The Opel fraud

Opel: Magna deal means layoffs, wage cuts and splitting of the European workforce

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The involvement of the Canadian-Austrian Magna concern in Opel, which has been celebrated in the German press as the "rescue" of the ailing auto company, is nothing less than a huge diversion. The German government, the IG Metall trade union and company works councils are attempting to portray the deal struck by General Motors, Magna and the Russian state bank Sberbank as a success, although 11,000 jobs are to be slashed, a number of European GM plants closed down, and drastic wage cuts imposed on the remaining workforce.

Firstly, it is important to note that all the agreements made last weekend over the firm's future structure are noncommittal declarations of intent with no legal bearing. The three-page "memorandum of understanding" has been deliberately kept vague. A date for legally binding contracts was agreed upon for September—shortly before federal elections take place in Germany. The German government spoke of a "closing date" in September. In other words, the real implications of the deal will be declared and implemented only after the election.

The Opel works councils—and in particular the joint works council chairman Klaus Franz, who sits as deputy chairman on the Opel supervisory board—have met regularly during the past few weeks with representatives of the German government, leading politicians from those states where Opel factories are located, representatives from the US parent company General Motors, as well as possible investors, to negotiate the current agreement. The work councils and the Social Democratic Party (SPD) made clear they favoured the plan put forward by Magna.

This plan envisages the slashing of one fifth of GM jobs in Europe—i.e., 11,000. In Germany, around 2,500 jobs are to go—mostly at the Opel plant in Bochum, with at least 2,000 jobs to be cut from the current workforce of 5,200. The Bochum factory is to produce the Opel model Zafira and "transitionally" the three-door version of the Astra model. The agreement struck last weekend in fact means the gradual closure of the Bochum plant.

The situation is even more dramatic in other European countries. Confronted with immediate closure is the GM work in Antwerp, Belgium, employing 2,700, as well as at least one of the two British Vauxhall plants (with a combined workforce of 5,500) and Saab in Sweden. Additional job cuts are expected at the GM plant in Spanish Saragossa, which produces the Corsa model and employs 7,000 workers.

The IG Metall and the work councils have sought to systematically shift the main burden of the GM bankruptcy onto European locations outside Germany and are now celebrating the retention of 44,000 jobs in Germany as a success. However any hope by the bureaucracy that it could save its own skin with this deal is likely to backfire. In a press release on Tuesday, Magna explained that a "withdrawal of cooperation in the Opel rescue" was possible. "It cannot be guaranteed that a transaction will actually result from the present cooperation," the company stated. All that exists is a "framework concept."

The main points of the agreement

Magna has undertaken no financial obligations. The agreement envisages that in the next half year a trust company will supervise the further business activity of the company and lead negotiations with investors.

From Monday, June 1, this trust company is the new majority shareholder at Opel. Significantly, an insolvency lawyer heads the German side. Attorney Alfred Hagebusch is a partner at the Heidelberg Wellensiek chancellery, which specializes in insolvency and redevelopment consultation. According to press reports, the chancellery's main fields of work are "insolvency law, crisis and redevelopment consultation as well as restructuring concepts for insolvent enterprises." It was only recently involved in organizing the insolvency of Woolworth's in Germany.

Together with Hagebusch and sharing equal powers is the European vice chairman of GM, Eric Stevens. Together the pair will determines the future of the new trust company.

Alongside Hagebusch and Stevens are a team of five advisers, led by Fred Irwin, the head of the American Chamber of Commerce in Germany as well as managing director of the Citigroup Global Markets Germany based in Frankfurt. Also on the board of directors are two high-ranking GM managers—Enrico Digirolamo, GM chief financial officer, and John F. Smith, responsible for GM's international product planning. Two additional members of the board are to be nominated by the German government.

The so-called trustees are therefore handpicked representatives of big business and finance interests—one insolvency lawyer, two GM managers and two representatives from the German finance or economics ministries. They will supervise the €1.5 billion interim credit for Opel made available by the German government and states.

Should Opel be driven into insolvency, the entire financial losses would be carried by the German state, which has agreed to invest an additional €4.5 billion in securities during the next four to five years.

Originally the deal negotiated last weekend called upon Magna to make €300 million available for Opel at short notice. This payment was then to be assumed by the German government. “There was a change,” was the only comment made by Finance Minister Peer Steinbrück (SPD).

