

Pittsburgh area dealerships seeking arbitration

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By Don Hammonds, Pittsburgh Post-Gazette



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Cars sit on the lot at a GM dealership. More than 1,700 Chrysler Group LLC and General Motor Co. dealers nationwide have filed requests for arbitration under a law Congress passed last month requiring an appeals process for dealers.

All but one of the 10 Chrysler dealers in the Pittsburgh region who lost their franchises last spring in the aftermath of the government bailout are seeking arbitration in an attempt to reopen their businesses.

More than 1,700 Chrysler Group LLC and General Motor Co. dealers nationwide have filed requests for arbitration under a law Congress passed last month requiring an appeals process for dealers.

There were 789 dealerships nationwide that Chrysler forced to close in June while it was going through bankruptcy. GM had 2,000 dealers that were to close by October of this year, but has said about 700 of those will remain open. GM has never released an official list of the dealerships that were going to be closed.

"I'm doing this to preserve my legal rights, but I expect the worst from them," said Michael Lieberth, co-owner of the former Lieberth & Sons Dodge in Oakmont. "Some of the dealers have filed because they want to prove a point - that the closings were arbitrary and capricious."

The automakers said the closed dealers were underperforming and not centrally located to a strong customer base.

But the dealers, who said the companies unfairly took businesses that were in their families for generations, persuaded Congress to pass a law requiring binding arbitration.

The American Arbitration Association, which will handle the hearings, didn't give a breakdown of the number of dealers appealing at each automaker. GM and Chrysler said they wouldn't have exact numbers until later this week. Arbitration hearings are expected to begin in late February or early March and are supposed to be wrapped up by June 21.

The arbitration association says it will consider a dealership's profitability, the manufacturer's business plan, the dealership's economic viability and whether the dealer met objectives outlined by the automaker.

Jimmy Golick, who was dealer principal for the former Golick Chrysler-Jeep dealership, now Golick Motor Co. in Pitcairn said: "I met every metric laid down before me by Chrysler in terms of sales, service, customer satisfaction, working capital and profitability."

He said he had yet to receive a detailed explanation as to why his dealership was closed.

"They sent us all a very vague letter. They were supposed to give us specifics as to why each dealership specifically was closed, but they never complied with that," he said.

Only one local Chrysler dealership, Burgunder Dodge in Bridgeville, did not file an appeal. Its building has been purchased for a plumbing business.

Automakers know that some dealers will win in arbitration, meaning many neighborhood car lots could reopen. GM chairman and CEO Ed Whitacre Jr. has said he expected hundreds of dealers to get franchises back.

India Johnson, an arbitration association senior vice president who is in charge of the appeals, said not all the dealers who filed will have hearings. Some filed paperwork to preserve their right to appeal but may not proceed, while others may settle before hearings, she said.

The hearings, which must be held in the dealership's home state, are likely to cost both sides a lot of money. The nonprofit arbitration association will do all it can to keep costs down, Ms. Johnson said.

Chrysler CEO Sergio Marchionne has said the automaker might challenge the constitutionality of the arbitration law in federal court.

GM plans to have about 4,100 Buick, Chevrolet, GMC and Cadillac dealers in the future. Chrysler had 2,352 dealerships at the end of December.

Even if they win their arbitration cases, dealers will have a hard time getting restarted in business, experts say.

"The Chrysler dealerships will to some extent have to start over from scratch, and the good will that they earned over two or three decades or so will have to be completely re-earned," said Alex Kurkin, a Miami attorney who is representing 10 auto dealers seeking reinstatement.

Another problem for former Chrysler dealerships is the "Genesis" program, which involves consolidating the company's three brands - Dodge, Chrysler and Jeep - under one roof.

"A Jeep dealer may have been terminated and out of business, but during the interval, that Jeep franchise may have gone to a dealer down the street, so now you have a Jeep, Dodge and Chrysler dealer nearby," Mr. Kurkin said.

"According to the factory, you have to have the full product line to be viable.

"But how is that reinstated Jeep dealer going to be able to compete? And does the dealer who got the Jeep franchise after the other dealer closed have the right to protest under law the reopening of the Jeep dealership?"

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