

# Germany: IG Metall union backs Magna bid to acquire Opel

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Following discussions on Monday with Sergio Marchionne, the head of Italy's Fiat auto company, German Economics Minister Karl Theodor zu Guttenberg said that the plans put forward by the Italian car maker were "interesting."

Fiat has expressed interest in a takeover of Opel, but would likely retain only three of the company's four German factories—the assembly plants at Rüsselsheim, Bochum and Eisenach. The fate of the fourth plant hangs in the balance. According to Guttenberg, Fiat sees a "certain need for consolidation" at the fourth factory in Kaiserslautern.

The trade unions and allied works councils are opposed to a takeover of Opel by Fiat. Instead, they are backing a rival bid for the company by the Canadian-Austrian auto supplier Magna.

Last week, the chairman of the Opel joint works council, Klaus Franz, stated that his union, IG Metall, would carry out "resistance" to a Fiat takeover. "We will react with European-wide protests," he told the *Frankfurter Rundschau*. Fiat boss Marchionne, Franz said, had no strategic interest in Opel, but only wanted to use it to raise fresh capital.

Another leading IG Metall official at Opel, Armin Schild, also warned against a takeover by Fiat. He said that Fiat and the current owner of Opel, General Motors, represented "two sick mothers." Both Schild and Franz stressed that job reductions and plant closures would be inevitable, because Opel and Fiat produced similar models.

Schild said he regarded the automotive supplier Magna to be a "much more promising prospective customer."

The chairman of IG Metall, Berthold Huber, told *Zeit-Online*, "If Fiat takes over Opel, I fear the first victims will be the works at Bochum, with 5,000 employees, and Eisenach, with 2,000 employees."

In an interview with the *WAZ* newspaper on May 1, the IG Metall regional head for North Rhine-Westphalia, Oliver Burkhard, declared, "Magna is strategically well placed, is still making profits and does not have the 6.6 billion euro debt burden of Fiat."

The works councils and union officials have the support of Foreign Minister Frank-Walter Steinmeier (Social Democratic Party-SPD). Steinmeier has already spoken several times with the European head of Magna, Siegfried Wolf, and the Magna supervisory board member and former Austrian federal chancellor, Franz Vranitzky.

While making no secret of their support for Magna, the works councils and IG Metall officials have expressed themselves somewhat reservedly. The position taken by the *Frankfurter Rundschau* newspaper is very different.

For months, the newspaper's editor, Christine Skowronowski, has functioned as a mouthpiece for Klaus Franz. She summed up the position of IG Metall and the Opel works councils in two commentaries. "A linkup of Fiat and Opel would be insanity," she wrote on April 24. The overlap in all areas between the two companies would lead to plant closures and job reductions at Opel.

Five days later, Skowronowski wrote that Magna, on the other hand, represents "a meaningful addition to Opel" and is "an extremely well led enterprise." She followed this with praise for Magna's boss. "In addition, company founder Frank Stronach maintains a firm philosophy," she wrote, "which places people, rather than maximizing profit, at its heart. Things are conducted democratically at the enterprise. The staff has a say and a share in its success."

Such statements are contrary to everything that is known about Magna and its founder, Stronach.

Much has been written about Stronach in the past few weeks. In 1954, Stronach (at the time named Strohsack) left Canada and, according to the legend surrounding him, opened up a one-man business for tool construction. After a few years, he received his first orders from General Motors.

In 1969 he merged with a manufacturer of armament electronics and renamed his company Magna International. In 1986 he set up Magna Europe, with its head office in Vienna, and in 1998 took over the Austrian Steyr Daimler Puch works.

Based on its turnover, Magna is the third largest automotive supplier in the world, after Bosch and the Japanese Denso company. Magna employs some 74,000 worldwide, with 35 factories employing 11,000 workers in Germany.

In addition to auto chasses, interiors and seats, Magna produces special edition autos in small numbers. In Austria, 12,000 work for Magna and install outsized chasses for BMW, Chrysler, Mercedes and Porsche, as well as for the Peugeot 308 and the Saab Coupe.

The claim that Stronach's company is run democratically and that employees have a say is complete nonsense. On the contrary, Stronach runs the enterprise like a patriarch. His guiding principle has been cited in the media as follows: "Whoever has the money makes the rules."

