# German-based tire maker announces European plant closures

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The decision of German-based tire maker and auto-parts supplier Continental AG to close plants in France and Germany is provoking widespread opposition and controversy in France. Continental's move, announced March 11, will eliminate 1,900 jobs and aims to reduce overcapacity as demand for automotive products collapses worldwide.

Continental AG is Europe's second-biggest tire maker and one of the top automotive suppliers worldwide, with €24 billion in sales last year, and 140,000 workers at 190 locations in 35 countries. In a statement, Continental Executive Board member Hans-Joachim Nikolin said, "We have studied various options and concluded that the competitiveness of the tire divisions can be maintained only by closing the two plants with the highest costs—and these are the passenger tire plant in Clairoix and the commercial vehicle tire plant in Hanover."

Commercial vehicle tire production at the plant in Hanover, Germany, with a capacity of 1.4 million tires, will be shut down by the end of this year, affecting some 780 employees. The passenger tire plant in Clairoix, France, will be shut down by the end of March 2010, affecting 1,120 employees. According to Continental, the Clairoix plant has the highest production costs of any passenger tire factory in Europe. Last year, the plant produced 8.7 millions tires, generating a €28 million profit.

To justify its plant closures and production capacity cuts, Continental cites falling auto sales in Europe and internationally. In its press release, the company said, "In the fourth quarter of 2008, the commercial vehicle original equipment tire business declined by 20 percent and replacement-tire sales plummeted by 15 percent in Europe. This trend has accelerated dramatically in the first two months of the current year. Passenger tire sales declined by 20 percent in the fourth quarter of 2008 and by even more than 30 percent in the first two months of the current year. The passenger tire replacement market also shows a considerable weakening of demand."

As the market will not recover enough in the short and medium term to make optimum use of existing production capacity, Continental said it is "taking steps to bring production at its European tire plants closely into line with demand." The company will cut commercial tire production by 27 percent and passenger tire production by 17 percent in Europe.

One of the reasons for Continental's poor situation is that it was taken over last year by the far smaller Schaeffler Group, the ball-bearing maker, which controls 90.2 percent of Continental's stock. Continental AG generates three times as much revenue as the Schaeffler. Schaeffler Group has appealed the German government for aid of €6 billion in fresh capital, as it strains to manage the €11 billion in debt it took on in buying Continental.

This example shows that irresponsible and economically irrational mergers and acquisitions—though at times described as the result of Wall Street speculators, or as the "financial capitalism" criticized by Sarkozy—are widespread, including in the manufacturing economy. According to *Reuters* on March 12, the "Schaeffler Group has won more time from creditor banks to restructure itself. The creditor banks agreed on interim financing for Schaeffler in order to secure the Group." One option being discussed is a sale of shares in Continental to the banks to boost Schaeffler's liquidity.

The anticipation of falling demand for their products, though correct from the standpoint of Continental's profit interests, will feed into a vicious spiral depressing economic activity and prolonging the economic crisis, as the Continental workers themselves are impoverished. With the shutdown of the Hanover and Clairoix plants, Continental management and capitalist politicians are manoeuvring to place the costs of this objective anarchy of the market on the workers.

During the 2007 presidential campaign, Continental management proposed a referendum to move to a 40-hour workweek from the then-standard 35-hour week at the Clairoix plant. This was an attempt to intimidate workers into accepting the proposal, suggesting that otherwise the plant might shut down. Even though the majority of workers rejected the proposal, an agreement was signed some months later between the management of the plant and the majority CFTC and the CGC union. Under pressure from the unions, workers accepted a return to the 40-hour week, with no compensation, with the promise of keeping their jobs.

Now these promises have come to naught. David Coupin, 42, a plant worker, told *Reuters*: "I have worked for Continental in Clairoix for 21 years and it was a shock to hear the news. We made so many sacrifices in the last few years, accepted to work 40 hours a week with no wage increase. I even work on weekends and holidays."

Since the economic downturn last autumn, the company has implemented new measures—reducing working hours, longer plant shutdowns, capping contracts for temporary workers—to reduce production. However, "In the face of a stubborn slump in demand of the great magnitude, the short-term measures at our disposal are no longer sufficient," stated Continental board member Nikolin.

As their fears of social unrest mount, high-ranking French officials have attempted to portray themselves as sympathetic to the workers' plight. French government spokesman and industry minister Luc Chatel said: "If the company persists in its desire for restructuring, it will have to explain the reason and motivation for these sackings before a court."

French President Nicolas Sarkozy spoke with German Chancellor Angela Merkel at a March 12 meeting in Berlin, in the lead-up to next month's G20 economic summit. Saying he understood Continental's difficulties, he said he wished to make sure Continental was keeping promises made in the past and would respect French legal procedure.

Workers at the Clairoix plant in northern France protested angrily on news of the closure of the plant. On March 16, some 1,000 protesters rallied in Reims, northeastern France, where a management meeting took place. A group of protesters stormed into the meeting room, shouting at managers and pelting them with eggs and shoes.

Criticizing the politicians' hypocritical and opportunistic response to the Continental shutdown, CGT (Confédération générale du travail—General Confederation of Workers) delegate Xavier Matthieu noted: "We hear deputies and senators here and there saying that Continental's bosses are scum. But they are the ones who let them do it, they make the laws. If the bosses can act like scum, it's because the deputies and senators have not written laws to prevent them from doing it."

Roughly 10,000 people marched in Clairoix to protest the closure of the plant during the March 19 national day of action recently organized by France's trade union federations.