

Toyota recall highlights crisis in global auto industry

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Toyota's announcement of 4.4 million car recalls in the past three weeks brings to 8 million the number of Toyota cars now pulled in for repair worldwide since November 2009. The recalls and their expected impact on sales put at risk tens of thousands of jobs in the vehicle supply sector across Asia, the US and Europe.

Toyota has also become a rallying point for a protectionist campaign waged by the US government, media and unions since the onset of the economic crisis. They are seeking to blame "foreign" companies for the devastation of auto industry workers' jobs, pay and conditions. Intense US media coverage of the Toyota recalls has given the situation the appearance of a national emergency.

Publicity over the vehicle defects has been a rolling disaster for Toyota since September 2009, when it first came to light publicly that the driver-side floor mats on five Toyota models were at risk of getting stuck on accelerators and causing uncontrolled acceleration. The safety risks are genuine. According to the US National Highway and Transport Safety Authority, the floor mat problem might be linked to 19 car crashes.

The direct cost to Toyota of its initial recalls of 3.8 million cars has been put at \$US2 billion. The further recall of another 4.4 million cars in recent weeks—including 2.3 million in North America—is a further response to the floor mat problem and to a separate accelerator defect that can cause sudden acceleration.

An estimated 1.8 million cars have been recalled in Europe, including late model Prius cars, Toyota's low-emission standard bearer. The effect on Toyota has been immediate and severe, with US sales falling nearly 20 percent in January. Toyota's share price is down 16 percent over the same period.

The full impact of the Toyota recalls on auto industry jobs is yet to be felt, but cuts caused by the announcements are clearly in the pipeline. The European recalls coincided with Toyota's announcement that the company has a "headcount surplus" at its Derbyshire plant in the UK. Up to 750 jobs may be lost.

It will be difficult to quantify the ultimate cost of the recalls given that Toyota, Japan's largest company, is already in the midst of the most serious financial crisis in the company's 70-year history. In the first quarter of 2009, the company posted a \$7.7 billion loss. The estimated loss for Toyota in the current financial year, calculated before the expansion of the recall process in January, is \$5.5 billion.

Toyota has already slashed more than 6,000 jobs at its Japanese plants since the onset of the global economic crisis. This is only part of the story. The company's production wind-back has resulted in tens of thousands of jobs being lost in the auto parts sector that supplies its production lines. Toyota City, the company's headquarters town near Nagoya, saw mass unemployment during 2008 for the first time ever.

The protectionist response to the Toyota recalls has its epicentre in openly chauvinist attacks on the Japanese company by the United Auto Workers (UAW) and Teamsters unions. Their campaign, which included a two-day protest outside the Japanese embassy in Washington last month, has claimed that Toyota's defective vehicles make the company a "danger to America".

The UAW, it should be recalled, is now—as a result of the concessions that it delivered to the employers in last year's multi-billion-dollar car industry bailout and restructuring package—a majority owner of Chrysler and a 17.5 percent owner of GM, Toyota's nearest competitor. (Toyota became the biggest selling vehicle brand in the US for the first time in 2008).

The US government, GM's majority owner, has also joined the attack. Federal Transport Secretary Ray LaHood told consumers last week to simply "stop driving" the models that Toyota had called in for repair. Within hours LaHood had retracted his remarks but in the meantime Toyota's market value had fallen \$4.6 billion in reaction to the comments.

Quite apart from the direct commercial interests that stand behind the current anti-Toyota campaign, the Toyota recalls

have provided an excuse for the government, the unions and the media to ramp up “buy American” propaganda. The unions, most prominently the UAW, have relied on these protectionist messages to obscure the common interests of the international working class and disguise the real causes of mass joblessness in the US.

Above all, the UAW is seeking to deflect attention from its role for decades in enforcing the destruction of jobs, pay and conditions throughout the auto industry. Having worked intimately with the Obama administration to escalate that assault over the past year, the union is once more lining up with GM, Ford and Chrysler, against the interests of its own members.

The hostility toward the UAW among auto workers was shown last month when hundreds of workers clashed with UAW officials at a meeting in the California town of Fremont over the union’s refusal to do anything to stop the closure of the New United Motors Manufacturing Inc. (NUMMI) assembly plant. NUMMI, a 25-year-old joint venture between Toyota and GM was abandoned by GM in June last year as part of the Obama administration’s forced bankruptcy and restructuring of the company. Although GM’s decision sealed the fate of the plant’s 5,000 jobs, the UAW, soon to become a GM owner, blocked any fight against the looming closure. (See: “Anger toward UAW erupts at California auto workers meeting”).

While assisting GM, the unions launched a chauvinist campaign against Toyota, calling for consumer boycotts of Toyota and government trade war measures against Asian auto makers. Protesting outside the Japanese embassy, UAW vice president Bob King and the Teamsters boss James Hoffa accused Toyota of “turning its back on American workers and American taxpayers by closing the plant in the state where they sell the most cars in the US, shipping these jobs to Japan, and then importing the cars back to the United States for sale”. Nowhere do the unions mention the Japanese auto workers who have lost their jobs.

In a similar vein, the US House of Representatives Energy and Commerce Committee has demanded that Toyota executives attend hearings on February 23 to explain the delay between Toyota’s knowledge of the accelerator defects and its decision to issue recall notices. The committee also says it is concerned that NHTSA, the safety regulator, was too slow in taking action against Toyota and demanding the recalls. Committee members have backed up Transport Secretary LaHood’s comment that they need to make sure Toyota “understands ... how serious this is”.

Toyota clearly has a case to answer. Indications are that

Toyota has been resistant to the recalls, despite strong evidence of risk. This is partly explained by the company’s attempts to avert further massive losses on the back of two years of financial haemorrhage. Shrinking global demand has intensified already cut-throat global competition. Nevertheless, these genuine safety issues do not explain Washington’s “action stations” approach to Toyota, in contrast to the relative indifference toward the two largest car recalls in US history, both involving the American company Ford.

Between 2005 and 2009, Ford recalled 14.3 million cars because of a cruise control switch problem that caused hundreds of vehicles to burst into flames even while idle. The recall was only finalised after years of maladministration by the regulator and alleged intransigence and secrecy on the part of Ford. The “exploding car” recall was Ford’s second major recall in less than a decade, following a 9.6 million car recall in 1996. Ford never received the swift dressing down that its foreign-owned competitor is now receiving in Washington and in the US media.

The latest recalls and the protectionist responses both underscore the ongoing crisis in the international auto industry produced by the global financial crash. Toyota’s woes and losses—the first in more than half a century—are symptomatic of a wider and deeper fallout, which has included plant closures in South Korea, across the US and Canada and throughout Europe.

In the resulting intensified fight between auto giants for survival, governments and unions are lining up with “their” national conglomerates, seeking to sink their rivals and block any development of an independent, unified movement of auto workers internationally against the companies and the capitalist system itself. Even the most basic rights of workers, and elementary auto safety, can be defended only through a joint struggle, across national lines, on the basis of a socialist program to place the whole industry under social ownership and democratic control.

The author also recommends:

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