Germany: Siemens hives off energy and power plant division

By Elisabeth Zimmermann
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Siemens is hiving off its entire energy and power plant division, formerly known as Power & Gas. Together with the wind power group Siemens Gamesa, in which Siemens still has a 59 percent stake, it will continue as an independent company and be floated on the stock market by September 2020. This was decided unanimously by the Siemens Supervisory Board on May 7, with the support of the so-called "employee representatives".

The new company will have about 80,000 employees, with sales of around 30 billion euros. These include the gas and oil business, power plant construction, energy transmission and renewable energies. It accounts for almost one third of the previous sales of the Siemens group. Siemens' share in the new company should be below 50 percent and will continue to fall, so that the figures no longer have to be reported in the Siemens balance sheet.

After Siemens CEO Joe Kaeser had announced this decision to investors and major shareholders, Siemens share price rose by about five percent.

The power plant division has one of the longest histories in the company. It has existed for 170 years as a central part of Siemens as an electrical and industrial group. In Germany, about 20,000 work in this area, across about 20 factories. It remains largely uncertain how their future and that of their colleagues in other countries will work out.

Those affected by the spin-off include Siemens employees in the Ruhr—4,500 in Mülheim and 2,600 in Duisburg—with 6,000 employees hit in Berlin, at the gas turbine plant and parts of the switch gear works. In Berlin, this amounts to almost one in two of 12,500 Siemens jobs. There are also other plants, including in Erfurt and Görlitz, where there have been fierce protests in recent years against the planned closure or sale.

The "Vision 2020 + " restructuring programme, which Siemens presented in August last year, had still envisaged continuing P & G (Power & Gas) as a central business unit of Siemens, alongside DI (Digital Industries) and SI (Smart Infrastructure). After the spin-off of the energy and power plant area, only the last two remain as so-called core areas of Siemens. Digital Industries encompasses everything to do with digitization and industrial automation. Smart Infrastructure is the former Siemens building technology division.

Other areas are already largely independent. Siemens Healthineers (medical technology) is already listed on the stock exchange. Siemens Mobility has also been spun off; this had involved a planned merger of the train division with that of the French Alstom group, but was prohibited by the EU Commission. Again, a possible IPO is not excluded.

In any case, all these companies must now stand alone in the market. Shareholders expect jobs and working conditions to be attacked and dismantled even faster than they have been in order to boost profit rates.

Similar developments are currently taking place in other traditional large companies. For example, Thyssenkrupp announced a new corporate strategy on Friday, which aims to spin off and market the individual divisions and to transform the group into a holding company. Here, too, the executive board and shareholders have the full support of the IG Metall union and the works council.

With the spin-off of the energy sector, the Siemens board is trying to disengage from problems in that sector. Developing the energy sector has been difficult worldwide for several years. Large gas turbines are hardly in demand due to the switch to alternative energy sources, especially in Europe.

An ongoing savings programme will cut thousands of jobs, and thousands more will follow in the coming months. The company's goal is to cut costs by about one billion euros over the next four years.

These broad-based attacks on the Siemens workforce continue despite the company announcing a second quarter earnings increase (January to March 2019). The operating profit in the industrial business rose by seven percent to 2.41 billion euros. Turnover climbed to 20.9 billion euros. The energy sector also improved its return to 5.6 percent.

But this is far too little for the Siemens board and the major shareholders. Overall, CEO Kaeser expects eleven to twelve percent profit in this financial year. After the spin-off of the energy sector, it should be 14 to 18 percent. The goal is to achieve even higher profits of up to 20 percent in the few remaining areas, which requires even sharper attacks on the company's blue- and white-collar workers.

For example, Digital Industries is expected to cut 4,900 jobs, Smart Infrastructures 3,000 and Central Functions an additional 2,500 jobs, making a total of 10,400 jobs worldwide.

The IG Metall and the works council stand completely on the side of the management and the shareholders. The so-called "employee representatives" on the Supervisory Board have both approved the spin-off of the energy sector and the programme to increase efficiency in the areas remaining at Siemens.

The chair of the group's general works council, Birgit Steinborn, is, at the same time, Siemens deputy supervisory board chair, and according to a report by *Spiegel on-line* pockets nearly half a million euros. Board member Jürgen Kerner sits on the supervisory board for the IG Metall.

On 7 May, the IG Metall *Siemens Dialog* newsletter supported the company policy. What was crucial for the union bureaucrats on the supervisory board was only that the newly formed company has its headquarters in Germany, so that the existing labour relations continue and the union and works council representatives do not lose their posts and privileges.

A few months ago, Kerner and Steinborn had justified their agreement to the then planned reorganization on the grounds that they had ensured that "the areas subject to reorganization remained under the umbrella of Siemens AG." Now they claim that only by spinning off the energy sector and the employees there can they be given better future prospects. "If the division remained in Siemens AG, investments would be further reduced. The area would literally starve to death," said Steinborn.

The supposed job security being promised is not worth the paper it is written on. This has already been proven by numerous similar spin-offs and sales in recent years, with thousands of jobs being destroyed time and time again.

A real struggle against ever-increasing job losses and worsening working conditions is only possible by breaking with the trade unions, setting up independent action committees and uniting the working class internationally based on an international socialist programme.