

Germany: Daimler shifts production to US

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The announcement by the Daimler board that they no longer want to build the Mercedes C-Class model in Sindelfingen—but planned to shift production to Bremen in North Germany, the US, South Africa and China—hit the workforce like a bomb.

Some 37,000 are currently employed in the Mercedes-Benz car plant in Sindelfingen near Stuttgart. Hardly had the news began to circulate in the workforce when massive work stoppages began in early December.

The Daimler board has decided that production of its best-selling Mercedes C-class model will be transferred to Bremen and the United States from 2014. Currently, 660 C-Class cars roll off the production line daily in Sindelfingen, approximately one third of world production. From 2014, 60 percent will be built in Bremen, almost 20 percent in the US, and 10 percent in South Africa and China. In return, the SL roadster, which is now entirely built in Bremen, will in the future be assembled in Sindelfingen.

In order to divert the enormous discontent in the workforce, the works council and the IG Metall union has been organizing protests for days. The union says that only 3,000 jobs are at risk at the Sindelfingen site. As usual, the IG Metall representatives have been striking a pose of outrage and surprise, talking of scandal and treason. But behind the scenes, they have already agreed how they will help enforce the measures against the workforce and even sell it as “securing jobs.”

This week, Uwe Meinhardt from IG Metall Stuttgart announced, “The works council, the IG Metall and the staff have been able to safeguard jobs up to 2020. We have successfully acted as the employees’ representatives.” Compulsory redundancies are ruled out for employees at the site before 2020.

But the agreement concocted by IG Metall and management, “Sindelfingen 2020,” is not worth the paper it is written on. Given the global crisis in the auto

industry and the desperate situation at Daimler, further job cuts are on the agenda.

Even if it is true that 2,700 new jobs will be created in Sindelfingen through manufacturing additional products and undertaking other tasks in Sindelfingen, this inevitably means a similar number of jobs will be lost in the supply industry. Alongside the agreed production of additional tools, there will be in-house production of car seats for all vehicles manufactured in Sindelfingen: “The employers and the works council are to generate more in-sourcing projects.”

The relocation of production and the continued restructuring of Daimler has not come as a surprise. They inevitably result from the fundamental crisis in the global market. In particular, American capitalism has changed its trade relations with Europe under the impact of the crisis.

The US is conscious that the weak dollar is creating significant problems for Germany’s export industry. But it is not only the auto industry that is affected; steel producers such as ThyssenKrupp, as well mechanical engineering firms are finding it increasingly hard to sell their products in the US. To offset losses from the high exchange rate they would have to sell their products at higher prices. Since stiff competition does not allow this, and every day having to struggle with losses, some large German companies are relocating their production to the US.

Companies such as Daimler and BMW had already established their own factories in the US in the 1990s, but these were generally limited to producing specific models for the American market.

The continuing weak dollar and the high cost of import duties and logistics reinforce the drive to relocate production to the United States. Moreover, German companies like Daimler are now also exploiting the far lower labour costs in the US. Above all, these low wages are due to the United Auto

Workers (UAW), which has enforced unprecedented wage cuts. The much longer working hours compared to Germany also play a role.

Rainer Schmückle, in charge of Mercedes production, makes no bones about this, and cites these factors as reasons for transferring production. He calculates that Daimler would save about €2,000 per vehicle by moving to Tuscaloosa, Alabama, the main factors being working hours and wage levels. In Sindelfingen, each employee works 1,350 hours per year, while in the US it is 1,800 hours. Moreover, American workers receive €24 euros per hour less in compensation.

Schmückle also stressed that the C-Class was already the best-selling Mercedes-Benz model on the US market. The company is reacting to the continued widening gap between production and sales, and the fact that while it manufactures 80 percent of Mercedes vehicles in Western Europe, less than 60 percent are sold there.

Ekkehard Schulz, head of ThyssenKrupp steel, points to similar conditions. He believes the company's production sites in the Ruhr area will prove uncompetitive in the long run. His company has found it increasingly difficult to serve the lucrative US market with exports from Germany.

A recent article in *Spiegel Online* notes: "ThyssenKrupp is investing nearly €7 billion in two new steel mills, which are scheduled to start production in the next few months. One is located in Brazil, the other in the southern United States, where special steels will be processed for the automotive industry—including for Mercedes-Benz and BMW in the US."

Since the beginning of the financial crisis, Daimler's turnover has fallen sharply. Mercedes sales have fallen 17 percent, making it the worst affected premium car producer in Germany. Porsche follows with 10 percent, BMW with 9 percent, and Audi with 4 percent.

"Apart from Opel, Daimler is in the worst position of all the German carmakers." This is the conclusion of Ferdinand Dudenhöffer, professor of automotive economics at the University of Duisburg-Essen. With BMW having overtaken its Stuttgart rival in sales as early as 2005, Mercedes is now threatened with being left behind again in 2010: "Then Audi will sell more vehicles worldwide than Mercedes. The former leader of the premium car market will fall to number three."

For years, Daimler has imposed one shock treatment

after another on its workforce, with the active support of IG Metall. Daimler currently has a worldwide workforce of around 257,000, of whom some 164,000 work in Germany. Of these, 27,000 are still on short-time working. A further 89,000 employees are on reduced hours, with a corresponding loss of pay.

This year alone Daimler has cut 9,600 jobs worldwide (5,200 of them in Germany) and saved €4 billion at the expense of the workforce—all with the agreement of the works council and IG Metall. An employment guarantee for 16,000 workers expires in mid-2010, and for all employees at the end of 2011.

Against this background, IG Metall is claiming that the "Sindelfingen 2020" agreement is a success, as it attempts to pacify the workforce and prepare the next round of pay cuts and layoffs. "Without growth," commented *Wirtschaftswoche* on the situation facing Daimler, "a radical cure is required—no later than 2011."



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