Opel's future once again up for grabs

Dietmar Henning
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Although the new German government has barely taken office, all the deals struck between the trade unions, General Motors and the consortium from the Canadian-Austrian automotive supplier Magna and the Russian Sberbank are once again up for grabs. The fate of the Belgian Opel factory appears to be sealed and the German plants in Bochum and Eisenach are threatened with closure.

Dirk Pfeil, who sits as official representative of the federal states on the five-strong Opel trust, told the FAZ newspaper, "All of the past decisions relating to Opel and the threatened conditions laid down by the European Commission will be reconsidered by the newly constituted federal government."

Pfeil, who is also treasurer for the Free Democratic Party in the state of Hesse, favors a solution that would leave Opel completely in the hands of General Motors. In the vote held by the trust in September over the sale of Opel to Magna, Pfeil abstained and later sharply criticized the decision. Now he stresses that if Opel is not sold off as planned to Magna—a move necessitating state credits of €4.5 billion—the auto concern should remain within the parent company GM. This would reduce the financial burden of the German government to between €2.5 billion and €3 billion.

This means that the future of the Opel and Vauxhall plants in Europe is again wide open.

Originally the documents finalizing the deal between GM and Magna should have been signed last week, but the GM board of directors has announced it will once more discuss the deal at a meeting on November 3. The news was made public by GM negotiator John Smith last Friday on his Internet blog.

The background to this latest delay is a request from EU Commissioner for Competition Neelie Kroes. She is demanding a written statement from GM that the decision for a sale to Magna was arrived at without political pressure, in particular without pressure from the German government. There are indications that this was indeed the case. Kroes has now called upon the German government to confirm that the €4.5 billion it freed up for a sale to Magna would also have been made available to rival companies seeking to take over Opel.

GM and the Opel trust should have the opportunity to reconsider "the result of the bidding process," Kroes said. This should take place on the basis of "firm, written warranties by the German authorities that its assistance is available independently of investor or plan, in order to secure the long-term survivability of New Opel under reasonable financing conditions."

If it emerges that the German state had only agreed to make money available to Magna on condition that all of the Opel plants in Germany remain open, this would violate both EU regulations governing state aid for companies, as well as EU rules for its common domestic market. The commission must approve such state aid.

The intervention by the European Commission followed protests against the Magna plan by the governments of Spain, Belgium and Britain. These governments regarded the Magna deal as disadvantageous to the GM-Opel-Vauxhall plants in their respective countries.

In the meantime, however, both Spain and Britain have dropped their opposition and also agreed to a deal involving a takeover by Magna and Sberbank. The Spanish government and the government of the region of Aragón have declared their readiness to negotiate with the German government and interested parties in other countries with Opel works over a state financing package. In the Spanish Opel plant in Figueruelas "only" 900 jobs are to be axed instead of the originally planned figure of 1,300 jobs (from a total workforce of 7,500).

The Belgian government has not shifted in its opposition and it appears that the closure of the factory in Antwerp, with its workforce of over 2,000, is inevitable.

Neither GM nor any of the governments involved can hope to seriously fulfill the demands raised by EU Commissioner Kroes. From the outset it was clear that Germany would only put up public funds for a deal if German jobs were secured. Under conditions where the Magna concept promised the best terms for keeping German plants open—at least in the short term—the German government, backed by the industrial workers union, IG Metall, agreed to make state aid available to Magna. The trade unions and governments of other European countries preferred the concept drawn up by rival RHJ International, a financial investment group with links to the US.

German auto expert Ferdinand Dudenhöffer told the *Frankfurter Rundschau* that GM could not possibly sign the pledge demanded by the European Union. Otherwise Sergio Marchionne, the head of Fiat (another rival bidder for Opel), "would start complaining immediately." Marchionne had made great efforts to secure Opel last spring, but his bid was ruled out by the German government because of his plans to close factories in Germany.

Last weekend, *Der Spiegel* reported that there is a growing lobby on the GM board of directors that now opposes an Opel sell-off. According to the magazine, the demands from Brussels would precipitate intensified discussion in Detroit over a so-called "plan B," whereby Opel would remain part of GM. Such a plan would then entail the closure of the German plants in Bochum (with nearly 5,000 workers) and Eisenach (1,800 workers).

The head of the works council at the Opel plant in Bochum immediately disclaimed such plans. The alleged secret paper, or "plan B," has been public knowledge since the beginning of 2009, he announced on Monday. It had been submitted to the government in March as "Viability Plan 1." In the meantime, however, a "Viability Plan 2" has been drawn up that excludes German plant closures. The Bochum works council chairman, Rainer Einenkel, called the alleged closure plans "fear-mongering" and declared that he and the IG Metall "would never accept" the closure of a domestic work.

Einenkel's claim is a lie and is clearly aimed at preventing any protests by the workers in Bochum. So far the Bochum works council and IG Metall have agreed to all of the cuts demanded by management over many years, arguing this was the only way to prevent the closure of the factory. Just five years ago Opel workers in Bochum took strike action to prevent the threatened closure of their plant. At that time the total workforce amounted to 10,000. The works council then choked off the strike and agreed a "Future Contract," which has led to a halving of the workforce. Now the works council has agreed to the axing of a further 2,000 jobs.

This means that from the factory's original total workforce of more than 20,000, only 3,000 will remain. In the final result what is taking place is the step by step closure of the plant in Bochum, and promises made for future production of the Opel models Astra and Zafira remain noncommittal and vague.

Astra cars have already begun to be produced in the Russian Awtotor Opel plant in the city of Kaliningrad. According to Awtotor boss Valery Gorbunov, the assembly plant "plans to build 25,000 Astra and 6,000 Zafira cars." Production is to be further expanded and GM has declared its intention to invest around €50 million in the project up to the year 2011.

In the event of a Magna takeover of Opel, Russian automaker GAZ in St. Petersburg will commence producing Astras. This will be the last nail in the coffin of the factory in Bochum.

In line with the Magna plan a total of 11,000 jobs are to be axed from the current total of 50,000 GM jobs in Europe. These cuts include 4,500 in Germany. The European works councils have already agreed to these measures along with drastic wage cuts for the remaining staff. On an annual basis a total of €265 million is to be saved in personnel costs across Europe, including the sum of €176.8 million in Germany. The works councils are calling upon Opel staff to do without a contractually agreed wage increase of 4.2 percent, agree to Christmas benefit cuts, the halving of holiday pay and the retention of company pension payments for the next two years.

The cuts were agreed to some time ago by all of the German works councils. Well aware of the discontent amongst workers over such concessions on the part of the union, the Bochum works council chairman, Einenkel, has refused to allow the workforce to vote on such measures. Instead he seeks to utilize the Damocles sword of plant closure to implement the cuts, i.e., precisely the mechanism employed by the union so frequently in the past to defuse the Bochum workforce, which has a long history of militant struggle.

The chairman of the Opel joint works council in Europe, Klaus Franz, who was the driving force from the start for a Magna takeover of Opel, has also played down the current speculation that Opel will remain in the fold of GM—with the resulting closure of a number of plants in Europe.

"The sale is still on," Franz said. "As employees we will refuse to make any contribution should we remain under the roof of GM." Then GM would not have access to any credits or endorsements, he warned.

This is also disingenuous. The works councils will agree to anything and everything. They stand on the other side of the barricades, alongside Opel management and the German government, which only agreed to state aid for Opel in the summer because an election was imminent. Together with the union they sought to prevent any public protests or labor disputes before the elections. Now, after the Bundestag election, they will gratefully use the demands made by European Union commissioners Kroes to withdraw all their promises—naturally claiming they are "under duress."