

# Fiat Chrysler reports sharp rise in second-quarter profits

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On Thursday, automobile manufacturer Fiat-Chrysler Automobiles (FCA) announced second-quarter profits of \$1.4 billion (1.3 billion euros) in its North American operations. This more than doubled the \$650 million (595 million euros) the company made during the same period last year.

Auto giants Ford and General Motors, who together with Fiat-Chrysler make up the “Big Three” automakers in the United States, saw \$2.6 billion and \$2.8 billion in pre-tax North American profits, respectively. FCA boosted its profit margin in North America to 7.7 percent last quarter, up from 4.9 percent over the same period a year ago, closing the gap with Ford and GM, which had profit margins of over 10 percent in North America in the second quarter.

Overall, the Italian-American carmaker saw net profits rise 69 percent to €333 million (\$366 million) in the second quarter compared with €197 million (\$215 million) in the same period last year. Fiat-Chrysler’s profits came despite meager profits in Europe and losses in Brazil. In addition, the company’s bottom line has been engaged with dozens of vehicle recalls.

A court finding last week found Fiat-Chrysler responsible for at least 75 deaths due to faulty components, charging the company a wrist-slap fine of \$105 million. Also last week the company was forced to recall over 1.4 million vehicles from the 2014 Jeep Grand Cherokee model after the ability to hack into the vehicle’s functions remotely was discovered.

The huge profits are the product of a relentless drive by the automakers, with the full backing of the United Auto Workers union, to slash labor costs. In 2007, the UAW agreed to a “transformational” contract that halved the wages of new hires in exchange for the setting up of a multibillion-dollar retiree health trust controlled by the UAW. The Obama administration’s

2009 restructuring of GM and Chrysler expanded the two-tier system, wiped out tens of thousands of jobs, and wiped out income subsidies for laid-off workers.

An estimated 45 percent of the UAW-represented workers at Fiat-Chrysler are classified as tier-two workers who make \$16-19 an hour, compared to \$28.50 for workers hired before 2007, plus inferior health and pension benefits. This is compared to 28 percent and 20 percent at Ford and General Motors.

FCA CEO Sergio Marchionne has been the most aggressive in opposing any rise in hourly wage rates, insisting instead that workers accept lump sum bonuses based on productivity and corporate profits. Earlier this month Italian unions rammed through American-style performance pay for the first time in history under conditions of threats by Marchionne to shift more production to the United States and Mexico.

“Even though they posted all these profits, even after the recall, we won’t see any of it. We have given up a lot and we have gotten nothing in return,” a first-tier worker at Fiat-Chrysler’s Jefferson North assembly plant in Detroit told the *World Socialist Web Site*. “They are pushing us to build 610 vehicles each shift. We are working 10-hour shifts and Sundays,” the worker added.

Speaking of the conditions faced by the lower-paid workers, she added, “These younger workers are doing the same things we do, but they are getting so much less. It is a crime.” She said she did not like the hug exchanged between UAW President Dennis Williams and Fiat Chrysler CEO Sergio Marchionne at the start of contract negotiations. “It made me think there is shady stuff going on. We aren’t hearing anything. It makes me think there is something they want to hide.”

In an attempt to bolster flagging support for the union, UAW Local 7 announced Thursday that it would

hold a strike authorization vote in August. UAW locals around the country are doing the same. Even if the UAW were to call a strike, it would only be to let off steam and to wear workers down to accept another sellout agreement.

The notification said that only workers in “good standing” could vote. This is an indication that the UAW intends to prevent workers who stop paying dues from voting on any contract it reaches with the corporations. This flagrant violation of workers’ democratic rights must be opposed.

The real relationship between the trade union and the auto giants was demonstrated in recent reports that Fiat-Chrysler CEO Sergio Marchionne is seeking the support of the UAW to pressure the GM board of directors to approve a merger, which would lead to the destruction of tens of thousands of jobs.

“Whatever happens in terms of consolidation, it would never be done without the consent and support of the UAW,” Marchionne said. The UAW is GM’s largest shareholder and if the price is right, i.e., if the corporations make the proper payments into union-controlled investment funds and joint labor-management operations, the UAW and its Wall Street advisors would fully back a further consolidation of the global auto industry.

Seeking to disarm workers, UAW president Dennis Williams told news reporters, “Sergio [Marchionne] and I often talk.” He added, “I’m not concerned about it, nor do I believe that it will be any part of this bargaining.”



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