

Volkswagen plans a radical program of cuts aimed at boosting profits

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The Wolfsburg-based Volkswagen Group, which, in addition to VW, also includes the brands Audi, Porsche, Skoda, Seat and others, is planning a huge restructuring of its production. According to VW managers and their major shareholders, the core brand VW, which accounts for about half of total sales, does not generate enough profit.

In order to change this situation, the group is planning a so-called “Performance Programme.” The gimmicky new name conceals a large-scale programme of cuts, with the goal, declared by VW CEO Thomas Schäfer, of initially increasing the return on investment from 3 percent to at least 6.5 percent.

To do so “we have to create good, competitive returns even in times of crisis and in a world that is volatile in the long run,” Schäfer added. He is referring to the profit margins of 10 to 15 percent, which are being currently achieved by car manufacturers in the premium segment, i.e. Mercedes-Benz, BMW, Tesla, as well as the company’s own brands Audi and Porsche.

Such high profit rates can only be realised by drastically tightening exploitation in the VW plants. A high-ranking company representative candidly stated that savings of about one billion euros were necessary for every percentage point of additional profit. No information has been yet released about how many thousands of jobs are to be terminated, which types of production will be relocated and the extent to which wages and social benefits are to be slashed.

What is certain, however, is that the VW board has long been in intensive talks with the IG Metall trade union and its works councils on how to enforce this programme of cuts against the workforce.

Worldwide predatory competition at the expense of workers

With an annual turnover of over 250 billion euros, Volkswagen is one of the world’s largest car companies. Only Toyota has sold more cars in the last two to three years. Despite the coronavirus crisis, supply chain problems and chip shortages, VW has made billions in profits in the last three years.

No carmaker employs as many workers worldwide as the VW Group. It boasts it “operates 120 production sites in 19 countries in Europe and in 10 countries in America, Asia and Africa. 662,575 employees around the globe produce vehicles, are involved in vehicle-related services or work in other business areas. The Volkswagen Group offers its vehicles in 153 countries.”

However, the switch from internal combustion to electric cars has intensified the merciless competition between the big auto companies for the cheapest labour costs, sales markets and secure supply chains. This is all being fought on the backs of workers in all countries and locations, who have to work more and earn less, while hundreds of thousands lose

their jobs.

In this transition, the competitors, above all Tesla and the Chinese manufacturers of e-cars, are far ahead of Volkswagen. The business paper *Wirtschaftswoche* recently wrote: “It is Chinese suppliers who can build e-cars at unrivalled prices because they control the entire value chain from battery raw materials to car sales. And it’s new players like Tesla that are cornering the traditional Wolfsburg company with their minimal overhead costs and revolutionary low-cost production methods.”

Since the 1980s, Volkswagen and its core brand VW have been the market leader in China. But sales of internal combustion vehicles are now falling dramatically, and instead there is a rapidly increasing demand for electric cars. VW is currently far behind in this realignment of the auto market. In contrast, the Chinese producer BYD, which already manufactures exclusively electric vehicles, was able to expand its market share to 11 percent in the first quarter and take the lead ahead of Volkswagen and Toyota. It was able to increase its sales figures by 69 percent compared to the previous year.

Other Chinese manufacturers such as Nio, Geely and Great Wall also sell far more e-cars than Volkswagen. There is not a single German or European model among the top 10 best-selling e-cars. Only Tesla is represented and is trying to capture market share with drastic price cuts. Meanwhile, car analysts say that the Chinese car market is in “turmoil,” while others speak of a “turning point.”

Wirtschaftswoche cites an example against which VW must be measured: “The ultra-modern Seal mid-size sedan from BYD costs the equivalent of around 25,000 euros in China. Volkswagen’s ID.4 mid-size SUV costs at least 45,000 euros in Germany with similar equipment to the BYD Seal.” These figures alone give an idea of the scale of cost savings the VW board has in mind and what it means by being “truly crisis-proof.”

War over raw materials

A central role in the conversion to e-mobility is played by the raw materials required for it. Large quantities of lithium, nickel, cobalt and graphite as well as some rare earths and other “critical minerals” are needed to produce batteries for electric cars. The fact that China largely controls this market and also processes these raw materials is increasingly driving Western car companies and their governments into conflict with China.

Russia and Ukraine also have large quantities of these strategic raw materials. For example, about a third of Europe’s explored lithium deposits, 500,000 tonnes in total, are in Ukraine, most of it in the fiercely contested Donbas region. Russia plays a particularly important role in the production of high-grade nickel, demand for which is expected to increase

19-fold over the next two decades, as well as platinum group metals, especially palladium.

This is one of the main reasons for the Ukraine war. From the beginning, NATO's eastward expansion was aimed at bringing Ukraine under the influence of Western powers and at subjugating and crushing Russia in order to gain control over its natural resources. NATO's constant escalation of the war leaves no doubt about this.

The strategists in the Pentagon are also preparing a war against China, which they see as a threat to the economic and political domination of the US. Corresponding political and military provocations take place every week. In March of this year, a memo of a high-ranking US general was revealed which forecast that the US will be at war with China by 2025 at the latest.

