

Germany: Closure of Quelle mail order business costs 7,000 jobs

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The long-standing mail order company and store chain Quelle is being closed down. This was announced on Monday by the liquidator Hubert Görg. Of the 10,500 employees affected, around 7,000 will lose their jobs, according to *Financial Times Deutschland*.

In addition to the shutdown of the Quelle headquarters in Fürth in Bavaria, several call centres employing a total of 3,500 will be hit, as well as the company's logistics centre in Leipzig and 1,450 Quelle stores, which collect orders and offer a small selection of goods. The closure will also affect Deutsche Post, whose subsidiary DHL ran warehouse and shipping logistics for the Quelle group, with job cuts expected.

The parent group Arcandor, which also owns the Karstadt department store chain, filed for bankruptcy in June this year. The German government had at the time rejected all requests for financial assistance, reacting to the results of the European elections, which brought a dramatic loss of votes for the Social Democratic Party (SPD) and significant gains for the pro-market Free Democratic Party (FDP). The employers' organisations crowed that this meant there was no longer any public support for the government to bail out jobs, with Arcandor falling victim.

Since then, the liquidator, in close collaboration with the trade union Verdi and the works council, has sought to make the group profitable again by imposing job losses and wage cuts, peddling the company piecemeal to various financial investors.

Back in June, the mail order division of Arcandor faced total collapse because the banks had cut off all sources of credit. The federal government then approved a special loan of €50 million, financed equally by the government and the states of Bavaria and Saxony. Economics Minister Karl-Theodor zu Guttenberg (Christian Social Union, CSU) promised that the loan would secure the survival of Quelle until December 31, and allow an orderly

liquidation of the company.

In fact, the credit only served to delay the closure of Quelle until after the federal elections in September. Above all, the CSU feared a significant loss of votes had a Bavarian company with a tradition going back 82 years collapsed shortly before the election.

The WSWS warned at the time: "The end of this traditional mail order company has been deferred only until after the election." This warning has now been fully confirmed. Only three weeks after the election, the administrator Görg announced the end of Quelle.

Görg justified his decision saying that it had not been possible to sell the mail order business, concentrated under the umbrella company Primondo, directly to investors. Quelle would therefore be closed and its profitable specialty mail order divisions—such as Baby-Walz, Elegance, Hess Natur, Quelle's foreign business and shopping channel HSE24—would be sold off individually.

Only last week, Görg had talked about four potential buyers. The negotiations had then failed because there was no agreement about "factoring." This concerns the financing of the mail order business: Quelle passes its customer invoices over to a bank, which also deducts a commission, in return receiving finance equal to the outstanding amounts on the customer bills.

The negotiations regarding the factoring arrangements foundered due to the Essen Valovis Bank, which had formerly belonged to Quelle itself, as well as Commerzbank and BayernLB, both of which have received large sums of state finance from the banking rescue fund and in which the federal government and the Bavarian state government have a controlling interest. Thus the federal and state governments possessed a lever to influence the negotiations. But after the election they have lost all interest in doing anything to rescue the 7,000 threatened jobs at Quelle.

The liquidation of Quelle now casts a shadow over other companies that were “rescued” by the federal government with an eye on the general election. Thus, *Die Welt* sees the end of Karstadt approaching now that Quelle is to go. “This brand threatens to be the next one that goes down,” it commented. The future of Opel is again in the stars after the election.

Verdi has also resigned itself to the closure of Quelle. Although the union’s representative on the company board, John Rösch, complained on television, “It is a bitter time for the staff and it is a blow for the region, which already faces high unemployment,” he did not call on “politicians” to save the jobs at Quelle, but merely for training and employment measures for the workers being dismissed.

Works council chairman Ernst Sindel described the closure of Quelle as a “huge disaster.” But both he and Verdi are directly responsible for ensuring that this is exactly what has transpired. They have adamantly refused to organize industrial action to defend jobs. Instead, for years they have supported so-called “restructuring programmes,” promising the workforce that job and wage cuts would secure the remaining jobs. Now they face a fiasco.

They have supported the administrator when trying to sell Quelle to international financial investors. Although the prospective buyers only included infamous “locusts”—such as Cerberus, Sun Capital and the private equity firm TPG—the union and works council constantly offered new concessions.

Since the bankruptcy in June they have agreed to the elimination of nearly 4,000 jobs. In August, 3,100 workers had to go, and last Friday another 800 received their notice. They had been moved into a “transfer company” set up with the support of the works council and Verdi, which with the liquidation of Quelle is now losing its financial basis. The danger is now “acute that employees who went into the transfer company in good faith will be sacked in the transfer company,” said Rösch.



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