

# Bombshell GM lawsuit has bribes, backdoor schemes

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A Michigan factory of General Motors, which filed suit this week, accusing Fiat Chrysler of a racketeering conspiracy

General Motors' bombshell lawsuit against Fiat Chrysler reads like a

crime novel, with jaw-dropping bribes, a custom-made Italian watch, and splurges on a luxury wedding and \$7,000 feasts at upscale restaurants.

Meanwhile, FCA's deceased CEO is portrayed as the mastermind behind a Machiavellian plot to essentially take control of the United Auto Workers union and force GM into a merger and consolidate his power.

FCA aimed to keep labor brass "fat, dumb and happy," as the US Justice Department has said of a bribery scheme that centered on a fund set up to provide worker training but instead padded the pockets of union leaders.

The lawsuit comes as GM tries to pivot away from a bruising 40-day strike that ended in late October that effectively shut down its US operation, and further weighed on the company's public image following controversial factory closures.

The suit, filed in federal court on Wednesday, recasts key events in the auto industry over the last decade and adds to pressure on the UAW as it continues efforts to recover from the federal investigation that has taken down multiple officials, including its president, Gary Jones, who resigned Wednesday—after the union moved to oust him.

FCA has dismissed the allegations, saying they are an attempt to undermine its merger with French giant PSA.

The lawsuit depicts the late FCA chief executive Sergio Marchionne as the architect of a scheme to manipulate UAW labor talks in order to raise costs for GM so much it would be forced to join forces with FCA, creating a global auto behemoth led by Marchionne.

The colorful narrative includes accounts of Marchionne's relentless chase of GM, meetings between union brass and GM Chief Executive

Mary Barra, descriptions of a bogus hospice organization to hide FCA bribes and a photograph of a Venice wedding of a union leader allegedly paid for by FCA.

Barra, speaking at an investor conference Thursday, said "we had to take action" as more details about the scandal emerged and as the company realized it was not dealing with a level playing field.



GM Chief Executive Mary Barra and the late FCA Chief Executive Sergio Marchionne, shown here with President Donald Trump at a White House meeting in January 2017, are key players in GM's lawsuit against FCA



## Due diligence

GM said it is seeking to recover the "billions of dollars" it lost as a result of FCA's influence on the UAW.

Barra also laid down a tough line on labor relations in general.

"There's a lot of conversation about job security and job security is not something you negotiate," she said.

"Job security is something that you earn and making sure they all understand it in their role I think is something we'll double down on as we go forward."

The lawsuit also comes at a critical moment for FCA, which is embroiled in labor talks with the UAW and also is trying to close the PSA deal unveiled late last month.

Marick Masters, a professor of management who specializes in labor-management relations, said regardless of whether GM succeeds in its stated aim of recovering damages from FCA, the case could harm the Italian-American company in the labor talks and prompt PSA to think twice about the tie-up.

"PSA has to do their due diligence on this," he said. "It throws a monkey wrench into everything."

FCA reiterated Thursday that it plans to defend itself, dismissing the suit as a diversionary tactic against "an ever more formidable competitor" as GM faces "its own challenges,"



UAW workers went on strike for 40 days at General Motors before ratifying a new contract last month

The lawsuit also comes as the UAW seeks to avoid a government takeover in the face of an escalating US criminal probe.

The union on Thursday announced that Jones, who had been on a leave of absence following an FBI raid of his house, resigned after UAW leadership filed formal charges to remove him from office.

## Key period

While the suit recounts events dating back to the 2008 financial crisis

and subsequent government bailouts of GM and Chrysler, the key period is a six-month stretch in 2015 when Marchionne vigorously pursued a merger with GM.

After GM rejected a formal merger offer in April 2015 as labor talks began gearing up, Barra also rebuffed former UAW President Dennis Williams, who was "working at Marchionne's behest as a result of the bribery scheme," according to the lawsuit.

In September, the UAW picked FCA as the first of Detroit's "Big Three" to hold contract negotiations, a surprise move given that it was the smallest and least profitable of the companies.

After reaching an agreement with FCA following only two days of talks, UAW leaders toasted the deal over a feast at London Chop House, an 81-year old steakhouse in downtown Detroit, racking up a nearly \$7,000 bill.

After FCA workers approved a revised agreement, the UAW took a hard line with GM, extracting over \$1 billion more from the company than the sum that had been discussed in lower level talks earlier in the year.

GM resisted the terms, but ultimately acceded fearing a strike, the suit said, adding that the company suffered "substantial damage from the racketeering has been inflicted" despite fending off the merger bid.

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