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STATE OF CALIFORNIA  
NEW MOTOR VEHICLE BOARD

In the Matter of the Petition of )	
ARROW MOTORS, INC., CITY OF )	Petition No. P-48-78
COMPTON, CALIFORNIA, )	
) Petitioners, )	
) )	
) vs. )	
) )	
VOLVO OF AMERICA CORPORATION )	Filed: August 17, 1978
WESTERN DIVISION, and JIM GRAY )	
IMPORTS, INC., )	
) Respondents. )	

DECISION

The attached Proposed Decision of the Hearing Officer is hereby adopted by the New Motor Vehicle Board as its Decision in the above entitled matter.

This Decision shall become effective forthwith.

IT IS SO ORDERED this 17th day of August, 1978.

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ELVIRA ARMAN-REED

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LYMAN R. SMITH

\_\_\_\_\_  
FLORENCE POST

\_\_\_\_\_  
JOHN B. VANDENBERG

\_\_\_\_\_  
RUDY A. PEREZ

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Respondents. )

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PROPOSED DECISION

Procedural Background

1. On February 22, 1978, Arrow Motors, Inc. ("Arrow"), located at 912 North Long Beach Boulevard, Compton, California, and the City of Compton, jointly filed a Petition pursuant to section 3050 of the Vehicle Code<sup>1/</sup> with the New Motor Vehicle Board ("Board"). The petition alleged that respondent, Volvo of America Corporation Western Division ("Volvo") has unreasonably withheld permission for the relocation of Arrow into the new Alameda Auto Plaza, which is in part being developed by the Redevelopment Agency of the City of Compton. It was further alleged that such refusal would result in

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1. All references are to the Vehicle Code unless otherwise indicated.

termination of Arrow as a Volvo franchise, as Arrow could no longer continue at its present location.

2. As it was recognized that compliance with section 3062 would be required should the relocation be permitted, Jim Gray Imports, Inc. ("Gray"), located at 3515 Atlantic Avenue, Long Beach, California, agreed to become a party to the petition so that the issues of "termination" and "relocation" could be resolved in one proceeding.

3. It was stipulated by all parties that the Hearing Officer's decision, if adopted by the Board without substantial change, would be final and the parties would comply therewith. Any substantial modification of the Hearing Officer's decision, which has the effect of requiring any party to do, or to abstain from doing, anything at variance with the initial decision, would reinstate all other statutory or common law rights of review or appeal which would otherwise be available to the parties.

4. A hearing was held pursuant to the Vehicle Code and the stipulation in Compton, California, on the dates of June 14, 15, 16, 21, 22, and 23, 1978, before Anthony M. Skrocki, Hearing Officer for the Board.

5. Arrow and the City of Compton were represented by Sidney I. Pilot and A. Albert Spar of Sidney I. Pilot, a Professional Corporation. Volvo and Gray were represented by Joseph J. O'Malley of the law firm of Paul, Hastings, Janofsky & Walker.

#### Issues Presented

6. Arrow and the City of Compton contend that:

(a) Volvo's refusal to grant permission to Arrow to relocate its Volvo franchise to the Alameda Auto Plaza will result in Arrow's loss of its Volvo franchise; and

(b) There is good cause to allow relocation of Arrow's Volvo franchise to the Alameda Auto Plaza.

#### Findings of Fact

7. Volvo's primary reason for denying permission to relocate to the Alameda Auto Plaza is that it will result in Arrow moving closer to Gray; thereby disrupting Volvo's marketing system.

8. As Volvo's reason for refusing permission to relocate is the possible effect of the relocation on Gray and Volvo, it is obvious the issues are interrelated and their resolution will in part depend on the same facts.

9. In the last several years, the Compton area has undergone economic decline and its racial composition has changed from a Caucasian majority to a population of almost all Blacks and Chicanos.

10. Since 1958 eight new car dealers, formerly located in Compton have either relocated or ceased doing business altogether. The most recent closure was that of Dick Walker Ford in June, 1978. Dick Walker Ford is no longer in business.

11. Of the sites formerly occupied by these eight dealers, only two are presently occupied by other businesses, and even these two were vacant for a long time.

12. Long Beach Boulevard in Compton, where Arrow is located, is a "strip commercial" area, which has fallen victim

to decay and a high vacancy rate.

