German government contemplates Opel insolvency

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Two months ago German trade unions, works councils and the national government announced the “rescue” of Opel—General Motors’ operation in Europe—based on a so-called “Memorandum of Understanding” submitted by the Magna group. At the time, the WSWS described the entirely non-binding Magna document as a “major diversionary maneuver,” designed to prevent a revolt by the workers concerned.

The Merkel coalition government is keen to give the impression it is working on a “socially compatible solution” for Opel—at least until the federal election due in September. In the meantime, however, evidence is emerging that from the start the government was intent on allowing the auto firm to go bankrupt.

A discussion planned for last Monday between GM managers, government representatives and the two remaining investors in Opel did not take place. Following the withdrawal last week of one bidder—the Chinese BAIC company—two other bidders remained: Canadian-Austrian auto supplier Magna with its Russian partners, the automaker GAZ and the state-run Sberbank, and Belgian investment company RHJ International.

Until recently the German government and the governments of those countries with Opel plants had publicly favored a take-over by Magna, while GM negotiators had favored RHJ. Last weekend, however, there were signs that the German government is publicly inclining towards the solution proposed by the federal Minister for Economic Affairs Theodor zu Guttenberg (Christian Social Union), who has argued from the outset that Opel be declared insolvent.

The real intentions of the Berlin government are indicated by the fact that it has made former auto parts maker Continental CEO Manfred Wennemer its representative on the advisory board of the Opel trust, which at present owns 65 percent of Opel Europe (with GM owning the remaining 35 percent). Wennemer won a reputation at Continental as an ice-cold rationalizer who transferred thousands of jobs to countries with low-wage economies and then extorted the remaining staff. He also pushed through a 42-43 hour working week without any wage compensation.

Last Friday the *Handelsblatt* newspaper reported that in an initial discussion with GM managers Wennemer had proposed a planned insolvency for Opel on the basis of a possible new start with state assistance. According to the same report, insolvency adviser Dirk Pfeil (Free Democratic Party), who sits on the Opel trust advisory board as a representative of the four states with Opel operations, argued for the sale of the firm to RHJ.

Pfeil has close links to RHJ Chairman Leonhard Fischer, a former executive board member of the Dresdner Bank and a well known figure in the German financial world. Fischer began his career in Frankfurt with US-investment bank JP Morgan, then took over a leading post at Dresdner, before switching to Credit Suisse. At the start of 2007, he took over as head of RHJ International.

Fischer and RHJ are above all interested in obtaining as much state funding for GM-Europe as they can lay their hands on. When asked why he was so interested in Opel, Fischer replied, “Because of the asymmetrical distribution of risk,” i.e., the state will bear the main risk for the Opel rescue.

Last Saturday Opel’s trust advisory committee declared that no final decision had been made. “So far the negotiators for General Motors have failed to submit either a recommendation or a proposal to the trust company.” Together with Pfiel and Wennemer, two representatives of GM belong to the trust advisory committee, alongside the president of the American Chamber of Commerce in Germany, Fred Irwin.

However, some months ago Reuters reported that the law firm Clifford Chance was already preparing plans for an insolvency. According to company sources, insolvency expert Jobst Wellensiek is also advising Opel’s management.

Also on Saturday, the online edition of *Financial Times Deutschland* reported that a study by investment bank Lazard drawn up on behalf of the government had concluded that Opel and its affiliated company Vauxhall were too small to survive as independent auto producers. The critical mass necessary for a separate auto manufacturer was “hardly attainable.” The “strictly confidential” report will be used by Wennemer and Pfeil as the basis for their negotiations with General Motors.

An insolvency plan is used in approximately one percent of all insolvencies, according to the Institute for Small Businesses in Bonn, but no mention is made of the consequences for the workforces involved. Indeed, the document drawn up by Lazard is just four pages long.

As is the case with GM in the US, the bankruptcy of Opel Europe would hit the workforce hardest.

“The insolvency plan has many advantages,” writes *Financial Times Deutschland*: “On average 60 percent of the jobs are retained in the insolvent enterprise.” In addition, the procedure in the case of a planned insolvency is much shorter than for a normal insolvency—and the creditors would get about twice as much money. “The basic principle is: in Germany the requirements of the creditors are to be satisfied first in accordance with the ability of a company to pay, based on assessing the remaining value of the enterprise.”

