Toyota surpasses GM in global auto sales

Jerry White
26 April 2007

During the first three months of 2007, Toyota sold more cars and trucks worldwide than General Motors for the first time ever, as the Japanese company moved closer to becoming the world's largest automaker in terms of annual global sales. With the exception of individual years in the 1970s and 1980s when production was cut due to labor strikes, General Motors has held the number-one spot for every year since 1931—during the depths of the Great Depression.

The long-awaited eclipsing of General Motors is symbolic not only for what it says about the demise of the once-mighty manufacturing giant, but also for what it reveals about the historic decline of the world position of American capitalism. For most of the twentieth century, GM was synonymous with the power and innovation of US industry. Today, the Detroit-based auto manufacturer—which has been steadily losing market share for three decades and posted more than $12 billion in losses over the last two years—is retrenching its operations, shedding tens of thousands of jobs and shuttering its factories.

In 1955, GM accounted for half of the American auto market, at a time when four out of every five cars in the world were being produced in the US. Emerging from war-torn Japan, Toyota was a small company that only produced 23,000 cars, compared to 4 million manufactured by GM in the US. Today, Toyota is increasing its production worldwide and in North America, where the Japanese auto company first introduced its vehicles 50 years ago. Toyota is steadily grabbing market share from the US carmakers, including GM.

Toyota's first-quarter sales rose 9.2 percent to a record 2.35 million vehicles, the company reported Tuesday. Last week, GM reported it sold 2.26 million vehicles in the January-to-March period. Fifty years after Toyota entered the all-important US market, the company controlled 15.6 percent of the share, up from 9.3 in 2000, while GM's share fell to 23.1 percent in 2006—its lowest percentage since the 1920s—down from 28.1 percent just seven years ago.

Globally, GM outsold Toyota 9.1 million to 8.8 million in 2006. But the Japanese auto company's sales rose 8 percent last year, and it expects to sell 9.34 million vehicles in 2007, in large measure due to growing demand in the North American market. Toyota has six assembly plants in North America with a total production capacity of 1.8 million vehicles a year, and it expects output to rise to 2.2 million by 2010 as two more new plants come on line. Meanwhile, GM is cutting North American production by 1 million units.

While expanding sales in some emerging markets, particularly in China, GM officials have resigned themselves to a permanent loss in US market share. In November 2005, GM launched a major restructuring that called for closing 12 plants by 2008 and slashing its workforce by more than 34,000 employees.

At its peak, GM employed more than 600,000 American workers, including 459,000 members of the United Auto Workers (UAW) union. With the new round of cuts, GM will reduce its blue-collar workforce to 86,000 US hourly workers by the end of 2008, roughly the number of people it employed in Flint, Michigan, alone in the 1970s.

Workers in dozens of GM's manufacturing centers—such as Detroit, Pontiac, Saginaw and Flint in Michigan; Dayton in Ohio; and Kokomo and Muncie in Indiana—once enjoyed the highest pay of any industrial workers in the country and record levels of home ownership. Today, these cities are littered with empty factories and face a rash of home foreclosures, personal bankruptcies and requests for emergency food and healthcare assistance.

In addition to GM, the other "Big Three" auto companies are hanging on by a thread. Number-two carmaker Ford lost a record $12.7 billion in 2006 and is in the process of closing plants in the US and Canada and eliminating the jobs of 38,000 autoworkers.

Two months ago, DaimlerChrysler reported huge losses at its North American Chrysler Group division and said it would wipe out 13,000 jobs. The German company also revealed plans to spin off its money-losing US operation, opening the way to the carve-up of the 82-year-old company by Wall Street speculators who are anxious to slash workers' wages and benefits and sell off the company's most profitable assets. All told, US automakers and suppliers eliminated 150,000 jobs in the US in 2006.

The virtual collapse of the Big Three US auto companies has been a drawn-out process. In the post-World War II period—while Japanese and German industries were still rebuilding after the ruin of the war—GM and other manufacturers boasted that their costs per unit were the lowest in the world, despite paying workers the highest wages. By the 1970s and 1980s, however, profit margins began to fall, and more efficient and innovative Japanese and German manufacturers began to challenge the US monopoly over auto production and penetrate the American market itself.

The response of the auto corporations was to launch an unrelenting assault on the jobs, working conditions and living standards of autoworkers, which continues to this day. Rather than opposing this attack, the UAW collaborated in the shutdown of factories and the destruction of 600,000 Big Three jobs since 1979.

Preaching labor management cooperation, the UAW suppressed the opposition of rank-and-file workers and joined the auto bosses and Democratic Party politicians in promoting anti-Japanese chauvinism in order to divide US workers from their brothers and sisters in Japan and other countries.

US auto executives—who themselves pocketed tens of millions in compensation despite the record losses at their companies—relied on high-profit SUVs and other gas-guzzling vehicles to satisfy big investors, while driving fewer and fewer workers in the factories to produce more and more, and outsourcing production to lower-wage factories in the US and overseas. Rising gas prices and widespread economic insecurity have caused a sharp fall in demand for these bigger vehicles, eliminating a major source of profit for the auto companies. Under pressure from Wall Street investors, GM is looking to slash labor costs again, using as its model the low-wage, nonunion plants Toyota operates in the southern US.

In a speech on Monday in Louisville, Kentucky, GM Vice Chairman Bob Lutz warned that the entire automotive sector would be further hit by the downturn in the housing market and the meltdown in the home mortgage industry. "A lot of people are finding themselves in a position of reduced affordability and that has had an impact, not just on us, but across the industry."

The *Wall Street Journal* noted that Toyota executives were "becoming more cautious about the prospects for future growth" and that its big Tundra pickup truck had gotten off to a slow start despite large discounts because of the highly competitive nature of the small truck market. "The company has announced plans to build a US plant in Mississippi capable of producing 150,000 vehicles, initially Toyota Highlander sport-utility vehicles, starting in 2010. At one point, however, Toyota had been considering a plant that would open a year earlier and build one-third more vehicles," the *Journal* reported.