Supplier Alert: Key Changes in Stellantis/FCA New Terms and Conditions

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In December 2021, FCA US LLC and Stellantis N.V. ("Stellantis") issued new purchase order terms and conditions, that significantly changed the default terms between Stellantis and its suppliers. The supply base found many of the new terms objectionable. Most notably, many suppliers objected to Stellantis’ inclusion of: (1) numerous one-way “ratchet” provisions requiring suppliers to pass through any savings to Stellantis but not cost increases; (2) provisions expanding suppliers’ already broad express warranties to include warranties that suppliers have conducted all testing necessary to identify any defects in their products (even if not
specified as part of a validation plan); and (3) granting Stellantis’ broad power to extend purchase orders unilaterally across multiple vehicle programs with no clear end dates.

Stellantis received fierce pushback from its supply base that objected to many of the new terms and conditions. Many of the changes in the new terms and conditions seemed particularly at odds with the current situation facing many suppliers as they struggle with mounting costs and myriad challenges in the supply chain.

On May 11, 2022, Stellantis announced several changes to its leadership, one of which being that Maxime Picat will replace Michelle Wen as Stellantis’ Chief Purchasing and Supply Chain Officer. On May 16, 2022, Stellantis issued a letter to suppliers announcing that Stellantis has reinstated the prior FCA terms and conditions. The change will apply retroactively to January 1, 2022. While Stellantis’ previous terms remain very favorable to Stellantis, they generally are considered more in line with industry standards.

Notably, however, the announcement leaves in place some limited aspects of the new terms and conditions. The updated terms and conditions issued in December 2021 included two parts: (1) the Global Terms and Conditions; and (2) an Exhibit A with specific Terms for North America. According to Stellantis’ announcement, the prior version of the terms and conditions will now serve as Exhibit A, leaving the Global Terms and Conditions in place. Although the rescinded Exhibit A contained most of the significant changes from the December 2021 update, certain notable changes in the Global Terms and Conditions remain effective. For example, suppliers must still: (1) bear all costs associated with regulatory compliance; (2) guarantee the accuracy of “made in __” labeling; and (3) provide advance notice when any part or product could become dangerous.

Suppliers should consider carefully how these changes will apply to their contracts going forward.

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