13. The remaining new car dealers were also threatening to move, and to combat the further decline which results therefrom, the Community Redevelopment Agency of the City of Compton sold a bond issuance to initiate a \$10 million redevelopment project known as the Walnut Industrial Park Project. Included in the redevelopment plan was the Alameda Auto Plaza to be built on Alameda Street at the State Route 91 (Arterisia) Freeway.

14. The Plaza was an attempt by the City and the Redevelopment Agency to Salvage Arrow Motors and the remaining new car dealers, as it was obvious they could not survive in their present locations. It had become increasingly difficult to sell cars due to excessive theft, and fear of the public to enter the area on Sundays and evenings.

15. Long Beach Boulevard in Compton was designated a redevelopment area. The Redevelopment Agency, although it has the power of eminent domain, never exercised it, preferring to negotiate with the merchants involved. It was clear, however, that should no agreement be reached, the merchants were subject to condemnation proceedings and the possibility of being awarded much less for their property than what could be obtained through negotiations.

16. Thus, Arrow and the other dealers were confronted with a choice of either agreeing to relocate to the proposed Plaza and receiving assistance from the Redevelopment Agency, or ultimately facing a condemnation proceeding, assuming they survived financially until such actions were brought and resolved.

17. The Auto Plaza, specifically designed with security in mind, is intended to accommodate seven or eight dealers, and construction of the Chevrolet facility if completed. The Buick, Pontiac-Toyota, and Fiat (Arrow) facilities are under construction.

18. Success of the Plaza is vital to the City of Compton, as it hopes the Plaza will eventually pay for itself as well as help change the City's image, attract new industry, precipitate growth, and help ease the present high unemployment problem.

19. Arrow is a corporation, the stock of which is owned by John Fonteno and his wife, Betty. Arrow has been located in the City of Compton since 1960 and is franchised as both a Volvo dealer and a Fiat dealer. The Volvo franchise has been held for almost eleven years.

20. John Fonteno devotes full time to Arrow and spends fifty to sixty hours per week there. He draws only a salary, which is \$2,000 per month.

21. Betty Fonteno works at Arrow as Office Manager/Book-keeper, averaging between eight and eleven hours per day, five to six days per week. She has drawn no salary for several years due to insufficient income to Arrow. Arrow employs eighteen other persons and its payroll is approximately \$25,000 to \$27,000 per month.

22. Arrow and the Redevelopment Agency entered into an agreement under which the Agency purchased and now owns Arrow's Long Beach Boulevard facility (still occupied by Arrow but the Redevelopment Agency is negotiating with someone to take over the property). The agreement obligates Arrow to purchase land

at the Plaza (Arrow has done so) and construct a new facility.

23. Arrow has borrowed \$490,000 to construct a new facility (which is presently under construction) and has already spent \$200,000 in such construction. The total cost of the new facility will be \$650,000. All of the money Arrow received from the Redevelopment Agency will be invested in the Plaza.

24. All of the above occurred without approval from Volvo of the relocation, and much of it was done after express denial by Volvo of permission to relocate.

25. Arrow had obtained permission from Fiat to relocate. Fiat's consent was granted after their study showed they would encounter no problems due to the relocation. None of the six Fiat dealers (two of which are in Long Beach) in the relevant market area protested the planned relocation by Arrow.

26. Volvo's sole reason for denying permission to relocate to the Plaza is the fact that such a move will result in Arrow infringing upon Gray's area of responsibility, which is primarily Long Beach. There will be no adverse financial impact on Volvo if such a move is made. The only other effect upon Volvo would be disruption of its marketing plans in that Arrow and Gray would be closer than Volvo feels is desirable to ensure Gray an adequate marketing area.

27. Both Arrow and Gray are deemed by Volvo to be good dealers and both are located in heavily populated areas.

28. Volvo alleges that its potential for new car sales in Arrow's area of responsibility has been dramatically reduced in the past couple of years and that the income level of the

residents in the Compton area is incompatible with the price of new Volvos.

29. Volvo agrees that Arrow has incurred obligations to meet its franchise and that Arrow's investment is permanent and further, that Arrow's sales and service facilities, parts inventory, personnel and warranty work are all adequate.

30. Volvo also agrees that there would be no advantage in the event of termination of Arrow's franchise, and that the public would be at a disadvantage should this occur.

