

# Automotive News

## Chrysler's arbitration tally: 73 wins, 32 losses

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WASHINGTON -- Chrysler Group prevailed in 70 percent of its 105 arbitration cases with rejected dealerships, the company said in releasing its final arbitration figures.

Arbitrators sided with the company 73 times and with dealerships 32 times, Chrysler said today.

Chrysler rejected 789 dealerships in bankruptcy last year.

Many arbitrators that ruled for Chrysler deferred to the company's Genesis strategy of consolidating all four of its brands -- Chrysler, Dodge, Jeep and Ram -- in each dealership. But the size and speed of Chrysler's cuts were called into question last week in an audit by the inspector general for the U.S. Troubled Asset Relief Program.

"The decisions to select dealers for the company's optimized dealer network were carefully considered as part of Chrysler's Genesis Project," the company's statement said. "The decisions of a great majority of the arbitrators reflect the belief that the company's dealer network decisions were not only appropriate but essential to its future success."

Some lawyers representing dealers disagreed.

They said many more dealers would have prevailed in arbitration if inspector general Neil Barofsky's audit had been released while arbitration cases were still going on rather than after the process was completed.

"Chrysler had absolutely no proof that dealership closing would save Chrysler a nickel," said lawyer Mark Ornstein of Orlando. "Had this report been available at arbitration, I believe all the dealers would have been successful in arbitration. All Chrysler relied upon was unproved theory and tried to dress it up as fact. It was the king's new clothes."

General Motors Co. is likely to release its final arbitration tally sometime next week, GM spokeswoman Ryndee Carney said.

The arbitration hearings for rejected Chrysler and GM dealerships extended from mid-April to mid-July. They were required by a law passed by Congress last December.

While Chrysler's arbitration decisions are final, the number of dealerships that have signed letters of intent with conditions for their reinstatement is not.

A total of 29 rejected Chrysler dealers have signed letters of intent thus far, the company said. That figure will grow as post-arbitration settlement talks between Chrysler and dealers continue, Chrysler spokesman Michael Palese said.

"Chrysler Group is complying fully with the letter and intent of the federal dealer arbitration statute by issuing a customary and usual Letter of Intent to prevailing dealers and looks forward to engaging in constructive discussions with these dealers," he said.

The 29 signed letters of intent will increase the company's current 2,300-dealer network by 1 percent.

They come from a pool that includes the 50 dealerships that were offered letters of intent in March, the 32 dealers that prevailed in arbitration, and 150 that settled their arbitration cases with Chrysler.

Most dealerships that received letters of intent after winning in arbitration have rejected them thus far, some dealer

lawyers said.

"Almost all of the LOIs presented to dealers who prevailed in arbitration are incredibly onerous," said lawyer Richard Sox of Tallahassee, Fla.

Sox and other lawyers have said the letters' requirements -- including those for facility upgrades -- go beyond those conditions laid down for existing dealerships that were not closed during the company's bankruptcy.

Two dealerships have filed lawsuits thus far challenging the letters of intent they received from Chrysler. The company is contesting both suits.



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