Takeover of the automotive supplier Hella by Faurecia: Billions for owners, a declaration of war on workers

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On the evening of August 14, Jürgen Behrend, spokesman for the owning families Hueck and Röpke, announced that the car supplier Hella would be sold to the French group Faurecia. The two families own 60 percent of the shares in the listed, Lippstadt-based group. These will now become the property of Faurecia by the beginning of 2022.

Six weeks after an earlier interested party, the Munich-based company Knorr-Bremse, surprisingly withdrew its purchase offer due to pressure from its investors, the two families have finally succeeded in flogging their share treasure at speculatively high stock market prices.

They will receive no less than €4 billion (US$4.7 billion) from the French group with its headquarters in Nanterre near Paris. Another €2.8 billion will go to the other share owners. In total, shares worth €6.8 billion euros will be converted into cash. Faurecia pays €3.4 billion of this in cash, the other half the company finances with new debt in the form of bank loans and bonds.

What this tremendous orgy of enrichment for one or two dozen members of the owning families means for the employees of both groups, Hella and Faurecia, is the prelude to fierce struggles for plant locations, jobs and wages. This is not only in Germany and France, but worldwide. Both companies have development and production sites in the USA, and in countries like Mexico, India, throughout Eastern and South-Eastern Europe, in South-East Asia and China.

According to the *Automotive News* list of top 100 suppliers to the global auto industry, Faurecia was eighth before its takeover of Hella, which was listed as number 41. The move is part of the global restructuring of the global auto industry as corporations vie for control of the emerging electric and self-driving vehicle markets and accelerate the attack on workers.

The German financial daily *Handelsblatt* wrote on 16 August, “The transaction is a response to the rapidly changing automotive industry. The turnaround in drive technology and the increasing importance of electronics and software are triggering a wave of consolidation and mergers that industry experts have been expecting for some time.”

“Consolidation,” like “restructuring,” is McKinsey-lingo: These euphemistic terms stand for massive job cuts, extended working hours and wage reductions. They stand for the closure or sale of sites and lines of business that workers have often built up over years or decades of hard work. Now, however, their disposal is supposed to bring the company and its shareholders a quick big buck.

Faurecia’s CEO, Patrick Koller, justified the takeover by saying, among other things, “I am convinced that Faurecia and Hella are an excellent fit because we share a common vision, values and culture.” If there was any truth in the flowery press statements of Hella's owners and Faurecia's board of directors about the rosy future of the corporation after the takeover, it was this.

Consolidation in permanence

The culture of both companies is indeed the same. It can best be characterised as “consolidation in permanence.” Hardly a year goes by without the management proclaiming a new streamlining or recapitalization programme for the entire group or for individual locations.

CEO Rolf Breidenbach had moved to Hella from the management consultancy firm McKinsey in 2004. To this day—together with family representative Jürgen Behrend until 2017—he manages the operative business: development, production and sales of headlamps and other lighting systems as well as electronic components for the world’s major car manufacturers.

His first major “cultural deed” was a brutal streamlining programme named 'Lion' (Light On), which he pushed through with the energetic help of the owner families.

As the *manager magazin* revealed on April 27, 2007, Jürgen Behrend sent a threat to the workforces and managers of all locations via all the company's computer monitors: Turnover and profits from the lighting business had collapsed; within 12 to 18 months the success of 'Lion' had to be proven by surplus numbers. Otherwise, he would propose to the owner families in November, 2007 to sell Hella as soon as possible.

A sale under these conditions would inevitably have meant breaking up the group and selling off individual parts to “locusts.” This is the name given to financial investors and hedge funds who raid companies, pick out the best parts to streamline and recapitalize them for a highly profitable sale, while the rest is to be shut down.

The programme “Lion” was forced through. Within a year, turnover and profits rose steeply again. Nevertheless, soon after, as an answer to the financial crisis of 2008-09, the streamlining continued. There were massive relocations of production to Eastern Europe and China. German locations like Paderborn (700 employees) were shut down or thinned out. The number of jobs in Germany fell from 14,000 in 2004 to 9,500 in 2021, whereas the number of employees worldwide rose by 50 per cent to 36,000 today.

All this happened thanks to the support of the Betriebsrat (works council) and the trade-union IG Metall, which organised some hollow protests to deflect and prevent serious measures of struggle like strikes or factory occupations.

The “consolidation in permanence,” which keeps the workforce in a permanent state of fear and anxiety and drives them to work harder and harder, can only be forced through with the help of the works councils and the union as the most recent events show.

Streamlining 'Phoenix'

In 2019-20, 200 jobs were cut at the main plant in Lippstadt. A little later, in August 2020, Breidenbach announced the 'Phoenix' streamlining programme. Like the mythical figure Phoenix rising from his ashes, the company was to rise again to financial splendour after a year of some decline in sales and profits.

Nine hundred jobs will be wiped out this year and next in administration at the headquarters in Lippstadt, and 450 more by the immediate closure of the Regensburg and Würzburg sites and other measures.

Investments in the development site for software and electronics in Romania and Lithuania, however, are being expanded. Engineers and production workers there receive only 27 percent (2020) of the wages paid in Germany, both gross and net. In Poland, the figure is 32 percent.

As a result, according to the latest annual report from August 19, the corporation is in better shape than ever and better off than any other automotive supplier in the world. It is completely debt-free and has an equity ratio of more than 40 percent—in the entire automotive supplier industry this ratio is on average 21 percent, at Faurecia only 18 percent. Despite the coronavirus pandemic, revenue has risen by 13 percent to €6.5 billion, while profits have more than doubled to 510 million euros.

