Merger between PSA Group and Fiat Chrysler presages new assault on autoworkers

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French carmaker PSA Group, owner of Peugeot, and Fiat Chrysler Automobiles (FCA) have agreed to a multi-billion-dollar merger that will create the world's fourth largest car company, behind Volkswagen, Renault-Nissan and Toyota. The new company will have combined sales and assets ahead of US carmakers Ford and General Motors.

The merged company would be based in the Netherlands, but it will keep a headquarters outside of Detroit for its North American operations. The new company would have a global workforce of around 410,000, sales of 8.7 million vehicles and revenue of some $190 billion. PSA and FCA would each own 50 percent of the combined operation.

Peugeot CEO Carlos Tavares would be CEO of the merged company, while US-born John Elkann, a scion of the family that founded Fiat, would be chairman.

The merger is part of an ongoing consolidation in the global auto industry, a sector that is under enormous pressure from financial markets for higher rates of return under conditions of trade war and mounting recessionary pressures. In addition, automakers face the enormous costs of research and development of electric and autonomous vehicles. Both companies have lagged in development of electric vehicles, with electric vehicles accounting for less than 0.3 percent of Peugeot's overall sales, forcing it to buy "credits" from Tesla to comply with European Union emission standards. PSA does not have a presence in the US market and neither FCA nor Peugeot have a strong presence in China, the world's largest auto market.

One industry analyst told CNN, "The electrified autonomous future everyone is waiting for just isn't feasible without automakers merging and forming strategic alliances to share research and development costs. This is a smart move by both Fiat Chrysler and PSA to ensure their companies continue to be viable and relevant as the industry evolves."

Another auto analyst cited by the *Wall Street Journal* said, "We're moving to an era where scale will matter more than ever before. Those who operate at scale will have a huge advantage. Those companies that sleep at the wheel will suffer going forward."

The *Journal* added, "BMW, Daimler AG, Ford Motor Co. and Renault are in an increasingly questionable position and should consider consolidation to stay in the race, analysts commented."

FCA's merger with PSA follows its recent failed merger attempt with French automaker Renault. FCA withdrew its offer to Renault, saying that "political conditions" in France were not conducive to such a merger. The French government owns a 15 percent share in Renault and insisted that there be guarantees on jobs in that country.

The companies said they could save 3.7 billion Euros annually through the merger by sharing the cost of developing electric and autonomous vehicles. They claimed that no factories would be closed as a result of the deal.

Whatever its short-term impact, the merger presages ferocious cost-cutting and job elimination in the auto industry. The past year has witnessed a mounting wave of layoffs. The recently imposed deal between the United Auto Workers and GM sanctioned the closure of four US plants. The Oshawa, Ontario GM plant is also slated for closure, with the loss of up to 5,000 assembly and parts supplier jobs. GM also eliminated 8,000 white collar jobs in North America.

The last year has seen a wave of job cuts in the auto industry, with a half million job cuts in India and 220,000 eliminated in China. Nissan recently announced it was cutting 12,500 jobs worldwide, VW is slashing 7,000 positions, and Ford has targeted 12,000 production jobs in Europe and 7,000 white-collar jobs in North America.

This week Ford announced an additional 400 layoffs at its Oakville, Ontario facility and the closure of its Romeo, Michigan engine plant employing 700 workers.

The PSA-FCA merger announcement coincides with a report by FCA of a record operating profit of $2.3 billion on its North American operations, a four percent increase. This came despite unchanged revenue of $21.3 billion and a decrease in shipments of 11 percent. The increase came on a higher profit margin on vehicles, due to a great extent to the company’s ruthless cost-cutting, carried out with the assistance of the United Auto Workers.

FCA’s global earnings rose five percent even though revenue was down one percent and shipments were down nine percent.

For its part, Peugeot has also been involved in ruthless cost-cutting. The company eliminated 3,200 employees in France last year. Total French employment is 64,500, down from 100,000 ten years ago.

Analysts predict that the merger will put additional pressure on other carmakers in the face of a growing economic crisis. Further, the shift to electric vehicles, which require fewer parts, portends further job losses. VW has already teamed up with Ford, and GM has joined with Honda to share costs for EV research and development and joint production ventures.

As part of the merger, FCA shareholders will get a one-time dividend worth $6.1 billion. FCA shares were up sharply on the merger announcement, while PSA shares fell more than nine percent, reflecting the premium that the company paid for the deal.

Both companies have been involved in recent mergers or merger attempts. FCA was formed through the 2009 acquisition of the bankrupt Chrysler Corporation by Italian-based Fiat. PSA bought GM’s European operations in 2017, adding the Opel and Vauxhall brands.

For years prior to the present merger former FCA CEO Sergio Marchionne had pushed for a linkup between the company and another major automaker in the interest of achieving economies of scale. After his approach to GM failed, Marchionne expressed interest in other possibilities, including a combination with tech companies like Apple or Google.

Following the acquisition of Opel, PSA imposed brutal cost-cutting measures with the collaboration of the German IG Metall and other unions in attacks on workers and the increased use of contract labor. This included threats of plant closures if workers did not agree to wage cuts.

The collusion of the United Auto Workers in the US with FCA management in the attacks on workers was highlighted by the comments of an FCA autoworker who recently wrote in to the WSWS. A concession-laden deal expanding the use of temporary and contract workers based on the sellout GM contract is being negotiated by the UAW.

“Our plant has one committeeman and three union stewards and one of the union stewards and the committeeman are actually going out on people’s jobs and threatening them. They are telling the younger workers if they don’t say ‘yes’ to the contract they will no longer have a job.”

The FCA-PSA merger underscores a basic fact of modern economic life: the global integration of production. Workers in every country are linked together across oceans and continents in an interlinked production process. This underscores the need for workers to elaborate a global strategy in opposition to the onslaught on jobs, working conditions and living standards.

Under the capitalist system of production for profit the global division of labor and advances in technology such as autonomous vehicles are not used for the betterment of society, but to drive workers into a pitiless struggle against each other over who will work for the worst wages and conditions.

The reactionary nationalist program of the unions is incapable of defending the jobs and conditions of workers. Hostile to the international unity of the working class, the unions act as cheap labor contractors, offering to hold down wages and speed up production in the name of making “their” companies competitive with foreign rivals.

The most burning issue facing autoworkers is the unification of the international working class to fight these attacks. This requires the building of new organizations, rank and file factory and workplace committees. To ensure a job for every worker and a decent standard of living this fight must be based on a socialist program to replace the anarchy of the capitalist system with the rational organization of economic life throughout the world based on production for human need, not profit. This must include placing the global auto industry under the democratic public ownership and control of the working class.