

BorgWarner buys Delphi as mergers in global auto industry slash thousands of jobs

Tim Rivers
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Michigan-based auto parts maker BorgWarner reached a deal last week to acquire Delphi Technologies in an all stock transfer worth \$3.3 billion. The deal, which is expected to be completed in the second half of the year, is the latest move in the vast restructuring of the global auto industry as carmakers and suppliers scramble for the resources and technical expertise needed to dominate the emerging electrical and autonomous vehicle markets.

Both companies' engine and transmission businesses are seen as vulnerable, with industry analysts predicting that the sales of internal combustion technologies—and perhaps even traditional cars—have peaked and will be on the decline. The tie up is aimed at creating enough sales volume to sustain profitability and will no doubt be followed by the slashing of thousands of “redundant” employees.

BorgWarner expects to cut \$125 million from its payroll by 2023, which can only mean a jobs massacre. Currently, BorgWarner, whose largest customer is German automaker Volkswagen and biggest market is Europe, has 30,000 employees worldwide. Delphi Technologies, headquartered in London, UK, has 20,000 workers, including 5,000 engineers.

“I believe the merger to be one of many to come, and one of necessity,” Marcus Hudson, executive director at Calderone Advisory Group in Birmingham, Michigan, told *Crain's Detroit Business*. “Suppliers are positioning themselves for the move to electric vehicles as well as declining automotive volumes. The merger allows BorgWarner, specifically, to continue to compete in traditional powertrains while setting it up to transition, however slowly, to the age of electronic vehicles.”

Calum MacRae, director of automotive product development at data analytics firm GlobalData, said there would be other acquisitions involving “old-school mechanical engineering companies looking to address the disruption coming down the road by making [their] core

operations more efficient.” This, however, was “only a short-term fix for the long-term issues that these businesses face,” he said. “No doubt there will be other mergers of a similar ilk that will ratchet down costs but not lead to sustainable long-term competitive advantage.”

Michelle Krebs, executive analyst for Autotrader, said the deal suggests greater consolidation soon. “We are on the verge of significant transformation of the industry that's just requiring tremendous investment by automakers and suppliers, and yet no one knows where the tipping point is and more importantly when they (will) make money from these investments,” Krebs said.

Fiat Chrysler Automobiles NV and the French producer PSA Group are expected to complete their merger later this year. Ford Motor has already established a “strategic partnership” with Volkswagen, even as both companies eliminate tens of thousands of jobs. At the end of October, Honda Motor Co. and Hitachi Ltd. spelled out a plan to merge four of their parts components divisions to create a single entity with almost \$17 billion in sales. *Bloomberg* reports that “electric cars could be a job killer for Japan's No.1 industry,” and several analysts have said the same about Germany.

Electric Vehicles (EV) with battery-operated motors, a single gear box and no fuel tanks have as many as 80 percent fewer moving parts and will require far fewer workers, according to industry analysts. Although EVs only account for a small percentage of all vehicles (one percent in the US, for example) they are expected to rise to 10 percent of the global market by mid-decade and over 50 percent by 2040. The scramble to dominate these new technologies is combining with a global downturn in sales and growing trade tensions to drive the restructuring of the world auto industry.

All of this is adding up to a new attack on the jobs, living standards and working conditions of autoworkers around the world. Last year's strike by 48,000 General

Motors workers in the US was largely driven by the demands of Wall Street that the traditional automakers shut plants, outsource production to new technology firms and create a workforce largely modeled on the “gig economy,” i.e., low-paid, temporary and disposable.

The 40-day GM strike was isolated and betrayed by the United Auto Workers union, which agreed to closure of the Lordstown Assembly Plant in Ohio and two transmission plants in Michigan and Maryland, and the expansion of temps. At the same time, the new contract will set up joint labor-management bodies for electric vehicles and other new technologies, guaranteeing the UAW officials cushy jobs as they oversee the slashing of jobs and wages.

The experience of Delphi workers is an indictment of the UAW, which has functioned as a tool of corporate management for decades.

Forty years ago, workers at the independent parts plants had wages and benefits that were near parity with their co-workers at Detroit’s Big Three automakers GM, Ford and Chrysler. Throughout the 1980s, the UAW betrayed a series of strikes in the parts industry, in a deliberate strategy to cut costs for the Big Three and help them “compete” with Japanese automakers and other competitors.

Between 1978 and 1998, GM built more than 50 parts plants in Mexico—where workers averaged between \$1 and \$2 an hour, making Delphi the largest private employer in the country. Far from unifying workers across the border in a common fight against the auto giant, the UAW promoted anti-Mexican hatred even as it isolated and betrayed the 54-day strike at two GM plants in Flint, Michigan in 1998.

The year afterwards, GM spun off its Delphi Automotive Systems part division, creating the largest parts manufacturer in the world. That was followed Ford’s spinoff of its Visteon parts division. Within five years, both parts companies declared bankruptcy in order to use the federal courts to slash their labor costs. With the collusion of the UAW, Delphi imposed a 60 percent wage cut on its 33,000 unionized workers, gutted pensions, health benefits and working conditions.

At the time, Delphi CEO Robert “Steve” Miller declared that globalization had made the “social contract” between large employers and unions a thing of the past and denounced decent pay, fixed pensions and medical benefits as an “anachronism” that American business could no longer afford.

When workers labored until 65 and died at age 70, he

said, “defined-benefit programs perhaps made some economic sense,” but workers were living 30, 40 years after retirement, he complained, and “how can we afford it?”

If the Big Three automakers were unable to extract sufficient concessions from their workers during negotiations, Miller said, it was a “very realistic” prospect that the Big Three “will have to use the Chapter 11 process.” These predictions came true when the Obama administration, with the support of the UAW, threw GM and Chrysler into bankruptcy, destroying tens of thousands of jobs, slashing the wages of new hires and eliminating their pensions.

BorgWarner workers have fared no differently. The company was founded in Muncie, Indiana and employed 3,700 workers in the city during the 1930s, a period of explosive labor struggles in the region. In 2009, the UAW sanctioned the shutdown of the last BorgWarner plant in Muncie, leaving 780 workers without jobs in the city, which currently has an official jobless and poverty rate of 8.2 percent and 30 percent respectively.

Over the last several years, there have been a growing wave of strikes by auto parts workers, including Lear (2014), Nexteer (2015) and Faurecia (2019), but these struggles were isolated and sold out by the UAW. If workers at BorgWarner and Delphi are to defend their jobs, they will have to take the conduct out of the hands of the corrupt UAW. This means establishing rank-and-file factory committees to carry out a joint fight with all auto and auto parts workers in defense of jobs and living standards. In opposition to the nationalist poison of the UAW, US auto parts workers should reach out to their brothers and sisters in Mexico and internationally to prepare a cross-border fight against the transnational corporations.



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