Fiat-Chrysler announces merger, threatens jobs bloodbath

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Italian-American auto conglomerate Fiat-Chrysler (FCA) announced a merger proposal with French automaker Renault in a press release yesterday. If accepted by Renault’s board, the merger would create the world’s third-largest automaker by unit sales.

The proposed deal would create a combined entity with 50 percent ownership by each company’s shareholders. The deal is effectively a merger of equals, although FCA’s announcement declined to use that term, perhaps wary that Chrysler’s unsuccessful “merger of equals” with German automaker Daimler in 1998 would spook investors. FCA shareholders would rake in cash immediately from a $2.8 billion equalizing dividend to offset the larger market capitalization of FCA, with a potential $280 million dividend to follow.

The deal would save the new company $5.6 billion worth of “estimated annual run rate synergies,” according to the press release, primarily from “the convergence of platforms, the consolidation of powertrain and electrification investment and the benefits of scale,” the latter including a reduction of number of vehicle and engine types offered by the combined company.

The deal has not yet been accepted by the Renault board of directors and must also pass regulatory and governmental hurdles, including the support of the French government, whose 15 percent stake in Renault carries double voting rights (which would not carry over under the terms of the merger).

However, early indications from the Macron administration were positive. A government spokeswoman declared the deal would be “good for Europe” by creating a “European industrial ‘giant,’” suggesting the government sees merger as a possible means of bolstering the European auto industry against its North American and Asian rivals.

The press release claims that cost savings will be realized without any plant closures. These assurances are simply not credible. The touted “synergies” from the merger cannot be realized except through a job bloodbath.

One of the most likely areas to face the chopping block would be FCA’s operations in Europe, which account for a small fraction of its global profits but one-third of its workforce. Many of its European plants are operating at below 50 percent capacity, and its workforce at the Mirafiori plant in Turin, Italy is currently down to an average of 7 workdays per month, according to *Automotive News*.

Three years after the launch of the luxury crossover Levante at the plant, workers have long waits between calls to do an extra day's work to top up their net pay of around 1,100 euros ($1,230) a month. "Every three to four years we are hoping that a new model will help us turn the corner,” Giovanna Treccalli, a 54-year-old assembly line worker who has been with Fiat since 1987, told *Automotive News*. “But then after a boom we are back in furloughs or on solidarity contracts and our salary goes down by a third," she said.

Two years after its takeover of Chrysler’s operations in North America and internationally, Fiat closed its Termini Imerese plant in Sicily, eliminating 1,600 jobs, in 2011. The next year, Fiat boss Sergio Marchionne abolished the national labor agreement, imposing local agreements at its six remaining plants in Italy, declaring that the company would “align the Italian production system to the standards requested by the international competition.”

A merger with Renault, which does 50 percent of its business in Europe, is an obvious means by which FCA could realize cost savings in the less profitable European market through plant closures and other methods of “consolidation.”

The proposed deal comes less than four months before the expiration of the current United Auto Workers contract, which covers more than 150,000 FCA, Ford and GM workers in the US. Both the corporations and the UAW—whose top officials took more than a million in bribes from FCA for signing pro-company deals—plan to use the massive threat to jobs to counter the growing mood of rebellion among autoworkers and extract deeper wage and benefit concessions in the upcoming contracts.

The merger proposal takes place in the midst of the highest numbers of layoffs in the auto industry since the 2009 financial crisis. US assembly and auto parts makers have announced over 20,000 job cuts in the first four months of this year, three times the level from the same time last year. FCA itself has already carried out thousands of layoffs in North America, including the elimination of a shift of nearly 1,400 workers at its Belvidere Assembly plant.

At Ford, roughly 7,000 salaried positions are on the chopping block as part of its $11 billion global restructuring program, while Wall Street is demanding that the company cut an additional 23,000 salaried jobs. Meanwhile, GM is shuttering five plants throughout North America and eliminating 14,000 production and salaried jobs as it ends production of less profitable models.

FCA has heavily consolidated its product line in recent years around more expensive and profitable vehicles, especially Jeeps and its Dodge Ram pickup trucks. The company eliminated sedans from its offerings entirely, with Ford and GM moving in the same direction, effectively abandoning this segment of the market to Japanese and European competitors.

FCA has announced that it will build a new Jeep plant in Detroit and plans to hire 1,200 new workers at its Jefferson North Assembly plant, in exchange for $300 million in incentives from the city government. A significant portion of the jobs “created” by this new investment will go to laid-off workers from Belvidere and other plants. More than 80 percent of the new jobs under this scheme, according to the *Detroit Free Press*, will start out at $17 per hour, barely above the poverty line for a family of four. A large number will also be held by Temporary Part-Time (TPT) workers, who have no contractual rights but still pay union dues.

The context behind the merger proposal is the end of a decade of record profits that followed the 2009 bankruptcy of GM and Chrysler and subsequent bailout by the Obama administration. The bailout created the conditions for a profit surge by imposing unprecedented concessions, including slashing wages for all new-hires by half and expanding the hated two-tier system sanctioned by the UAW.

A major factor in the worsening outlook is the sharp decline in the growth of the Chinese auto market, whose rapid expansion had been a key driver of growth in the global auto industry. The slowdown in sales has been exacerbated by the Trump administration’s trade war measures.

Another is the rising research and development costs associated with electric vehicles and self-driving cars, which are expected to transform the industry but which are still years away from being economically viable to mass produce. This aspect of the business has already produced many corporate partnerships and joint ventures aimed at limiting costs, such as the recently announced deal between Ford and Volkswagen to develop next-generation vehicles.

The proposed FCA-Renault merger proposal is the part of the beginning of a wave of mergers and acquisitions, which has long been promoted by industry insiders such as the late FCA boss Sergio Marchionne as a means of shoring up profits in the contracting global auto market by eliminating “excess capacity” and “redundancies,” euphemisms for plant closures and job cuts.

The thinking of the auto bosses was summed up in a recent article in the *Washington Post* by Bloomberg writer David Fickling. “The car industry has become dangerously competitive,” he writes. “At the turn of the century, [the four largest firms] accounted for more than two-thirds of industry revenue… in 2017, that had fallen to little more than one-third.”

The coming wave of mergers and acquisitions is the predatory expression of the logic of economic development itself. The division of the global auto industry, which employs tens millions of workers involved in every aspect of the design, development and manufacturing of automobiles, between privately owned corporations, each viciously competing for market share, financing and profits, is inherently irrational. Under capitalism, however, this contradiction is worked out through a savage attack on workers’ jobs and living standards in order to satisfy the demands of Wall Street and other financial institutions.

The alternative to this is the forging of the international unity of the working class to fight for the expropriation of the auto giants and banks and the transformation of the auto industry into a public utility, collectively owned and democratically controlled by the working class, as part of a scientifically planned world socialist economy.