General Motors, Honda announce joint venture to cut billions in production costs

Jessica Goldstein
7 September 2020

Last Thursday, General Motors and Honda Motor Co. announced a deal to merge some operations in North America with a focus on sharing design teams and manufacturing technology to streamline the production of both electric-powered and combustion engine vehicles.

The planning discussions will begin immediately for the joint design venture, according to the Associated Press, with a timeline to begin engineering work for new vehicles at the start of 2021. The two companies will also join operations on “manufacturing, parts purchasing, research and connected services.”

The agreement is thus far nonbinding, and the two corporations have yet to come to definitive cost-savings, but Reuters reported the day of the announcement that both corporations expect to reap savings in the billions of dollars from the joint venture.

The announcement marks a deepening of the relationship between the two auto giants less than one year after Fiat Chrysler Automobiles (FCA) and PSA Group signed a binding merger agreement in December 2019. Before the plans between GM and Honda were announced, the two automakers had already committed to financial collaboration in October 2018 on production of autonomous, that is, self-driving vehicles. Honda committed to investing $2.75 billion into the development of a line of mass-produced autonomous vehicles manufactured by GM’s self-driving unit, Cruise Automation.

The timing of the announcement is significant. For the past several years, the global auto industry has experienced one major shakeup after the other as automakers scrambled to enter the competitive market of electric and autonomous vehicle development, currently dominated by US-based Tesla. Companies are desperately seeking ways to produce the greater profits demanded by the global stock indexes in the face of declining demand for new vehicles on the world market, exacerbated by the coronavirus pandemic.

In December 2019 the WSWS *Autoworker Newsletter* wrote of the FCA-PSA merger that it was “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 wave of consolidations will no doubt accelerate after 2020 comes to a close and auto corporations come to grips with the full financial impact of the pandemic.

According to S&P Global Platts, auto industry tracker Wards Intelligence predicted that global auto “inventories could still be about 30 percent lower than year-ago levels at the end of July.” The drop in second-quarter inventory factored into a sales drop of 33.3 percent year over year for the quarter, based on calculations by the Bureau of Economic Analysis.

The auto industry is not expected to return to pre-pandemic levels of production and profit generation for several years. The S&P report cited analysis by CFRA Research, which “expects U.S. new-vehicle sales to plummet 22% in 2020 year over year, with a 12.8% rebound in 2021 from 2020.”

GM’s announcement of the tie-up with Honda is the latest move by the Detroit-based automaker in response to the threat posed by the merger of its rival FCA with PSA, which will create the world’s fourth-largest automaker, to be called Stellantis. The merger will knock General Motors and Ford Motor into sixth and seventh places respectively.

The FCA-PSA merger is set to close by the end of the first quarter of 2021 and will provide a windfall for the two corporations, including $3.7 billion in annual cost savings. Some features of the GM-Honda deal mirror those of the FCA-PSA merger plan. The decision to join production on electric vehicles is aimed at meeting government pressure to cut emissions and to carve out a slice of the burgeoning electric vehicle market.

As part of the proposal, General Motors will help to develop two new electric vehicles for Honda, which will be built at GM plants, the exact locations yet to be decided, and powered by GM's Ultium electric batteries, which are still under development.

Under conditions of the pandemic, automakers across the world are using the crisis as an opportunity to restructure and to deepen the exploitation of workers. This is in response to the threat to private wealth caused by the temporary factory shutdowns earlier this year, implemented only after workers in North America and Europe carried out wildcat actions against the threat to their lives posed by the virus.

As the stock markets were bailed out by governments around the world, the global automakers began to force workers back into the factories as the pandemic still raged under threat of economic blackmail in order to extract profits to meet soaring debts.

The trade unions fully collaborated in this process, agreeing to totally inadequate safety protocols in order to get workers back onto the assembly lines.

Along with the French Stalinist General Confederation of Labour (CGT), the United Auto Workers welcomed the merger of PSA and FCA, even though analysts expect it will slash jobs across Europe and North America when the companies consolidate vehicle-building platforms.

Voicing the UAW's enthusiasm toward the FCA-PSA merger, UAW Vice President Cindy Estrada said she hoped it will "bring opportunities for growth that will benefit UAW members and our communities."

In relation to the GM-Honda announcement, the UAW has done nothing to prepare opposition to the coming attacks. Last week, UAW Local 2250 in Wentzville, Missouri issued a web post titled, "Are You Ready To Build a Honda?" implying the UAW takes it as a given that the companies will merge to create electric vehicles and workers will have to deal with whatever cuts to their livelihoods the corporations deem necessary.

In October 2019 the UAW forced through a sellout contract after a determined 40-day strike by 48,000 GM workers. The deal closed a number of plants, including the historic assembly plant in Lordstown, Ohio. During the strike, the UAW doled out starvation rations of $250-275 per week to workers. After the contracts were forced through, GM then sold the Lordstown plant to a startup, Lordstown Motors, which at the time planned to utilize the factory to build electric trucks.

The company also planned the 2022 opening of a new battery plant next to the shuttered assembly plant, to be operated jointly with Korean company LG Chem under a separate UAW contract. The factory will only employ 1,100 workers, a quarter of the more than 4,000 who once worked at the Lordstown plant. The new workers will earn poverty-level wages of just $15-$17 per hour. Earlier this year, GM announced that it will receive a 75 percent local tax abatement over 15 years for the building of the battery plant. These cost savings no doubt were used to entice Honda into signing onto the merger.

To resist the coming attacks, workers should place no faith in the corrupt scandal-ridden UAW.

Workers must take the opposition into their own hands. New organizations, rank-and-file committees, must be built in every plant by the workers themselves to break through the barriers of nationalism and forge international working class unity against the attacks of the corporate giants, who do not care which country workers live in but only how much surplus value can be extracted by cutting jobs and wages to the bone.

The *World Socialist Web Site Autoworkers Newsletter* and Socialist Equality Party are doing everything possible to support the building and development of these committees into fighting organizations. To learn how to build a committee at your plant to protect jobs and raise the living standards of workers, contact us today.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact