

Jun 8, 2011

Contact: Jodi Tinson

Shawn Morgan

**SCOTT GARBERDING, 2011 APMA Annual Conference and Exhibition, Windsor, Ontario**

Scott Garberding  
Senior Vice President - Manufacturing/World Class Manufacturing, Chrysler Group LLC  
2011 APMA Annual Conference and Exhibition  
Caesars Windsor  
Windsor, Ontario  
June 9, 2011

---

Thank you, Steve [Rodgers of APMA], for that introduction and for the invitation to join you today.

Good afternoon, everyone.

On this date in 2009, the United States Supreme Court cleared the way for the formation of the new Chrysler Group LLC, which officially began operations as a new entity the next day.

So it seems appropriate that we are meeting today at a casino, because two years ago there weren't many people willing to bet on Chrysler's chances for viability.

Some of those doubters were pension funds who had filed suit to block the emergence of the new company. They claimed that they would recoup more of their investments if the old Chrysler simply was liquidated.

At the time, I was head of purchasing, and I had to give a number of depositions as well as testify in court.

I'm not telling you this just to solicit sympathy over the fact I had to spend so much time with lawyers.

I'm relating this because my testimony was about the OEM-supplier relationship.

In essence, I said that if you shut down Chrysler, you will also shut down its suppliers – and if that happens, you will destroy all the value in Chrysler. I testified that we had to keep the blood flowing because we can't make cars without healthy suppliers.

So I'm especially pleased to be here today. First, because I want to express my appreciation to so many of you who hung tough with us through some agonizingly difficult times.

In addition, I want to reinforce the fact that we understand just how critical the supply base is to our success. We need your technical expertise, your creativity, and your commitment to quality and efficiency in order for us to meet and exceed the expectations of customers.

I believe that sharing information helps build trust in any relationship. In that spirit, today I'd like to give you an up-close look at one of the major changes happening at Chrysler – namely, the implementation of a system called World Class Manufacturing, or WCM.

First, however, I would like to bring you up to speed on just how far Chrysler Group has come in two years.

One of the most remarkable achievements has been the revamping of our product portfolio, top to bottom.

In the span of 19 months, we launched 16 all-new or significantly refreshed vehicles.

That includes two all-new nameplates, along with 75 percent of the nameplates carried over by 2009.

For our refreshed vehicles, the changes go way beyond cosmetics.

We launched two new engines. One of them, the Pentastar V-6, was recognized by Ward's Automotive as one of the "Ten Best" for 2010, and is already available in 10 of our models.

The other engine launched was the Fiat MultiAir Engine System, voted one of the top automotive technologies for 2010 by the editors of Popular Science. This fuel-sipping, 1.4-liter engine debuted in the 2012 Fiat 500.

The changes to our vehicles also included re-tuned suspensions, all-new interiors and new safety features, in addition to exterior changes. All in all, the consumer experience has been dramatically improved.

Earlier this year, Forbes magazine reported on the transformation in our lineup with a story headlined, "Against the Odds, Chrysler Goes From Third World to World Class."

This is intoxicating stuff, coming from the media that was so ready to write our obituary two years ago. But we're not letting it get to our heads. We know that we have to keep pushing to improve our products and processes to keep up

with the industry's relentless competition.

We have two Canadian assembly plants, both of them in Ontario, that are playing a big role in our recovery.

At Brampton, we build the Dodge Challenger as well as the all-new Dodge Charger and all-new Chrysler 300.

Esquire magazine said the new Charger is "everything a big, brash American car should be," and Motor Trend said that "returning Charger customers will be stunned at how improved this interior is."

As for the Chrysler 300, it is our company's flagship, and the new model replaces a car that received more awards than any other vehicle in North American automotive history. It is hard to replace a legend, but in the words of Popular Mechanics, "The whole ownership experience is worlds better."

Windsor Assembly builds the Dodge Grand Caravan, Chrysler Town & Country and Volkswagen Routan minivans, including international and right-hand drive versions, cargo vans and vehicles with diesel engines.

Chrysler invented the modern minivan, which debuted in 1983 as a 1984 model. Thirteen million minivan sales later, we're still leading the pack thanks to constant innovation.

In a recent issue of Autoweek, Denise McCluggage wrote, "The Town & Country made me smile. It is so coolly elegant without being cold. It somehow accepts that word 'minivan' and elevates it, like diamonds on denim."

This is just a small sampling of the accolades coming in for our new products. The 2011 Jeep Grand Cherokee, built across the Detroit River at our Jefferson North Assembly Plant, has garnered 30 awards by itself from opinion leaders, including "Best SUV" honors from the Texas Auto Writers Association, the Rocky Mountain Automotive Press Association, Playboy, Ruedas ESPN, and the Northwest Automotive Press Association, as well as Internet Truck of the Year and the Detroit News Truck of the Year.

