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States push to amend GM proposal

The goal: Continued access to state courts for dealers, others

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WASHINGTON -- General Motors dealers and car-accident litigants would get continued access to state courts if dozens of states can convince the Obama administration to amend GM's reorganization plan.

Attorneys general from 37 states are talking with the Treasury Department's auto task force in advance of a hearing in U.S. Bankruptcy Court on Tuesday, June 30, Connecticut Attorney General Richard Blumenthal said Friday, June 26. GM is scheduled to ask the court to clear its plan to transfer assets to a new company controlled by the federal government.

"The issues are still unresolved, and we're working hard to reach an agreement," Blumenthal said.

The GM plan also would use the bankruptcy code to deny dealers access to state courts on a host of issues. Among them are termination date and payments, sales expectations, release of customer lists, inventory requirements, marketing of non-GM brands and location of competing dealers, the states allege in court filings.

Franchise laws targeted

"We're seeking to preserve the validity and applicability of state franchising laws to dealers," said Blumenthal, who is part of the group trying to advance dealers' rights.

"There's a lot of coercion here by GM in the way they've done agreements both for terminated dealers and for those going forward," said Tim Jackson, president of the Colorado Automobile Dealers Association. "While many dealers have been silenced by intimidation, we're hopeful the attorneys general will be successful in their efforts."

GM also has offered terminated dealers a so-called wind-up letter that offered some financial assistance while requiring them to forfeit all other rights under state law, the states allege.

"In short, dealers have been presented with a 'take it or leave it' ultimatum," the attorneys general said in a June 19 filing in Bankruptcy Court.

GM has announced plans to pare its dealer network from 6,000 stores to about 3,600.

Denial of torts?

The GM plan also would deny thousands of people involved in car accidents who have sued the company the right to pursue these claims against the new company, the states say. Claims would have to be filed in Bankruptcy Court against GM's old estate, as is the case for Chrysler.

"We're seeking to preserve the rights of consumers to sue in state courts," said Blumenthal, who is leading negotiations for the states seeking to advance the rights of GM car-accident litigants.

Spokeswomen for the White House, the Treasury Department and GM did not respond to requests for comment.

The states have joined with a group called the Ad Hoc Committee of Consumer Victims of General Motors, which says it represents more than 300 people with personal injury claims topping \$1.25 billion.

"The proposed sale would leave consumers injured by GM products -- including quadriplegics, paraplegics, burn victims, the families of those killed and others, including those who have not yet suffered injuries -- with little recompense," the ad hoc committee said in a court filing.

GM set aside \$921 million last year for product-liability litigation, and it made \$1.1 billion available in 2007, according to a GM filing with the Securities and Exchange Commission earlier this year.