The reaction of IG Metall and the works councils

The Opel works councils (“shop-floor” union organizations) and IG Metall, the national engineering workers union, reacted nervously to last week’s developments. In a resolution cited last Saturday in the *Frankfurter Rundschau*, the works councils appealed to the federal and state governments to remain firm “and reject the take-over of Opel by RHJ.” The works councils were not prepared to make any sacrifices for RHJ, the statement declared.

In fact the works councils have already made a host of concessions. The joint works council and IG Metall have sacrificed agreed-upon wage increases and holiday pay, although it remains unclear who will take over Opel. In Bochum, the workforce refused to agree to concessions made by the union to withhold a wage increase and sacrifice holiday pay. As one Bochum worker told the WSWS, “I am not prepared to finance the destruction of my job with my own money.”

Added to that, the works councils have already agreed to “sacrifices” on the part of the workforce amounting to between 1 and 1.5 billion euro to enable the work councils to set up their own co-worker equity investment company.

This co-worker equity investment company, which should, in fact, be termed a “works council enrichment company,” is, however, endangered in the event of insolvency. This is why the work councils are so opposed to insolvency—not because of any scruples about the fate of the workforce.

Klaus Franz, the chairman of Opel’s joint works council and vice-chairman of the firm’s supervisory board, reacted angrily to the report put out by Lazard, which claimed there was no future for Opel and Vauxhall. On Saturday he told the media that the economics ministry was deliberately seeking to provoke an insolvency. Then on Monday the Opel works councils demanded that they be more closely involved in the search for an investor for the company.

Both of the remaining corporate bidders for Opel are demanding large cuts in staffing levels. Thousands of jobs are to be done away with, wages cut and holiday and Christmas benefits annulled. There are press reports that claim that the “redevelopment contribution made by employees” is to total between 1.25 and 1.5 billion euro during the next five years.

After a special meeting on Monday, the company works council declared, “Without our participation in the decision-making process we refuse to contribute to the company—irrespective of which investor GM decides for.” Conversely, this means that when the work councils and IG Metall are included in negotiations with the investors, they are quite prepared to agree to “contributions by the workforce.”

The works council and the unions are merely trying to drive up the price for their treachery. They are only ready to sign wage and benefit cuts if they are given an increased role in the company.

They are also calling for Opel to be allowed access to all important world markets—a move that has been prevented up to now by GM. They are demanding that the influence of GM be cut back and that the former head company in Detroit be disallowed any pre-emption or buy-back right, permitting its European subsidiaries Opel and Vauxhall to become fully independent companies. At the same time, cooperation with the US firm in development and sales would continue. In other words, Opel would be able to make its own profits in all markets, while benefiting from cooperation with GM.

In order to implement the planned wage and benefit cuts, the works councils are demanding a “guarantee for the future of the existing Opel and Vauxhall works until 2014.” Everyone knows that such a guarantee is not worth the paper it is written on. According to the works council statement, there need to be “alternatives” for the plants in Antwerp (Belgium), Eisenach (East Germany), Luton (Great Britain), as well as the Powertrain works in Bochum, Rüsselsheim, Kaiserslautern and in Tychy (Poland), all threatened with closure.

The works council and IG Metall have made clear the real aim of their demands: the future investor must undertake “substantial efforts on the income side and develop turnover.... It is not acceptable that the substantial potential of Opel is not used, while at the same time reductions in salaries and wages are demanded from employees,” the statement continues. In other words: reductions in salaries and wages will be accepted if turnover—and profits—are increased.

With an eye to the profits to be made from their co-worker equity investment company, the work councils and IG Metall functionaries are already arguing like management for higher profits.

To realize the goal of such an investment company, the work councils and IG Metall bureaucrats are prepared to agree to unprecedented cuts. They only fear one thing more than an Opel insolvency: a joint struggle by auto workers in Europe, the US and worldwide.

They are even prepared to agree to a takeover by RHJ international, which they rejected so vehemently. The Frankfurt IG-Metall district head, Armin Schild, told the *Frankfurter Allgemeinen Zeitung* that a joint take-over of Opel by RHJ and Magna was “conceivable.... I always said that a combination of an financial investor and a strategic investor could make sense.”