GM’s recovery plan for Opel: Death by a thousand cuts

Dietmar Henning
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In mid-February, General Motors’ European boss Nick Reilly unveiled the long-awaited “recovery plan” for Opel. There can be no question of recovery, however. Rather, it looks as though GM intends once again to maximise its profits in the short term at the expense of workers and taxpayers. By the end of the year at the latest, the next recovery plan will then be announced with further job cuts, wage cuts and plant closures.

If GM has its way, it is Opel and Vauxhall workers who will pay for the so-called recovery with layoffs and wages cut. European countries where GM plants are located are also supposed to provide guarantees backed by taxpayers’ money. The document containing the plan, running to several hundred pages, is “bursting with half-truths and fraud,” writes *Der Spiegel* newsweekly in its latest issue. Mysterious holes gape between aspiration and reality.

Opel currently has around 48,000 employees in Europe, including 24,300 in Germany. The recovery plan includes the loss of a total of 8,300 jobs, with 7,000 in production and 1,300 in sales and administration.

In addition, more than 1,500 jobs will go through the elimination of early retirement schemes, which are not listed. “In internal documents, (marked ‘strictly confidential’), the elimination of 9,843 jobs will take place by 2014,” writes *Der Spiegel*.

The GM plant in Antwerp will be closed, along with approximately 2,500 jobs. Around 4,000 jobs are to be cut in Germany. In Bochum, according to GM, some 1,800 jobs will disappear, mainly because production of transmissions is ending in Plant 2 and will move to Aspern, Austria.

At Eisenach in eastern Germany, 300 jobs will go, even though some production will be moved there from Zaragoza in Spain. Altogether, 900 jobs will go in Spain. The factory in Kaiserslautern is losing 300 jobs, and 369 will go in Luton in the UK.

The main factory in Rüsselsheim will remain the exclusive production site for all Insignia models, and will also build the Astra five-door version from 2011, but the production of transmissions will be moved elsewhere, with a total of 1,639 jobs going—862 in manufacturing, 635 in administration and 142 in engineering.

No immediate job cuts are planned at plants in Ellesmere Port (England), Aspern (Austria), Gliwice (Poland) and Szentgotthard (Hungary), apart from those going through early retirement schemes.

GM expects to save €3.3 billion through these jobs cuts. European countries with Opel plants will contribute around €2.7 billion in state aid, with GM contributing €600 million itself. Whether this represents the last instalment of a loan from the German government, which GM received last year, is unclear. It may also represent an advance payment of development funding from GM to Opel of some €650 million. But these funds have nothing to do with the recovery plan.

It is clear, however, that €1.2 billion is being demanded mainly from Spain, Britain and Austria. Germany will contribute €1.5 billion, with the money coming equally from the federal and state governments. This was reported by the states of Hesse, North Rhine Westphalia, Rhineland Palatinate and Thuringia, which all have Opel plants.

The premiers in these states have agreed to provide a total of €750 million. But they are demanding that GM contribute the €750 million presently requested by the federal government. Namely, they do not believe that the federal government will contribute to the cost of the job losses.

The federal government under Chancellor Angela Merkel (Christian Democratic Union, CDU) had promised billions in loans last year, when GM mooted the sale of its European division to the Canadian-Austrian auto supplier Magna. The reason for this was last October’s federal elections, where the then-ruling grand coalition of the Social Democratic Party and the Christian Democrats was trying to avoid a dispute about Opel at any price, and to gain access to the Russian automobile market via the prospect of the Magna deal. But in November, when GM surprisingly decided to retain Opel, Merkel viewed this as an open affront.

Even then, various forces had rejected giving any loan commitments to Opel and Magna in favour of bankruptcy, including former Economics Minister and current Defence Minister Karl-Theodor zu Guttenberg (Christian Social Union) and large sections of the Free Democratic Party (FDP). Now these forces have the upper hand. The current federal minister of economics, Rainer Brüderle (FDP), has let GM know that it should not expect any help from him, reports *Der Spiegel*.

