

Automotive News

Chrysler reinstatement offer carries many conditions, dealers say

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WASHINGTON -- Chrysler Group's letter of intent to 50 closed dealerships it wants to reinstate is filled with conditions that are raising concern from a number of dealers, including at least one who has decided against signing.

The letter, which dealerships started to receive yesterday, gives the company the right to revoke the reinstatement offer if another showroom in the same market files a protest that isn't resolved in 30 days, a copy of the letter shows.

A dealership that signs the letter also would waive for five years its ability to protest the establishment of another Chrysler store in its backyard, a copy of the letter, obtained by *Automotive News*, shows.

In addition, dealerships that sign would have 60 days to file a site proposal that would be rejected automatically if Chrysler doesn't respond in 30 days, the letter of intent says.

"Why are there so many ridiculous hoops to jump through?" said Tammy Darvish, a leader of the Committee to Restore Dealer Rights, a group of rejected Chrysler and General Motors Co. dealerships. "Either they want to reinstate or they don't."

The letter also would require dealerships to meet current image requirements.

In addition, the Chrysler offer would expire in 90 days if the dealer proposes to use a store that meets the letter's requirements, in eight months if the dealer proposes a renovation and in 18 months if the dealer proposes to construct a new showroom.

Different from GM offer

Rob Byerts, an attorney in Tallahassee, Fla., said the Chrysler letter lays down far more conditions than the one sent by GM to 661 rejected dealerships this month.

"Chrysler's 'offer' of an LOI is not really an offer," said Byerts, whose Bass Sox Mercer firm represents about 70 rejected Chrysler and GM dealerships. "It's an offer to make an offer."

Chrysler said last week it would offer to reinstate 50 of the 387 closed dealerships that are seeking reinstatement through arbitration. An additional 36 of the shuttered stores have been awarded contracts or sales or service agreements since July, the company said.

All 50 offers are to stores selling Chrysler, Dodge, Jeep and the recently added Ram truck brand, the company said at the time.

The offers being sent are Chrysler's "customary" letters of intent, the automaker said.

In a speech yesterday at a conference in New York, Chrysler CEO Sergio Marchionne said, "We are intent on

protecting the health of our existing dealer network through the defined arbitration process.”

Marchionne said the 50 dealerships receiving letters “are in locations that will benefit our customers but not have an adverse effect on existing partners in our network. Reaching agreement will save both the dealers and the company the expense of arbitration.”

Today, Chrysler declined to comment about its letters.

'Private business'

The letters of intent “are private business between the company and the dealerships involved,” Chrysler said in an e-mail. “The company is in the process of speaking with the dealerships involved.”

One terminated Chrysler dealer who received the letter said he would not be signing it but would continue with arbitration.

“I don't have the working capital to build a building to their specifications,” said the dealer, who asked not to be identified. “Who wants to take a risk with the track record that Chrysler has with dealers?”

Last fall Chrysler said it planned to open 100 new points. While the company has declined since to discuss its plans, Darvish said she has received reports from numerous closed Chrysler dealerships of new franchises awarded in their markets.

In the Denver area alone, three Chrysler dealerships that were terminated in the past year have said other showrooms had been awarded franchises in their markets.

Waiving rights

Chrysler's letter of intent said the company could terminate its offer if anyone were to challenge the proposed reinstatement and this protest were not “dismissed, withdrawn or resolved” in 30 days, a copy of the letter shows.

Said Byerts: “Since Chrysler appointed replacement dealers in many markets, the protest is very likely and a resolution within 30 days very unlikely.”

Alan Spitzer, another leader of the Committee to Restore Dealer Rights, said the letter's requirement of a five-year waiver of the right to protest the establishment of a nearby showroom “basically requires the dealer waive his rights.”

On March 16, Chrysler declared a moratorium on opening new points in the backyards of dealerships in arbitration until that arbitration could be completed. The company earlier had declared a moratorium from Sept. 30 to Dec. 10.



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