

As profits rise, Chrysler to end US passenger car production

Shannon Jones
29 July 2016

Fiat Chrysler CEO Sergio Marchionne confirmed Wednesday that the automaker will no longer build passenger cars in the United States by early 2017. The move is part of a plan to focus on production of more profitable pickup trucks and SUVs. FCA said its planned reorganization would allow it to match the performance of its larger and more profitable US-based rivals.

The announcement came at a press conference following the release of FCA's second quarter profits, which rose 25 percent, to reach \$353 million. The results caused the company to raise its estimate for full-year operating profits by 10 percent.

The ending of passenger car production puts a continued question mark over the fate of workers at the Sterling Heights Assembly Plant (SHAP) in suburban Detroit, and Belvidere, Illinois Assembly that build the Chrysler 200 and Dodge Dart. This is despite company assurances that the expansion of truck and SUV production will absorb workers made redundant at the two facilities.

At the same time, the continued profit boom by US carmakers exposes the phony claim by the United Auto Workers (UAW) that the 2015 agreement was the richest in history. Indeed, it has paved the way for relentless cost cutting and the further enrichment of management and wealthy stockholders.

The FCA profit figures follow reports last week that General Motors had \$2.9 billion in second quarter profits, more than double the same period in 2015 and its best quarterly result in seven years. At the same time, GM boasted a sizeable 12.1 percent operating margin. Ford, meanwhile, posted \$2 billion in second quarter earnings, a small decline over 2015, but still massive.

Pointing to GM's numbers, Marchionne said the

biggest task facing FCA was to "close the operating margin gap with our competitors. That remains a permanent fixation we have inside the house."

As part of its switchover to truck and SUV production FCA is investing \$1.5 billion to retool SHAP to build the Dodge Ram, currently produced at nearby Warren Truck. Production of the 200 will end in December. SHAP was shut down three months out of the first six months of the year as sales of the 200 tanked. On July 5, FCA permanently eliminated the second shift at SHAP, impacting some 1,300 workers there and 120 workers at Sterling Stamping.

The Belvidere assembly plant is being changed over to produce the Jeep Cherokee, now built in Toledo, Ohio. FCA says it will create new jobs at the Toledo complex by expanding production of the Jeep Wrangler.

The changes mean that FCA will build primarily the Ram and Jeep SUVs in the United States and will be dependent on those products for its sales and profits. The only exception will be the Dodge Durango and Jeep Grand Cherokee built at the Jefferson North Assembly Plant in Detroit.

The changeover at SHAP and the shifting of the Ram out of Warren Truck will create considerable disruption in the lives of autoworkers. It has already impacted workers at SHAP, who are trying to subsist on supplemental unemployment benefits that in some cases only replace about 75 percent of their former income.

Despite this, UAW President Dennis Williams hailed the planned reorganization at Fiat Chrysler calling it "great for all of our members and all of the employees at FCA and for the local communities." He did not refer at all to the layoffs at SHAP, the first job cuts since FCA emerged from bankruptcy in 2009.

The remarks express the complete subservience of the UAW to management and its indifference to the impact of the recent layoffs on the lives of autoworkers. The FCA job cuts underscore the fact that the supposed “job guarantees” hailed by the UAW in the 2015 agreement are worthless.

Kathy, a veteran SHAP worker told the WSWS, “They told us we won’t go back until August 29. Then maybe we will work for a week or two, then be out for another five or six weeks.

“They are going over people’s work history. If you are laid off longer than your seniority, they don’t have to call you back.

“We have a system to go online and do a lot of things ourselves that used to be the responsibility of Human Resources. If you don’t follow through, you may lose out. Those laid off by department have a week to bump back into the plant. If you don’t do that you are out of luck. You could be bumped to another plant. A lot of people don’t realize that; they don’t know. The union reps don’t care and are not helping. You are left on your own.”

Despite Marchionne’s empty boasting, the future of FCA remains far from certain. The company is the latest automaker to be enmeshed in scandal.

Fiat Chrysler continues in damage control mode after accusations surfaced that it has been padding sales figures in order to artificially boost its stock price. The Securities and Exchange Commission and the Federal Bureau of Investigation launched probes after two FCA dealerships raised accusations that the company had offered cash payments to dealers to give falsified sales reports.

In response, FCA said it would change the way it reports sales. Starting this month the company said it would adjust its sales totals to reflect sales reported in one month that are not actually finalized. Reflecting this change the company retroactively recalculated its sales reporting. It had earlier boasted a 75-month streak of month-over-month sales gains. Under the new method, that streak ended at 40 months. Since then the company reported there were two other months where sales declined, despite earlier claims of sales gains.

At this point FCA is asserting that there were no irregularities in its financial reports. It claimed that its reports of vehicle sales are not the basis for its reports of actual revenue.

Under FCA’s old sales reporting method a dealer could report a vehicle as sold one month and then “unwind” it the next month. For example, FCA reported that as of June 30 it had 4,500 vehicles in dealer stock that had been previously reported as sold, but were returned to inventory after the sale had been undone. FCA had originally claimed it sold 197,073 units in June, its best sales for the period since 2005.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact