

# GM bribery lawsuit against Fiat Chrysler fueling growing outrage among autoworkers over UAW corruption

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The fallout is continuing from Wednesday's explosive new developments in the United Auto Workers corruption scandal.

Early that afternoon, General Motors announced a lawsuit against Fiat Chrysler, alleging that it had obtained unfair business advantages through rampant bribery of United Auto Workers (UAW) officials, converting the union into an "FCA-controlled enterprise." Later the same day, UAW President Gary Jones, previously on paid leave, announced his resignation after the UAW International Executive Board initiated measures to remove him and Region 5 Director Vance Pearson.

The developments bring the crisis surrounding the UAW to a boil and shed further light on its incestuous relationships with the Detroit Three automakers.

In particular, the 95-page complaint filed by GM's lawyers brings to light previously unknown details about the bribery of UAW officials by Fiat Chrysler. The suit alleges, for example, that the UAW and FCA signed secret agreements exempting the company from limits on hiring second-tier workers and reducing health care costs. UAW executives also acted as the company's messengers during its unsuccessful attempts to force a merger with GM.

The suit also alleges that the late FCA CEO Sergio Marchionne personally directed company executives to dole out bribes to union officials, in a bid to slash labor costs. This was substantially achieved. Chrysler went from having the highest all-in labor costs of the American automakers in 2006 to the lowest today, a mere \$55 per hour, or \$8 per hour lower than General Motors. FCA also employs the highest proportion of second-tier and temporary workers out of all the Detroit auto companies.

While GM claims otherwise, the timing of the lawsuit, filed in the midst of both FCA's contract talks with the

UAW and its merger talks with French automaker Peugeot (PSA), cannot be accidental. The press has already speculated that the resulting uncertainty may drive down PSA's merger offer, which has generally been described by analysts as excessively generous to FCA.

The lawsuit is part of a ruthless struggle over market share in the auto industry, under conditions of an accelerating global industry downturn. A slump in new auto sales in Europe and America has been compounded by collapsing demand in emerging markets such as India and China. Hundreds of thousands of autoworkers worldwide have already been laid off in 2019.

An aggravating factor behind the slowdown is the growing drive towards trade war against China by Washington. Although justified from the standpoint of protecting American industry, the imposition of tariffs threatens to cut off automakers from the valuable Chinese market and disrupt complex global supply chains.

A potential hazard to the FCA-PSA tie-up is the fact that one of Peugeot's major shareholders is Chinese automaker Dongfeng, which acquired a 14 percent stake in the French company in 2014. The Trump administration has announced that it would review the merger. "We have to make sure that whatever China business developments occur do not occur to the detriment of not only of our economy but our own national security," economic advisor Larry Kudlow told Bloomberg Television.

Where General Motors was able to obtain the previously unknown information contained in its complaint is not yet clear. However, a report Friday in the industry publication *Automotive News* speculated that the source may have been former Fiat Chrysler executive Alphons Iacobelli, who is currently serving a 66-month sentence for his role in bribing UAW officials.

Iacobelli later left FCA and joined General Motors in January 2016, where he served as executive director of labor relations until being indicted on federal bribery charges in late 2017.

“He knew exactly what transpired there; he played key roles in all of FCA’s dealings with the UAW,” *Automotive News* said. “So GM executives had several months when they could have gotten a full download. Did he say anything to anyone at GM? What do they know? Did any of that knowledge go into the lawsuit against FCA?”

It concluded: “This litigation might take on the look of a football game where one team plays against another team whose coach has a copy of their playbook. GM could have all the evidence it needs to make FCA—and their suitors at [French automaker Peugeot]—very uncomfortable.”

While the suit has brought valuable information to light, General Motors is not motivated by a defense of the violated rights of Fiat Chrysler workers. Indeed, General Motors itself has established corrupt relations with the UAW, which has a direct financial incentive to slash costs at GM through its control of billions of dollars in GM stock.

For decades, General Motors has funneled billions into the coffers of the bureaucracy through the joint UAW-GM Center for Human Resources (CHR), infamous as a center for union graft. The same day the company announced its lawsuit, press reports indicated that disgraced former UAW-GM Vice President and GM board member Joe Ashton will plead guilty to using CHR contracts to steer hundreds of thousands of dollars worth of kickbacks into his pockets.

The parallel moves by the UAW Executive Board have brought to light more details of corruption by former President Gary Jones. According to the official charges, Jones used union funds to pay for his daughter and wife to stay at a winter villa in Palm Springs in January 2014.

Jones, who was then the UAW’s Region 5 director, organized lavish Palm Springs getaways for top UAW officials, replete with expensive liquor, endless golf junkets and five-star dinners, under the guise of conferences. It was standard practice for the UAW to rent private villas for top officials in the area for weeks after the end of the conferences, using tens of thousands of dollars in dues money.

This corruption was not limited to Jones. It is standard practice throughout the UAW. Acting President Rory Gamble, who last week unveiled a bogus raft of anti-

corruption “reforms,” has a son working as a representative at the UAW-FCA National Training Center.

The developments over the past week have created an explosive situation among autoworkers, particularly at Fiat Chrysler. Four years ago, FCA workers spearheaded a rank-and-file rebellion against UAW-backed concessions when it voted down the first national contract in three decades. Now, Fiat Chrysler is seeking even deeper concessions than those agreed to at GM and Ford over the last month, according to press reports.

The UAW’s lead negotiator in the FCA talks, Cindy Estrada, is named in the GM lawsuit as one of the officials who acted as Marchionne’s bag-men (and women) in his merger overtures to General Motors. She had already earned the enmity of autoworkers dating back to her time at the UAW’s General Motors department, when she drafted secret memoranda of understanding to replace regular workers with contractors at the company’s Lordstown and Lake Orion assembly plants.

Terrified of a new rebellion, UAW officials spoke to the *Detroit Free Press* about the simmering outrage among autoworkers, who are drawing the conclusion that the entire organization is bought and paid for from top to bottom. “Workers say that I’m corrupt because the [officials] above me are corrupt,” one local union leader said. “I guess it’s up to me to keep everyone calm,” a member of the union’s GM National Council said.

The WSWs *Autoworker Newsletter* calls for the formation of rank-and-file factory committees, independent of and in opposition to the UAW. Autoworkers should convene meetings to discuss the facts exposed in the GM lawsuit and prepare an independent, international strategy for fighting the Big Three automakers.



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