Maneuvers continue in GM-Opel takeover

IG Metall sanctioning destruction of thousands of jobs

Dietmar Henning
13 August 2009

The sale of the GM's European division—Opel—is developing into a fierce takeover battle with competing financial and political factions engaging in ruthless efforts to secure their interests.

At stake are billions of euros of taxpayer money, which each stand to gain. The bill is to be paid by Opel workers in the form of plant closures, redundancies, wage and pension cutbacks, as well as the dismantling of social gains.

The work councils and the trade unions, which are unanimously backing the bid by Canadian auto parts giant Magna, are part of this conspiracy against Opel workers.

Last Friday General Motors CEO Frederick Henderson met with Magna boss Siegfried Wolf in Detroit to discuss the sale of Opel. There has been no official announcement regarding the results of this discussion, nevertheless European Opel joint works council chairman Klaus Franz said the meeting led him to be "relatively optimistic."

Franz told Reuters he expected, "we will be able to see things somewhat more clearly this coming week." On Monday he added that he intended to call upon the German Chancellor Angela Merkel (Christian Democratic Union) and Foreign Minister Frank-Walter Steinmeier (Social Democratic Party) to meet with the GM management if nothing happened by August 12.

The *Frankfurter Allgemeine Zeitung*, however, reported that talks between Magna and GM could break down in coming weeks. "The principal reason is the involvement of Magna with the national Russian Sberbank," the newspaper quoted one source close to the discussions as saying.

According to the national newspaper *FAZ*, Magna is demanding that the 55 percent share of the new European Opel company, which Magna plans to take over with its Russian partner, Sberbank, be sold off "later" to the Russian state bank VEB. The same applies to Opel's licenses on GM patents, which are "in part for military use." Thirdly, Magna and Sberbank want to assume full control over all of GM's operations in Russia, including the GM brand Chevrolet.

While the work councils have waged a concerted campaign against a takeover of Opel by the financial investor RHJ, because they fear RHJ is only interested in pocketing state subsidies and then plans to re-sell a slimmed down Opel back to GM, the conservative *FAZ* fears "that Opel is to serve merely for the redevelopment of the technically backward Russian automobile industry." It complained that Magna has not revealed any details about the contract it has struck with Sberbank.

The newspaper expects that GM will make a recommendation in favor of RHJ, which the council of the Opel trust would agree to, in the next few weeks. The trust currently holds 65 percent of the shares in Opel financed by funding from the German state.

The manager of RHJ expressed his own optimism that such a deal would be finalized. Leonhard Fischer, formerly chairman of the board of the Dresdner Bank and Credit Suisse, gave an interview to the *Handelsblatt* newspaper on Monday, declaring, it is "completely legitimate for the work councils to protect the interests of staff." But on the same basis he was confident he could convince the work councils to accept a bid by his company.

"I do not believe that the rejection of our bid by employees is in any way final," Fischer said. He recalled how the works council chairman of Opel, whom he holds in "very high regard" (i.e., Klaus

Franz), pleaded with RHJ a few months ago to take part in the bidding process." After this discussion he thinks it unlikely that Franz has "any fundamental problem with us."

Since RHJ had already negotiated a contract with GM, which just required a signature, the company had a "crucial advantage.... If it were up to us, then the decision over Opel could be made today."

At the same time Fischer did not rule out insolvency. He refused to answer and said he was being "asked too much" when reporters asked whether a final decision will be made before the federal election in September.

While both RHJ and Magna have so far made clear that, in the event of a takeover, they both plan to strip up to 10,000 jobs in Europe. Should RHJ win the takeover battle, it plans to sack up to 22,000 workers in Europe, according to the excerpts of a letter from Klaus to his European workers council colleagues published in the *Bild-Zeitung*. If Magna and its partner Sberbank, win the bid, however, then Klaus estimates that 33,000 jobs will be lost.

Last Saturday the *Frankfurter Rundschau*, which has so far served as a mouthpiece for Franz, wrote, "'With regard to Opel everybody is quitting the ship. I can say a great deal, but you cannot quote me' said one works council member sourly[...] 'There will be massive cuts, this is a very unpleasant debate inside the trade union in which there is a great deal of ill feeling,' confirmed one member of the IG Metal."

At the same time the Frankfurt IG-Metall district head and OPEL supervisory board member Armin Schild told the *Berliner Zeitung*, "We must fear that some responsible people think after the election there will be less pressure to rescue jobs at Opel. Then more unpleasant decisions could be made affecting employees, which nobody risks making before the election."

GM workers throughout Europe are faced with a number of urgent questions:

What do the trade unions, in particular the IG Metall and the work councils know? Why do they refuse to make any information available to the workforce? When did they agree behind closed doors to the dismantling of over 20,000 jobs?

What deal has been struck with the Magna company? Its own plan is by no means better than that out forward by RHJ. What will IG Metall get in return for collaborating with Magna?

The *Frankfurter Rundschau* quotes Rudi Kennes, the works council chairman of the Opel plant in Antwerp, Belgium, and vice-chairman of the European Opel works council. Both the Magna and the RHJ plan envisage the closure of the Antwerp works. Nevertheless Kennes pleads for a takeover by Magna. While the government of Flanders has instructed the local employment agencies to prepare for mass redundancies, Kennes assumes an air of optimism because of the local seaport. "From the standpoint of an investor these are better conditions than on offer in Bochum or Eisenach in Germany."

Has Kennes struck an extra deal with Magna? Who will be affected? The plant in Antwerp or just Kennes personally? And who will pay the price for these deals?

Kennes is dismissive of the promise made by third bidder, Fiat boss Sergio Marchionne, to retain the plant in Belgium: "Fiat, that is just talk, talk, empty talk." Fiat is only interested in Opel's insolvency, "they want us as corpse."

There are host of indications that the wheeling and dealing over the future over Opel is aimed at encouraging workers to believe the government is interested in a reasonable solution—up until election day in September. At the same time there are already plans drawn up in the Economics Ministry for an insolvency along the lines of that of GM in America.