Rail companies Bombardier and Siemens plan merger

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Since the beginning of 2017, the two companies Bombardier and Siemens have been engaged in secret merger negotiations behind the backs of their employees. According to reports by the financial news agency Bloomberg, the two firms want to merge their train-building and signal technology operations into a joint venture to compete with Asia, above all China, in the important export markets. The consolidated corporation could achieve estimated annual revenues of €13 billion.

Thousands of jobs would hang in the balance if there were a merger, since the range of products manufactured by the two corporations overlap in many areas. Bombardier produces various regional and high speed train models in its plants in Görlitz, Bautzen and Henningsdorf, and Siemens Mobility produces similar models in the plants in Krefeld and Munich.

Bombardier is already engaged in negotiations with IG Metal and the works councils to cut 2,500 jobs at its German plants. The largest layoffs would take place at the Görlitz and Henningsdorf locations.

In Austria as well, where Bombardier employs 550 workers in Vienna in competence centres for trams, many jobs are in danger. Siemens also runs a plant in the same city, which produces trams and subway cars with a workforce of 1,200. If the Vienna plants were merged, an unknown number of the jobs at Bombardier and Siemens would be endangered.

While thousands of jobs at both corporations as well as supply industries are in danger, shareholders of both companies are rejoicing over the prospects if the merger succeeds. The *Wirtschaftswoche* quoted analysts of the French financial service provider Kepler Cheuvreux, according to which “Siemens shareholders alone could profit from the merger in five years by €1.5 to €2 billion.”

The merger plans are a reaction to the growing competitive struggle worldwide, and are part of preparations for global trade war. Siemens and Bombardier have asked the German government to support them against European Union cartel laws that currently stand in the way of the merger.

The unions are integrated into the merger talks at the highest level, but are maintaining a policy of absolute silence with their own members. The works councils and IG Metall union representatives have already been in talks with the management of Bombardier for weeks over the so-called “necessary” restructuring, and increase in the efficiency and profitability of the corporation.

Henningsdorf works council head, Michael Wobst, openly admitted that the works council has no objection to cuts “even if it is painful here and there.” Behind the scenes, a tooth and nail struggle over advantages for individual locations is taking place. A Bombardier works council in Görlitz confirmed this to the WSWS: “There is already a small internal competition taking place.”

Likewise, the IG Metall head in Krefeld at Siemens, Ralf Claessen told the *Westdeutsche Zeitung*: “I say this quite openly: the Krefeld location is so well equipped with regard to technique, organization and manpower that it could even be strengthened by such a fusion.”

This local patriotism of the unions is totally reactionary and only serves to play the workers against one another at a time when the growing cooperation and the merger of the corporation urgently requires an international collaboration of employees in all locations.

Bombardier and Siemens are preparing themselves for an increasingly competitive struggle and trade war. For decades, the leading producers of rail cars have been engaged in outsourcing production to countries where railway traffic is sharply on the rise, above all in India and China. In these countries, they can profit from the prevailing low wages.

The statements made by Peter Spuhler, the CEO of the family-owned small Swiss producer Stadler Rail AG (with a 2014 revenue of 1.87 billion Swiss francs), provide an indication of the situation on the world market. In March, he spoke with the Swiss Business Club Mittelland about the demand for the localization of the production of trains in the country of each purchaser. “That always has to be weighed. If we don’t want it, someone else wins, and if we do it, we cannibalize our existing plants in Europe.”

He said that Chinese producers have already won contracts in Asia with price differences of 30 percent. Margins were too small for developing new products and technologies, Spuhler complained. In January 2016, Stadler Rail ordered an increase in weekly working time for Swiss employees from 39.5 to 42.5 hours without overtime pay. In order to secure contracts abroad, Stadler had already bought up production and service locations in Berlin, Budapest, Siedlce (in Poland), Prague, Kouba (in Algeria) and Minsk.

Bloomberg reported several days ago that PricewaterhouseCoopers projects that investments in subway projects in Asia will reach a volume of $230 billion in the next 15 years. Bombardier and the French corporation Alstom already opened plants in 2008, which are supposed to serve the Asian markets from now on. They want to “exploit India’s large pool of engineers and cheap skilled labour,” according to one report.

India has already become an important country for export to Africa, South America and Europe for auto producers such as Hyundai, Ford Renault SA and Suzuki Motor Corp. In the past year, 3.5 million automobiles were exported from India. The case of the Maruti Suzuki workers, sentenced to life in prison because they fought for their rights, demonstrates the conditions under which workers are exploited there.

On the Chinese market as well, the leading European corporations, Siemens and Alstrom, are vying with Bombardier, Kawasaki Heavy Industries and Hyundai Retem for contracts with the Chinese state railway.

When the Chinese market opened in the mid-1980s, joint venture corporations began collaborating with Chinese producers:

* Alstom is engaged in production in single and joint venture operations in the states of Shanghai, Qingdao and Xi'an.

* Siemens collaborates with partners in Tianjin and Beijing.

* Bombardier runs its own plants in Shanghai, Beijing, Qingdau and Suzhou as well as carrying out joint ventures in Qingdao, Changchung, Changzhou, Shanghai and Nanjing. It signed a cooperation agreement in September 2016 with the Chinese producer CRRC.

* Kawasaki cooperates with CSR Sifang Locomotive and Rolling Stock Co., Ltd. in Qingdao.

If the trains manufactured in China were then used in Chinese railways, the obligatory technology transfer of common operations with the Chinese producers would lead to a rapid technological development of their own products.

The China Railway Rolling Stock Group (CRRC), which is the product of a mid-2015 merger of northern and southern Chinese producers, has emerged as a serious competitor on the world market. In 2014, the CRRC, which has 180,000 individual workforces, branches or production facilities in over a hundred countries, had a revenue of $34.5 billion, more than double the revenue of Bombardier and Siemens put together in this branch.

Thousands of workers are closely bound up together in the daily worldwide process of production of the joint venture corporations, or in projects that require the cooperation of competing corporations. For example, the new intercity bus ICE 4 for the Deutsche Bahn involves collaboration in development and production between Siemens (two thirds of the order volume) and Bombardier (a third of the volume). The Bombardier plant in Görlitz produces bodies for the ICE 4 and delivers them to the Siemens plant in Krefeld, where each train is manufactured by a workforce of 2,500 workers.