Following GM announcement on new talks with Magna

German auto union offers further concessions to Opel

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Once again, a proposal from General Motors and the car parts supplier Magna to negotiate the takeover of GM subsidiary Opel's European branch is being presented as a "rescue" of Opel.

Last Thursday, the GM board decided to continue negotiations on the sale of Opel with a consortium comprising Magna, the Russian Sberbank bank and the Russian GAZ car manufacturer. The works councils and trade unions at Opel, along with German politicians and the media, responded as though GM and Magna had already agreed to a takeover of Opel in Europe.

Foreign Minister Franz-Walter Steinmeier, the SPD (Social Democratic Party) candidate for chancellor in the federal elections at the end of this month, said, "This is a good day for Opel." Angela Merkel (CDU—Christian Democratic Union), the current federal chancellor, claimed that "patience and determination" had achieved success. She welcomed "the GM decision for Magna."

On Friday, the *Frankfurter Rundschau*, which has for months served as a sounding board for Opel's joint works council chairman, Klaus Franz, ran the headline, "Happy Ending."

This is reminiscent of the supposed "rescue" of Opel at the end of May. But as was the case three months ago, nothing has been conclusively decided. GM has merely declared its readiness to continue talks with Magna.

An agreement has yet to be signed. "We'll have to take up negotiations again," said John Smith, vice chairman of the GM board and the company's chief negotiator. The Sberbank also regarded GM's decision on the sale of Opel as not yet final. German Gref, head of Sberbank, asserted that the talks will be arduous and the structure of the resulting company will be complicated. The proposal to negotiate is itself a document of more than 1,000 pages.

The *Süddeutsche Zeitung* pointed out that the deal is far from settled. "Rather, all the fussing about of the last few months is to be shamefully continued—only this time on a higher level."

The new transatlantic manoeuvres will be prolonged beyond September 27, the day of the federal election. "The only thing that's certain is that nothing is certain," the *Süddeutsche Zeitung* wrote. "The whole deal might spectacularly collapse. There just isn't any legally binding agreement on the table so far."

GM's lead negotiator Smith expects negotiations with Magna and Sberbank to extend to November.

The German Opel works councils and the IG Metall trade union welcomed the GM announcement as evidence of their own success, because Magna has declared its intention to retain—for the time being—the four German Opel locations at Rüsselsheim, Bochum, Eisenach and Kaiserslautern. Smith, however, was less categorical, saying, "This is currently Magna's plan."

What is certain is that Opel's Antwerp works in Belgium will be closed down next year. The British Vauxhall works in Luton could shut down within two years, and about 1,650 of the 7,500 jobs at the GM works in Figueruelas near Saragossa in northern Spain are under threat.

According to official data, 11,000 of roughly 54,000 workers in Europe will lose their jobs, 2,500 of them in Germany. However, the *Bild* cites an internal letter from Klaus Franz to his European works council colleagues in which he reckons with a loss of 21,000

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positions following implementation of the Magna plan.

The works councils and IG Metall are silent on whether this means the closure of additional plants.

Initial statements following Thursday's announcement confirm that a jobs massacre is in the cards. Frank Stronach, head of Magna, heralded a "tough restructuring process." The *Österreich* newspaper wrote that Opel has not made a profit for a long time and the economy is not propitious. It added that a takeover would be "a hard process for all concerned."

The works councils and IG Metall functionaries have signaled that all improvements in working conditions won by Opel workers in the past are to be sacrificed to the new Magna management.

Armin Schild, the IG Metall regional supervisor for Frankfurt and member of the Opel supervisory board, said that Magna was a "tough, iron-headed employer of the Anglo-Saxon kind." He added, "They reach straight for the chainsaw."

Berthold Huber, head of IG Metal, said there would be no alternative to a restructuring of the company. He offered further concessions from Opel employees, such as renouncing their claim to Christmas and holiday pay, "in order to make Opel fit for the future."

Klaus Franz gave a clear indication of how much he was willing to take from workers' pockets: an annual sum amounting to hundreds of millions of euros. Over the next five years, €1.65 billion would accrue by dismantling jobs, cutting wages and abolishing Christmas and holiday pay. These savings would flow into the coffers of the so-called "workers' capital participation company."

The executive and supervisory board of this company are to consist of the heads of the works councils from the various Opel plants in Germany, as well as IG Metall functionaries. The chairman of the executive board, which is to hold 10 percent of Opel's shares, will be Klaus Franz himself.

Some 55 percent of the new Opel concern will come under the joint ownership of Magna and Sberbank, while 35 percent will remain with GM.

Despite all the proposed cuts, it is still possible that Opel will file for bankruptcy. John Smith declared that the decision to sell Opel did not mean that the company had actually been saved.

Negotiations can still collapse. In the run-up to the meeting of the GM board last Tuesday and Wednesday in Detroit, it appeared that GM planned to retain Opel. However, a report from the auditing firm KPMG evidently led the board to change its mind.

The report revealed that GM would have to pay up to US$6.1 billion to keep Opel in the GM family. KPMG pointed out that GM's previous projection that the restructuring of Opel would cost about US$4.64 billion was "far too optimistic."

GM now appears to be willing to restructure Opel by making use of Magna and the US$4.5 billion of taxpayer money pledged by the German federal government. GM has announced that a "specific funding package from the [German] federal and state governments" would have to be available as part of the deal.

However, GM is setting explicit conditions to prevent the flow of billions of euros and GM and Opel technology to Russia. Thus, financial guarantees by the German state are not to apply to Russia.

"These resources are to be used exclusively for the New Opel company. Investment in Russia should be financed via other financial sources," stressed Frederick Irvin, the American head of the Opel trust's advisory board. GM is to be empowered with a veto against its Russian partners' use of GM patents.

Opel is to continue to be integrated into the operations of GM. It is not to be integrated into Magna, but rather managed as an independent holding. Carl-Peter Forster, the current head of GM's European division and chairman of the Opel supervisory board, is to become the head of New Opel.

In the opinion of car expert Willi Diez, Opel's chance of survival is extremely questionable and will only be determined in the next two to three years.

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