Our new products are driving gains in sales and share.

In Canada, Chrysler sales have grown for 18 consecutive months. Our May sales were up 17 percent from the same month a year ago, and Chrysler Canada is the Number Two seller of vehicles in the country for the 2011 calendar year.

In the U.S., overall industry sales were down in May, but Chrysler Group still posted a 10 percent sales increase, marking 14 consecutive months of year-over-year sales gains. Our sales for the calendar year are up a solid 20 percent.

Customer enthusiasm for our new vehicles also helped us realize a net profit of \$116 million for the first quarter. It was the first quarterly net profit since we began operating in June 2009, another real milestone in our comeback.

Then, on May 24, Chrysler repaid every penny loaned to us by the U.S., Canadian federal and Ontario provincial governments – plus interest. The payback, made possible by a refinancing package, was significantly in advance of the loan requirements.

This was a momentous occasion for Chrysler, signifying that we had justified the faith shown in us and that we were ready to stand on our own two feet again.

In concurrence with the payback, Fiat exercised an option to acquire an incremental 16 percent of Chrysler Group, bringing its total interest to 46 percent on a fully diluted basis.

And then last week, the U.S. Treasury reached an agreement to sell to Fiat its remaining 6 percent equity stake in Chrysler. This will bring Fiat's share of Chrysler to 52 percent when the transaction is completed.

Fiat plans to increase its stake by an additional 5 percent when Chrysler meets the target of producing a 40 miles-per-gallon vehicle in the U.S. based on a Fiat platform, which we expect to achieve in the second half of this year.

As partners, Fiat and Chrysler complement each other in terms of products, technology and geography.

We are sharing best practices, including the World Class Manufacturing production system that was a key part of Sergio Marchionne's successful turnaround strategy after he took the CEO job at Fiat in 2004.

I know that you've been hearing about lean manufacturing principles for the past 20 years.

With WCM, the difference is in the way we are engaging the work force. People on the plant floor – team leaders and team members – are taking ownership when it comes to driving change.

This is a lot different than change that is imposed on workers, top-down. When employees don't understand the reason behind change, they are not likely to get excited about it.

At its heart, WCM is based on a belief that a fully engaged workforce that takes pride in its work is an essential element to building the highest quality vehicles in the world.

We are investing a lot of time in people development. The people who work in the plants have the experience, the know-how and the creativity to drive improvements.

The emphasis is on small teams and a structured approach to solving problems and improving safety, efficiency, quality, ergonomics and flexibility by rooting out all forms of waste.

WCM is being implemented throughout Chrysler's manufacturing system. But today I want to focus on an example that many of you may be interested in, as it is practically in our back yard as I speak.

I'm referring to the Windsor Assembly Plant, which began operations in 1928, making it our oldest facility. We operate three shifts at this facility – the line never stops, except for lunch and briefly between shifts, when teams meet to discuss issues and problem-solving ideas.

With WCM, there are 10 areas of concentration, which we call "technical pillars." If you walked through the assembly plant, you would see small boards posted near work areas with information related to the process for defining goals and making improvements.

Dino Gatto is a team leader in the Final Car area at Windsor Assembly. He is responsible for one of the many information boards we have in the plant.

Dino is especially proud that his team has gone 89 days without anyone needing First Aid attention. That count, updated daily, includes all three shifts.

The focus on safety is foremost. Of course, we always tried to eliminate major occurrences such as death and serious injuries.

With WCM, we also look below the water line in order to consider trips to First Aid, near misses, unsafe conditions and unsafe acts and eliminate them.

Team members are encouraged to recognize these issues, conduct a root cause analysis and immediately work to improve conditions before a recordable injury happens. No one wants to work in unsafe conditions, and what we're seeing is that team members are not only protecting themselves, they are also looking out for the man or woman who works alongside.

If the unsafe condition is relatively simple – let's say the need to remove something on the floor that poses a tripping hazard – the team leader can quickly get someone to take care of it.

Sometimes the situation involves an ergonomics problem. Jobs that require twisting and bending can result in injuries. Overhead work may cause strains, and it might also result in the operator bumping his head against the car carrier if he has to move too hurriedly to do multiple tasks.

Prior to WCM, we didn't really have the mechanisms in place to quickly address an ergonomics complaint. As a result, you might have had an employee going to First Aid more than once before attention was paid to making a change.

Autonomous maintenance is another important element of WCM. Workers are empowered to keep their areas clean and their equipment functioning at peak conditions.

