Nationalist tensions deepen over Magna's purchase bid for GM Europe

Robert Stevens
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The proposed buy-out of General Motors' (GM's) European arm by Magna International continues to expose trade rivalries within Europe. GM and Magna have provisionally agreed a deal in which the Canadian consortium that is backed by Russia's Sberbank will buy 55 percent of Opel for €4.5 billion ($6.7 billion).

Under the terms of the sale Magna and Sberbank will each acquire 27.5 percent of Opel and GM will retain a 35 percent stake. Employees of the new company will receive a 10 percent share, which is to be used in exchange for massive concessions including thousands of job losses, changes in working conditions and hikes in productivity.

The takeover plan is centred on the imposition of some €1.2 billion in cost cuts. On agreeing to buy GM's European operations in September, Magna announced Opel and Vauxhall would have to cut their 50,000-strong workforce by a fifth within 12 months. Of the 10,500 or so jobs to go, 4,100 are to be shed in Germany with the remainder in Britain, Spain and Belgium.

A deal may be signed this week to complete the deal, the *Financial Times* reported on Monday citing sources involved in the negotiations. This was backed up by GM chief executive Fritz Henderson, who told a news conference in Shanghai, China that it was possible the sale may be concluded in the next few days.

Behind the scenes the sale of GM's European arm has been fraught with tension, as each of the European states has sought to protect its own auto producing capacity at the expense of its rivals. The German government of Angela Merkel had pledged €4.5 billion in state aid to Opel to avoid massive job losses, with unemployment a major issue in last month's elections. It also preferred concluding a deal with Magna, as it promises to improve Germany's relations with its biggest supplier of energy, Russia.

The deal has been criticised within Germany itself, with some arguing that it is unviable. But the main attack has come from Spain and Britain.

On October 9, the Spanish government boycotted a German government-hosted meeting to discuss the latest stage of the buy-out. Instead of attending the meeting, Miguel Sebastián, Spain's industry minister, met separately in Berlin with Siegfried Wolf, Magna's co-chief executive. Sebastián was attempting to convince Magna to ensure that the final agreement would be more suitable to the economic interests of Spain.

Spain has been insistent throughout the negotiations that it is opposed to plans to shift a production line from its plant in Figueruelas, near Zaragoza, to Eisenach in Germany. The Figueruelas plant produces the Opel Corsa model and employs around 7,000 workers. In 2008 it manufactured 29 percent of all Opel cars in Europe.

Speaking on Spain's rejection of the current version of the planned agreement, an official warned that the government was "not prepared to help finance a plan which could lead to the destruction of the Opel brand in Spain and Europe."

Last week Sebastián wrote a terse letter to Karl-Theodor zu Guttenberg, Germany's economics minister, calling for "help to convince Magna that the signing of the agreement next week is premature." He added, "We are not comfortable with the industrial plan proposed by Magna, which we do not find sound enough to ensure the viability of the new company."

According to the October 9 *Financial Times*, the letter came to light the day after Merkel had failed to convince José Luis Rodríguez Zapatero, the Spanish Prime Minister, to agree to the proposed deal.

The British government has also refused to accept the current deal. On a visit to South Korea last week Peter Mandelson, the UK's business secretary, said the UK could not "sign off" on what was being put forward. He added, "If there are not to be negative consequences for Vauxhall [the British arm of GM], the plan needs to be redressed in certain ways."

Plans leaked by a German newspaper revealed that about a quarter of the 1,200 UK workforce could lose their jobs. The plant at Luton could close altogether after 2013 when its current contract to produce the Vivaro van expires.

According to estimates, the British government has made some £400 million of loan guarantees available to Magna on the basis of a deal that is favourable to UK economic interests. Britain is effectively withholding any such funding in what is supposed to be a "European" deal until it is satisfied.

To undermine the findings of a separate German government authorised report on Magna's proposals, Mandelson has called in the accounting firm PricewaterhouseCoopers to scrutinise the plans on behalf of Britain.

The British government opposed the sale of the European arm to Magna and supported the rival bid of the investment group RHJ International. Mandelson wrote to European competition chief Neelie Kroes last month and called on the European Union "to ensure a commercially-based outcome rather than one determined by political intervention and subsidies."

Mandelson demanded that British plants be kept open, claiming that they are the most productive. "Capacity at highly efficient plants in Britain and Spain is planned to be under-utilised, in favour of higher utilisation of some of GM's other less efficient plants," he said.

Over the past months trade unions in Germany, Spain, Belgium and the UK have been involved in negotiations with their respective governments and Magna in order to agree to a "restructuring" agenda. Calling on GM/Magna to prioritise the plants in "their" countries, the trade unions are pitting workers against one another.

The IG Metall union in Germany has acted throughout as the loyal flunkey of the European government with the most financial clout. Whilst supporting the Magna deal and calling for the defence of German jobs, it intends to wage no struggle against the more than 4,000 job losses expected to be made there. The union will collaborate with any further rationalisations of jobs and working conditions demanded by the new owners.

This week Klaus Franz, the chair of the Opel workers' council in Germany, said that the unions at the two plants in Figueruelas and Eisenach had come to an agreement. According to the *Financial Times*, Franz said that there would be "give and take" between the two plants. "We have to bring this deadlocked situation to an end," he added.

"Give and take" only has one meaning—an agreement has been concocted in favour of Magna at the expense of workers' jobs, wages and conditions.

The same applies to the trade unions in Spain, Belgium and the UK. Unite in Britain has refused to wage any struggle in defence of jobs. Instead it has launched a nationalist campaign based on the slogan "Saving Vauxhall jobs—Defending the UK car industry." In a statement on its website "Save Vauxhall," Unite echoed Mandelson's proposal of Magna retaining the British plants on strictly commercial grounds—i.e., that it was in the interests of its future profitability that the company do so.

Late Tuesday it was reported that Unite had concluded a deal with Magna which would see 600 jobs lost in the UK through voluntary redundancy, the imposition of a two-year pay freeze, and other cost-cutting measures.

Magna would not comment on the deal, but Tony Woodley for Unite claimed that it "gives both plants job security and a future through to 2013, providing a good basis for a long-term future beyond that." Vauxhall described the deal as "good news for Vauxhall's UK operations," citing the "tremendous team effort between [the] leadership of Unite and the management team at Vauxhall."

In Spain on September 19 the trade unions organised a demonstration in Zaragoza to oppose the transfer of production to Germany, under the banner of "Opel and its subcontractors: for a viable industrial plan." Earlier this month the Comisiones Obreras announced that in exchange for Magna retaining production of the five-door Opel Corsa at the plant in Aragon, it had agreed 1,300 job losses with management—down from the 1,650 originally planned.

Presenting the deal as some kind of victory for the workforce, on October 5 Ana Sanchez, an official of the Comisiones Obreras said, "Magna have tabled a new plan for the plant today, which involves making 100 percent of the five-door Opel Corsa. That entails about 350 less lay-offs".

As well as working to impose the job losses, the Spanish unions also recently agreed to GM demands to temporarily lay off 600 employees at the Figueruelas plant from November 2009 until March 2010 due to falling demand.