guardian.co.uk

GM Europe sale puts 2,000 UK jobs at risk

Offer of £4bn subsidy persuades troubled US car group's board to sell European operations to Germany's favoured bidder

Terry Macalister
guardian.co.uk, Thursday 10 September 2009 16.59 BST

Astra cars being assembled at the General Motors's owned Vauxhall plant in Ellesmere Port.. Photograph: Andrew Yates/AFP/Getty Images

A £4bn carrot dangled by the German government today brought a rich harvest when General Motors finally decided to sell its European car operations to Magna International, a Canadian car parts supplier favoured by Berlin.

The move delighted Angela Merkel, the German chancellor, but puts a cloud over GM-owned Vauxhall plants in Luton, Bedfordshire and Ellesmere Port on Merseyside, where 2,000 job losses are feared.

Lord Mandelson, the business secretary, argued that GM should be swayed by commercial rather than political considerations, but the US car group, which had been dithering for months, made it clear that German money had won the day.

"Several key issues will be finalised over the next few weeks to secure the binding agreements, including the written support of the unions to support the deal with the necessary cost restructuring for viability and the finalisation of a definitive financing package from the German government," said Fritz Henderson, GM president and chief executive.

"The hard work over the past two weeks to clarify open issues and resolve details in the German financial package brought GM and its board of directors to recommend Magna/Sberbank," he added.

Magna and its Russian partner Sberbank will buy a 55% stake in GM's European arm called New Opel, while GM will continue to hold 35% and employees 10%. The size of the business will now be dramatically reduced. Business plans leaked from Magna show it wants to cut 10,000 of 55,000 jobs in Europe with at least 1,200 of them in Britain. But Dave Osborne, negotiator for the car industry at the Unite union, fears 2,000 jobs could be at risk after a guarantee to maintain the Luton plant runs out in 2013 and shifts are cut at Ellesmere Port. Magna privately denies this larger figure.

The move at Opel/Vauxhall is the latest convulsion for a global automotive industry that has been knocked off the road to prosperity by the credit crunch and economic downturn. Sales of cars have plummeted worldwide, driving GM's core American business to seek bankruptcy protection, while Washington has thrown upwards of $100bn at an industry that has considerable political clout because of the thousands of jobs attached to it.

Merkel, who is believed to have secured commitments that German job losses will be minimised, said an Opel sale to Magna was "the right decision" and though she stressed she had not lobbied the US government, she was happy to take much of the praise, adding: "The patience, purposefulness and clarity of the [German] government and myself have certainly contributed to this."

The 13-member GM board met for 48 hours earlier this week to discuss four options, including keeping the business; letting it slide into bankruptcy protection; selling it to a Magna consortium; or accepting a competing offer from RHJ International, a Belgian-based private equity house.

GM had indicated it favoured the RHJ bid, fearing that a sale to Russia could lead to GM designs being used by local car companies close to Sberbank, but it eventually relented to German lobbying and Magna.

The British government tried to put the best possible gloss on the decision. "We will now continue our discussions with Magna: they have told us of their commitment to continuing production at both Ellesmere Port and Luton and we will work to make sure we get the best possible outcome for the UK," said Pat McFadden, the business minister.

But Tony Woodley, the joint general secretary of Unite, said: "With Magna as the new owner, we need to make sure that British plants and people are not treated disproportionately during the restructuring that will take place."

Ontario-based Magna is a major parts supplier to GM, Ford and other major auto manufacturers but has had its eye on becoming a carmaker itself since being linked with the possible purchase in 2007 of Daimler Chrysler and then last year of Aston Martin. It has watched from the sidelines as consumers reined in their spending and car sales crumbled, although the downward path has been slowed in recent months by public subsidies encouraging motorists to scrap old cars and buy new ones.

GM lost its lead as the world's biggest carmaker in 2008 to Toyota of Japan, which has specialised in more fuel-efficient vehicles. In Britain Jaguar Land Rover – now owned by Tata of India – has been campaigning for government funds while Nissan shed 1,200 jobs last January at its Washington plant in the north-east and other companies have cut staff or hours. Even low-cost car producers in Asia have been cutting back and have called for government subsidies.

Ads by Google

Ask a GM Mechanic Online

12 GM Mechanics Are Online! Ask a Question, Get an Answer ASAP.

JustAnswer.com/GM

Anderson Economic Group

Auto industry research, auto dealer analysis, market and econ impact

www.AndersonEconomicGroup.com

Buffett Spills The Beans

Little known confession is making a few investors richer than Midas

HiddenValuesAlert.com

guardian.co.uk © Guardian News and Media Limited 2009