Report from Bonn by Rainer Apel

Crisis builds in auto sector

Automakers are in deep trouble; will Germany still produce cars in the late 1990s?

At the end of May, the International Labor Organization (ILO) in Geneva published a study on the future of the European auto industry. The ILO predicted that the whole branch is "approaching the center of a rising storm" which will lead to a "massive reduction of jobs." Whole companies might vanish in this storm, a source at the ILO commented.

The ILO prognosis corroborated a study conducted by a research team at the German Metal Workers Federation (IGM) in February 1988. This study investigated prospects for the auto sector in the Stuttgart region, which is one of the main sectors of car production in Germany, employing 220,000 workers. The "best case" scenario speaks of laying off 30,000 workers; the "worst case" indicates that 70,000 workers in the region would have to quit their jobs, in the course of the early 1990s.

A loss of 15-30% of jobs is also predicted for the country as a whole, which currently employs 730,000 workers in auto production. This is bitter news for the Germans, who have considered their auto sector the "pride of the nation" for more than four decades since the war. The big names, like Volkswagen, Opel, Audi-NSU, BMW, Porsche, and Daimler-Benz are in deep trouble now.

At the end of June, alarming news from all these companies reached the public. Opel announced that of 53,000 workers, 9,000 (17%) will have to go between now and 1992. Audi-NSU will lay off 2,000 of its 12,500 workers (15%), Porsche 1,000 of 8,000 (12%), over the same period. Volkswagen begins with about 1,500 of 38,000 (4%) laid off at its main plant in Wolfsburg, with more to follow soon, as the company wants to save 480 million deutschemarks annually by cutting labor costs. BMW and Daimler-Benz are in a better situation, but imposed a freeze on current employment levels. An IGM source predicted, "This is just the beginning. The layoff wave will also arrive there in early 1989."

What has to be seen is that two to three jobs in the feeder industry depend on each job in the auto-producing sector. For cities like Wolfsburg (Volkswagen), Rüsselsheim (Opel), or Neckarsulm (Audi-NSU), which have most of their citizens working in the auto industry, the latest news sounds the alarm bells.

The crisis extends to the steel-producing industry as well. Because of the collapse of construction, home-building, and the utilities, all of which use a great deal of steel, jobs in the steel sector have grown disproportionately dependent on the fate of the auto sector, and especially on the manufacture of private cars.

The collapse of auto came in two steps. First, domestic sales of industrial and construction vehicles dropped between 1985 and 1987. Then, "Black Monday" in October 1987 led to a decrease in exports into the dollar zone, Third World clients canceled optional contracts for trucks, and purchases of new cars in West Germany dropped abruptly by 4-5%.

The number of customers who buy two or three cars, compensating for others who do not buy, is very small. And expectations in Germany that Mikhail Gorbachov's "economic reform" would strengthen the non-military sector of the Warsaw Pact economies and open up auto export markets in the East, proved to be unrealistic.

What can the auto industry do, to avoid what seems like an inevitable decline? A viable option for survival is to shift parts of the production apparatus toward fabrication of segments for magnetic trains and automated inner-city shuttle trains. Also, the aerospace sector can provide contracts, for the production of segments for space shuttles and orbital space stations. The precondition for such projects is state intervention, because big transport infrastructure and aerospace projects require continuous funding during a long period without prospects of amortization.

State guarantees are crucial for this reconversion of parts of the auto sector into new branches of industry. State guarantees are also important for revitalizing larger contracts with the Third World, especially for infrastructure-building projects.

But the government is trying to avoid such responsibilities. Upon the initiative of Finance Minister Gerhard Stoltenberg, the government decided in April to sell its 16% share in Volkswagen Corp., to reprivatize the company and make a profit of DM 1-2 billion, to reduce the government's budget deficit.

This is a very short-sighted policy, because the state's direct influence would allow a reconversion of the auto sector to begin at Volkswagen right away. This is what Lyndon LaRouche proposed in 1974, when the oil shock led to the first big crisis in Germany's auto industry. It is high time for unionists, managers, and others to revitalize these proposals.