US auto profits beat expectations despite softening sales

By Shannon Jones
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Even as sales decline, US automakers showed stronger-than-expected earnings in third- quarter figures released last week.

The hefty profit figures are the result of deep cost-cutting in North America, carried out with the collaboration of the United Auto Workers (UAW) in the US and the Unifor union in Canada.

Ford led the way with adjusted pre-tax profits of $2 billion on $36.5 billion in net revenue. The increase came despite production cuts, including the temporary idling of some plants, mostly those that build passenger cars. The bulk of its profits, $1.7 billion, came from North American operations, where the company has slashed costs. The results were 63 percent better than the same period one year ago.

Meanwhile, Fiat Chrysler earned $1 billion on a net basis in the third quarter. That is up 50 percent from one year ago. It follows in the wake of brutal cost-cutting, including the ending of passenger car production in the US. The company has temporarily idled several of its assembly plants for retooling, including the Sterling Heights Assembly outside Detroit and parts of the Jeep complex in Toledo, Ohio.

Fiat Chrysler results came despite the fact that vehicle shipments in North America fell 6 percent and overall revenue fell 2 percent. Its stock jumped after its profit report, and the company's share values are up 91 percent on the year.

General Motors recorded a stronger-than-expected $2.5 billion pretax profit in the third quarter, although the company recorded a net loss due to a $5.4 billion accounting charge related to the sale of its European Opel and Vauxhall operations. GM reported an 8.3 percent profit margin in North America, down from 11.5 percent one year ago, but still considered strong. The number of vehicles delivered to dealers fell by 286,000, down 26 percent from one year ago.

In response, GM shares briefly hit their highest level since the 2009 bankruptcy and are up 33 percent since the end of last year. This has allowed GM to reclaim its place as the largest US automaker based on market capitalization, beating out startup electric-car maker Tesla. The increase in GM share value is partly based on speculation of future success in the market for electric and self-driving vehicles.

The strong results for GM came despite a strike by 2,800 workers at its CAMI plant in Ingersoll, Ontario, which shut down the facility making the largest number of GM's brisk-selling Equinox sports utility vehicle.

The Unifor union deliberately isolated the strike and foisted a concessionary contract on the CAMI workers that provides no job guarantees. The deal provided a miserable wage increase and did nothing to offset the years of wage and benefits cuts imposed on autoworkers, despite near-record profits by the company. Wall Street and Bay Street investors welcomed the ruthlessness of GM, which threatened to "wind down" production at the Ingersoll plant and shift Equinox production to Mexico and Tennessee unless Unifor called off the strike, which the union dutifully did.

GM has laid off about 3,100 workers this year, largely at plants that produce passenger cars. As a result, its inventory of unsold vehicles has declined to 76 days, down from 100 days this summer. In its most recent job-cutting announcement, the company said it would temporarily shut down its Detroit-Hamtramck Assembly plant beginning in mid-November, idling some 1,900 workers. The company has announced plans for 200 permanent job cuts at the facility starting in January 2018, less than a year after GM shut down the second shift at the Detroit plant, wiping out hundreds of jobs. According to a Reuters report, GM has slashed North American production costs by $2 billion since the start of the year.

According to projections, US auto sales are set to decline 4 percent in October, continuing a sales skid. The numbers come despite an increase in sales of replacement vehicles due to storm damage and record-high consumer discounts. US vehicle sales hit a high for the year in September, due to the widespread destruction caused by the hurricanes in Texas and Florida.

US auto manufacturers are counting on strong sales of light trucks and SUVs to maintain their profit margins, which is in turn dependent on continuing low gas prices. Any sharp upturn in fuel prices could have an immediate negative impact on their plans.

The sellout 2015 national contract between the Detroit automakers and the UAW is a significant factor in the ability of the carmakers to rake in massive profits despite declining sales. In particular, the contract sanctioned the expanded use of temporary and part-time workers, who earn few if any benefits and lack basic job protections. These workers are not eligible for supplementary unemployment benefits (SUBs), which provide laid-off workers with a portion of their lost income.

As a consequence, the cost impact of job cuts has been greatly reduced. This has encouraged the auto companies to offload the impact of falling sales on the backs of workers.

This is in line with the pro-capitalist and nationalist program of the unions, which insist that workers' fates must be subordinated to the profits of the auto companies and the competitive war against rival automakers overseas. The result has been an all-around worsening of the conditions of autoworkers and massive profits for the car companies.

The results of this program are evident in the conditions facing autoworkers, especially a largely disposable part-time and temporary workforce. The recent apparent suicide of Jacoby Hennings, a young temporary part-time (TPT) worker at Ford's Woodhaven Stamping Plant south of Detroit, has shed light on the brutal conditions facing young autoworkers. These workers are saddled with the most difficult jobs, face irregular hours and are subject to constant harassment.

Hennings was simultaneously employed at two Detroit-area auto factories. In addition to his work at Ford, he held a position at the Fiat Chrysler Warren Truck plant in the suburbs north of the city.

Under terms of the national UAW contract, the auto companies can keep workers on a part-time basis for years, without making them full-time regular employees. The result is that a whole section of the workforce lives in constant uncertainty and fear, deprived of secure, steady employment and denied the benefits of full-time autoworkers.