Bankruptcy of German publishing firm Weltbild threatens 6,800 jobs

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Last Friday, the Catholic publishing house Weltbild declared bankruptcy. The Catholic shareholders—12 German Dioceses, the charity Catholic Soldiers for the Protection of the Soul, and the Association of German Dioceses—refused to invest more money in the publisher.

Josef Schultheis, the administrator engaged by the cardinals and bishops, had stated the previous day that an additional sum of €130 million, rather than the previously reported €65 million, would be required to save Weltbild. It also has €190 million in bank debt.

Headquartered in Augsburg, Weltbild is one of the largest media and publishing firms in Europe, with an annual turnover of €1.6 billion; 6,800 workers are employed at the company, including 2,200 at its Augsburg headquarters.

Augsburg, in Bavaria, has suffered several mass layoffs in recent years. After printing machine producer Manroland and construction firm Walter Bau, Weltbild is the third large bankruptcy in Augsburg in eight years. Thousands more jobs have been lost or are threatened at energy and lighting manufacturer Osram, IT producer Fujitsu, European Aeronautic Defence and Space Company (EADS) subsidiary Aerotec, and auto parts supplier Kuka.

The reason given for the bankruptcy was poor management. Weltbild developed from a small Catholic magazine publisher into a massive bookseller, mainly through the expansion of the catalogue business. The Church did not want to leave the catalogue trade behind, though in the age of the Internet, it is dying out as a business model.

Department stores and chains are now also increasingly under pressure from online sales. After the drug store chain Schlecker and the DIY chain Praktiker, now Weltbild has gone bankrupt. Department stores are losing out, along with catalogue companies, to Internet giants like Amazon. Although book prices in Germany are regulated, with new books costing the same everywhere, sales in stores have been falling for years, benefiting online sellers.

Only approximately half of the €9.5 billion in annual sales take place in stores. Even bookstores in the best city centre locations are suffering losses, with only a few exceptions.

The book trade faces not only online selling, but the digitisation of products. E-books now account for just 3 percent of total sales, but it is expected that this figure will rise rapidly.

Therefore, the bankruptcy of Weltbild cannot be reduced to internal mistakes. Although the oversights and disputes between the church associations harmed the company, the deeper cause lies in the constant attacks globally on the wages and rights of the working class.

Internet giants like Amazon ruthlessly exploit their workforce, demand physically challenging work without breaks, and pay below the union wage rate in Germany. A large proportion of the workforce is made up of temp workers, who only earn a fraction of what their full-time colleagues make. This cuts wage and operating costs and boosts profits.

Other booksellers are preparing attacks on their employees. Thalia, Germany's second largest bookseller after Weltbild, with 300 stores, is part of the Douglas corporation, taken over by US investment firm Advent last summer.

The family business Hugendubel is directly affected by the Weltbild bankruptcy. Since 2007, both have operated German Booksellers GMBH (DBH), which has 500 stores, with each company holding a 50 percent share.

Over recent years, DBH bought up a number of smaller chains, including the book section of the Karstadt department store group. The Hugendubel family also holds a 49 percent stake in the Swiss market leader Orell Füssli Buchhandels AG. Hugendubel has closed many bookstores over recent years.

Under these conditions, the bankruptcy of Weltbild has been in the cards for some time. Already in September of last year, rumours circulated about a pending bankruptcy. At the time, the unions and the works council immediately jumped to the defence of the company.

Works council chairman Peter Fitz stated at the time, "Weltbild must reorganise without compulsory redundancies." The works council had suggested concrete ways to do this, the trade union Verdi reported. The abandonment of compulsory redundancies meant first of all that fixed-term, part-time contracts given to more than 100 former temporary workers in 2011 were not renewed. The same applied to the fixed-term contracts of students working in the store and catalogue departments.

Then in October, accountants from business consultants KPMG produced a “reorganisation report”, which called for “double digitisation”, meaning the establishment of an online store and investment in e-books.

Sales in these areas were to be tripled. Together with Deutsche Telekom, and its competitors Thalia and Club Bertelsmann, Weltbild brought out its own e-book reader, the tolino, in Germany, Austria and Switzerland less than a year ago to compete with Amazon’s Kindle. It remains questionable whether the reader can establish itself.

Part of KPMG’s restructuring plan included laying off all employees in the catalogue business, in the store, and in the mail order and customer services departments. The latter was to be outsourced and the department of around 150 employees done away with. With the bankruptcy declaration, this plan has been temporarily put on hold. However, one worried employee told the *Augsburger Allgemeine Zeitung*, “Despite that, we will be the first who have to go.”

Within the framework of the restructuring plan, the alliance with Hugendubel was also to be terminated next month. The bankruptcy has also preempted this plan.

The restructuring programme drafted by KPMG was to be implemented by Josef Schultheis. In November, the Catholic shareholders appointed him as the new head of the business. Schultheis is a ruthless liquidator. He has already been involved in the bankruptcies of Karstadt, Quelle and Praktiker. While he dismantled Quelle and Praktiker, he sold Karstadt to investor Nicolas Berggruen. This did nothing to help the workforce, and the bankruptcy continues to hang over the department store like a sword of Damocles.

The fears of Weltbild employees for their jobs are thus more than justified. This is even more so following the naming of Arndt Geiwitz as the interim bankruptcy administrator. In this same role he dismantled Schlecker, where 20,000 mainly female employees lost their jobs. He sold the stocking manufacturer Kunert to an Austrian investor. At the industrial building firm Alpine, he eliminated 500 jobs out of a total of 1,230. At print machine manufacturer Manroland, where 2,000 workers lost their jobs, his legal firm Schneider, Geiwitz & Partner had an influential role.

The talks between Geiwitz, Hugendubel, the banks, creditors and suppliers are apparently already in full swing. The same goes for the consultations Geiwitz is holding with the works council, political representatives and the Verdi trade union.

Last Saturday, a round table discussion led by Augsburg’s mayor, Kurt Bribel (Christian Social Union-CSU), took place, involving representatives of the works council and Verdi. Works council chairman Peter Fitz; his works council colleague and Verdi spokesman for the business, Tim Boßmann; and Verdi secretary for trade in Augsburg Thomas Kürlebeck took part. There were also representatives from the chamber of commerce and the state agency for jobs.

Fitz declared afterwards, “We feel strengthened in our position that Weltbild has a future, if everyone pulls in the same direction.” Verdi secretary Kürlebeck made clear that by “everyone,” Fitz meant the Catholic Church and the CSU state government in Bavaria.

“The owners have an obligation to secure a sustainable existence for the colleagues and their families,” he added.

Bavarian state president Horst Seehofer (CSU) promised support in his first statement, declaring that from “subsidies to bridging loans” all was possible. His economics minister Ilse Aigner (CSU) then categorically ruled out state financing. “Definitely no taxpayers’ money will be used here for a bailout,” she told the *Münchener Merkur* .

The works council and Verdi reassured the bankruptcy administrator Geiwitz of their full support. According to the daily *Süddeutsche Zeitung*, works council members are already working on solutions to the bankruptcy. They have been discussing the question of “usefulness…which departments would be interesting for an investor, and which would not?”

The well-known manoeuvres of the unions of recent years are now beginning. The works council and trade union are sitting down with politicians, the bankruptcy administrators and the job agency around the table to determine the means whereby workers’ jobs are to be destroyed.