Opel/Vauxhall takeover by Magna

Unions play off workers against one another

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While the German unions are doing everything to ensure the contract is finalised between Opel, Vauxhall, General Motors and the Austrian-Canadian automotive supplier Magna, behind the scenes the haggling has begun between the unions represented at the various European locations and their respective national governments.

By next week at the latest, Klaus Franz, the chair of the Opel central works council, wants to contractually agree substantial wage and job cuts, so that the contract is signed. GM has made it a condition of signing that the unions guarantee that the cuts be at the expense of the European workforce.

Franz is seeking the destruction of 11,000 jobs from the remaining European workforce of approximately 40,000, together with wage cuts of some €265 million annually. In Germany, the work council members have already agreed cuts of €175 million annually and the dismantling of 4.500 jobs, with more than 2,000 going in Bochum.

The German works council members have accepted that the previously agreed 2009 wage rise, valued at 4.2 percent, will not be implemented. Wages will also not increase in 2010 and 2011. Holiday pay is to be halved, with Christmas bonuses also being cut from 55 percent of monthly salary to barely 20 percent. In addition, Magna will not have to contribute to the company pension plan for the next two years, leading to smaller pensions for retirees.

In return for the concessions they have agreed, the German works councils and IG Metall union are to be granted a 10 percent share of the new Opel company, through a so-called workers' equity investment company. Negotiations are continuing with Magna on whether the works councils will be given any say on major company decisions, for example, regarding the closure of various locations.

Unions in the other European locations—in England, Belgium and Spain—have not yet agreed to any savings, as Magna has refused to give any guarantees about continuing production and employment, unlike in Germany.

While all the unions representing workers at GM's European plants have raised no principled objections to the eradication of jobs and cuts in wages, they are trying to manoeuvre with their own governments at the expense of workers in other countries.

Tony Woodley, chairman of Britain's Unite union, has complained about the lack of guarantees beyond 2013 for the British plants at Ellesmere Port and in Luton, saying this did not represent a "fair distribution" of plant closures and job losses.

According to the *Financial Times,* "1,373 of the 4,475 jobs in Britain and 2,090 of the 6,401 in Spain are to be cut—a third of the workforce in each of these countries."

The British government has warned against a German "subsidy war" over the carmaker. In a letter to the EU commissioner for competition, Neelie Kroes, business minister Peter Mandelson sharply attacked the Opel purchase by Magna: "We do not believe that the present Magna offer is the best available plan." Highly efficient plants in Britain and Spain are to be sacrificed in favour of less profitable works in Germany, he said.

Magna's plans would cost the European Union member states approximately €1.3 billion more than the alternative plan, where GM's European operations are bought by financial investor RHJ International (RHJI), and are about €2 billion more expensive than leaving Opel with GM, according to the *Financial Times*. The paper demanded "an active commitment" by the EU Commission.

Mandelson's references to the higher efficiency of British and Spanish workers, compared to their German counterparts, is apparently based on data from General Motors. According to GM, workers in Saragossa, Spain, need on average 19.5 hours in order to produce a car; in Ellesmere Port, this is 23.2 hours; in Bochum, 24.4 hours, and 33.1 hours at Opel's Ruesselsheim plant.

Opel central works council leader Klaus Franz, as well as the Bochum works council head Rainer Einenkel, immediately questioned this presentation, saying the figures were old and not comparable.

At the beginning of the week, the Spanish government also wrote a letter to Kroes, in which Industry Minister Miguel Sebastian demanded that the sale of Opel to Magna had to be based on "business criteria."

Madrid and London have argued that the German plants will receive preferential treatment if Opel is bought by Magna, because Germany is supporting the sale with state aid worth over €4.5 billion.

Just as the Spanish, British and Belgian unions collaborate with their governments, so too the German works councils cooperate closely with the government in Berlin. In mid-September, Brussels sent a list of questions to Berlin asking for information about the effects of the Opel sale to Magna. In particular, the European Union Commission called for a statement regarding the claims of the Belgian government that the Antwerp plant was more efficient "than the Bochum plant from an economic standpoint."

The German government has since drafted a reply, which is quoted in detail by *Der Spiegel*. In it, Berlin supports the closure of plants in Spain, saying that the transfer of production from Opel's Spanish plant in Saragossa to Eisenach in Germany makes sense "economically," since labour costs in Spain had risen sharply in past years. In addition, automobile experts no longer considered Spain to be a "promising production location." Eisenach lies closer to the core market of central Europe and the future markets in Eastern Europe.

In its reply, the German government stepped up the pressure on the EU Commission to agree to the closure of the Opel plant in Antwerp, which it claims was generally accepted as "economically not viable."

The closure of the Antwerp factory not only features in Magna's plans, but also those of GM and Belgian-based RHJ International. In the original GM restructuring plan, Antwerp was said to be the plant with "the least technical utilization of capacity of all Opel locations at present."

Manufacturing costs of $2,818 per vehicle at Antwerp, nearly $70 more than in Bochum, according to the German government, making claims that the Belgian plant was more efficient "incomprehensible." In any event, they argued, the plant in Bochum was of "considerable significance for Opel's market." Nearly a quarter of Western European turnover was in Germany, amounting to five times the sales volume in Belgium. The closure of the "historic" plant in Bochum could lead to a collapse in sales in Germany and would have "extremely negative effects for the entire enterprise." However, with a closure of the Belgian plant this risk was "very limited."

In the meantime, hostilities have broken out between the unions in Antwerp and Bochum. The Bochum works council had already prevented a large delegation of workers from the Ruhr district travelling to a demonstration in front of the Opel factory in Antwerp on September 23.

Despite the claims of the union bureaucracy, the demonstration in Belgium had nothing to do with solidarity. Rather, the German works councils had organized this action in order to oppose the reproaches from Belgium, Spain and Britain that Berlin's support for the Magna buyout with €4.5 billion in public funds only served to protect German factories at the expense of the other European plants.

The speeches of Klaus Franz and Rudi Kennes (Franz's deputy and works council chairman in Antwerp) at the European works council (EEF) were meant to suggest to the EU Commission in Brussels that there was a common struggle to defend all European locations.

As reported by the WSWS, Kennes told a press conference taking place at the same time as the demonstration that he had never heard any statements that Magna planned to close the Antwerp factory. Bochum works council chair Rainer Einenkel and Klaus Franz both refused to participate alongside their Belgian counterpart Kennes at the press conference.

The only German union representative present, Frankfurt IG Metall leader Armin Schild, also claimed, "We will not accept the closure of Antwerp."

In order to get in the race against Antwerp, the Bochum works council has already accepted the dismantling of 2,000 of the 5,000 remaining jobs by the end of the year. It is unclear, however, how this substantial job cut can be implemented without compulsory redundancies. Obviously, the works council will increase the pressure over the next weeks for workers to leave "voluntarily."

Even if Bochum were not closed immediately, the substantial dismantling of capacity and Magna's plans so far are a sure sign that the death of the Bochum plant is in the cards.

Under Magna's plans, the building of the new Astra model originally intended for Bochum would be assigned to another plant. Also, the introduction of the new Zafira model, to be built in Bochum, is only planned for summer 2011 and would not provide sufficient employment for the entire workforce.

It is highly questionable whether the plan pursued by the German works councils and the government to preserve Opel manufacturing in Germany at the expense of the other European plants will succeed.

A report by management consultants PricewaterhouseCoopers (PwC) on behalf of the German government sees substantial risks in the Magna concept. As *Handelsblatt* reports, the restructuring concept is "not particularly robust" and allows too little room for downward deviations. Nevertheless, PwC believe Opel is "fundamentally capable of restructuring."

However, the survival of Magna as an automotive supplier also depends on developments in the coming weeks and months. The crisis in the auto industry means Magna itself is increasingly losing its auto manufacturing customers. The VW group, which previously purchased parts worth approximately €2 billion from Magna, wants to strongly reduce or halt this business completely. Moreover, VW also wants its Porsche subsidiary to reconsider allowing Magna to build the Cayman and Boxster models as planned.

Fiat, which now owns a share of Chrysler, has already announced that in future three of its American models would no longer be produced by Magna, but with Italian manufacturer Bertone. BMW has also threatened that Magna will in future receive no orders for system-relevant parts.

Last year, Magna international still managed to produce a profit of more than $70 million on a turnover of $23.7 billion. However, in the first half of 2009, the company recorded a net loss of $405 million, with turnover halving to approximately $7.28 billion. In the US, one factory with 1,400 employees has already been closed. In Austria, thousands of workers were put on short-time working; wages were also cut.

Last week, Bochum works council leader Einenkel once again raised the spectre of an Opel insolvency. "We need someone to bring along the money," he told the *Ruhr Nachrichten*. Whether that was Magna, he did not want to say: "Let's see how things might work out."

Opel workers cannot stand by and watch the machinations of the works councils and trade unions. In Germany, Spain, Belgium and Britain they function as factory police and implement the attacks of the corporations on jobs and wages against their own members.

In order to successfully organize resistance, action committees must be developed at the factory level, independent of the works councils and trade unions. The action committees must form international links, including with GM workers in the US, and prepare and organize both strikes and occupations against the planned attacks.