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Stellantis Changes Course, Rescinds 2022 North American Terms

Client Alert

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Stellantis has officially rescinded its North American 2022 Terms and Conditions amid heavy pressure from its suppliers.

The automaker sent a letter to its suppliers on Monday stating that it will be reverting to the previous 2021 set of terms and conditions for sellers to FCA US, Stellantis' North American subsidiary. This reversal comes less than 5 months after Stellantis issued the new Global Terms and Conditions, which attached the most controversial "North America Exhibit A." Suppliers must take note, however, as only the region-specific "North America Exhibit A Terms and Conditions" were rescinded, with the reversion being to the prior FCA 2021 Terms and Conditions. Neither the 2022 Stellantis Global Terms nor other region-specific Exhibits to those terms were rescinded. The Global Terms still apply world-wide, even for North America.

Stellantis' pull back on its North American terms is a win for suppliers. The now-rescinded North American terms shocked the auto supplier world when they were released. The drastic changes rewrote an overwhelming number of provisions in Stellantis' prior terms, with nearly all of the changes being less favorable to suppliers. Suppliers across the board agreed that the OEM's new terms and conditions were burdensome, if not oppressive, even in an industry in which buyer-slanted OEM terms have long been common.

In the letter sent to suppliers, Stellantis admits that supplier pushback prompted the decision to scrap the particularly onerous North American terms. "Over the last few months, the North America Purchasing Team has worked closely with you to align on the 2022 Stellantis Global Terms and Conditions. Since Stellantis was formed there have been several initiatives across the corporation to converge the former FCA and PSA processes, methods, and ways of doing business," said the letter, signed by Martin Horneck, Head of Purchasing and Supply Chain for

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Stellantis North America.

"One of these processes was to create a Global Terms and Conditions for the global purchasing organization," the letter continued. "As we've worked through this process, and heard your feedback, we understand that each region has unique attributes related to the business in that region, and that those attributes cannot be ignored."

So what does this mean? North American suppliers will now be tasked with assessing their contractual obligations under the 2022 Global Terms and Conditions and the FCA 2021 terms that are now back in effect. Questions will also arise as to whether and when suppliers agreed to any portions of the 2022 Global Terms and Conditions and, for suppliers that may have already accepted the North American 2022 Terms and Conditions, whether Stellantis is even permitted under basic contract principles to replace those terms with an altogether different set of terms (*i.e.*, the 2021 FCA terms). Perhaps suppliers in this circumstance may have an opportunity to negotiate further.

We encourage businesses that are currently suppliers to Stellantis, that are tiered suppliers to those businesses, or that are considering entering into agreements within the Stellantis supply chain to consult with a legal advisor to better understand their obligations, and potential opportunities, under the changing terms.

Butzel's Automotive Industry Group has created in-depth analysis of these applicable sets of terms and their potential effect on current and future supply chain agreements.

Please contact the authors or your Butzel attorney for more information.

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