Brüderle is seeking to bring the European Union to bear. He asked the vice president of the EU Commission, Joaquin Almunia, to “critically examine whether the business plan is viable and whether distortions of competition in Europe could be ruled out,” he told the *Süddeutsche Zeitung*. This is what Germany has agreed with Brussels and the other member states, he said. The commission would deal with the issue of Opel on Friday.

But EU Competition Commissioner Almunia apparently knows nothing about any such agreement. A spokeswoman said that EU governments with Opel works must first decide whether they wanted to provide state aid. Then they should also inform the commission. But this had not happened yet.

Other car manufacturers in Germany are still vehemently opposed to any new loan commitments for Opel. Daimler CEO Dieter Zetsche said in *Der Spiegel*: “When General Motors decided to keep Opel, it is for GM to shape the future of Opel and finance it.”

While government leaders are still arguing about the commitment of loans, the Opel works council members have agreed to implement the required pay cuts of €265 million a year. It is impossible to interpret their passivity in any other way. They repeatedly intone that any “employee contributions” to the recovery have not yet been agreed, which is how the works councils and IG Metall union describe the fact that workers are to finance the dismantling of their own jobs. But this is only a matter of time.

Although the closure of the plant in Antwerp, with almost 2,500 employees, is planned for the middle of the year, Klaus Franz, the overall European works council chairman, calmly states that as yet not even a date for further negotiations has been agreed on. He is clearly in no hurry. In fact, the German works council representatives have always implicitly supported the closure of Antwerp, in the hope that this meant more jobs remaining in Germany.

The works council representatives and union bureaucrats in other countries are also trying to keep workers calm with empty promises. While almost nothing can be heard from the British, Spanish, Austrian, Polish and Hungarian works councils and unions, the German works councils claim in unison that their factories are now “secured.” But this is especially questionable in regard to the plant in Eisenach, and is totally implausible in relation to Bochum.

Transmission production will end in Bochum, along with 800 jobs. However, the local works council chairman Rainer Einenkel seeks to placate the workers there, and stated that he was negotiating with GM on keeping the transmission plant open until 2012 or 2013. Discussions with management were still needed, he said. But basically, he “welcomed” the statements by Reilly.

“We have long known about plans to reduce 1,800 jobs in Bochum,” Einenkel told the press. Then, only about 3,000 men and women would work at Opel. While Belgian Opel workers fear for their jobs, Einenkel said Bochum no longer needs to “carry on a defensive struggle for the plant: General Motors previously wanted to close the Bochum plant five times. Of which there is now no more talk.”

This is wrong, as Einenkel knows. Soon, only one model, the seven-seater Zafira, will be built in Bochum. Even then, with only 3,000 employees, this is no guarantee for the preservation of the plant in the medium term. Einenkel sought to placate workers with the fact that the Astra station wagon, which is currently being built in England, would soon be transferred to Bochum. “If it is built in Germany, then in Bochum. This commitment is important to us,” said Einenkel. The construction of the Ampera electric car in Bochum is a hollow promise, something that GM is not known to keep.

According to its recovery plan, GM wants to invest €11 billion in new models by 2014. In the next two years alone, the model range will be renewed by 80 percent. Where GM will obtain the money, however, is unclear. Asked what he intended, if “pressure” was necessary, Einenkel replied: “I had talks with state premier Rüttgers [CDU], with SPD chief Kraft, and with Minister of Economic Affairs Thoben [CDU]. In case of danger, we stand together.” His allies are currently all in the campaign for the state elections in May.

“The recovery plan (‘Viability Plan II’) from June last year envisaged the closure of plants in Bochum and Eisenach. Under the new ‘Viability Plan VI’ that is no longer necessary,” writes *Der Spielgel* and asks: “Why? Have operational needs changed within a few months so fundamentally?”

Nothing has changed. On the contrary: With the rise in unemployment and the phasing out of the scrappage scheme allowing people to trade in their old cars, new car registrations are set to fall rather than rise. Once the plant is shut in Antwerp as a result of the divisive nationalist politics of the works councils, the next plant closures will be announced. The plant in Bochum, built in 1962, will then be at the top of GM’s closure list. The so-called GM rescue plan means death for Opel in Europe by a thousand cuts.