

Germany: Federal government has rejected the motion for financial support for Opel

On 9 June the Ministry of Economy announced that it had rejected the motion presented by General Motors about loan guarantees worth EUR 1.1 billion for restructuring Opel. The Economy Minister Rainer Brüderle (FDP) justified this decision citing GM's good financial condition and the fact that Opel does not fulfil the formal criteria for receiving aid. Chancellor Merkel distanced herself from the decision to reject GM's motion concerning assistance.

In November 2009 the American car maker GM performed a U-turn on the selling off of Opel to the Canadian-Russian consortium Magna-Sberbank. The decision was considered a failure of the government of Angela Merkel who supported the transaction from the very beginning and promised loans in exchange for the guarantee to keep jobs for German workers of Opel. GM eventually decided to restructure Opel on their own and is planning to obtain aid for this purpose from a special government fund in Germany designed for fighting the crisis (Soffin). They will also seek aid from German federal states and countries that have Opel plants. Currently, the Ministry of Economy rejected the motion regarding financial assistance for Opel. It was justified by the fact that GM's results are improving as in the first quarter of 2010 GM made a profit of USD 900 million. Furthermore, the banks that intended to grant loans to GM did not agree to take at least 10% of the risk of the transaction, which was the formal requirement for obtaining the loan. GM can however apply for funds from the German government for supporting innovation. The government could decide for example to grant such resources if GM threatened to lay off more workers in Germany than planned and relocate part of production outside Germany. The decision of Minister Brüderle is advantageous also for Chancellor Merkel. Firstly, a few days ago a tough austerity plan was announced in Germany. Secondly, the decision made by a ministry that is in the sphere of the Liberals shifts responsibility away from the Chancellor for possible bigger lay-offs in Opel plants in Germany and for suspicions about the political motives for rejecting GM's motion. <pop>