

Volkswagen production halt affects almost 30,000 workers

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Volkswagen management in Germany has taken a hard-line stance in a dispute with two suppliers and accepted a partial halt in production. A round of negotiations on Monday lasted well into the evening.

Almost 30,000 workers face the threat of forced time off or reduced hours because the suppliers ES Automobilguss and Car Trim will not be supplying transmissions and seat covers. Particularly hard hit will be workers producing the Golf, the highest-selling model from Europe's largest automaker with around 620,000 employees.

At the Emden plant, 7,500 workers were already affected last week by the halt of supplies. This week, employees at the main plant in Wolfsburg (10,000), as well as plants in Zwickau (6,000), Kassel (1,500), Salzgitter (1,400) and Braunschweig (1,300)—a total of 27,700 workers—will be forced to at least partially halt production.

The company has applied for reduced working hours at the federal labour agency, which means employees will receive reduced-hours pay, meaning significant wage reductions. Workers without children will receive just 60 percent, and parents 67 percent, of their net pay.

Suppliers ES Automobilguss and Car Trim allege VW has forced them to halt deliveries by ending a development cooperation programme worth half a billion euros without notice or cause. Both firms are demanding VW pay €58 million in compensation. They describe the crisis at VW as self-made. "VW was offloading its own problems onto the supply industry" and was clearly exploiting "its dominant market position against suppliers," they claimed. An employee meeting took place at ES on Monday.

ES specialises in transmissions, while Car Trim focuses on internal fittings like car seats. The two companies have been backed in the recent period by the Prevent Group. The suppliers group has been in business since the 1990s, mainly with VW, but also subsidiaries Audi, Skoda and

Seat, as well as BMW, Ford, Opel, Nissan, Citroen and Peugeot. According to the firm's web site, it operates more than 20 locations around the world and has an annual turnover of more than €500 million.

Prevent says it is not involved in the dispute with VW. Its own business with VW was running without any disruption. It described Car Trim and ES Automobilguss as independent firms. Nonetheless, the two suppliers and Prevent issued a joint press statement that cited ES Chief Executive Alexander Gerstung as saying, "The way in which VW deals with suppliers is not at all acceptable and could ruin small businesses."

VW obtained a temporary injunction from a state court in Braunschweig last week to compel Car Trim and ES to supply them with parts. But this has yet to be enforced due to low prospects for its success.

The *Süddeutsche Zeitung* reported on Monday that Prevent is also involved in a dispute with Daimler. It was suing for compensation of €40 million in a case also related to unfulfilled and broken contracts.

The conflict between VW and Prevent is the outcome of the years-long process of cutting costs by shifting production from the major automakers to suppliers. Much of production has been outsourced to Eastern Europe, where wages are many times lower than those in Germany. Eastern Europe serves as an expanded production platform and low-wage sector. This was the primary purpose of the eastward expansion of the European Union.

The supply firm Prevent, which has its German headquarters in Wolfsburg close to VW's main facility, emerged following the Bosnian war in the Balkans. The founder of the firm, Nijaz Hastor, reportedly played a leading role at the Tvrnica Automobila Sarajevo (TAS) auto plant for many years, where the VW Käfer, Golf, Jetta and Caddy models were built from 1972 to 1992. When the conflict ended, Hastor was among the war

profiteers. In the course of privatisations in Bosnia-Herzegovina, Hastor took control of several auto parts suppliers and expanded them considerably.

The supply industry has grown rapidly in recent years. Several suppliers contribute to the construction of each car, and these suppliers are in turn reliant on additional suppliers. Each car is part of a closely integrated international production network that supplies parts and components “just in time” to the automakers’ assembly lines.

The major suppliers Bosch, Conti, Schaeffler and ZF, as well as around 1,500 mid-sized suppliers, employ around 300,000 men and women in Germany. This equates to almost one in three jobs in the auto industry.

Automakers like VW use their buying power to force down prices. The suppliers pass on this pressure to their own suppliers as well as to workers. In a survey conducted this year by the Centre of Automotive Management, two-thirds of mid-sized suppliers reported that pressures associated with costs threatened their survival.

The extortion of suppliers has a long history at VW. As early as 1993, the board of directors, with the support of the IG Metall union and works council, secured the services of the notorious “cost killer” Jose Ignacio Lopez from General Motors, who specialised in squeezing suppliers to the last penny. Not for nothing was Lopez known in the auto industry as the “strangler from Wolfsburg.” Those who suffered most were the workers at the affected companies. But the trade union representatives, then as now, were bothered little by this.

The renewed intensification of pressure on the supply industry is part of a general attack on jobs, wages and working conditions at company plants and suppliers. This is, among other things, a result of the emissions scandal. At the end of June, the *Automobilwoche* newspaper cited a letter to business partners from VW board member Francisco Javier Garcia Sanz, who is responsible for purchasing.

This circular on the “Together Strategy 2025” program for the future, states: “What we have undertaken will cost a lot of money. To be able to finance future projects, we have to be much more efficient in investment expenditures, research and development spending as well as administrative and purchasing costs. The issue is to mobilise our enormous reserves. We want to achieve this via cooperation, but with the necessary determination to remain competitive.”

This was clear. The new cost-cutting measures will also

hit the suppliers.

Now one supplier has pulled the plug, “because it has its back to the wall” (*Süddeutsche Zeitung*). If the talks between Car Trim, ES Automobilguss and VW are not resolved soon the consequences will further expand. The halt to production at VW means that many more suppliers cannot deliver their products “just in time.”

The dispute between VW and the two Prevent-owned firms shows how fragile the international chain of production is. At the same time, it also shows the power that a walkout from a small number of workers in this sector would have. Car Trim, with its headquarters in Plauen, employs just 1,200 workers at eight locations, including 800 at the Bosnian Zepce plant alone. In Schönheide, Saxony, fewer than 400 workers are employed at ES Automobilguss. Despite this, a halt to deliveries by these two small suppliers has caused production at the world’s largest auto plant to halt.

However, VW has been able to rely on the IG Metall trade union and works council for years not to break the fragile production chain with strikes and protests. At VW and in the supply industry, IG Metall and the works councils act as an industrial police force to ensure the seamless running of the production process. On Saturday, central works council chair at VW, Bernd Osterloh, gave his support to VW management and attacked the suppliers. He told the *Bild* newspaper, “There is a very dirty game going on here.”

The conflict with the suppliers will be the prelude to a new round of cuts in the auto industry. This makes it clear why it is so urgent that workers at the automakers and in the supply industry break with the nationalist and pro-corporate policies of IG Metall and their works councillors. An international strategy and a socialist programme are required to unite the millions of workers who produce cars together around the globe.



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