

Automotive News

Chrysler shifts tone on dealers

Automaker offers reinstatement to 50 stores, signals settlement talks with more

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Finally, some movement at Chrysler.

After nearly a year of taking a hard line with rejected dealerships, Chrysler Group changed course last week and offered to reinstate 50 stores.

The company also said it will enter settlement talks with an unspecified number of rejected dealerships and disclosed that 36 already have been reinstated nationwide.

One thing hasn't changed, though. Chrysler still favors dealerships that sell all four of its brands: Chrysler, Dodge, Jeep and the recently added Ram truck brand. All 50 offers of reinstatement are to stores selling all those brands.

But despite the actions by Chrysler, problems remain.

Dealer lawyers say Chrysler hasn't budged in its approach to arbitration -- for example, demanding that arbitrating dealers sign confidentiality agreements blocking them from sharing Chrysler information with other dealers.

One dealer who received a call from a Chrysler official saying a letter of intent for reinstatement was coming said he was taking a wait-and-see attitude.

"We're looking at it with guarded optimism," said the dealer, who declined to be identified. He remains skeptical because Chrysler had given no previous indication it had any interest in bringing back any rejected dealerships.

A company spokesperson said Chrysler would continue to explore "mutually beneficial options outside arbitration" to settle with dealers who have filed for arbitration.

By offering to reinstate the 50, Chrysler reduced its arbitration caseload to 337, said a company spokesperson.

Ed Tonkin, chairman of the National Automobile Dealers Association, called Chrysler's intention to reinstate 50 dealerships "a move in the right direction." This, coupled with previous contracts awarded to 36 other closed dealerships, brings the total to 86 dealerships that could be reinstated.

In U.S. Bankruptcy Court last year, Chrysler canceled 789 dealerships.

"NADA views this as a good-faith effort and hopes that this carries forward in Chrysler's continuing settlement and arbitration discussions with the other terminated dealers," Tonkin said.

Delays?

Eric Chase, an attorney representing four rejected Chrysler dealers, said the reinstatements do not change his opinion that the automaker won't give in easily on the remaining dealerships seeking arbitration. He said Chrysler has been "obstructive" at every phase of the arbitration process.

Chrysler's demand for a signed confidentiality pledge before it will agree to provide documents in discovery is prompting complaints from dealer lawyers accustomed to comparing notes on strategy.

The company also still is resisting dealers' efforts to find out the specific criteria used in terminating their stores -- information that Chrysler was required under law to provide in January, dealer lawyers said.

"Chrysler continues to resist and contest each and every step in arbitration," said Rob Byerts, a Tallahassee, Fla., lawyer whose firm represents 13 closed Chrysler dealerships. "It appears to be for no good reason other than delay."

Delays benefit Chrysler because if arbitrations aren't completed before the June 14 deadline set by Congress, the dealers lose their cases, said Mike Charapp, a McLean, Va., lawyer.

Chrysler's nine-page "Confidentiality Agreement and Order" -- a copy of which *Automotive News* obtained -- has touched off wrangling in dozens of arbitrations, seven dealer lawyers said.

Chrysler defended the confidentiality agreement.

"This is a standard request in litigation dealing with sensitive financial and competitive data," the company said in an e-mail last week.

It added that the new law setting up arbitration states that "discovery shall be limited to request for documents specific to the covered dealership."

Dealer lawyers disagreed, saying the standard approach in arbitration is to consider each particular document rather than the documents as a whole.

If a document deals with trade secrets or confidential business information, then it is addressed with the arbitrator, they said. But dealership performance documents rarely raise such sensitive issues.

Hearings in April

Meanwhile, the June 14 deadline looms over proceedings, although arbitrators have the discretion to extend them another month.

A total of 115 hearing dates, scheduled from April 21 into early June, had been set as of last week, said India Johnson, senior vice president of the American Arbitration Association, which is administering the cases.

Hundreds more have yet to be scheduled. The exact figure is a shifting number, as General Motors Co. and perhaps Chrysler move to reinstate dealerships.

A total of 1,550 GM and Chrysler arbitration claims have been filed, but GM has said it is reinstating 661 rejected dealerships and is willing to discuss possible settlement with as many as 499 more.

Johnson has little concern about the arbitrations meeting the congressional deadline. Said Johnson: "We have a lot of other arbitrators that we could throw at these cases."

Chrysler Group reinstatements
Dealerships

789	Canceled in bankruptcy in 2009
36	Reinstated by Chrysler after bankruptcy
2,334	Operating as of Feb. 28
50	Will receive offers of reinstatement from Chrysler
337	Still in arbitration

Source: Chrysler

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