German trade unions at GM Opel hold secret talks with French auto boss

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The sale of GM-Opel-Vauxhall to Peugeot Citroen PSA threatens at least 6,000 jobs and possibly several company facilities, according to industry experts. PSA chief executive Carlos Tavares wants to save €1.7 billion per year. A high-level meeting in Berlin last Wednesday confirmed that Tavares can rely on the cooperation of the IG Metall union and the Opel works council.

The content of the April 5 discussions at the economics ministry in Berlin remain top secret. In a conspiratorial manner, the so-called "workers' representatives" met behind closed doors with the PSA boss and leading politicians to agree on measures to make Opel-Vauxhall competitive in the future. German Economics Minister Brigitte Zypries of the Social Democratic Party (SPD) and Matthias Machnig (SPD), her official responsible for Opel, had extended the invitation to the talks.

Alongside Tavares others taking part included IG Metall leader Jörg Hofmann, deputy Opel works council leader Lothar Sorger and the state premiers (or their deputies) of all the federal states containing Opel plants. Besides Malu Dreyer (SPD, Rhineland Palatinate) and the Hesse state Economics Minister Tarek Al-Wazir (Green Party), the Thuringia state premier Bodo Ramelow (Left Party) was also present.

After the meeting, the PSA boss said he was satisfied with the extremely close cooperation between the German trade unions and the auto bosses. In a statement on the website of the Economics Ministry, Tavares stated he was determined to "continue the valuable collaboration with employee representatives;" this cooperation was "a key factor for the success of the company."

Neither the Opel works council chief, Wolfgang Schäfer Klug, nor the IG Metall chairman Jörg Hofmann revealed any details of the talks, which took the form of a conspiracy against the workers. In the run-up to the meeting, Schäfer-Klug had demanded that the works council representatives should be closely involved in the transition process.

Following the talks, all participants confirmed they had been held "in a very constructive atmosphere." Rhineland Palatinate state premier Dreyer told the press," We have agreed we will not give away too much to the outside world."

At a factory staff meeting on Thursday, the works council provided more soporifics and repeated the stereotypical claim that the new owner, PSA, will abide by all existing labour contracts and not destroy jobs—at least until the end of next year. Nothing substantial was said to contradict the objections of a shop steward who had previously worked in Bochum, who said that the same phrases had been repeated before the closure of the Opel plant there.

Without providing any further details, the management said that Adam Opel AG was to be transformed into a limited company by the summer. Part of the development area was to remain with General Motors; however, it was not known whether this involved the research department in Turin, Italy, or whether it also affects Powertrain in Rüsselsheim in Germany. Powertrain is also developing transmissions and engines for GM models. Works council chief Schäfer-Klug has consistently refused to make any statements about the meeting in Berlin.

In early March, the PSA Group had agreed with General Motors to buy Opel-Vauxhall for €2.2 billion. The European company operates nine plants in Germany, Britain, Poland, Spain, Austria and Hungary, with around 35,000 employees. However, only representatives of the German sites were invited to the Berlin summit meeting, and the representatives from IG Metall and the works council evidently had no objections—for years they have pursued nationalist pro-German policies.

The acquisition by PSA takes place under conditions of a massive restructuring of global auto production. In Germany, one in seven jobs depends on the auto industry. Opel still maintains production facilities in the cities of Eisenach, Kaiserslautern and Rüsselsheim, where its research centre is based with more than 7,000 employees.

When the deal was concluded at the beginning of March, the PSA board had agreed to comply with all location guarantees until 2020 and make no compulsory redundancies until the end of 2018—albeit only in a verbal agreement. Business daily *Handelsblatt* described this as a "French pledge of allegiance for Opel with an uncertain shelf life."

Auto industry expert Ferdinand Dudenhöffer has made it clear that Tavares' verbal commitments were merely palliatives to keep the workforce quiet. Commenting on the Berlin meeting, Dudenhöffer told broadcaster n-tv, "All that is known so far is, yes, Tavares is a tough re-structurer, i.e. [he] cuts costs ... these prior commitments—one year or a bit more—are not worth the paper they are written on."

