

# The not-as-big three

*Chrysler, GM dealerships slashed across the district*

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Once powerful pillars of the American auto industry, the Big Three car companies—Chrysler, General Motors and Ford—have been buckling under the dual weight of a poor economy and a bad business model.

With both Chrysler and GM filing for bankruptcy—and the former being taken over by Fiat and the latter currently enduring a government-run reorganization—automakers have been making unprecedented cuts to their businesses. Every state, including those in the Ninth District, bore some brunt of the fallout when these two automakers announced the termination of car contracts with almost 2,000 dealerships nationwide. But the fallout likely won't be as bad as these numbers suggest because many dealerships will remain open selling other cars, at least in the near term.

In late April, Chrysler publicly released a list of 789 dealers—almost a quarter of its retail stores—that would close by June 9 (see map). Many of them were closed because of low sales of Chrysler vehicles. Others were terminated as part of Chrysler's efforts to thin out the dealers who weren't selling all three Chrysler brands—Jeep, Chrysler and Dodge—as Chrysler

strives to bring the three brands under each dealership roof. Given the short deadline, the sale of inventory was reportedly fast as dealers slashed prices. Chrysler offered to help closing dealers sell their remaining Chrysler cars and parts to surviving franchises, but gave no guarantee on prices.

Eighteen Chrysler locations closed in Wisconsin: five in Milwaukee, three in Madison and the rest spread throughout the state. Chris Snyder, attorney for the Wisconsin Automobile & Truck Dealers Association, estimated that these dealerships employed approximately 600 workers, around 35 per dealer. Not all of the dealerships are closing outright. Six (all in the state's larger markets, which lie outside the Ninth District) have the option to continue in business.

Chrysler terminated contracts with 19 dealerships in Minnesota. Two dealers, one in Pine City and the other in Bloomington, were already closed, according to Scott Lambert, a representative of the Minnesota Automobile Dealers Association. Lambert said that 810 jobs would be lost as a result of closing Chrysler locations, though not all of them immediately, as most of the dealers are staying open selling used cars for the time being.

Bob Lamp, a representative from the Automobile Dealers Association of North Dakota, said that seven Chrysler

dealerships in the state were affected, although all of them are staying open selling other brands.

Four Montana Chrysler locations felt the impact of the Chrysler announcement, but all four are staying open with other car lines, according to Marilyn Olsen, a representative from the Montana Automobile Dealers Association. In South Dakota, only one of the seven dealerships with termination notices from Chrysler will close outright, said Terry Averson, a representative for the South Dakota Automobile Dealers Association. That dealer had six employees.

In mid-May General Motors notified 1,100 of its 6,000 dealerships that it was terminating their contracts. The dealers have until 2010 to sell their remaining GM inventory, at which point the company will not renew their contracts. General Motors has not publicly released this list of dealerships, and many of them have asked not to be revealed by their state auto associations.

Snyder said that so far, about 30 Wisconsin GM dealers have told the Wisconsin Automobile Dealers Association that they received wind-down letters from GM, though he added that there were probably more. In Montana, Olsen said that terminated GM dealers in Livingston, Three Forks, Kalispell and Wolf Point had gone public, and dealerships in

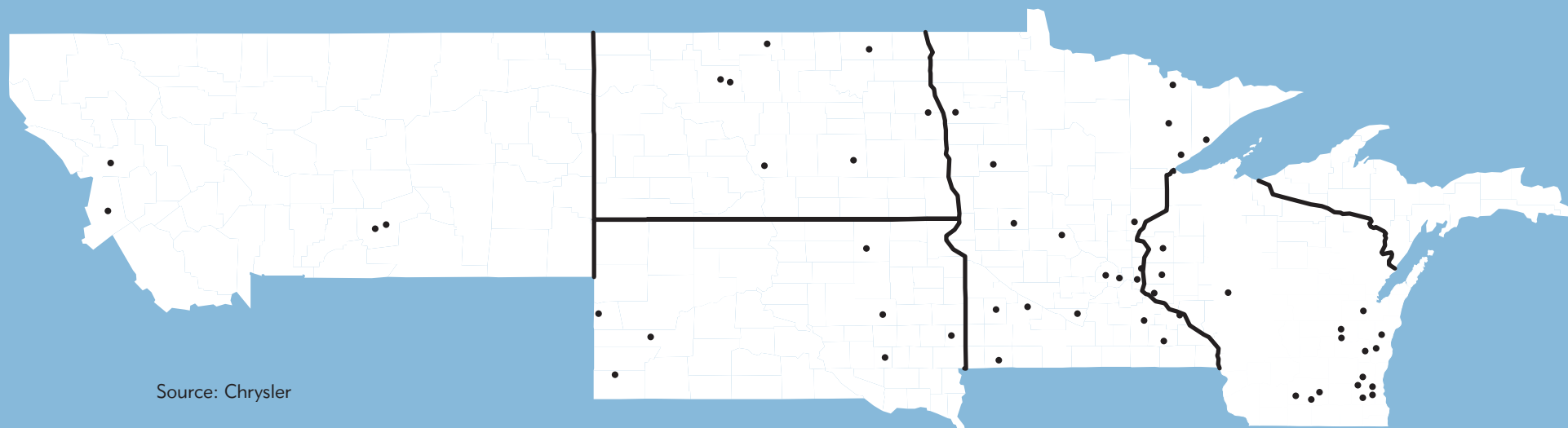
Shanook and Roundup had already closed before the GM letters.

In Minnesota, more than two-thirds of the state's 149 GM dealerships are facing some kind of change. The most notable are the 37 GM dealers that received wind-down letters, which Lambert estimated could lead to 1,600 or more job losses. In addition, according to the state Automobile Dealers Association, more than 70 GM dealers in the state are facing some direct disruption of their business other than outright closure, including the loss of one or more of their GM brands, or demands that dealers get rid of competing car lines.

Ford has said that it would not follow GM and Chrysler's big dealer cuts. It has thinned out its network by 700 dealers since 2005. So far, Ford appears to be weathering the financial storm better than Chrysler and GM. Ford has not accepted government bailout money or filed for bankruptcy.

The future may hold more gloom for the auto industry and dealers in the region. GM has said it is likely to cut another 900 dealerships within the next year. "It's all speculation, but ... I think it's just going to get harder, especially on rural dealers," said Averson, from South Dakota. "There's a lot of unknown, actually, [regarding] how GM is going to deal with these dealers after ... all the dust has settled." ■

## Chrysler dealerships with terminated contracts



Source: Chrysler