His company philosophy is written down in a manual for

workers, which is known as Stronach's "Magna Charter." The charter declares that the entrepreneur and his employees share common interests.

Employees receive a 10 percent return on profits and managers receive 6 percent. In fact, these margins are achieved by savings made elsewhere in the production process and are used to bind employees more closely to the company and its pursuit of profit.

The "Magna Charter" expressly rules out any participation by employees in the running of the firm. Stronach declares, "I was once a worker, I know what a worker needs." There are no works councils in his plants. Instead, Stronach has established a network of "confidantes," responsible for "reconciling interests" according to rigid guidelines.

Another network cultivated by Stronach consists of contacts in political circles and the banking world. Karl-Heinz Grasser, the former Austrian Freedom Party finance minister, was once on Stronach's payroll, as was the leading Austrian Social Democrat, Andreas Rudas.

Gerhard Randa, formerly a member of the executive committee of the HypoVereinsbank and a former head of the Bank Austria, currently sits on the executive committee of Magna. A former member of the company's supervisory board is the former World Bank president, James Wolfensohn, and currently on the board is the former Austrian chancellor, Franz Vranitzky.

Stronach also maintains close contact with other leading politicians and the editors-in-chief of leading newspapers. His own attempts to enter politics—Stronach stood as a candidate for the Canadian Liberal party in Ontario—failed, as did his efforts to develop a media holding. His investments in equestrian sports and Austrian football have also proved largely unsuccessful.

Magna International has been hit by the collapse in worldwide auto sales. Some 85 percent of Magna turnover in North America is linked to its three biggest customers, General Motors, Chrysler and Ford, and for last two quarters of 2008 the company racked up a \$284 million loss.

Linked to a drastic reduction in car production in Austria, Magna suffered a drop of nearly 90 percent in its profit margin for 2008. The company made a profit of just 55 million euros in 2008, compared to 515 million euros one year earlier. Currently, the company has placed 5,000 workers on short-time work in Austria and Germany.

"Nobody at Magna is immune to the effects of the crisis," Stronach wrote in the company's annual report for 2008, and added that there could be no question of guarantees for job levels from the government, trade unions or any company. Stronach told the press, "We are going through a very difficult time. I think it will get quite a bit harder."

Stronach has reacted to crises in the past with a policy of expansion, and is now trying the same tactic. His interest in Opel is mainly based on seeking billions in the form of credits and state endorsements to overcome his own crisis.

The 76-year-old billionaire seeks to strike the pose of benefactor. If things are going badly for a customer, "we will always see what we can do," he says. At the same time, Magna is ready to take over the British GM subsidiary Vauxhall only if it is "profitable in the long term." Magna regards the pension obligations for former

Vauxhall workers as a major obstacle to taking over the British-based company.

Magna recently outlined how it would proceed with a takeover of Opel. The newspaper *Rheinische Post* reported that Magna wants to control 19.1 percent of Opel shares, with 31 percent going to the Russian carmaker Gorkovski Avtomobilny Zavod (GAZ) and the Russian Sberbank.

The Sberbank is Russia's most important bank and is in the hands of the state. GAZ is owned by the oligarch Oleg Deripaska, who has close links with Russian Prime Minister Vladimir Putin. GAZ produces the Volga, as well as light transport vehicles and jeeps for the Russian military.

In September 2007, Deripaska acquired 20 percent of the shares in Magna in order to support Stronach's takeover plans for Chrysler at the time. Once Russia's richest man with a fortune of \$40 billion, Deripaska has since lost 90 percent of his wealth as a result of the financial crisis. At the end of last year, Deripaska was forced to give up his shares in Magna to satisfy his creditors.

GAZ has also lost out in the course of the crisis. It is considered to be in drastic need of re-organisation and has already shed thousands of jobs. According to Russian government circles, the car company is bankrupt, and there are no rescue plans for it at the moment. According to the *Rheinische Post* there is also no consensus "over the role to be played by Mr. Deripaska in the future."

The claim by IG Metall and the works councils that an intervention by Magna, together with other crisis-ridden investors facing bankruptcy, would further the interests of the Opel work force is utterly fraudulent.

The entire campaign by the trade unions and leading politicians in support of Magna's involvement in Opel serves primarily one purpose: To prevent a joint struggle by all auto workers worldwide in the defense of jobs.



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