

UAW President Gary Jones resigns as GM lawsuit charges that UAW is a “controlled enterprise” of Fiat Chrysler

Jerry White
21 November 2019

The WSWW Autoworker Newsletter is holding its next online meeting Thursday at 7 p.m. Eastern Time to discuss how to oppose the UAW's pro-company conspiracies and fight for workers' interests. To register, go to wsws.org/autocall

United Auto Workers President Gary Jones resigned Wednesday afternoon, just months after he was implicated by federal prosecutors for embezzling over \$1.5 million in UAW funds. The corruption scandal continues to engulf the UAW even as it seeks to push through another pro-company contract on 47,000 autoworkers at Fiat Chrysler.

Jones' resignation came after the UAW International Executive Board, in an act of damage control, took measures to remove him and Region 5 Director Vance Pearson from their positions and expel them. In a unanimous vote, the UAW's top leadership body charged the two with submitting false expense reports and concealing other information in violation of the UAW's "Ethical Practices Code" and federal labor laws.

It also came just hours after General Motors filed an extraordinary lawsuit against rival Fiat Chrysler, which charged that years of bribes that FCA executives paid to UAW officials had resulted in "unfair advantages" for the Italian automaker that cost GM billions of dollars.

Jones' attorney said the UAW president had decided to step down because remaining in office would "only distract the union from its core mission to improve the lives of its members and their families." As of this writing, the UAW has not issued any official statement on the resignation.

The legal net has been tightening around Jones since FBI agents raided his suburban Detroit home in August, seizing \$32,000 in cash from his garage. Last month, Jones was identified as the unnamed "Union Official A" in the indictment of close associate Edward "Nick" Robinson from Missouri-based Region 5, which Jones previously ran.

Though not charged, Jones was implicated in the embezzlement and money laundering scheme, which

involved submitting false expense vouchers to the national union headquarters and UAW political action committees for "conference expenses," while spending the money on luxury villas, golf outings, expensive meals and \$3,750 bottles of cognac for UAW officials in Palm Springs, California.

In the indictment, federal prosecutors cite a meeting between Jones, Pearson and Robinson and include direct quotes attributed to Jones, likely recorded by a hidden microphone. The UAW president told his subordinates to destroy incriminating evidence and offered to give one of Robinson's family members a sham job if he would take sole responsibility for the criminal activity. Three days after the release of the indictment, which also implicates former UAW President Dennis Williams, Jones took a leave of absence.

Jones, who promised "reform" and a "clean slate agenda," when he took over from Williams in June 2018, only lasted 17 months in office. Thus far, the federal investigation has led to 10 convictions and charges against 13 people, including nine UAW officials and the widow of the late UAW Vice President General Holiefield who oversaw negotiations with Chrysler in 2007, 2009 and 2011.

Predictably, the lawsuit filed by GM the same day does not demand the restoration of the lost wages and benefits handed over by the UAW. By seeking billions in damages from FCA it appears to be aimed at influencing the company's current negotiations with the UAW and disrupting FCA's plans to merge with French carmaker PSA. The merger would create the fourth largest auto company in the world and a powerful competitor against the smaller GM.

Nevertheless, GM's legal complaint concisely summarizes the corrupt relations between the UAW and FCA, which have been exposed in the series of indictments and plea bargains. The years of company payoffs, funneled to UAW officials through the UAW-Chrysler National Training Center in Detroit, had transformed the UAW into a "FCA-controlled enterprise," the lawsuit states.

The UAW, it further alleges, was taken over through a pattern of racketeering activity beginning at least in July 2009, which violated the federal RICO (Racketeer Influenced and Corrupt Organizations) Act.

The lawsuit charges that Fiat chairman Sergio Marchionne got the agreement of UAW officials to sharply lower labor costs and buy into the company's "World Class Manufacturing" system, which eliminated job classifications, even before the Fiat boss agreed to take over the bankrupt Detroit automaker in 2009.

Immediately afterwards, the suit alleges, Marchionne authorized FCA executives to bribe the UAW officials so FCA could more effectively compete against GM and accomplish Marchionne's aim to force a merger with GM. The UAW agreed to lift the cap on second tier workers until 2015, allowing FCA to hire tens of thousands of workers who are paid less than workers hired before 2007 and have inferior health and retirement benefits. The UAW also sanctioned a vast expansion of temporary workers.

The GM suit complains that "similar advantages were not provided to GM despite it seeking similar programs and concessions." This collective bargaining "favoritism purchased through the bribes ultimately inflicted massive direct damage on GM in the form of higher costs," the suit alleges.

In 2015, it continues, Marchionne, "with the purchased support of certain former UAW officials including then President Dennis Williams," proceeded to orchestrate a negotiation of the collective bargaining agreement that cost GM billions.

GM, which had anticipated being the UAW "target" company, was blindsided when the UAW suddenly announced that FCA—the least profitable of the automakers—would be the lead company. This position, the suit alleges, was secured "through the years-long bribery scheme between FCA Group and UAW leaders" and enabled FCA to sign a deal that would cost GM \$1 billion more a year because it had far fewer lower-paid workers.

In 2006, Chrysler had the highest hourly labor costs, the suit says. By 2015, it had cut costs by more than a third, paying workers \$8 less an hour than GM.

GM's attorneys go out of their way to state that "the UAW and its officials are not defendants to this lawsuit." On the contrary, the suit endorses the maneuvers by the UAW bureaucracy to claim that it is reforming itself and cleaning out corruption.

"In light of the government investigation, the UAW has recognized the need to engage in active reform to ensure it is free of corruption," the GM lawsuit claims, citing the empty promises of acting president Rory Gamble to clean up the UAW. "GM agrees with the spirit of the announced

reforms," which it says are a necessary step towards "regaining the trust of [the UAW's] members and ensuring the misconduct that has recently come to light will never happen again."

In fact, in an official statement on the GM lawsuit, the UAW repeated the blatant lie that the massive payoffs of bribes had no impact on the outcome of labor negotiations. The "terms of those contracts were not affected" by "misconduct" by FCA executives, the statement says, or "any UAW officials involved in the misuse of Joint Program funds at FCA. Those contracts, which were ultimately ratified by our membership, were negotiated with the involvement of both local and international representatives and the process had multiple layers of checks and balances to ensure their integrity."

Such a claim, which no autoworker believes, only underscores that the UAW is a wholly controlled organization not just of Fiat Chrysler but all the auto companies.

The legal action by GM is a risky venture. Fiat Chrysler executives could respond by pointing to the massive payoffs that GM has long handed to the UAW, beginning with the establishment of the joint training centers in the early 1980s. The UAW-GM Center for Human Resources has been exposed as a cesspool of UAW corruption. Every expenditure used in the kickback schemes of Joseph Ashton, Michael Grimes and other UAW-GM negotiators was approved by the center's GM co-directors.

Every effort is now being made by the auto companies, the corporate media and federal prosecutors to claim that the UAW can be "cleaned up" either through an internal shake-up or the installation of some would-be reformer through a government takeover.

This would not change a thing. What is necessary is for autoworkers to break free from the control of this criminal syndicate by organizing rank-and-file factory committees, led by the most class-conscious workers, and launching of a counter-offensive by the working class based on the international unity of the working class and the fight for socialism.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact