Crisis grips German auto industry

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6 December 2008

Gloomy new figures and forecasts about the fate of the German auto industry are emerging on virtually a daily basis.

The auto industry is the backbone of German industry. The jobs of one-seventh of the workforce depend on auto production, which has been especially hard hit by the international financial crisis. On Wednesday the German Automobile Industry Federation (VDA) issued its grim prognosis for the coming period. According to VDA president Matthias Wissmann, "Auto markets have taken a nosedive with an unprecedented speed and development."

The Federation estimates that in the coming year domestic sales of new autos will slump to 2.9 million. This would constitute the lowest total since the reunification of Germany in 1990. Auto industry analyst Ferdinand Dudenhöffer also predicts a dramatic decrease in sales, 8.2 percent, in 2009. According to Dudenhöffer, "This is an absolute nadir in the development of the German auto market."

Dudenhöffer thinks that 100,000 jobs are in danger next year. "In the course of 2009, 20,000 jobs will be shed by German auto companies and suppliers, and, in addition, the number of temporary workers could be reduced by 80,000." This drastic decrease will also affect auto dealerships--with up to a quarter of all salesrooms expected to close.

In November auto sales in Germany slumped by 18 percent over November 2007, according to figures from official sources.

In response to the unfolding economic crisis, all the German auto firms have reduced production. Mass redundancies and the closure of entire factories are under consideration.

Opel has been the worst hit of the German companies due to the crisis of its parent concern, General Motors, in the US. The company's sales in Europe have nearly collapsed. In November the company announced it had sold nearly 36 percent fewer cars in Germany than a year ago. Production has already been halted at the company's plants in Eisenach and Bochum for several weeks and further production cuts, which could last all of December or even longer, are in preparation.

The reaction of the leading auto trade union, IG-Metall, and the works councils to the crisis has been to volunteer a 15 percent wage cut for Opel workers. The readiness of the union to offer concessions has only encouraged company management to undertake new and greater attacks. Negotiations have already begun in Bochum on a further round of job and wage cuts. Workers at the plant fear that such cuts could be part of a process aimed at closing down the factory altogether.

Daimler sales suffered a 30 percent decline in November over the previous year, with sales of its Mercedes Benz brand falling by 38.2 percent. According to media reports, massive cuts and rationalisation are being planned at Daimler. The company intends to produce 150,000 fewer Mercedes cars in 2009 and is drawing up a program of cost savings. Short-time working is in the cards for the main Mercedes car production plant in Sindelfingen as of January.

The core section of the Mercedes Car Group, i.e., Mercedes Benz, Smart and Maybach, has been especially hard hit. A number of management consultancy firms have been given the task of developing ideas for reducing costs and increasing efficiency.

The last savings program in the "core" section was implemented between 2005 and 2007. This program increased the company's turnover by a total of 7.1 billion euro. At the same time 10,000 jobs were wiped out.

According to the industry journal *Automobilwoche*, Daimler intends to decrease production of its popular S-Class Mercedes by 18,000 vehicles and the E-Class by 34,000 in 2009.

In addition, management is considering halting production for a week in February and for an additional six days over Easter. Daimler is already throttling back production, and the production lines at Sindelfingen are scheduled to stop between December 12 to January 12.

BMW**,** the Bavarian-based auto concern, registered a sales decrease of approximately 21 percent in November over the same month in 2007. Losses for its main brand BMW totalled 36.1 percent and the company's decline was only offset somewhat by stronger sales for its Mini range of autos. Originally, BMW planned to produce 25,000 fewer cars in 2009; in the past few days this target has been increased to 40,000 fewer vehicles.

According to the local press in Munich—the location of BMW's headquarters—the concern's Christmas break will commence this coming Monday and last until January 9. Production will also cease for an entire month at the BMW facility in Regensburg at the end of the year. Workers at the company's relatively new Leipzig plant have already been told to stay home for a number of days.

BMW has announced the axing of more than 8,000 jobs, including those of 5,000 temporary workers. According to media reports, a second wave of sackings—of at least 2,500 workers—is already in the pipeline.

