Ford third-quarter profits double

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Ford is expected to report that its third-quarter earnings have nearly doubled since last year when it releases its profit report today. The announcement by the number two US-based automaker follows last week's report by General Motors that its third-quarter profits shot up 40 percent, largely due to a huge 11 percent profit margin in North America.

While champagne popped in corporate boardrooms and Wall Street investors rubbed their hands in anticipation of even bigger payoffs, the auto executives, corporate-controlled media and the United Auto Workers warned GM and Ford workers not make "unrealistic" demands.

On Sunday night, the UAW, which has not called a national auto strike since 1976, announced it had reached a tentative agreement with GM for a new four-year labor deal covering 53,000 GM workers. While the UAW claimed the deal contained "significant wage gains," GM executives assured investors that the agreement provided "flexibility for the company to respond to the needs of the marketplace."

In an interview with the *Wall Street Journal* published Sunday, GM CEO Mary Barra insisted the company was focused on boosting its profit margins rather than gaining market share. GM and Ford earned a collective $9 billion in North America in the second quarter, or more than $3,000 per car sold. This led to operating margins in excess of 10 percent, a range more common for luxury brands.

"We note such margins are in line or materially above the leaders of premium auto manufacturing in Germany," Morgan Stanley auto analyst Adam Jonas said at the time. "Can it get better than this?"

Ford's profit jump has been attributed to flush sales of its F-150 pick up truck and revamped SUV models, which were only started up in the third quarter of 2014. The sale of these larger, far more profitable vehicles has been spurred by relatively low gas prices and car loan interest rates. The return to sales volumes not seen since the period just before the 2008 financial crash is not expected to last long.

With the car companies already retrenching in Latin America, Europe and even China due to the global economic slowdown, the auto giants are shutting down less profitable operations and laying off thousands of workers in Russia, Brazil, Australia and other countries, while seeking to squeeze every bit of profit from remaining workers. With the collaboration of the UAW, which has overseen a historic decline in labor costs, the auto companies are concentrating efforts on boosting profit margins in the United States.

"Low gas prices provide the ideal backdrop for Ford and GM to pull off their strategies. Even though the pair continue to lose U.S. market share, a spike in demand for heavier vehicles is leading to sales of higher-profit vehicles, allowing the companies to back away from lower-margin sedan sales," the *Wall Street Journal* noted earlier this year.

The *Detroit Free Press*, long a mouthpiece for the auto industry, warned that booming profits could make it more difficult for the UAW to sell a contract to GM and Ford workers that is based on the deal it pushed past Fiat Chrysler workers after they rejected the first sellout by a two-to-one margin.

"They are in a stronger bargaining position to negotiate a better deal with GM and Ford, but I would not expect it to be phenomenally better," Marick Masters, head of the UAW-aligned Douglas A. Fraser Center for Workplace Issues at Wayne State University in Detroit, told a *Free Press* reporter.

Industry insiders told *Automotive News* the new deal with GM will all but certainly eliminate any limits on the percentage of second-tier workers who are paid inferior wages and benefits. Ford and GM, which have a 29 and 20 percentage of second tier workers respectively, are anxious to catch up to Fiat Chrysler, which has 45 percent.

Far from eliminating the hated system, the UAW adopted the model of its Canadian counterpart, Unifor. Under the new FCA contract, second tier workers will have to labor eight years before they reach a new, lower “traditional wage,” while they continue to receive substandard health benefits and pensions. The UAW has also accepted the expansion of a third and fourth tier of workers with pariah status, including temps and parts and axle operation workers.

Insofar as there are any “improvements” over the FCA deal, this is expected to be in the form of larger signing bonuses and profit sharing, with the latter subject to sharp cuts when sales decline. This is what GM executives mean by “flexibility.” In addition, despite claims about winning “job commitments,” the UAW has given GM the green light to continue laying off workers and shifting production to lower-wage countries, while at the same time imposing deeper concessions on US workers in the name of maintaining “competitiveness.”

The UAW, which controls the largest block of GM shares, has a direct financial stake in increasing corporate profits through speedup, the shutdown of less profitable operations, and relentless attacks on the wages, health benefits, pensions and working conditions of autoworkers. Since 1999, the UAW has colluded in reducing labor costs by 61 percent at GM, 73 percent at Ford and 42 percent at Chrysler. Combined, all three companies expend only 5.7 percent of their revenue on hourly labor costs, compared to 11.1 percent 15 years ago, according to a recent study by the Center for Automotive Research.

The American ruling class has used this fundamental attack on the social position of autoworkers, once the highest paid industrial workers in the US, if not the world, to drive down the wages and conditions of all workers. The Obama administration’s 2009 restructuring of the auto industry, which expanded the two-tier system, became the model for the casualization of labor throughout the US economy and a vast expansion of low-paid, temporary and part-time labor.

The decades-long decline in real wages for autoworkers will be expanded into the indefinite future by the new UAW contract, which will also further shift health care and pension costs from employers to workers.

In an editorial Monday, the *New York* the UAW for “pointing the way forward” on workers’ wages in the US. The new labor agreement, the *Times* claims, “halts the long downward pull on wages in the auto industry that has persisted even as the industry recovered from the recession.”

The newspaper hails the insulting six percent wage increase for senior workers, who have not had a raise in more than a decade, and the eight-year marathon new workers must endure to reach “new industry standards.” The *Times* further praises the UAW contract for defining “$30 an hour as a decent middle class wage,” and urges politicians to push for an increased minimum wage “to follow where the autoworkers are trying to lead: Toward a future of higher pay and rising living standards.”

Speaking for the corporate and financial elite, and the Democratic Party, the *Times* is trying to revive the credibility and authority of the UAW, which was further undermined by the rebellion of Fiat Chrysler workers against its collusion with the corporations.

The *Times* also expresses the contempt of the corporate and financial elite towards workers’ demands for a genuine improvement in wages and living standards. The new “middle class” wage, which new second tier workers will not reach until 2023, will represent a *six percent* increase over what autoworkers were making in 2005.

In other words, less than $1.50 in nearly 20 years!

And this follows an even longer trend of income inequality. Since 1979, the richest one percent has seen its income rise by more than 250 percent, while workers, who have more than doubled their productivity, are making essentially what their parents did in 1979.