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Rattner defends bailout decision to terminate Chrysler dealerships

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Steven Rattner, a journalist-turned-investment banker pictured here in 2009, was appointed to the auto task force that then-President

WASHINGTON — Former President Barack Obama's auto czar said it would have been irresponsible to compensate terminated Chrysler Group dealers as part of the government-led restructuring, and that there was no obligation to do so.

In the high-profile trial involving dealers who had their franchises terminated in the 2009 federal auto industry bailout, Steven Rattner on Tuesday testified that the task force had doubts that the automaker could become viable without a "more rational" dealer footprint. Rattner said the automaker made it clear to the government that it would need to trim its dealer count.

The dealers are seeking damages in the Court of Federal Claims, nine years after they sued the U.S. Treasury. The trial began April 8.

Rattner, a journalist-turned-investment banker, was appointed in February 2009 to the auto task force that Obama had assembled to help General Motors and Chrysler Group restructure.

When asked by the government's defense whether if it coerced Chrysler into filing for bankruptcy, Rattner said no.

The court will decide whether the government indeed did coerce Chrysler to terminate 789 of its franchises — a quarter of its dealer network — as a condition of the bailout or whether the automaker made the decision on its own. Dealers are asking the court for the fair value of their stores on the day the franchises were terminated. Requests for damages range from \$524,000 to \$8.8 million per rooftop among the seven model plaintiffs represented by Bellavia Blatt & Crossett in Mineola, N.Y.

Rattner oversaw a group that distributed \$23.4 billion in prebankruptcy aid to GM and

Chrysler and then sent the companies into Chapter 11 when they did not restructure sufficiently.

The task force was guided by a principle of "shared sacrifice" that would impact a range of players, including shareholders, lenders, dealers and Chrysler employees.

The decision on which dealers to cut was left up to Chrysler, Rattner said.

If the dealers succeed, the court could order the Treasury to pay as much as \$850 million to terminated dealers. The trial could be a harbinger for terminated General Motors dealers, who filed a separate but similar lawsuit in 2010.

Government attorney Kenneth Dintzer contended Monday that Chrysler had already shown an intent to trim its rooftops under a consolidation plan called Project Genesis. The initiative called for dealerships that did not sell all three of Chrysler's brands at the time — Chrysler, Dodge and Jeep — to be encouraged to merge into locations selling all three.

Rattner told reporters after his testimony that the government "saved this industry."

Hannah Lutz contributed to this report.