

Fiat Chrysler merger with PSA signals new attacks on autoworkers' jobs and conditions

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Fiat Chrysler Automobiles (FCA) and PSA Group have signed a binding merger agreement in a move which, according to analysts, will reshape the global industry. The \$47 billion deal by the Italian-American company and the French-based owner of the Citroën, Peugeot and Opel brands will create the world's fourth largest automaker by sales, trailing only Volkswagen Group, Toyota Motor and the Renault-Nissan alliance.

The FCA-PSA merger is the first of what is expected to be a wave of new consolidations in the global auto industry, under conditions of a slowing world economy, the eruption of trade conflict and an intense battle to dominate emerging markets for electric and self-driving vehicles and other so-called "mobility technologies."

The once dominant US-based automakers General Motors and Ford will be relegated to the sixth and seventh spots respectively in the list of the world's top auto companies. Both firms have established strategic partnerships--Ford with VW and GM with Toyota--and have embarked on their own cost-cutting restructuring campaigns. Over the last year alone, GM, Ford, VW, Nissan, Audi, Daimler and other global auto and component manufacturers have wiped out tens of thousands of jobs around the world.

According to *Automotive News*, "The deal will give PSA a long-sought presence in the US and should help FCA gain ground in developing low-emission technology, where it has lagged [behind] rivals. Yet the company will still be heavily reliant on Europe's saturated auto market, and poorly positioned in China, the world's largest country for car sales."

As for FCA, it "will gain access to PSA's more modern vehicle platforms, helping it meet tougher new emissions rules," the industry publication said, "while Europe-focused PSA will benefit from FCA's profitable US business that features brands such as Ram and Jeep."

The two companies have combined sales of 8.7 million vehicles, but together they will have capacity to manufacture 14 million, according to *LMC Automotive*. While executives from both companies have claimed there will be no plant

closures or production job losses due to the merger, industry analysts expect job cuts to hit the combined workforce of 400,000 employees. This will happen once the companies consolidate vehicle platforms, reduce factory capacity and eliminate redundancies in marketing, IT, logistics and administrative operations, particularly in Europe.

PSA and FCA aim to cut annual costs by 3.7 billion euros (\$4 billion) through the tie-up. The merged company will be headed by current PSA CEO Carlos Tavares, who is a notorious cost-cutter. Tavares, who took over as CEO in 2014, is credited with bringing the French automaker, along with Opel, which PSA bought from GM in 2017, back to profitability through a series of cuts in jobs, wages and benefits, backed by the French, German and UK unions. With an operating margin of 8.4 percent in 2018, PSA was the most profitable volume automaker in Europe last year.

The merger has received the backing of the European unions, including the Stalinist General Confederation of Labour (CGT) in France, and the unions will have representatives on the new company's corporate board of directors. The CGT, which is currently trying to stifle mass strikes against the Macron government, has gone along with PSA's job cuts and its moves to extend working hours, in line with Macron efforts to end the legally mandated 35-hour work week.

In the US, the United Auto Workers union praised the merger. UAW Vice President Cindy Estrada, who just oversaw the UAW's imposition of a concessionary contract on 48,000 FCA workers, said she hopes the merger will "bring opportunities for growth that will benefit UAW members and our communities." She added, "We know that FCA North America production is highly profitable and there is minimal product overlap at this time. We look forward to hearing more details in the future and working together to continue to make FCA a success and bring about job security for our members."

Fiat Chrysler's US operations were particularly attractive to PSA and its shareholders. The company posted a best-ever 10.6 percent profit margin in North America last year,

and has been making record profits for nearly a decade since Fiat took over Chrysler during the US government's bankruptcy restructuring of Chrysler in 2009. This is chiefly due to the collaboration of the UAW, which has agreed to wage and benefit concessions that have reduced the company's labor costs by a third since 2006.

FCA is currently facing a lawsuit from cross-town rival GM. The suit charges that FCA executives "acquired" the UAW by paying its officials millions of dollars in illegal bribes to sign pro-company labor agreements, and that this resulted in FCA gaining an unfair advantage over its competitors. The GM lawsuit charges that from at least 2009, the UAW was an "FCA-controlled enterprise," which signed cost-cutting deals as part of then-FCA CEO Sergio Marchionne's efforts to pressure GM into a merger.

In comments to reporters Wednesday, Tavares spoke about the GM lawsuit, saying that "we have obviously done our due diligence and we fully support FCA's statement that this claim is meritless."

The merger will provide a windfall for the two companies' top investors, including family members of the two European automaking dynasties--the billionaire Agnelli clan of Italy, the founders of Fiat, and the Peugeots of France.

Ahead of the deal's closing, FCA will pay its shareholders a 5.5 billion euro (\$6.1 billion) special dividend. In addition, *Automotive News* reported, PSA will distribute its 46 percent stake in auto parts maker Faurecia to its shareholders, worth 3.2 billion euros (\$3.6 billion) based on Tuesday's market value. FCA's holding in robot-maker Comau will be separated after closing "for the benefit of the shareholders of the combined company."

In announcing the merger agreement, the companies pointed to greater efficiencies to be achieved by "optimizing investments in vehicle platforms, engine families and new technologies, while leveraging increased scale will enable the business to enhance its purchasing performance and create additional value for stakeholders."

The completion of the proposed combination is expected to take place in 12 to 15 months, *Automotive News* reported, and will require approval by both companies' shareholders at extraordinary shareholder meetings. The deal is also subject to antitrust and other regulatory requirements. Last month, Trump economic advisor Larry Kudlow said the administration would "look very, very carefully" at the proposed merger because one of PSA's shareholders is China's Dongfeng Motor Group.

As part of its trade war with China, the Trump administration, with the full backing of the UAW and other unions, has claimed that the automotive industry is critical for "national security." It has moved to block Chinese companies from gaining access to "US technologies."

In an effort to gain US approval, Dongfeng Motor Group will trim its 12.2 percent stake in the French automaker by selling 30.7 million shares to PSA, worth 679 million euros (\$748.4 million), leaving it with a 4.5 percent share of the merged group.

The ever greater global integration of the auto industry highlights the absurdity of the division of the world into rival capitalist nation-states and the pig-headed nationalism of the UAW, the CGT and the other unions. There is no such thing as an "American," "French" or "Chinese" car. The global auto industry is an interconnected whole, involving the labor of tens of millions of production workers, engineers and technicians around the world, in addition to the millions more who extract the raw materials, all of whom contribute to the building of what are, in fact, world products.

In order to defend their jobs, wages and conditions, autoworkers need new organizations: rank-and-file factory and workplace committees that are independent of the unions. In opposition to the global assault on autoworkers, these committees will fight to mobilize the broadest sections of the working class in mass protests, plant occupations and national and cross-border strikes to defend jobs and living standards.

The growing industrial movement of the working class, including the strikes by French, US and Mexican workers, must be developed into a powerful political movement against the economic and political domination of the corporate and financial elite.

The new wave of mergers and mass layoffs demonstrates that under capitalism, revolutionary advances in technology such as artificial intelligence, 3-D printing, machine-to-machine communication, and electric and self-driving cars are used not to improve life for the broad masses of the population, but to drive more workers into industrial slavery and destitution. That is why the global auto industry must be transformed into a public enterprise, collectively owned and democratically controlled by the working class, as part of the socialist reorganization of the world economy.



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