At Ford, workers at the Cologne plant have been working short-time since November 3 and the company has already begun cancelling the contracts of temporary staff. There is speculation that the company plans to close its Cologne engine production plant altogether, with the loss of 750 jobs. The company's threat to shift production of its latest model—the Ford Fusion—from Cologne to Romania is being used to wring further concessions from the workforce. Ford currently employs a total of 23,600 workers at its two German plants in Cologne and Saarlouis.

Volkswagen sold nearly 19 percent fewer cars in November on a year-to-year basis. The company plans to stop production for three weeks, from December 18 to January 11. Workers will either be required to use their accumulated overtime or take compulsory vacation. A production shutdown is planned for the company's main plant in Wolfsburg, in which the Golf, Touran and Tiguan models are produced. Such a move would inevitably have a knock-on affect for the VW supply plants in Kassel and Salzgitter.

Even Germany's most successful sports car manufacturer, Porsche, has been severely affected by the crisis. Sales of new Porsche cars slumped in the US in October by 50 percent compared to the previous year. In November the company's new vehicle sales decreased overall by 21 percent.

Production was been throttled back and the lines at the company's main works at Stuttgart Zuffenhausen are currently standing still. Further stoppages are planned for January.

The crisis has also forced Porsche to rethink its strategy of attempting to take over its rival, Volkswagen. Porsche boss Wendelin Wiedeking declared recently: "In view of the present economic circumstance it is becoming increasingly unlikely that we can achieve this goal this year." Porsche is still determined to go ahead with plans to gain a 75 percent stake in VW, but now the time-frame is unclear.

At their most recent press conference, Porsche officials reported a sharp decline in sales. In the first four months of the current financial year, beginning August 2008, turnover declined from 2.36 billion euro to just two billion. This represents a drop in turnover of approximately 20 percent compared to the previous year.

Nevertheless, Porsche shareholders were able to rake in substantial premiums due to the company's stock market speculation on its existing share of Volkswagen. The company's pre-tax profits increased this year by nearly three billion euro to a total of 8.57 billion euro. Just a portion of this increase came from actual sales of its cars. The remainder was obtained through the firm's gambling on the stock market.

Regardless of the current crisis, Porsche executives have rewarded themselves royally for the financial year 2007-2008. The six members of the board received a total of 143.5 million euro in remuneration. Porsche boss Wiedeking pocketed between 75 and 80 million euro of this total. In 2006 the six Porsche managers "only" made 112.7 million euro.

The crisis of the German auto industry will have devastating consequences for a broad range of supplier and subsidiary concerns. Such companies employ a total of 328,000 workers, i.e., nearly half of all jobs in the automobile industry. Last year total turnover for such companies amounted to 76 billion euro.

Not only do the suppliers produce nearly 80 percent of a modern car, they are also responsible for the development and production of entire complex components and systems.

The biggest such companies—Bosch, ZF Friedrichshafen, the piston specialist Mahle, the radiator manufacturer Behr, Knorr Brakes, Brose and Hella—employ thousands of workers each. In addition, there are 600 smaller suppliers in Germany alone. Such smaller companies feel the effects of the financial and sales crisis directly and intensely. Auto producers are cutting back on orders and the hard-hit banking sector is reluctant to offer credit to enable such companies to keep their heads above water.

At the end of November, the insolvency of the supplier Gimotive/Stankiewicz GmbH in Celle was only averted at the last minute. The company employs 1,300 workers and produces noise isolation and rubber linings for a number of auto companies.

Already, cuts and short-time working have been introduced at a host of auto supply companies. The Goodyear Dunlop group has announced a prolonged holiday at the end of the year at all of its six tire plants in Germany, and the contracts of its temporary workers will not be extended.

Bosch, the world's largest auto supplier, has introduced short-time working at its plants in Bamberg and Rommelsbach, affecting some 4,000 employees. Production cuts are also being negotiated with the company's work councils at other factories.

At the weekend Continental announced it would introduce short-time working for thousands of its employees. The Schaeffler group, which employs 50,000 workers in Germany and is planning to take over Continental, is cutting its investments in the coming year and has not ruled out short-time working. As a first step the company plans to shed the jobs of 1,700 part-time workers.

Although tens of thousands of workers at a range of factories across Germany now find their jobs at risk as part of a global crisis, the trade unions and work councils are refusing to organize any sort of joint struggle. Instead they are co-operating closely with management to play workers against one another—at home and abroad—in order to facilitate the companies' plans for drastic rationalisation.