Rumored deal between Fiat-Chrysler and Renault foreshadows mass layoffs

By Tom Hall
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Fiat-Chrysler (FCA) and French automaker Renault are in advanced talks to establish a corporate alliance, the financial press reported over the weekend. An announcement of the deal could come as soon as today.

The talks have reportedly developed very rapidly in recent days, and it is unclear as of this writing what form the deal will ultimately take. Reports have ranged from an alliance involving a share swap to a full merger. *Bloomberg News* reports that the deal is an "operational tie-up … that could lead to a full merger." "At a minimum," according to the *New York Times*, "the two sides have agreed to share technology, intellectual property, supply chains and plants to develop and manufacture vehicles, these people said."

Whatever ultimately emerges from the discussions, if a deal is made there can be no doubt that the net impact for the workers at both companies will be massive layoffs and plant closures, as such a move would be aimed at eliminating redundancies and excess capacity across both companies in order to boost profits at each.

Automotive News speculated that the deal could help FCA consolidate its less profitable European operations, which accounts for one-third of its workforce even though almost all of the firm's profits are made in North America. "Renault, which is 15 percent owned by the French government, counts on Europe for almost half its sales," the industry website said. Meanwhile, the deal would give Renault greater access to the lucrative North American market.

The deal is part of a global restructuring of the auto industry amid growing signs a world-wide recession. The auto industry in particular is facing declining demand for new vehicles and rising capital costs associated with emerging technologies such as electric vehicles and self-driving cars. Analysts have pointed out that one of the advantages of the deal for FCA would be access to Renault's research in electric vehicles, which FCA has been slow to adopt.

Wall Street and other financial institutions are demanding consolidation of the giant automakers and a further massacre of jobs. In January, VW and Ford announced a global alliance to jointly build pickup trucks and commercial vehicles, and last month *Bloomberg News* posted an article, titled "The Auto Industry Is Overdue a Bout of Mega-Mergers."

US auto assembly and parts producers are now cutting jobs at the highest rate since the 2009 financial crisis, when both Chrysler and GM filed for bankruptcy, according to outplacement firm Challenger, Gray & Christmas. The auto industry in the US announced nearly 20,000 layoffs through April, more than three times the figure at the same point last year. This figure does not include Ford's 7,000 salaried job cuts announced earlier in May.

FCA carried out thousands of layoffs at its North American facilities over the last three months, with many more rumored to be on the way. In March, the company announced the elimination of an entire shift of 1,500 workers at its Windsor Assembly plant in Canada and laid off 1,400 workers on the third shift at its Belvidere plant in northwestern Illinois via a robocall.

It is currently unknown how the rumored deal with Fiat-Chrysler will impact the Renault-Nissan-Mitsubishi Alliance. This "strategic partnership," taken as a single entity, would be the largest automaker in the world, although the three companies are considered distinct entities which own stock in each other.

Insiders have suggested that FCA may eventually join the alliance, but the fact that Renault has apparently been negotiating with Fiat-Chrysler without

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the involvement of its alliance partners points to a serious deterioration in the relationship between the constituent companies within the Alliance.

The Alliance was founded in 1999 by Renault and Nissan, at a time when the Japanese automaker was on the verge of bankruptcy, with Mitsubishi joining in 2016. Renault CEO Carlos Ghosn, who later was installed as Nissan CEO in 2001, returned Nissan to profitability after laying off 21,000 workers and closing five factories, for which he was named “Businessman of the Year” by Forbes in 2002.

Although Nissan is by far the largest company in the Alliance by sales volume, Renault effectively wields control by virtue of its ownership of a 43 percent voting stake in Nissan, while Nissan holds only a 15 percent non-voting stake in Renault. This unequal relationship has been a source of friction for years.

The arrest of Ghosn last November in Japan on financial misconduct charges has placed the future of the Alliance in question, as well as contributing to a plunge in Nissan’s profits by 45 percent. The charges, while credible, arose out of deep factional divisions among top Alliance executives, especially between Nissan and Renault.

At issue is Renault’s push for greater consolidation of the Alliance, including a proposed scheme which would have effectively given Ghosn personal control, including giving himself the ability to set his own compensation without board oversight. The revival of this proposal last spring, after being rebuffed in 2017, coincided with the beginning of a secret investigation by Nissan executives into potential misconduct by Ghosn.

Ghosn had also been pushing for a full merger between Renault and Nissan, which was bitterly resisted by Nissan executives. While merger talks are currently on hold, the proposed deal with Fiat-Chrysler could be a way of putting pressure on Nissan’s board of directors, some analysts speculate.

The announcement of the impending deal between FCA and Renault, as well as the massive job-cutting by the other US automakers, occurs in the run up to the mid-September expiration of the four-year labor agreements with the United Auto Workers union, which cover 155,000 GM, Ford and FCA workers in the US. Corporate management is confident that the UAW, which accepted millions in bribes to force through concessions in previous contracts, will continue its role as the bought agents of the bosses. However, the auto companies and the UAW face an increasingly rebellious mood among autoworkers, who are determined to win back everything that has been taken from them over the past four decades.

By carrying through plant closures, layoffs, mergers and other measures directed at increasing the exploitation of its workforce in advance of the contract negotiations, the automakers are attempting to present the workers with a *fait accompli*, shifting the narrative away from pay and hiring increases towards determining what will be cut and when.

However, the conditions exist for a powerful counter-offensive by the autoworkers. Autoworkers must take the conduct of the struggle into their own hands by forming rank-and-file factories committees, independent the unions. The fact that the assault on jobs and living standards is taking place internationally underscores the need for US workers to unite with workers in Europe, Asia, Latin America and throughout the world to fight the global corporations.

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