German auto supplier Eisenmann files for bankruptcy

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The worldwide decline in sales in the auto industry has claimed its next victim. On Monday, auto supplier Eisenmann filed for bankruptcy for itself and its subsidiaries. The family-owned company in Baden-Württemberg employs 3,000 workers at 27 locations in 15 countries, 1,400 in Germany, most of these at its headquarters in Böblingen near Stuttgart.

The bankruptcy was predictable; employees' last monthly salaries were allegedly not paid. Workers reported learning about the bankruptcy in the mail.

Eisenmann is one of the world's leading manufacturers of paint shops and light tunnels for quality control in the automotive industry. Its customers include Italian luxury manufacturer Lamborghini, California electric car manufacturer Tesla and German manufacturer Daimler AG. Eisenmann had received an order to build a plant in Kecskemet, Hungary, for the German car manufacturer, but the factory expansion was suspended because of poor sales figures.

On Tuesday, Daimler denied rumours, according to which this had played an important role in the Eisenmann insolvency, "Contrary to other reports, Daimler AG has not cancelled any orders with the Eisenmann company. Daimler has been in contact with Eisenmann's management for months and has responded to the request for support."

Earlier this week, business daily *Handelsblatt* reported that Eisenmann had "overstretched" itself in some major projects, which led to high losses in 2018. In addition, the company had accepted orders at giveaway prices, in the face of fierce competition. This was now reaping its revenge.

Figures for 2018 are not yet available, but in 2017 sales had already slumped from 862 to 723 million euros. Now they are thought to have fallen even further.

"We had to act quickly and consistently here," said Managing Director Michael Keppel, responsible for the restructuring. The Eisenmann family and the lenders are supporting the chosen path. Two years ago, the family had negotiated with a Chinese investor on the sale of the company. The talks were said to have been broken off in autumn 2017 because ideas about the purchase price had drifted far apart.

The family owners are now trying to use the bankruptcy process to divest shares, reduce jobs and worsen working conditions. The company says it is focusing on its core business and wants "to promote the strategic realignment of the Eisenmann Group with the restructuring in the context of the insolvency proceedings, in order to return to a profitable business as soon as possible," said Keppel.

Eisenmann is now looking for a strategic partner for its established business in paint shops for the auto industry, Keppel said on Monday evening. "The first interested parties have already contacted us."

But it is still unclear whether the Eisenmann Group will be completely broken up. Competitors, like neighbouring Dürr AG, are already rubbing their hands. The publicly traded company had also started "restructuring measures" in the spring due to weaker earnings expectations.

Dürr had placed adverts to attract engineers, especially from Eisenmann. "We hope to be able to better fill our vacancies now," *Handelsblatt* quoted a Dürr spokesman saying. He also said, "If an automaker needs help with ongoing projects because of the Eisenmann bankruptcy, we are ready."

Although Dürr had also issued a profit warning recently, it still expects a return of between 5.5 and 6 percent.

The Eisenmann insolvency casts a spotlight on the entire automotive industry. Production is down five percent worldwide. China, the largest automotive market in the world, which has been the great hope of manufacturers so far, is now seeing a continued decline. In the first half of 2019, new car sales fell by 14 percent compared to the previous year.

Just two weeks ago, Opel had announced it was slashing another 1,100 posts in Rüsselsheim, Eisenach and Kaiserslautern. Last week, Japan's Nissan group announced a reduction of 12,500 jobs worldwide. At the end of June, Ford announced 12,000 redundancies and five plant closures in Europe by the end of 2029. Since the beginning of the year, General Motors has announced 14,000 layoffs, Volkswagen 7,000, Jaguar 4,500 and Tesla 3,000. And that is just the tip of the iceberg.

Last autumn, a study by the Friedrich Ebert Foundation (FES), associated with the Social Democratic Party, concluded that a hasty conversion of production to electro-mobility in the German auto industry would threaten 600,000 jobs and ruin a large proportion of the suppliers.

Handelsblatt reports that in this situation, declining payment practices in the auto industry were also aggravating the situation. For less liquid and smaller companies like Eisenmann, this could lead to payment difficulties or even insolvency.

Eisenmann is not the first and will not be the last victim of the global economic slowdown. Jobs are also being cut at other suppliers. 600 jobs at Marquardt are to be relocated abroad. Tire manufacturer Continental plans to close its plant in Oppenweiler, and filter specialist Mann und Hummel wants to cut 1,200 jobs worldwide.

The head of the automotive supplier Mahle, Jörg Stratmann, has announced that nearly 400 jobs will be cut at the Stuttgart base and the plant in Öhringen will be closed by the end of 2020, hitting 240 employees. Further plant closures could not be ruled out, he said.

Precision parts supplier Schaeffler announced the reduction of 900 jobs months ago. Goodyear-Dunlop plans to cut 1,100 jobs in Hanau and Fulda. Bosch is also planning massive job cuts. Most recently, Baden-Württemberg-based Weber Automotive, a company with 1,500 workers, filed for bankruptcy.

According to the IG Metall trade union, in the southwest, the centre of the German automotive industry, one in two companies are facing "cost reductions." "The signs are piling up that many companies want to shape the changes of the future with concepts from yesterday," local IG Metall district chief Roman Zitzelsberger said, only in the same breath to play down the seriousness of the situation confronting workers. There was no reason to paint things black, after years of boom, the industry was now entering a "phase of normalization" the union official said.

However, IG Metall and its works council representatives are not content just keeping workers quiet in the factories, they are themselves working out plans for social cuts and dismissals and enforcing them against the workforce.

With its demand for a "transformation short-time working allowance", the IG Metall is currently preparing mass redundancies in the automotive and component supply industry. This was also the aim of the mass demonstration in Berlin at the end of June, which the IG Metall had called on the slogan #FairChange. This was to make clear to industry and government that the impending attacks can only be enforced jointly with the union and its 50,000 works council representatives and 80,000 shop stewards.

In a flyer for this demo, the Sozialistiche Gleichheitspartei (Socialist Equality Party) wrote, "Workers around the world confront the same multinational corporations and financial interests. Therefore, they must not be divided. They can only defend their rights and achievements by coordinating their struggles internationally. This requires a break with the unions and the formation of independent action committees. These must organize the fight against factory closures, layoffs and redundancies and build links with workers at other sites and countries."

We call on all workers in the automotive and supply industries to prepare the first steps of this offensive by signing up for the WSWS Autoworker Newsletter.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact