Italy hands Fiat Chrysler a multi-billion-euro bailout

By Allison Smith
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This week the Italian government issued a decree under its Rilancia Italia (Relaunch Italy) COVID-19 bailout scheme guaranteeing €6 billion in loans to the Fiat Chrysler Group Italy (FCA).

Although FCA restarted operations in Italy at the end of April, the pandemic virtually erased all demand for new vehicles, prompting FCA to halt most production. The company said it requested the loan—which will be funded by a consortium of banks and issued by Intesa San Paolo—to support all of the Italian entities within the FCA Group to provide funding for manufacturing plant labour costs, pay suppliers and fund investment in research and development.

As millions of Italians remain out of work, struggling to make ends meet with only a one-time €600 COVID-19 emergency payment and limited unemployment benefits, the Italian government is making billions of euros available to big business through the Rilancia funds. At the same time, there are little or no guarantees for the Fiat Chrysler workforce in Italy or elsewhere around the planet. The bailout will be financed by an intensification of the existing levels of European Union (EU) austerity on workers in Italy and attacks on jobs at FCA internationally.

The pandemic—which has not been eradicated in Italy—has claimed 34,716 lives and infected more than 240,000 people. The World Health Organisation expects at least another 10,000 deaths in Italy by October of this year. Health care services remain dedicated primarily to confronting the pandemic, with routine and non-COVID health care services still very limited.

While the government has still not posted complete unemployment statistics, it is estimated that by the end of this year official unemployment will be over 12 percent. This does not include the millions of workers in the casual economy who are being left with no work and no government aid.

According to the most recent ISTAT report, as of 2016, the automotive industry accounts for 4.4 percent of Italy’s GDP, generating more than €70 billion in revenue, and employing 1.2 million workers across 3,000 companies operating in the sector.

Expecting a 35 percent drop in sales this year, FCA—which is headquartered in the Netherlands but runs several plants in Italy—qualifies for the Italian government scheme, which provides more than €400 billion in liquidity and bank loans to companies deemed essential to the economy. In addition to the loan guarantee, the government is also expected to boost sales by offering thousands of euros in incentives to consumers for the purchase of low-emissions Euro 6 vehicles.

Italian Economy Minister Roberto Gualtieri claimed that, in exchange for the loan guarantee, FCA would have to meet “commitments on investments and jobs,” but he declined to define exactly what these commitments are.

The only temporary constraint is that the company has to wait until 2021 for its planned distribution of €1.1 billion in ordinary dividends to its investors. Last year, FCA reported €2.12 billion in earnings before interest and tax (EBIT) and an adjusted operating profit for the year of €6.67 billion, from which the company distributed $2 billion in dividends to investors.

In addition to the ordinary dividend, FCA will also pay its shareholders a special dividend of €5.5 billion just before the closing of the ongoing merger with French automaker Peugeot (PSA), which is expected to conclude in March of next year. The $50 billion merger will make FCA-PSA the world’s fourth largest carmaker.

A source in Italy's ruling 5 Star Movement (M5S) hypocritically told the Reuters news agency, "Most of us oppose the payment of the maxi-dividend by FCA." However, the government is not preventing the distribution. On the contrary, it is facilitating it.

For their part, the Italian trade unions merely lamented that the bailout comes in the form of loans rather than government grants. Roberto Di Maulo, head of the Fismic union, said the lack of direct financial support by Italy's government forced Fiat Chrysler to seek a bank loan. Marco Bentivogli, leader of the FIM-CISL union, said that the entire automotive sector should receive full government support.

Prior to the COVID-19 crisis, executives from FCA and PSA claimed that there would be no plant closures or production job losses as a result of the merger. However, industry analysts estimate that significant job cuts will hit the combined workforce of 400,000 employees once the companies consolidate vehicle platforms, reduce factory capacity and eliminate redundancies in marketing, IT, logistics and administrative operations, particularly in Europe. The COVID-19 crisis will likely lead to even more job losses.

Auto companies in Germany, France and the United States are using the current crisis to implement restructuring measures planned long ago. Even before the pandemic, experts anticipated the loss of hundreds of thousands of auto industry jobs. In the autumn of 2018, a study by the German Social Democratic Party's Friedrich Ebert Foundation concluded that a rapid switch to producing electric cars would endanger 600,000 jobs and bankrupt most suppliers in the German auto industry. At the same time, any "postponement of system innovations" would have equally catastrophic consequences.

In the US, Canada and Italy, Fiat Chrysler and their respective trade unions face stiff resistance from workers who are being forced back to work during the pandemic with virtually no meaningful protections against infection on the job.

This past March, the wildcat strike wave across Italy that forced the government to implement a lock-down began with a walkout at Fiat Chrysler's Pomigliano plant in Naples, Italy, which employs 6,000 workers. Autoworkers, kept on the line to produce luxury Alfa Romeo cars for the super-rich, walked out spontaneously at the beginning of the afternoon shift at 2 p.m. on Tuesday, March 10, protesting unsafe conditions.

The next day, FCA announced the closure of the Pomigliano plant, along with facilities in Melfi, Atessa and Cassino through March 14. FCA management claimed it would sanitize the plants, so it could then try to force workers back to work—demonstrating their contempt for the lives of workers and staff at the plants. However, a partial lock-down strategy was ultimately implemented. That same evening, Prime Minister Conte was compelled to announce heightened emergency measures to address the contagion, such as the closure of restaurants and stores

As strikes erupt against the return-to-work policy imposed by FCA and the United Auto Workers (UAW) union bureaucracy in America, it is critical to unify the struggles of the working class internationally against the diktat of the banks and the corporate elite.

As in America and around the world, the Italian government has yet to define how its COVID-19 recovery scheme will provide support for individuals and families. However, it is clear that big business will benefit from a virtually unlimited supply of cheap cash and tax breaks, while workers are being told to risk their lives to provide profits for the ruling class.