TESTIMONY OF DANIEL J. KIEKENAPP
BEFORE THE CONGRESS OF THE UNITED STATES
HOUSE OF REPRESENTATIVES
COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
FRIDAY, JUNE 12, 2009, 10:00 A.M.
ROOM 2322 RAYBURN HOUSE OFFICE BUILDING

Mr. Chairman and Members of the Subcommittee:

My name is Daniel J. Kiekenapp, and I am the General Manager and a shareholder of Tacoma Dodge, an automobile dealership in Tacoma, Washington. Thank you for giving me the opportunity to tell you the Tacoma Dodge story and how the TARP funds you authorized are being used.

Tacoma Dodge has been in business continuously since 1972. Until this week the dealership was valued at several million dollars and employed 71 people. In the month of April 2009, the last month for which we have a complete report, reports prepared by Chrysler showed that Tacoma Dodge was ranked No. 1 in Western Washington and No. 2 in the entire state of Washington for the sale of new Dodge vehicles.

These reports prepared by Chrysler also showed that out of the 8 western states covered by the reports, Tacoma Dodge ranked 32 out of 313 dealers for the sale of Dodge vehicles. Other reports prepared by Chrysler for the area Chrysler termed "Team Washington" (which covers more than the state of Washington) shows that in 2006 Tacoma Dodge was ranked 7th out of 60 dealerships; in 2007 it was ranked 8th out of 41 dealerships; and in 2008, our worst year ever (because of the economy and the public's lack of enthusiasm for Dodge vehicles), we still ranked 8th out of 35 dealerships. These stellar sales rankings were accomplished in competition

with other dealers selling multiples lines of Chrysler vehicles, whereas Tacoma Dodge only had the opportunity to sell Dodge brand vehicles.

The Dealer Performance Report prepared by Chrysler for year end 2008 comparing Tacoma Dodge with the Dodge dealers in Washington State shows we have net earnings of $1,704,249, whereas the group average for the same period was $680 – yes, only $680 average per dealership.

We enjoyed the same success with our parts business. The dealer score card for December 2008, a report prepared by Chrysler, shows that in 2008 Tacoma Dodge purchased $3,895,166 worth of new parts from Chrysler, whereas the average dealer within the United States purchased a total of only $746,107 worth of parts. Chrysler designates its top 100 dealers for the sales of parts as Mopar Master Dealers, and we were one of these top 100 – in fact, we ranked No. 76 among all of the Chrysler dealers in the United States for the sales of parts.

In the area of customer satisfaction and retention we consistently out performed our peers. As of February 2009 Tacoma Dodge had an over 25% customer retention average, as compared to approximately 17% average for all of the Chrysler dealers in the Western United States.

Our problems began when Chrysler assigned us an unreasonably high minimum sales requirement, requiring us to sell an unrealistically high number of vehicles. We didn't understand why Chrysler would assign us such an unreasonably high number, so we looked at the demographics they used and found they had made several errors in the traffic patterns and other demographics they used for our market area. We then pointed this out to Chrysler and asked them to recompute our minimum sales requirement based upon the correct demographical information. Unfortunately, Chrysler refused to even consider our request.

In the spring of 2008 I attended the only dealer meeting I am aware of whereby representatives of Chrysler explained Project Genesis to the Chrysler dealers in Western Washington. Project Genesis is the name of their program to reduce the number of dealers. During that meeting representatives of Chrysler stated that under Project Genesis there would be two Chrysler dealerships in Pierce County, Washington, and one of those dealerships would be in the City of Tacoma so that the needs of Chrysler customers in Tacoma would be adequately addressed.

On May 14, 2009 I received notification from Chrysler that it intended to terminate Tacoma Dodge as a dealer. In the state of Washington we have a Franchise Act to protect dealers from manufacturers unreasonably terminating a dealer. Under the Washington Franchise Act Chrysler would never have been able to terminate Tacoma Dodge since Tacoma Dodge was one of its most outstanding dealers using any "yardstick" you want to use to measure our performance. However, the notification from Chrysler told us we were being terminated under the US bankruptcy laws, which provide no such protection to dealers. The termination of Tacoma Dodge leaves the City of Tacoma, which is the second largest city in Western Washington with a population of almost 200,000, without a single Chrysler dealership. Chrysler's termination of us also leaves Pierce County, which has a population of almost 800,000 persons and is the second most populous county in the state of Washington, with only one Chrysler dealership.

As a result of Chrysler's actions Tacoma Dodge, which in April was ranked the No. 1 Dodge dealer in Western Washington, can no longer sell any new vehicles, nor can we do any warranty work on any new vehicles. We have been reduced to being a used car lot and a neighborhood automobile repair facility. In the process, 35 faithful and loyal long-term

employees have lost their jobs, and Pierce County and the State of Washington have lost a payroll of approximately $1,300,000 per year.

Again, thank you for the opportunity you have given me to tell you how the TARP funds you authorized are being used.