In technological terms, only 10 percent of revenue is still dependent on the installation of Hella components in vehicles with combustion engines. From this point of view, Hella is also prepared for the changeover of the automotive industry to electric drives. In addition, lighting systems are no longer the main drivers of sales, but electronic components such as radar sensors and driver assistance systems. The company is making big money on the road to highly automated driving.

The owner families can therefore already chalk up a complete success for the “Phoenix” streamlining programme—and crown it with the sale of Hella. The share prices have risen by 50 per cent this year, and so the price of sale has also skyrocketed.

From the point of view of technological orientation and profitability, for Hella the takeover by Faurecia makes no sense. The sole and all-dominant motive of the owner families is the unbridled greed to profit from the current stock market bonanza and to make as much money as possible before the prices collapse again at some point. There is no other reason.

“We didn't want to wait,” was the answer of family spokesman Jürgen Behrend to the astonished question of the *Handelsblatt* of why the family was selling Hella now despite its impressive technical and financial position.

The 150,000 employees of the newly merged group, permanent production workers on staff, temporary workers as well as development engineers and administrative staff, and finally hundreds if not thousands of external engineering service providers are to pay for this.

The fact that Faurecia is financing half of the takeover with new debt, bringing the total debt mountain to €6.5 billion, indicates that rapidly a cruel 'restructuring programme' will start. The workforces of Hella and Faurecia are to finance the repayment of the debt through intensified exploitation. Faurecia has already announced the sale of sites and lines of business worth €500 million. But this is only the beginning.

McKinsey hatchet man and Hella CEO Rolf Breidenbach is waiting in the wings. He, like other executives, is to “play a prominent role in the management of the group” after the merger, according to the press release of August 15.

Consolidation in permanence at Faurecia

Since 1999, when it was founded as a subsidiary of French carmaker PSA, Faurecia has grown from a company with 32,000 employees to a global group with 114,000 employees—exclusively through a large number of acquisitions of rival companies. These always followed the same pattern: financed by the parent company PSA and loans, and then followed by massive job and wage cuts in the plants taken over.

Here too, the trade unions and their works councils played a decisive role. A typical example is the plant in Scheuerfeld, Rhineland-Palatinate. In 2011, over 530 workers were still producing car interiors there. In 2012, Faurecia’s management announced it wanted to close the site because it was not making enough profit.

IG Metall and the works council agreed to cut 30 jobs and to extend the working week from 35 to 37.5 hours without wage compensation as the price for “saving the site.” But the job slashing continued. Today, less than 200 jobs remain, holiday and Christmas bonuses have been cut by 25 percent and the workweek increased to 38.5 hours.

According to a report in the *Rhein-Zeitung*, the union’s First Representative in charge proudly commented on this result at a works meeting on September 7, 2020, saying, “Scheuerfeld is one of the most successful Faurecia plants in Europe!”

The plants in Unna, Stadthagen and Lohr have already been completely closed after similar years of wage sacrifice.

When the union IG Metall now announces negotiations on the “preservation of the Lippstadt site” and the First Authorised Representative of IG Metall of Lippstadt, Britta Peter, accompanies this with the words, “We must become more agile in Germany to remain competitive,” alarm bells should be ringing for all workers at Hella and Faurecia.

The Socialist Equality Party (SGP) is urgently warning workers not to put the slightest trust in the hollow speeches of trade union officials about “concepts for the future” and “saving the site,” “Becoming more agile to stay competitive”—that's McKinsey rhetoric for longer and flexible working hours on call, job cuts and lower wages.

Role model Faurecia USA

The model for this “agility” is the conditions in the Faurecia plants in the USA.

When the corporation acquired operations at the former Ford plant in Saline, Michigan, to become one of the largest parts makers in North America, the company imposed across-the-board pay cuts and massive job destruction. This was followed by a shop floor regime of ruthless speed-ups and unsafe conditions enforced with the full collusion of the United Auto Workers (UAW).

At the Gladstone plant in Columbus, Indiana, the company has just announced it will lay off one of three shifts and introduce a 12-hour working day for the other two. The working hours will be “flexible” and will depend on demand from day to day. The assembly lines will also run on weekends.

This “agile production programme” is fully supported by the International Brotherhood of Electrical Workers (IBEW), the union in charge of the Gladstone plant.

A year ago, the Gladstone Rank-and-File Safety Committee was formed by workers at the plant to fight against the dangerous working conditions produced by the pandemic because the union is also fully on the side of the company on this issue as well.

The rank-and-file committee responded to the attacks announced with an appeal to their colleagues and other Faurecia plants to take up a fight independently of the UAW, the IBEW and other pro-company unions.

The last two years have seen a growing wave of struggles by auto and auto parts workers in western and eastern European countries, Mexico, Korea, the United States and other countries. This includes the current struggle by Dana workers.

The Socialist Equality Party (SGP) in Germany proposes to all workers at Hella and Faurecia to follow the example of their class brothers and sisters at Gladstone and other Faurecia locations in the US.

• Don't waste any time! Prepare the formation of action committees to take up the fight to unconditionally defend wages, working conditions and every job into their own hands, independent of the unions and works councils!

• Get in touch with the action committees that have already been formed in the USA with the same aims. The SGP and WSWS can support you and establish the connection.

• Take up the fight for the international unification of the working class in the struggle for a socialist transformation of society where everything revolves around the interests of the lives of billions of working people, rather than around the profits of a few millionaires and billionaires.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact