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Michigan News

General Motors To Retain About 5,000 Dealers



Tracy Samilton (2010-06-09)

ANN ARBOR, MI (MICHIGAN RADIO) - A top executive at General Motors told the Associated Press this week that the automaker will likely end up with 5,000 dealers nationwide, after arbitrations with dealers, ordered by Congress, are concluded in July.

The AP quoted Mark Reuss, President of GM North America. A spokeswoman for GM says she was not at the event where Reuss made the remark, but she has no reason to believe Reuss was quoted incorrectly.

Last year, when GM entered bankruptcy, the automaker said it planned to cut about 2,000 of its 6,000 dealers. The new number means GM will cut only about 1,000.

GM still has about 300 arbitration hearings to go. Congress passed a law requiring Chrysler and GM to defend dealer terminations in binding arbitration. GM already offered to restore the franchises of more than 660 of the 1100 dealers who requested an arbitration hearing, citing the expense of the hearings, in addition to improved sales.

People familiar with how the arbitration hearings are going say GM has lost a fair number of them, and that could also be a factor in the company's decision to offer dealers their franchises back.

Mark Rykiss is an retail automotive industry consultant, who represents a number of dealer clients. He says GM has tried to make an economic case for why it needs to reduce its dealership count. But he says it's been very hard to prove that having fewer dealers will save the automaker money.

And he says it's not easy for arbitrators to tell someone they must abandon what is sometimes a multi-generational family business, that employs dozens of people and has supported schools, churches and other community institutions for years -- especially when contrasted with the more cerebral arguments being made by GM's attorneys.

Rykiss says GM just doesn't have good evidence to back up many of the terminations.

"They couldn't provide definitive support as to why they were cancelling certain dealers," says Rykiss. "There were dealers that had fairly good market share and were quite well capitalized after years of doing business, and yet they were on the terminated list."

Patrick Anderson of Anderson Economic Group is also representing some of the terminated dealers. He says there's another reason GM is relaxing the number of dealers it is willing to support.

"The economy has come back, GM's sales are up, as are Ford's sales, and people are seeing GM in a post-bankruptcy light -- and that's all good."

On the other hand, Chrysler appears to be winning many of its arbitration hearings.

Unlike GM, which gave its terminated dealers until the end of 2010 to wind down, Chrysler immediately terminated more than 700 dealers in June last year.



MICHIGAN: General Motors To Retain ...

Dealers fighting the terminations are in a weaker position than GM dealers, because they had to shut down, and now must argue they should be allowed to start again, almost from scratch.

Anderson says Chrysler is also in a weaker financial situation than GM, and its sales remain poor, so arbitrators are more likely to consider the company's arguments that it needs fewer dealers now.

Chrysler was also in the process of consolidating all its brands under each dealership's roof, well before the bankruptcy began, so arbitrators may be inclined to allow Chrysler to stick with that plan, rather than restart dealers that sold only the Chrysler, Jeep or Dodge brands, instead of all three.

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