European and especially German imperialism also increasingly see China as an economic threat and are becoming more hostile. The race to find alternative supply chains for critical raw materials, independent of China, is also bringing EU states into conflict with the US, which sees its dominance threatened.

With Tesla setting the benchmark for the development of high-priced electric cars and China and South Korea leading the world in the development and production of battery cells, VW is trying to catch up.

Similar to Tesla, which had its giga-factories built in record time, VW is already building gigantic battery-cell factories at three locations under the name PowerCo since July 2022: one in Germany, "Salzgiga" in Salzgitter, one in Spain, in Valencia, and one in North America. Five more are to follow together with partners in Europe. The first of these will go into operation in Sweden as early as this year.

VW's largest battery factory to date, however, is to be built in St. Thomas, Ontario, in Canada by 2027. VW board member Thomas Schmall said North America plays a key role in Volkswagen's global battery strategy. The region will become the second pillar of the internal battery division alongside Europe. The site's proximity to Toronto and Detroit gives the company access to research facilities, a skilled workforce and established supply chains.

Executive and works council united against the workforce

The board, shareholders, IG Metall and the works council are working closely together on the restructuring of the company and the associated attacks on the workforce. They coordinate every move to suppress resistance and divide the workforce by country and location, between permanent and temporary workers, etc.

When the previous VW boss Herbert Diess was replaced by the former Porsche boss Oliver Blume in September 2022, this move was linked to the decision for a comprehensive strategic restructuring of the company.

This initially began with a brute restructuring at Audi. It was decided to cut annual factory costs by half by 2033. IG Metall and the Audi works council agreed to cut 9,500 jobs by 2025. The development of proprietary software for all future vehicle models was also given top priority. The software is considered the largest value-added component in the e-cars of the future.

But there was a second reason for the change of leadership from Diess to Blume, which, as is well known, was basically organised by IG Metall and the VW general works council chairperson Daniela Cavallo.

Diess had neglected the "trusting" cooperation with the powerful IGM works councils. The latter saw themselves increasingly ignored and their role as company police endangered. For example, the works councils had taken offence at the fact that scenarios commissioned by Diess about the loss of 30,000 jobs had been leaked to the public unredacted and had

caused an uproar among the workforce.

Blume, on the other hand, is highly praised by the works councils because he closely involves them in his planning. Blume has made a good start as head of the company and enjoys "the fullest support" of the works council with his team, says Cavallo. They work together "in a spirit of trust and at eye level." We have already shown in an earlier article what this "trusting cooperation" means.

In no other German company is the cooperation between management and trade union as sophisticated as at Volkswagen. IG Metall and the works council, with an army of full-time functionaries, ensure that the group's decisions are implemented smoothly and that there is no resistance to them.

At the Wolfsburg plant alone, there are 75 full-time works councillors paid by the company, 66 of whom belong to IG Metall. They are assisted by 2,500 shop stewards who, in the words of *Business Insider*, have "eyes and ears in every corner of the factory town." In addition, the Wolfsburg works council has its own 70-strong administrative apparatus.

The role of the IGM and the works council is not limited to implementing the group's decisions. They help to develop such decisions themselves. They sit on the supervisory board with equal representation and work closely with the major shareholders, the Porsche and Piëch family clans, whose assets go back to the Nazis. The SPD-led state government of Lower Saxony, which is close to the IGM, has a legally enshrined blocking minority. In addition, the Emirate of Qatar holds a 17 percent stake.

The deputy chairman of the supervisory board is IGM chairman Jörg Hofmann. Together with Daniela Cavallo, chairperson of the general works council, he sits on the executive committee, where all important decisions are discussed.

According to press reports, internal working groups are currently meeting to develop concrete measures. Volkswagen then plans to present results to investors and analysts at its Capital Markets Day on June 21. As an example, VW CEO Schäfer mentions a changed production method in the plants. According to the board, this would save billions in the coming years.

There have been many austerity programmes at VW in the past, all implemented with the help of IG Metall and its works council leaders, but what the workforce of Volkswagen and its subsidiaries now faces assumes a completely new dimension.

The above-mentioned cuts and profit targets can only be achieved with unprecedented attacks. Cutting around 30,000 jobs at VW, halving production costs at Audi, closing down the Spanish brand Seat—all these proposals are on the table and are now being tackled by Blume in close cooperation with the works council and trade unions.

The struggle against this onslaught requires breaking with IG Metall and its works council and building independent action committees to organise resistance and make contact with workers in other plants and countries. The Socialist Equality Party and its international sister parties have set up the International Workers Alliance of Rank-and-File Committees to launch and develop such an offensive.

It is inseparable from the struggle for a socialist programme. The fact that a clique of billionaires who owe their fortunes to Nazi crimes and highly paid trade union bureaucrats decide the fate of hundreds of thousands of workers underlines the absurdity of a social system that subordinates all social needs to the enrichment and profit interests of a small minority.



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