Magna and the Sberbank will invest their promised €500-700 million credit not as direct capital in Opel, but mainly as a so-called “convertible bond,” which means that these funds can be transferred or shifted on the books at any time.

The ailing Russian auto producer Gaz will not be directly involved but will merely function as an “industrial partner” on the Russian market. Gaz belongs to the Russian billionaire Oleg Deripaska.

The agreement guarantees the GM parent company a 35 percent share in the new Opel Europe AG, with the Russian state bank Sberbank holding an equal share. Magna wants to take over 20 percent, with the remaining 10 percent earmarked for “employee” participation. In discussion is a scheme involving a “holding of shares by employees,” which converts wage cuts into share holdings in the company and chains workers to the concern.

It is quite possible that the IG Metall and the Opel works councils are planning a model similar to that recently adopted by GM in the US. There, the United Auto Workers union will soon hold a 55 percent share in Chrysler and 17.5 percent in GM. This means the trade union has a direct interest in maximizing company profits via job and wage cuts.

Nominated to head the new Opel Europe AG is the former GM European boss, Carl Peter Forster. Two further agreements make clear that the present temporary solution is in fact nothing less than a delayed, step-by-step insolvency. First of all, the new company must continue to pay royalties to the American GM successor company. And secondly, for a long period of time, Opel is not allowed to sell its cars in the US, Canada and only under considerable restrictions in China.

Work council chairman functions as personnel chief

Works council head Klaus Franz announced some weeks ago that budget cuts at the company must total around €1 billion. Franz is already acting as if he were the new personnel chief of the company and never misses an opportunity to call upon workers to make fresh sacrifices on behalf of the concern. The involvement of Magna did not mean Opel would become “a land of milk and honey,” he told the *Rhenishchen Post*. Opel faced a difficult course of reconstruction. “That will cost jobs, will involve savings. Difficult, complicated negotiations lie ahead,” Franz declared.

Everything points to the fact that the real attacks on the Opel workforce in Germany will begin after the federal election on 27 September. The interim credit for Opel will give the company a breathing space of six months. What then happens after the elections will have catastrophic consequences for Opel employees. Those determining what takes place will be the political and business lobbies that are already opposing the current Opel agreement.

In the government, the spokesman of these right-wing business forces is Economics Minister Karl Theodor zu Guttenberg (Christian Social Union, CSU). Along with the Free Democratic Party (FDP), Guttenberg expressed his opposition from the outset to any support for Opel and argued in favour of insolvency. According to information from inside the ruling coalition, Guttenberg even threatened to resign over the affair.

In the meantime, he has the support of numerous business spokesmen and experts. According to CDU (Christian Democratic Union) economics spokesman Michael Fuchs, the Opel rescue meant that tax funds were being spent with a “free beer for all mentality.” The president of the Berlin Chamber of Commerce and Industry (IHK), Eric Schweitzer, said: “Enterprises which make false calculations must disappear from the market in order to protect jobs in healthy enterprises.”

German Finance Minister Peer Steinbrück (SPD) also did not rule out an eventual insolvency of Opel.

After the federal election—irrespective of which parties win—the representatives of the business associations will ensure that the next government carries out enormous attacks, and not only against Opel workers. In a similar manner to the Obama government in the US, these forces want to exploit the crisis to abolish wages and the social standards of past decades and carry out huge attacks on the living standards of the working population.

An alternative perspective requires a decisive offensive against the reactionary policy of the trade unions. Workers must reject the entire framework of the present Opel “rescue” plan, which will result in nothing other than nationalism, job reductions and wage cuts. Opel employees must take responsibility for the defence of their jobs, wages and living standards by joining with their fellow workers in Europe, the US and throughout the world.

Such a struggle must be centred on an international socialist program. The private ownership of the major companies and banks must be abolished and transferred into social ownership. Large concerns must be subject to genuine democratic control. In order to achieve these goals it is necessary to build an international, socialist workers party which undertakes to unite workers worldwide in a struggle against capitalism and for the establishment of the United Socialist States of Europe. This is the program fought for by the International Committee of the Fourth International and its German section, the Socialist Equality Party (Partei für Soziale Gleichheit).