Opel CEO’s resignation heralds fresh round of cuts

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19 July 2012

The resignation of Opel boss Karl-Friedrich Stracke heralds a new round of plant closures and job losses in the European car industry.

The CEO of General Motors European subsidiary resigned suddenly last Thursday. On the same day, French car maker PSA Peugeot Citroën announced the elimination of 8,000 jobs.

Just two weeks ago Opel/Vauxhall management unanimously approved a restructuring plan proposed by Stracke, calling for close collaboration with Peugeot-Citroën. It was claimed that the cooperation between the two companies would lead to powerful "synergy"–i.e., increased efficiency and subsequent job cuts. Stracke added, however, that Opel would abide by existing agreements to forgo layoffs and keep the company's four plants in Germany open.

According to a *Handelsblatt* report, Stracke's reorganization plan failed to cover a financial deficit of hundreds of millions of euros. When GM CEO Dan Akerson was informed of the plan, he promptly fired Stracke.

Industry experts now reckon that Opel/Vauxhall will be fed the same medicine administered to GM's American operations, where numerous plants have been shut and wages cut drastically.

Stracke was immediately replaced by GM Deputy President Stephen J. Girsky, who is also chairman of the Opel supervisory board. Then on Tuesday the Supervisory Board elected Thomas Sedran to take over as vice chairman of Opel. Sedran’s appointment as deputy chairman was seen as confirmation that Girsky is the chief string puller at Opel.

Sedran is a close confidant of Girsky and has a reputation as an advocate of tough restructuring. He has sat on the Opel board since April. He previously worked for years for the U.S. consultancy, Alix Partners. On behalf of this consultancy he developed a restructuring concept for Opel in 2008/2009, which is said to have been the decisive factor in preventing GM from selling off Opel as it originally planned. Instead, GM held onto Opel but cut 8,000 jobs, including the closure of the Opel plant in Antwerp, Belgium.

Sedran also enjoys the support of the company works councils and the IG Metall trade union. The *Westdeutsche Allgemeine Zeitung* described him as a “man of the unions.” In recent years, IG Metall and the works councils worked closely with the Opel executive to implement Sedran's restructuring plans while stifling any opposition from the workforce.

According to a *Süddeutsche Zeitung* report, “not only GM but also the powerful IG Metall exerted pressure that the problems at Opel be tackled consistently based on long term solutions.” This means that Stracke not only faced pressure to resign in Detroit, but also from IG Metall headquarters in Frankfurt.

IG Metall leader Berthold Huber told the same newspaper on Saturday that he considered the takeover of management by Girsky as a "positive sign". GM "obviously wanted to indicate that Opel would continue." This is nothing less than an offer from the union to conduct further attacks on the workers.

IG Metall is intent on working with the company executive to “strengthen the Opel brand”, based on its own so-called “Germany Plan”. This plan involves extensive rationalization measures, including job and benefit cuts, plus wage reductions. The head of the IG Metall in Frankfurt and Opel Supervisory Board member, Armin Schild, has called on workers to support this plan.

Last Saturday Girsky sent an e-mail warning the workers to prepare for more cuts. He would continue the “urgent work to restore sustained profitability at

Opel/Vauxhall and GM in Europe," he wrote. "Our successful revitalization demands from all of us a readiness to do business differently and act quickly. Every one of us is responsible for the results."

Rainer Einenkel, the chairman of the works council at the threatened Opel plant in Bochum, also admitted to close collaboration with Girsky, claiming in a radio interview that the GM manager had "always stood up for Opel" in the past.

According to North Rhine-Westphalia Economics Minister Garrelt Duin (Social Democratic Party), the state of NRW, the Opel works councils and IG Metall are negotiating behind the backs of workers to restructure the Bochum plant into a GM components plant. This means that the factory will no longer produce entire autos.

The *Frankfurter Allgemeine Zeitung* reported that the Opel plant in Eisenach, with 1,700 employees, is also threatened. The Corsa model currently manufactured in Eisenach could also be produced at Opel's plant in Zaragoza, Spain.

However, the truth is that no factory is safe—whether it is located in Germany, England, Spain or Poland. There is even speculation about possible bankruptcy proceedings for Opel/Vauxhall. Newspapers report that the company could soon run out of money if GM does not increase its credit facility of 2.5 billion euros for the subsidiary.

The background to the latest round of cuts at Opel is the slump in car sales amid the euro crisis. It has affected first and foremost companies that sell their models mainly in Europe.

Since 2007, sales have fallen by almost 25 percent. In the first half of 2012 alone they shrank by 6.8 percent, to 6.6 million vehicles. According to Alix Partners, European car manufacturers can produce 27 million cars this year, but will sell at most 20 million.

Opel sales collapsed by 15 percent in the first half of the year, to less than half a million cars. Auto experts say a 30 percent cut in capacity is necessary to maintain the company's existing three-shift operation.

IG Metall's strategy, worked out with the company board to "strengthen the Opel brand", is directly aimed against the workers, both at Opel and in other companies. The union and works councils are trying to ensure that German factories produce models currently produced in other low wage countries and are preparing further major concessions on wages and working conditions. With their strategy they pit workers in one country or at one plant against their fellow workers in an endless downward spiral of wages and jobs.

Other European car companies have also announced mass layoffs in addition to Opel, and PSA Peugeot Citroen, which has announced the closure of its factory in Aulnay-sous-Bois, northeast of Paris, with over 3,000 employees.

Renault reportedly plans to shed jobs at its Flins plant near Paris. Carlos Ghosn, the CEO of Renault-Nissan, had already declared in March: "When one of us manages to undertake major restructuring in Europe, all other car manufacturers will follow."

Fiat CEO Sergio Marchionne said last week that Fiat had "one plant too many," though it had already closed its Termini Imerese plant in Sicily last year. Now, the company's main factory in Turin is under threat, along with another plant in northern Italy.

Ford is also considering closing one of its European plants. It has already cut its production capacity in Europe and applied for short-time working in Germany.