Competition had forced the company to restructure rapidly, and "rapid restructuring means lower costs," said Dudenhöffer. Opel now faced "hard cost reduction programmes."

The Opel works council chairman Wolfgang Schäfer-Klug is already preparing for sharp attacks on the workers. On March 30, he gave a long interview to business weekly *Wirtschaftswoche*. In this he reaffirmed that he assumed that savings of €1.7 billion per year could be achieved. At the same time, he also threatened that the acquisition by PSA—which he supports—would jeopardize jobs.

This was based on changes throughout the entire auto industry, and especially the development of electric cars, Schäfer-Klug said. If these trends "prevail on the basis of the current regulatory requirements, it will cost the automotive industry a significant number of jobs." He cynically stated, "We are still living under capitalism and money still has to be earned with autos in order to save jobs."

Schäfer-Klug's predecessor, the former "Mister Opel" Klaus Franz, also published his assessment of the deal in a business newspaper. In a long article, headlined "Opel's shaky future under Peugeot rule," in *Manager M agazine*, sounding like a business consultant, he recommended that PSA/Opel be transformed into a "European Company (SE) with a participation agreement on the German model." He advised how PSA best achieve its market objectives, saying, "Until the final conclusion of the deal at the end of 2017, there must be a plan to return Opel to profitability from 2020, and which provides a 6 percent profit by 2026."

There was currently "no alternative" to the merger with PSA, Franz said, since "Opel lacks the size, market share and profitability in order to exist alone." Franz went on to state that both the engine plant in Kaiserslautern and the Spanish Opel factory in Zaragoza had poor future prospects. A hard Brexit could lead to shifting the supply industry to the UK: "This can lead to problems in the Kaiserslautern components plant."

Moreover, if the synergies, "piece by piece in design, purchasing, administration and production carried out with each new model," were followed through, this would lead to "enormous pressure on the Spanish plant in Zaragoza, starting from the Eastern European PSA level," Franz said.

Undoubtedly, "as part of the turnaround ... employee contributions would be called for," the former works council leader said. He proposed "safeguarding" the financial sacrifice demanded of the workers "in the form of an employee share ownership" scheme.

This proposal is not new. Already in 2009, when a takeover of Opel by Canadian-Austrian auto supplier Magna was planned, Klaus Franz had proposed such a " workers equity investment scheme ": A private corporation was to be supplied with capital from drastic cuts in workers' pay and conditions, with the works council and some IG Metall officials exercising control—a vicious trap for the workers, who received no guarantees that they would able to dispose of their deposits.

At that time, Opel remained with General Motors, and Klaus Franz was recognized for his crisis management with the international award of "Communicator of the Year." During this period of "crisis management," the Opel general works supported the elimination of 15,000 jobs, the closure of the Opel plant in Bochum, along with 3,300 jobs, with the remaining staff subject to a merciless cuts programme.

Before this, the IG Metall and the Opel works council had already agreed to the closure of the factory in Antwerp, Holland, and the Saab factory in Trollhattan, Sweden. Since then, the Opel plant in St. Petersburg, Russia and the Holden production facility in Australia have been closed.

As reported by *Manager Magazine* on March 24, in the event of a successful sale to PSA, the Opel board can expect bonuses running to millions. General Motors has held out the prospect of €20-30 million for managers if the sale is actually completed. These premiums are regardless of whether the managers leave Opel or not. Current Opel CEO Karl-Thomas Neumann has already sold some of his GM shares in March, pocketing more than $4 million.

Whether the works council leadership also enjoys such premiums is not yet known. What is certain is that it stands completely on the side of the executive—whether under the Opel, General Motors or PSA badge. "We still live in capitalism," as Schäfer-Klug pontificated in the media. In the current crisis of capitalism, the works council is willing to sacrifice the jobs and living standards of tens of thousands of workers throughout Europe in order to satiate the demands of shareholders.