

Am I Psychic?
April 2007

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At the end of 2005, Rob Cohen asked me to predict the legal trends in the buy-sell arena for 2006. I wrote then about the troubles at General Motors and the possible ramifications to the domestic automobile industry. Looking back, was I right? The answer is, maybe. (Do lawyers every give a yes or no answer?)



During the past year, Ford changed management and went outside the industry to hire Allan Mulally from Boeing, as its new Chief Executive Officer, to right the ship. The new “way forward” includes a plan to trim jobs and dealers and, for the first time in the company’s 103year history, to pledge the Ford brand as loan collateral. Daimler-Chrysler is in the process of deciding whether it should be just Daimler and dump the Chrysler. And now the Big Three are not the Big Three anymore, Toyota having surpassed Ford as the second largest seller of cars in the United States. As for General Motors, it seems to be doing something right. It did not seek bankruptcy protection as some had predicted, its stock price has risen from less than \$20 to \$35 a share, it is being mentioned as a suitor for Chrysler and it still holds the top spot for sales volume in the United States. But it also continues to lose money and how long can you lose money and hope to make it up in volume?

So, what will happen in 2007? As my teenage children tell me in response to every question I ask, “I don’t know.” (This is just in front of “nothing” and “why do I need to tell you.”) What I do know is that my clients who own domestic franchises seem a lot less happy than those owning import franchises. I also know that the domestic manufacturers are in a state

of confusion. The executive office may have a plan, but the employees and dealers are not clear on what it is. When your client receives an unpleasant letter about its CSI score from the home office threatening franchise termination and gets an apology from someone else within the same office when your client pushes back, you know the right hand does not know what the left hand is doing.

Uncertainty breeds insecurity. That is the vibe I am getting. For our dealer clients the fact is they are in a symbiotic relationship with the manufacturers, both domestics and imports. Each needs the other and indeed the legal framework mandates they work together. The answer as to what will happen in 2007 depends on predicting human behavior. How will the employees at the Big Three respond to buyout offers (initial response, get me out of here)? Will the manufacturers attempt to reduce their dealer body using a carrot or a stick? How will dealers react to the plans? So I predict that in 2007, I will again be partly right, which is the same as saying human behavior is unpredictable. It will be an interesting year.