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## Winning at All Costs: Chrysler Fights to Regain Glory

### GUEST COLUMN



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There once was a time when U.S. automakers enjoyed global dominance, quelling all would-be competitors with thoughts of an impenetrable market share. At a time when life was far simpler, and “what was good for GM was good for America,” the Big 3 controlled an astounding 90 percent of the domestic market, cementing their place in history as one of Karl Marx’s great oligopolies.

But with fame and fortune, so often comes complacency and comfort, and perhaps most importantly, the loss of the sense of urgency that helped create the empire in the first place. Today, the land of milk and honey has long past for the Big 3, having been humbled by insolvency and a slide into continued irrelevance that was decades in the making. Competitors have been quicker and leaner, resulting in a paradigm shift among consumers who once would not have considered buying a foreign car. Through years of neglect, Ford, GM and Chrysler’s domestic market share has been reduced to 44 percent, making them a minority in the very industry they helped create.

The Detroit 3, as they are now known, have each responded to the crisis in differing ways. Ford has restructured its balance sheet; GM has had a public execution of its most senior executives; and Chrysler has surrendered control to Fiat. Yet, with change comes challenge, and nowhere is that more apparent than at Chrysler, where the manufacturer has embarked on an unusual — and highly suspect — path to redemption.

For all manufacturers, California is the cornerstone of market relevance. With its 30 million people and optimal weather,

manufacturers view the sunshine state as critical to gaining, or regaining, national recognition; and the fight for market share is fierce. California has been particularly challenging for Chrysler, where the automaker has been diminished to controlling just 5 percent of the market.

Chrysler has put itself back in the hunt by creating a flagship sales presence in the heart of the southland that will redefine how new cars are displayed and sold. In January 2011, Chrysler opened Motor Village of Los Angeles, a \$30 million dealership facility that sprawls four floors and 189,000 square feet. As Chrysler boasts in the press, this company-owned dealership serves as the “grand showplace” for Chrysler, Jeep, Dodge and Fiat brands.

While at first blush the creation of the Chrysler superstore may seem like a welcomed attempt at Chrysler’s return to glory, the discussion is more involved than it may

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at first appear. Like most states, California has a statutory scheme on how dealerships may be operated within the state — an effort to protect both dealers and consumers, alike. Recognizing that new car dealers make up a substantial portion of the state’s overall economy, and that privately-owned dealerships are not on equal footing with the massive financial resources of auto manufacturers, the Legislature has placed stringent restrictions on when automakers may become involved in retail distribution.

Under California Vehicle Code Section 11713.3, auto manufacturers may only hold an ownership interest in a dealership that is within 10 miles of another dealership of the same line-make under two limited circumstances: First, when the subject dealership is part of a minority dealer development program (where a minority dealer operator buys out the manufacturer over time); and second, a manufacturer may temporarily hold an ownership interest in a dealership for a period of no more than one year (when, for instance, a private dealership is sold back to the factory, and the factory is

looking for a new buyer).

Chrysler’s Motor Village superstore is within 10 miles of several privately-held Chrysler dealerships, and neither of the limited ownership exceptions apply, raising serious concerns about the legitimacy of the manufacturer’s actions.

Chrysler’s involvement in the subject dealership dates back to mid-2008, when it bought the franchise from then-operator Maurice Claff. Chrysler then moved the dealership across town to the Motor Village location — a location about five miles away — and reopened the dealership in 2011 as its flagship company-owned store.

During this process, Chrysler submitted several statutory notices to the California New Motor Vehicle Board, attesting that the relocation of the dealership was less than one mile (which precludes neighboring dealers from being able to “protest” the relocation) and that its ownership of the dealership was part of a bona fide dealer development program (which would have allowed it to have an ownership interest in the store).

Both statements were blatantly untrue, which has invoked the ire of the dealer community, and now the New Motor Vehicle Board itself, who voted unanimously last month to have the Department of Motor Vehicles conduct a formal investigation into the matter. If Chrysler is found to have knowingly violated the statutory scheme, the DMV has the authority to impose civil penalties against the automaker, or worse, suspend Chrysler’s manufacturer license — an act that would ban its sale of new cars in the state.

The agencies entrusted to look after the well-being of the dealer community take this matter seriously, and so too should Chrysler. The Vehicle Codes at issue are long-standing and well-understood in the automotive industry, and there can be no justifiable excuse for Chrysler’s actions. Yes, times are difficult, and yes, Chrysler needs to regain market share; but employing acts of deception to circumvent the law is simply not acceptable. Chrysler had full awareness of the severity of its actions, and for this it must be held accountable.