

**Opening Statement by Randolph B. Henderson, Jr.  
Webster Chrysler Jeep, Inc.  
to the House Committee on the Judiciary  
May 21, 2009**

Good morning Mr. Chairman, Congressman Smith, and members of the committee.

I am here today at your invitation with Mr. Henry Ware, President of the General Motors Minority Dealers Association, and on behalf of the National Automobile Dealers Association, the Chrysler Minority Dealers Association and the National Association of Minority Automobile Dealers to present the perspective of many of our fellow Chrysler and General Motors Dealers across this nation. We want to inform you of 1) the devastating impact of the Chrysler Corporation's bankruptcy and possible GM bankruptcy on the dealership body; 2) the lack of transparency and accountability in the taking of our properties and livelihood; and 3) the disparate impact of the proposed dealership reductions on the minority dealer community.

I am a Chrysler Jeep dealer in Webster, NY. Like many dealers, I grew up in the automobile business, started at the bottom by washing, gassing, and repairing cars, and then moved into the retail area for 27 years, the last 15 of which as a Chrysler Corporation dealer. I have enjoyed the opportunity to strive for the American dream. Like many dealers, I have worked my way up through the ranks of the dealership world, competing on a national level, winning numerous awards, and employing over 130 people at one time between three dealerships and generating annual revenues of up to 85 million dollars. My wife and I have donated hundreds of thousands over the years to our churches and community and have been an asset to the Chrysler Corporation. However, the events that have developed around us recently, have created an economic environment where preventable circumstances are causing financial ruin. Chrysler has slated my dealership franchise agreement and hundreds of others for termination through the rejection mechanism of the bankruptcy process.

This situation was not created overnight. It started with Chrysler strongly encouraging it's dealers to sell or purchase additional franchises as part of its consolidation plan – "the Genesis Plan" and in many cases to also build new upgraded and expensive facilities. At a time when many challenges were arising in the market, lenders refused to assist many of us with our working capital needs. The financial sector froze and access to capital evaporated. In addition, Chrysler pressured dealers repeatedly during 2007 and 2008 to order additional new vehicles for our inventory to help the company even though we were unable to move the vehicles currently on our lots. Natural disasters, high gas prices and a drop in consumer spending because they were facing their own economic challenges, made selling Chrysler vehicles very difficult.

Nonetheless, Chrysler told us we needed to help keep the plants going if we wanted to see the company survive. They sought federal financial assistance but did not provide any of those assistance funds to dealers despite the fact that at their request, we assisted them side by side in visits to capital hill to discuss the need for auto industry funding. Towards the end of the year, Chrysler Financial froze my floor plan lines in spite of the fact that we were and always had been current on our capital line, floor line, and mortgage payments to them and also denied us access to our working capital account deposits. Mine is not an isolated story, it has been repeated many times in the last several months all over the country. Chrysler has systematically used low working capital or low profits as the reason to shut down many dealers.

### Chrysler Bankruptcy

Then came the Bankruptcy – Chrysler filed bankruptcy on April 30, 2009. There was a great deal of uncertainty among the dealer body because of no clear criteria regarding who would remain and who would not. On May 14, 2009, Chrysler announced the list of 789 dealerships slated for termination. These businesses are slated for rejection and closure as Chrysler, Jeep, or Dodge franchises on June 9<sup>th</sup>.

Once our names were announced, we were inundated by the media, our employees went into shock, and dealers saw 10, 20, 40, 50 years of work go down the drain, the value of our assets disappeared and the hardworking men and women we employ, who through no fault of their own, faced the prospect of joblessness and the inability to support their families. Our sales have dropped or in some cases completely stopped. Customers are staying away because of the uncertainty regarding both the future of Chrysler and their local dealer.

Why were we on the list? There has still been no clarity or clear criteria presented to us. There are dealers with identical profiles on both lists. There is no accountability, transparency or equity in the process by which the termination decisions are being made. Chrysler is not buying back vehicles, parts, or special tools and there is no right to appeal this decision with the company. Yet the company has received billions of dollars in federal loans and is currently receiving federal taxpayer dollars. What do the dealers receive? A few cents on the dollar, maybe. We have put our life savings into our businesses. Because of Chrysler's actions and the economy, we are cash poor and Chrysler Financial has frozen many of our accounts. I am sad to say that many dealers are unable to even afford to retain individual legal representation to defend ourselves in this very expensive bankruptcy proceeding. Deadlines to file individual objections to being rejected are approaching next week, but what can we do?

For the 2300 dealers on the Assumed list, their survival is no less certain. They could be moved to the rejection list at Chrysler's whim. Even if they stay on the assumed list, many cannot afford the extensive facility upgrades and the working

capital that Chrysler requires. Chrysler knows that with no access to capital in the private sector or direct aid from the federal government, these dealers will not be able to continue to operate in the current environment. As a dealer in Texas who is on the assumed list says, "whether you will go away by rejection or attrition, you still go away."

#### Minority Dealers

For minority dealers, the prospects of Chrysler's bankruptcy are tragic. Less than 5% of Chrysler's dealerships are minority owned. Yet the Census Bureau reported last week that minorities make up 34% of the U.S. Population. We drive cars, we help build the cars and we service the cars. We contribute to our communities and minority dealerships employ 50 people on average, both skilled and unskilled workers.

Out of Chrysler's 3,181 dealerships, minority business people own only 158. Yet Chrysler, in the first phase of eliminations, plans to reject and thereby eliminate 24% of those minority dealers. By ethnicity, that is a 15% reduction for Hispanic dealers, 22% reduction for Native American dealers, 27% reduction for African American and 32% reduction for Asian American dealers. The statistical evidence of disparate impact is hard to ignore.

Similarly, the projected impact on the GM minority dealers is catastrophic as well. Out of General Motors' 6,000 dealerships, only 298 are owned by minority business people, representing a little less than 5% of the entire GM dealer network. While the actual number of ethnic minority dealers who received a franchise termination letter from General Motors last Friday is not yet confirmed, it is believed that a disproportionate number of those 1,124 dealers were ethnic minorities. Furthermore, it is estimated that 57% of the minority dealer body will be impacted by the Pontiac brand eliminations and potential sale or spin-off of the Saturn, Saab and Hummer franchises.

The statistical evidence of disparate impact is hard to ignore. Moreover, given that Chrysler and General Motors are utilizing federal funds, there should be reasonable representation of minorities in its dealer body.

#### Conclusion

In Conclusion, I regret that I am here today on behalf of thousands of majority and minority business owners who face the prospect of financial ruin and the taking of their property without due process and fair compensation. This bankruptcy should not isolate Chrysler from accountability to this Judiciary Committee, dealers or consumers. I am proud to live in a country where I can call these hardworking, small and large business people my friends and colleagues. We appeal to the leaders of this great nation for direct intervention and assistance. Thank you, Mr. Chairman and God Bless.