31. Volvo also agrees that relocation of Arrow to the Plaza would result in better access by the public and more convenience and that the public in both areas of responsibility would be better served if both dealers continued in existence.

32. Volvo also agrees that such a relocation would also benefit Arrow. In fact, Volvo agreed that if not relocated somewhere, Arrow could not continue to operate as a Volvo dealer.

33. Volvo would encourage such a relocation to some other portion of Arrow's area of responsibility other than the Plaza, which is nearer to its Long Beach dealer, Gray. Volvo, on the other hand, admits that if they are faced with a request to establish a new dealer in the Compton area, they would decline to do so and in fact, would prefer to close the point altogether. Volvo would not object to a move by Arrow to some location outside its present area of responsibility.

34. Unfortunately, other than the Plaza, there are no other locations known within Arrow's area of responsibility to which Arrow could move and improve its prospects for the future, or service its area of responsibility.

35. Despite Volvo's alleged willingness to relocate Arrow to a location outside its present area of responsibility, this is unrealistic as Volvo has no open points in Los Angeles County. Regardless of where Arrow would seek to relocate, even outside its area of responsibility, it would infringe on other dealers' assigned areas.

36. Arrow could not survive if Arrow were to move only its Fiat franchise to the Plaza. Arrow needs Volvo to remain viable.

37. Jim Gray Imports, Inc., is owned by Jim Gray (85%) and his father (15%) in trust.

38. Gray was a Volvo dealer in 1961 to 1966, at which time it relinquished its franchise. It re-acquired a Volvo franchise in 1968 and has maintained it to the present.

39. Gray is a single line dealer enfranchised by Volvo only. Jim Gray spends fifteen to thirty hours per week in operating the dealership.

40. Gray sells in excess of 50% of the number of Volvos registered in his area of responsibility.

41. Gray enjoys a very high rate of return on capital and retain surplus investment. It would not go bankrupt should arrow relocate to the Plaza.

42. Gray does not believe Volvo is over-dealerized in the Los Angeles-Orange County area.

43. Gray feels Arrow's relocation would result in Arrow being closer to Gray's area of responsibility and as Arrow would be adjacent to the freeway, Arrow would enjoy greater visibility. Gray estimated the effect of this on its business

as between "0 to 100%".

44. In 1976 South Bay Volvo was relocated with Volvo's permission to a location approximately three miles closer to Gray. Although Gray's sales declined in one specific area thereafter, his overall sales increased.

45. The present location of Arrow and the Plaza are both near the southern border of Arrow's area of responsibility.

46. Arrow's present site and the proposed site are about equidistant from the border of Arrow's area of responsibility, but the proposed site is approximately a mile and a half closer to Gray's location, which is about in the center of Gray's area of responsibility.

47. The straight line distance between Arrow's present location and its proposed location was stipulated at between 1-1/4 to 1-1/2 miles.

48. The driving distances between Arrow's present and proposed site to Gray's are as follows:

Freeway

Present location of Arrow to Gray	7.7 miles
Proposed location of Arrow to Gray	<u>7.2</u> miles
Difference	.5 miles nearer

Surface Streets

Present location of Arrow to Gray	6.4 miles	17 min.	23 signals
Proposed location of Arrow to Gray	<u>5.5</u> miles	<u>15</u> min.	<u>20</u> signals
Difference	.9 miles	2 min.	3 signals nearer

Determination of Issues

1. Refusal of Volvo to allow Arrow to relocate to the Alameda Auto Plaza will result in Arrow ceasing to do business; thus, a de facto termination will occur.

2. There is no good cause to allow such a termination.

3. Relocation of Arrow to the Alameda Auto Plaza will be beneficial to the public, Arrow and Volvo and will not be significantly adverse (if at all) to the interests of Gray.

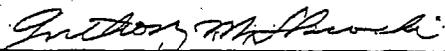
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The following proposed decision is respectfully submitted:

Arrow is entitled to relocate to the Alameda Auto Plaza.

I hereby submit the foregoing which constitutes my proposed decision in the above-entitled matter, as a result of a hearing had before me on the above dates at Compton, California, and recommend its adoption as the decision of the New Motor Vehicle Board.

Dated: August 14, 1978.

  
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ANTHONY M. SKROCKI  
Hearing Officer  
New Motor Vehicle Board