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Auto industry

Chrysler and GM dealers ordered shut mull arbitration

At least one Chrysler dealer in Miami is seeking arbitration to get his franchise back

By Doreen Hemlock Sun Sentinel

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Just three weeks remain for axed Chrysler and GM dealers who want their franchises back to seek reviews of their shutdowns.

At least a dozen South Florida dealers have until late January to request binding arbitration, according to a compromise the carmakers reached with Congress last month. They are among more than 3,000 franchises that Chrysler and GM asked to close nationwide amid a dive in U.S. auto sales.

Lawyers have been contacting auto dealer clients – even during the holidays -- to discuss options.

South Florida attorney Alex Kurkin said he's already filed one arbitration request for a local Chrysler franchise that shut in June: Tamiami Chrysler Jeep Dodge, led by veteran dealer Carlos Planas.

Lawyer Lewis Kuhl said he's working on cases for GM franchisees set to close by October, who have not made their decisions public.

Other dealers closed by Chrysler nearly seven months ago or GM franchises winding down are still mulling toptions, partly because of the cost involved.

Arbitration could cost dealers up to \$250,000 per franchise, said Rick Baker, president of the South Florida Automobile Dealers Association.

In addition to lawyers, the big outlay comes in hiring auto market experts who can counter those hired by Detroit carmakers. They need to prepare studies full of statistics and testimony to refute the data-heavy reports and appearances by GM and Chrysler experts, Baker said.

Some dealers have decided not to fight the closures, however.

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Fort Lauderdale-based AutoNation, the country's largest auto retailer, said it agreed to close at least a dozen Chrysler and GM franchises nationwide to play its role in a shrinking market.

New-vehicle sales plunged in the United States with the recession, likely ending 2009 below 11 million units sold, down from levels topping 16 million a year before the economic slump. Both GM and Chrysler received multi-billion-dollar government help to cope with losses. Analysts say it will take years more to reach even 15 million in annual vehicle sales, as the economy slowly recovers.

Louis Vera, who owns several GM franchises in South Florida and closed two locales in Miami-Dade, isn't contesting their closure either. Even before the recession, he questioned GM's business model for pushing too many vehicles onto too many lots.

"There were too many dealerships," Vera said. "We've been saying that for years."

For those seeking arbitration, the automaker's review will look at seven factors, including the dealership's past performance and profitability, the carmaker's business plan and the area's auto market. Debate will focus on such issues as whether shutting one Chevy dealer will shift business to another miles away or send a potential client instead to buy a Toyota or Hyundai in South Florida's competitive market, said Kurkin.

Arbitrators must rule by mid-June, 180 days from the December compromise that staved off federal legislation that would have required GM and Chrysler to review every franchise they terminated.

The decisions come after what may end up as a record year for dealer shutdowns. Nationwide, nearly 1,500 new-vehicle dealers closed through October, and 200 more were likely to shut by Dec. 31, consulting firm Urban Solution estimated late fall.

South Florida suffered less than other parts of the country for two reasons, analysts say: Weak public transportation that makes cars more necessary, and relatively fewer dealers for domestic brands because of preferences for foreign ones.

Even so, South Florida likely lost about 30 dealer franchises of 210 tallied in early 2008, with as many as 2,000 jobs eliminated at those outlets. Combined with staff cuts at remaining dealers, South Florida dealers likely cut up to 6,000 jobs over the past two years, Baker said.

"For some dealers," said attorney Kuhl, "you're looking at 20 to 30 years of blood, sweat and tears poured into a business, and it's gone in an instant."

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