

Rolls-Royce board escape serious punishment for “truly vast” bribery and corruption

By Simon Whelan
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British aircraft engineering and FTSE 100 company Rolls-Royce received a 50 percent reduction in the size of the fine they received for protracted and endemic corrupt corporate practices. Rolls-Royce was fined just £671 million (US\$787 million) for what Sir Brian Leveson in his judgement described as “truly vast corrupt payments.”

The fine was levied after the largest-ever investigation by the Serious Fraud Office (SFO) found Rolls-Royce guilty of conspiracy to corrupt, or failure to prevent bribery by the company in Brazil, United States, China, India, Indonesia, Thailand, India, Russia, Nigeria, China and Malaysia.

The SFO, with the assistance of a joint *Guardian* and BBC Panorama investigation, uncovered the scale of mass corruption by Rolls-Royce spanning continents and several decades. However because the company, once exposed, cooperated with the investigation and admitted guilt, they were let off with what in financial terms can only be described as a slap on the wrist.

The corruption directly involved Rolls-Royce agents or intermediaries who on behalf of the company handled the sales, maintenance and distribution of Rolls-Royce’s products in emerging capitalist markets. The catalogued cases of bribery and corruption involved, amongst other crimes, gifts of Rolls-Royce cars and large bribes to government officials in Indonesia—who facilitated Rolls-Royce winning a lucrative contract with a national airline.

In China, bribes worth \$5 million were paid to a state-owned airline, whilst negotiations were being conducted into a contract to purchase Rolls-Royce engines.

In Thailand, Rolls-Royce paid almost \$19 million to secure state contracts and, in India, bribes of undisclosed sums were paid in order to secure state contracts.

The investigation revealed how substantial sums of money were made available by the company to fund

extensive bribes approved by senior Rolls-Royce board members. It is estimated that contracts won because of corrupt activities garnered £250 million (US\$292 million) in gross profits for the company.

Rolls-Royce also falsified documents between the years 2005 and 2009 to conceal commissions paid to intermediaries in India in relation to a defence contract, where such activities were banned by the government. False accounting and conspiracy to bribe foreign officials in India were part of a series of admissions made by Rolls Royce.

According to the SFO, senior figures within Rolls-Royce were aware as far back as 2010 about allegations regarding corruption within the company but decided not to notify the authorities.

Such is the scale of the criminal activity involved that it took from 2012 for the SFO inquiry to arrive at an indictment of Rolls Royce. No explanation, however, has been offered by the SFO or the British government as to why leading Rolls-Royce board members do not face any criminal investigation and prosecution. This despite the fact that Judge Leveson believed the corruption involved, “on the face of it, very senior Rolls-Royce employees.”

The kid gloves treatment of Roll-Royce is bound up with the fact that company is crucial to the global armaments industry and Britain’s leading role within it. Regardless of the findings, Judge Leveson described Rolls-Royce as “a jewel in the UK’s industrial crown.” The engineering corporation manufactures engines for both military and civil aeroplanes and for locomotives, ships, nuclear submarines and power stations.

Rolls-Royce ultimately got the exceptionally lenient treatment from the British state that they themselves had lobbied long and hard to gain. In 2004, the company lobbied then-Labour government ministers to weaken curbs on corporate bribery. Protracted efforts to diminish and dilute anti-bribery regulations were conducted, while

former chief executive Sir John Rose was the leader of the company.

Documents from a 2004 court case reveal how Rolls-Royce, in conjunction with other transnational corporations, influenced Labour government ministers to shred policy proposals ostensibly aimed at reducing corporate crime. Utilising arguments extolling commercial secrecy, the corporations argued against revealing the identities of their agents and intermediaries operating within foreign countries. The big business-supporting Labour government fell into line, granting them their every wish.

The £497 million fine imposed upon Rolls-Royce involves a very convenient interest-free five-year payment schedule, agreed between the SFO and the company. Rolls-Royce will pay back the fine in instalments to settle the corruption cases brought by both British and American authorities. This sum is comparable to the company's expected profits for 2016.

The agreement between the parties, approved by the British courts, is known as a deferred prosecution agreement (DPA). The DPA allows organisations to pay huge penalties back over a protracted period, and also crucially escape prosecution, if they confess to corporate crimes like fraud or bribery. There is no onus upon corporations to report criminal behaviour to the SFO.

The Rolls-Royce DPA is the third such agreement struck by the SFO since they were introduced into UK law in 2014.

Speaking about the case, Sir Edward Garnier, lawyer for the SFO, was concerned mainly that the investigation had uncovered criminal offences discrediting the operation of the capitalist market—rather than planned and systematic unlawful acts conducted by the people who ran Rolls-Royce.

That corporations like Rolls-Royce do not face serious punishment regardless of the extent or nature of the crimes committed, or prosecution at a later date, was reflected in the price of Rolls-Royce shares. On news of the settlement, they rose by 4.5 percent. The company trumpeted that free from further investigation and prosecution, its 2016 profits would beat previous market expectations. This will come at the expense of the workforce. Even before the ruling, Rolls-Royce was continuing with its ongoing restructuring, announcing the loss of 800 more jobs from its marine division, after shedding 1,000 last year. Its marine sector business employs 4,800 workers in 34 countries, including about 400 in the UK.

Since privatisation in 1987, the company's sales have risen from £2.8 billion to £76 billion last year, making it the world's leading supplier of engines for wide-body passenger jets, and second overall to its much bigger rival General Electric of the US. It now appears that its stellar performance is not so much the result of its engineering excellence as its corrupt payments to local officials and airline executives around the world.

Robert Barrington, executive director at Transparency International UK—which describes itself as a “global civil society organization leading the fight against corruption,” said, “Individuals haven't been held to account and the markets—when the share price has gone up today—are perhaps suggesting this isn't really a punishment or deterrent.”

Rolls-Royce executive Warren East stated after the judgement, “The behaviour uncovered in the course of the investigations by the Serious Fraud Office and other authorities is completely unacceptable and we apologise unreservedly for it.”

The crimes of Rolls-Royce are similar to those of the Siemens corporation, who were found guilty of conducting business in a criminal manner, and come on top of more recent revelations concerning criminal behaviour by car manufacturers Volkswagen and Renault, who have admitted to falsifying vehicle emission figures.

These scandals, together with the revelations concerning the manipulation of the Libor inter-bank lending rates, confirm that the big banks and corporations are engaged in systematic criminal activity in order to steal a march on their competitors. The so-called capitalist “free market” is nothing of the sort.

Summing up the case, Judge Leveson sought to smooth things over by stating that he had since been “informed that no current member of the board was involved in any of the conduct described in the statement of facts” and that there had since been a “cultural change” at Rolls-Royce.

Yet again big business has committed “completely unacceptable” criminal behaviour and evaded justice.

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