



James E. Press
Vice Chairman & President

June 12, 2009

The Honorable John D. Rockefeller IV
U.S. Senate
Washington, DC 20510

The Honorable Kay Bailey Hutchison
U.S. Senate
Washington, DC 20510

Dear Chairman Rockefeller and Ranking Member Hutchison:

Thank you for the opportunity to respond to the concerns raised in your June 9 letter. As I highlighted last week at the Senate Commerce Committee hearing, it is critically important that the new Chrysler Group have a viable, realigned dealer network on day one. Despite a painful restructuring, Chrysler Group LLC will retain 86% of Chrysler dealers by volume and 75% by location. I can empathize with the dealers who were not brought forward into the new company, and can understand their disappointment. This has been the most difficult business action I have personally ever had to take.

The concerns you have raised are addressed in order below:

Vehicle Inventory, Parts and Special Tools

Regarding the concerns you have outlined relative to inventories, parts and special tools, Chrysler has made a commitment to its discontinued dealers that 100% of the inventory on their lots will be purchased at cost minus a \$350 inspection, cleaning and transport fee. Through a letter dated June 5, 2009 Chrysler informed all discontinued dealers that we will guarantee the re-distribution of 100% of eligible vehicle inventory. **We have successfully found buyers for 100% of the outstanding vehicle inventory**, and dealers requesting our assistance have received commitments for 80% of their parts inventory. **We will continue to work with the discontinued dealers to redistribute their parts inventory for the next 90 days. After that time we will commit to repurchase remaining qualified parts inventory from those dealers at the average transaction price for all parts already redistributed. We will also continue to work to redistribute all remaining special tools.**

Dealer Terminations and Market Re-entry

While some profitable dealers were not retained by Chrysler, it is important to note that profitability alone is not an adequate measure and is one of several elements that determine a dealer's viability and value to Chrysler. The factors we considered in making these decisions included:

- Total sales potential for each individual market
- Each dealer's record of meeting minimum sales responsibility
- A scorecard that each dealer receives monthly, and includes metrics for sales, market share, new vehicle shipments, sales satisfaction index, service satisfaction index, warranty repair expense, and other comparative measures
- Facility that meets corporate standards
- Location in regard to optimum retail growth area
- Exclusive representation within larger markets (Dualed with competitive franchise)
- Opportunity to complete consolidation of the three brands (Project Genesis)

Dealers may be profitable while not meeting their Chrysler new vehicle "minimum sales responsibility" level. For example, a dealer may focus on maintaining a low cost structure through a lack of modernization, a heavy emphasis on used vehicles, lack of investment in training and capacity. Therefore, a dealer could be profitable while not meeting their new vehicle sales and customer satisfaction obligations.

Also, we understand and value the loyalty and experience represented in many of the discontinued dealers. As we consider market re-entry or expansion in the future, **Chrysler Group LLC will commit to provide non-retained dealers with an opportunity for first consideration of new dealerships that the company may contemplate.**

Providing Transparency in the Decision-making Process

To achieve the necessary realignment, we used a thoughtful, rigorous and objective process designed to have the least negative impact while still creating a new dealer footprint scaled to be viable and profitable for the long-term. Factors in the decision-making are outlined in the second question above.

Upon request, we will share with any dealer the rationale and specific data used in making the decision on the dealer separation.

Consumer Protection

Bankruptcy is a very difficult process requiring hard choices and painful decisions. The bankruptcy process has impacted all existing stakeholders. With a failed enterprise, there are many who suffer significant losses. Traditionally in a bankruptcy, liabilities such as product liability claims are not carried forward into the new enterprise. The judge found this decision to be within the debtor’s sound business judgment, and it is a customary bankruptcy outcome. Any product-related claims arising from vehicles sold by the New Chrysler will be addressed by the new company. This is consistent with the goal of a Chapter 11 bankruptcy, which is to create a framework enabling a vibrant, sustainable new company to emerge.

Consumer Access to Service in Rural Areas

There will be over 2,300 remaining Chrysler, Jeep and Dodge dealerships conveniently located with the parts and trained technicians to service consumers’ vehicles. Based on registration data, our customers reside an average of 6.28 miles from the nearest Chrysler, Jeep or Dodge dealer now; this distance will increase to 6.80 miles after the consolidation. With regard to rural dealers, the distance increases from 9.72 to 10.70 miles. Even with the consolidation, our dealers on average are more conveniently located to customers than Toyota or Honda dealers are to their customers.

Additionally, we will consider companion facilities to address potential sales and service issues in areas of concern. Chrysler will send a letter to all customers notifying them of the four nearest dealers who can provide service. It is not in Chrysler’s interest to abandon existing customers to the detriment of future parts and new vehicle sales.

Customer Convenience Comparison

Average distance in miles a customer must drive to reach a dealership

	Old	New		Toyota	Honda	Chevy	Ford
	Chrysler	Chrysler	Change				
Metro	4.45	4.82	0.37	5.01	5.11	4.10	4.23
Secondary	6.08	6.44	0.36	7.38	7.58	5.69	5.76
Rural	9.72	10.70	0.98	19.27	24.27	8.04	8.69
Total	6.28	6.80	0.52	9.11	10.31	5.58	5.81

Placement Assistance for Chrysler Technicians

Chrysler is sensitive to the job loss associated with the non-retained dealers. **In an effort to assist employees, a job posting website is currently being developed in partnership with Careerbuilder.com.** This website will list jobs that are available at Chrysler dealerships nationwide to the extent such information is provided to us. Additionally, there will be a resource section to provide “how to” tips on items like resume building and job interview techniques.

Again, I appreciate your concerns and want to assure you that we are doing everything we can to support the dealers that are not going forward and to ensure that the new company going forward is successful.

Sincerely,

A handwritten signature in black ink, appearing to be 'Gary', written in a cursive style.

cc:

Senator Daniel K. Inouye
Senator Olympia J. Snowe
Senator John F. Kerry
Senator John Thune
Senator Byron L. Dorgan
Senator Roger F. Wicker
Senator Bill Nelson
Senator Sam Brownback
Senator Maria Cantwell
Senator Mike Johanns
Senator Mark L. Pryor
Senator Frank R. Lautenberg
Senator Amy Klobuchar
Senator Claire McCaskill
Senator Mark R. Warner
Senator Mark Begich
Senator Barbara Boxer
Senator Tom Udall