European Auto Sector On the Chopping Block

by Rainer Apel

European labor union leaders have long been in denial about the future of their industry, insisting that the kind of massive job cuts occurring in the United States "won't happen here." But times are changing, as the axe is beginning to fall. It is dawning on some union officials that management is no longer interested in producing cars, but only in financial speculation.

For a short period in October 2004, everybody in Germany was aware of the bitter fact of the crisis in the automotive sector: At that time, a wildcat strike by workers, in defense of jobs at the Bochum plant of Opel, the German daughter firm of General Motors, created sympathy throughout Germany, far beyond the car-making sector as such. The strike, staged against the policy of the factory labor council under chairman Klaus Franz, who favored discussions with the Opel management, went against an ultimatum posed by the European section of GM, for eliminating 12,000 jobs, mostly in Germany. In a joint coercive move by the management, the factory council, and the media, the strike was crushed, and the managers "conceded" to axing only half of the jobs in Germany, and the other half were to be cut elsewhere in Europe. A job guarantee was granted until 2010, and many of those who had been scheduled to be laid off, were offered buy-outs.

The deal was praised by the afore-mentioned Klaus Franz, who henceforth kept spreading the line that if there was a crisis at GM in the U.S.A., the jobs in Germany and Europe were "safe, because we have it on paper." Franz kept saying that, for 18 months, thereby contributing his part to the establishment's effort of putting labor to sleep.

Portuguese GM Plant Hit Hard

But dramatic developments in early June 2006 forced him to change his line. Upon directives from the GM headquarters in Detroit, the European management of GM announced plans to shut down production in Portugal, axing 1,200 jobs at the Azambuja plant there, one of the most modern GM plants in Europe. Production of the Combo light transporter there, was to be transferred to the GM plant at Zaragoza, Spain, thereby compensating the Spanish site for losing a major percentage of its own streetcar production to a site in Poland. Several weeks earlier, the GM Europe management had already announced plans to eliminate 900 jobs at the Ellesmere Port plant in Scotland. And, as became known, Portugal was just

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There was great sympathy throughout Germany for workers at the Bochum plant of Opel, the German daughter firm of GM, in 2004, when Opel wanted to eliminate 12,000 jobs, mostly in Germany. But then denial set in, as labor leaders promised that things were under control. They weren't, as workers are now learning. Shown here is a demonstration at Bochum in 2004.

one country on the list of the management, as the plants in Germany and Sweden were to be targetted next. Unrest among GM workers kept growing, and the strike of the Portuguese GM workers was supported by sympathy strikes at all other GM sites in Europe.

Once things had developed that far, even Klaus Franz felt compelled to change his line, telling the *Financial Times* on June 15 that the shutdown threat to Portugal, was one to be taken seriously throughout the rest of Europe. "Everybody knows the shutdown at Azambuja is the first step towards losing the manufacturing footprint from western Europe to eastern Europe." Franz added that a shift eastward has the potential to hurt not just car workers, but western Europe's economies as a whole, because the car-making sector was the core of industry in Germany and Europe. "From a company standpoint, you can say OK, it makes sense to go to the east, but if this is the mainstream, you will damage the western economies—then who will buy the cars?"

Layoffs at Volkswagen

At the time Franz said that, other news from the auto sector made clear that the rest of the car-making industry was entering a new round of massive shutdowns and layoffs, as well. For example at Volkswagen, the management reiterated plans already mooted at the beginning of the year, to axe 20,000 out of 103,000 jobs that VW has at its six plants in Germany. The managers posed an ultimatum to the workers at the main plant in Wolfsburg, demanding that they work one day more a week, but for the pay of only four days, or production of the popular Golf, the main VW model, would be transferred to a "less costly" site in Europe's east—Slovakia, for example. Growing unrest among VW workers was answered by leaks from the management, threatening that 30,000 jobs would have to be axed. At the same time, the management of VW do Brasil confirmed plans to lay off at least 25% of its workforce of 22,000, because the Fox car produced in Brazil, would henceforth "have to be produced elsewhere, because of the necessity to cut costs."

As for the alleged "necessity to cut costs," one has to see that the 500 euros more which management claims has to be spent in Portugal, than in Eastern Europe, does not by itself explain why the plant in Azambuja has to be shut down. 500 euros for a single car is a ridiculously small margin, which could easily be compensated by restructuring the production process without cutting any jobs, according to metal worker union officials called by this author. The cost factor is not the real reason, something else is going on, the metal worker unionists said, and it has to do with the prevalence of the aggressive shareholder mentality: At the present time, the European Commission in Brussels is offering generous subsidies for new plants in Eastern Europe and in Russia, which together with tax rebates and additional subsidies by the respective national governments and regional authorities, are covering a large part of the investment costs. That "pays off" for shareholder interests, who have no interest in the production of cars, but rather only in the revenue they can accrue. The managements in place today, at GM as well as at other car producers, are no longer "car people" but "experts in extracting money," a metal worker unionist said. With such people in the managements, one cannot have a future for car production in Europe.

One metal worker union official even went further, telling this author that at Volkswagen, there are people in the management who would rather, at the next best opportunity, walk out of producing cars altogether, and concentrate on financial deals. Indeed, the financial services section of the Volkswagen group has been the "most profitable" of all sections, in the recent period. One has to see, however, that this profit has been made on the financial markets, not in the auto sector as such. Pleasing the shareholders, has become priority for managers, over producing cars, and the "necessity to cut costs" has to do with problems of the financial market, rather than with anything related to the auto sector as such.