Firm Alleges Alcoa Bribes in Court Filing

JOE MANDAK, Associated Press

PITTSBURGH (AP) — Companies affiliated with Alcoa and controlled by a billionaire businessman paid $9.5 million in bribes to Bahrain officials and executives with a Bahrain-controlled company that overpaid for raw materials as a result, the Middle Eastern firm said in court papers.

The complaint filed late Monday in Pittsburgh federal court by Aluminum Bahrain BSC details allegations previously described more generally in a 2008 lawsuit. The company, known as Alba, said it overpaid $420 million for raw materials from 1997 to 2009 and wants $1 billion in damages.

The complaint contends that the billionaire, Victor Dahdaleh, earned at least $13.5 million in illegal commissions for alumina deals he brokered.

Dahdaleh, a dual citizen of Canada and Britain, has denied wrongdoing since he was arrested last month by Britain's Serious Fraud Office on bribery charges related to some Australian alumina shipments between 2001 and 2005. His attorney in the lawsuit, Michael Svetkey Feldberg, did not immediately return a call for comment.

Alcoa called the complaint a "patchwork of claims" derived from vague allegations, guesses and inferences.

Alba said in the new complaint that between 1969 and 1989 it bought alumina, the raw material needed to make aluminum, from Alcoa Inc. without incident and without Dahdaleh or his companies acting as middlemen. But since 1990, Alcoa and Alcoa World Alumina inserted "Dahdaleh or the Dahdaleh-owned shell companies" into the equation, the lawsuit said.

Since then, Dahdaleh bribed Bahrain or Alba officials to ensure the metals company would continually award its alumina-supply contracts to Alcoa; overpay for alumina; and cede an equity stake to Alcoa, which nonetheless failed to buy a controlling interest in Alba, the lawsuit said.

The lawsuit contends the bribes and overpayments were funneled through shell companies owned by Dahdaleh to perpetrate the alleged fraud.

"Defendants' conspiracy succeeded in exacting hundreds of millions of dollars in overpayments from Alba and deprived Alba of the honest service of one or more of its officers, directors or employees," the lawsuit said about what Alba contends was a "massive, outrageous fraud."

The alleged bribery was so rampant, the lawsuit said, that Alcoa tried to buy a 26 percent stake in Alba for $600 million in 2004, when it should have paid $1 billion. The deal fell through.

Alba originally sued in 2008, but the litigation had been kept on hold because the U.S. Justice Department has intervened with its own criminal investigation.

Federal prosecutors earlier this month asked Senior U.S. District Judge Donetta Ambrose in Pittsburgh to keep the lawsuit in limbo while the Justice Department investigated related criminal allegations.

The judge instead heeded Alcoa's request to have Alba file a more detailed lawsuit so Alcoa's attorneys could, in turn, answer the specific allegations and ask the judge to dismiss the lawsuit.

Alba now has 30 days to file another document spelling out racketeering allegations against the defendants — while deleting some names that could compromise the U.S. criminal investigation. Alcoa will then have 30 days to respond.

In the meantime, Alcoa issued a statement Tuesday saying "Alba's amended complaint is a patchwork of claims about the alleged misdeeds of Victor Dahdaleh and Bahraini officials. The vague allegations against Alcoa personnel amount to no more than a series of guesses and overdrawn inferences."

It added that "Alba's claims are not supported by the facts" and that the company is confident it will prevail.

Alcoa officials also are cooperating with the Justice Department investigation.

Alcoa, Alcoa World Alumina, Alcoa executive William Rice and Dahdaleh are the defendants in Alba's lawsuit.

Rice, of Knoxville, Tennessee, was vice president of marketing for Alcoa World Alumina and later vice president of mining for Alcoa World Alumina and Chemicals during much of the relevant time frame. His attorney, Richard Beizer, said Rice is "a good man who has been living under the cloud of these wrongful, vague and spurious allegations." He said Rice is looking forward to clearing his name.

Dahdaleh, 68, is chairman and owner of the chemical and metals firm Dadco and a trustee of the charitable foundation established by former President Bill Clinton. He has not entered a plea to the British charges, but is free after posting $16 million bail. He has denied wrongdoing and promised to "vigorously contest" the allegations.

Dahdaleh, who has ties to Britain's Labour Party, is charged with offering bribes to the son-in-law of Bahrain's prime minister.

In asking Judge Ambrose to delay the litigation earlier this month, Justice Department attorney Adam Safwat said some witnesses are "terrified" and said the criminal investigation is broader than the allegations made in the lawsuit and involves banking transactions in the United States, Europe, Australia and the Middle East.

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