German technology manufacturer Loewe declares bankruptcy

Konrad Kreft
12 October 2013

On October 1, Loewe, a producer of entertainment and communications technology, declared bankruptcy at the Cobourg district court.

Two weeks previously, the company, which is based in Kronach, announced that it would make 150 of its 800 workers redundant as part of a restructuring process to take "measures to adjust the cost base." The ailing company was seeking new investors by laying off the workers. The measure was "an essential precondition for the intervention of an investor and the maintenance of the whole company," said Matthias Harsch, the chief executive of the board of Loewe AG.

Earlier this year, in July, Loewe applied for bankruptcy protection, which involved the establishment of a restructuring plan that was supervised by an administrator appointed by a court. The company was thereby granted three months' protection from its creditors, and it introduced restructuring measures. The expiration of the period of bankruptcy protection has now led to actual bankruptcy proceedings.

In the middle of the Bavarian election campaign in August, state president Horst Seehofer of the Christian Social Union (CSU) pledged state guarantees for the company if an investor could be found.

Then in September, Loewe announced a partnership agreement with Hisense, a Chinese producer of televisions and kitchen appliances. The company is the fourth largest producer of televisions globally, has its headquarters in Kingdao in eastern China, and was considered a possible investor. According to *Spiegel Online*, both companies had recently begun joint distributions in Austria, which was viewed as a test market.

However, Hisense had not committed to any financial assistance, as the *Frankfurter Allgemeine Zeitung* (*FAZ*) reported. *FAZ* went on to explain that there was also "a group of British financiers who want to give Loewe a new strategic direction." If the company does not find an investor by the end of October, it will be dismantled.

Loewe reported losses in August of close to €15 million (US$20 million), after three loss-making years in a row. The company's liquidity fell from €27 million to just €8 million, while its capital shrank from €48 million to €25 million. The bankruptcy announcement at the beginning of October caused Loewe's stock to drop immediately by 50 percent.

Loewe specialised for decades in expensive televisions and high-end entertainment equipment. It has now changed its sales strategy and wants to open up to "the mass market" of cheap televisions and loudspeakers, because "the specialised trade only accounts for 25 percent" of the market, as Harsch told *Der Spiegel* in an interview.

In order to sell goods cheaply in major stores, production was to be outsourced to Asia. A facility would continue in Kronach for the manufacturing of "high-end appliances." However, in future, it will not be production in Germany that is important, but rather the label "engineered and designed in Germany." "We are not a producer of appliances any more, and that's what I'm trying to persuade the firm," Harsch said in the same interview.

The long-established company was founded in Berlin in 1923 as Radiofrequenz Gmbh by physicist and electronic technician Sigmund Loewe and his brother Ludwig David Loewe. The firm was one of the first in Germany to produce electronic tubes for televisions, loudspeakers and resistors. The well-known physicist Manfred von Ardenne participated in the development of televisions by Loewe from 1929, which led to the

© World Socialist Web Site

first-ever electronic television broadcast in 1931 at the radio exhibition in Berlin.

As they were Jewish, the Loewe brothers were forced into exile after the assumption of power by the Nazis in 1933. Ludwig emigrated to the United States in 1934, and Sigmund in 1938. The company was subsequently "Aryanised" and reorganised for war production in 1939 for the German air force. At the end of the Second World War, in March 1945, the company moved to Kronach, although the main plant in Berlin Steglitz continued in existence until 1979.

Sigmund Loewe returned to Germany in 1946, took over the leadership of the firm and developed the first cassette recorder in the 1950s as well as the first European video recorder in 1961. In 1963, Loewe produced the first portable television.

Loewe was the head of his firm until his death in 1962. The majority shareholding subsequently went to concealed subsidiaries of the Phillips group, which sold their entire stake in 1985. Since 1999, Loewe AG has been listed on the stock market.

The orientation to customers with buying power was the basis of the company's production for decades. Loewe developed the first television with Internet access in 1998. In 2005, the firm produced its first flat-screen model.

A crisis in 2004, caused by the firm's failure to respond quickly to the development of flat-screen technology, was overcome with a capital injection from the Japanese firm Sharp and a drastic programme of budget cuts. This was worked out between the IG Metall trade union, the works council and company management.

Of the 1,250 employees, 300 were laid off, and those who remained had to work longer without any corresponding wage increase. In addition, they had to give up half of their monthly salary or a whole monthly wage. In this way, costs were reduced by 25 percent. In 2007, the company registered a surplus of €6.5 million and the workers received a one-off premium of €3,000.

"That was of course great for the people there," said Christopher Schmitz from the Verdi union, as Verdi agreed to wage cuts at the Karstadt department store chain three years ago. "But Loewe is a complete one-off." The workers would never normally see any of their money again.

The crisis at Loewe, which has been ongoing for five years, is a consequence of the global economic crisis that broke out in 2008. During this period, total sales have fallen from €374 million to €250 million. The groups that Loewe had targeted for a long time, such as skilled workers and specialists, who could afford to concern themselves with quality, have been rocked by the effects of the crisis with the loss of their jobs and wage cuts, or at least the permanent threat of this possibility.

At the end of 2012, there were still close to 1,000 employees working at the Kronach facility. In April 2013, after "constructive discussions with the works council and IG Metall," 180 jobs were cut, including 130 in production. With the further announcement of 150 redundancies in September, Loewe has laid off around 35 percent of its workforce in less than six months with the support of the trade unions and works council.

Loewe's competitors in the high-end sector are also suffering due to the crisis. The Danish entertainment and electronics concern Bang & Olufsen reported heavy losses. The firm is the second largest European company in the industry and registered a shortfall of €9 million in the last quarter.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site