time working. In Bochum, the usual one-week Christmas break is to be extended to two weeks, starting on December 16.

In Luton (Britain), Gleiwitz (Poland), Trollhättan (Sweden) and Saragossa (Spain) production will be halted for the coming week.

Blaming falling orders in the US market, Ford plans to place some parts of its engine manufacturing operations on short-time working for five weeks in November, affecting 820 of the 17,300 employed at its Cologne plant. It is anticipated that a decision regarding the future of the Cologne engine works will be made by the end of the year. Ford management previously announced it would stop manufacturing six-cylinder engines at the facility.

While auto workers all over the world are confronted with mounting attacks on their jobs and conditions, factory councils and trade unions try to contain workers' anger, calling for calm. They are covering up for management and are determined to prevent any workplace resistance to massive job cuts and the likely closure of entire plants.

Where plants are threatened, as in Cologne, they try to play off one location against another. Thus, in Cologne, the Ford factory council insists that in view of the threatened closure of the plant, production of three-cylinder engines should not be undertaken in Romania but should come to Cologne.

An international strategy to defend the jobs of auto workers and the millions of workers in subsidiary industries dependent on the auto industry can only be developed in opposition to the nationalist and corrupt politics of the unions.