One of the first things that teams do is go about restoring basic conditions. They deep clean an area, and then go to work identifying sources of contamination.

In every body shop area, one of the sources of contamination is weld slag, which is the dust that is created when welding tools set off those little explosions of sparks.

Not too long ago, one of our competitors ran a TV commercial showing sparks flying from welding activities.

Very photogenic! But the truth is, it's inefficient, because the energy you're using to create sparks isn't going to the weld. The sparks are a result of the zinc coating basically boiling off and shooting into the room. This slag is a safety hazard, requires cleanup time, can cause equipment breakdown and affects quality. And it makes a mess.

Best practices are shared across plants under WCM. The people at Windsor Assembly, taking their cue from teams at the Toledo North Assembly Plant, resolved the issue by addressing issues such as the alignment of guns and tips, uneven wear and basic fit. As a result, sparkless welding eventually was achieved.

The great thing is, if you can get rid of the source of the mess, then you don't have to clean it up any more.

With WCM, once something is clean, teams work on the task of reducing cleaning time by at least 90 percent. This is a very different approach, which focuses on what is making things dirty and how to stop the sources of dirt.

"Work smarter, not harder" is a philosophy you hear expressed in our plants today.

This attitude shows up in the approach to logistics. Formerly, it was common for an operator to walk back and forth between the assembly line and a parts rack, or to walk to retrieve a tool.

All that walking is non-value added. The customer is only paying for the value-added activity – the time that the worker is actually putting something on the vehicle.

As part of WCM, we evaluate every machine and every work station to identify every loss of significance. Once we understand where the losses are and have assigned costs, we work toward reducing non-value-added time and activities.

This analysis helps team members understand why it's important to make improvements. They understand the logic and become more involved.

"Lineside limos" are being used at our plants to enable assemblers to concentrate on installing parts, instead of walking. A limo is basically a cart, loaded with parts, that moves down the line with the vehicle so that the operator can pull the parts from bins on the limo, instead of going back and forth to get the parts from racks.

This frees up assemblers to do more tasks, but it's a good tradeoff for them. Even if you only reduce walking by four or five steps per vehicle, you save the operator from walking a couple of extra kilometers every shift.

One of the cool things at Windsor Assembly is that the tradespeople designed and built the lineside limos themselves. The limo's bins are loaded in what's called a "kitting area," where employees use error-proofing methods to insure they pick the right parts.

Once a limo has been loaded with parts, it is attached to an AGV – an automatic guided vehicle – that takes it to the head of the line, where each limo is attached to an overhead car carrier.

Remember, I mentioned that Windsor is our oldest assembly plant. The use of lineside limos allowed us to not only rebalance jobs, but also compress the model assembly area. This allowed us to take a section of the line that actually was staffed by 30 people per shift on the second floor. Those jobs are now all on the first floor, eliminating the need to deliver materials through use of an elevator.

With WCM, the goal is to present parts to the individual operator within a 60-degree window. We call this the "golden zone."

You can see how this operator on the door line receives her parts within the golden zone. All of her parts she needs are located in two of the bins that travel between the doors. It's like being a surgeon – all the parts and tools are right there.

In the door-line area alone, Windsor Assembly has been able to reduce non-value-added time by 76 percent.

We understand the critical importance of improving our quality, and WCM has rigorous steps for quality control. We've also made extensive investments in assuring high levels of fit and finish.

In three of our assembly plants – Brampton, Jefferson North and Toluca, Mexico – we have installed state-of-the-art Metrology Centers to ensure precise measurement and validation of body geometry, down to tolerances as small as human hair.

We're able to simulate the build of a vehicle and do a lot of problem solving before production ever begins, a huge step forward in fostering a quality launch.

At Windsor Assembly, the body changes to the recently redesigned minivans involved the hood and liftgate. We made sure Windsor had the measurement capabilities to confirm the fit of those new pieces, and we plan to eventually put a full-blown Metrology Center there as well as in all of our assembly facilities.

WCM gives us a very rigorous process, called cost deployment, which allows us to set priorities for improvement. With cost deployment, a plant's management and its workers are able to focus their efforts on the activities with the greatest potential to make a difference in areas such as safety, quality, ergonomics and maintenance.

WCM demands a higher level of rigor and logic than what was traditional for us at Chrysler.

It is impossible for us to execute at these new levels without engaging our hourly workforce in planning, execution and problem solving.

We put a lot of effort into people development. But instead of the broad-based training programs we emphasized before, we've moved to a much more focused philosophy – one that emphasizes much smaller, team-focused efforts than before.

If you train people to do the analysis and to make changes, you are in effect giving them new eyes. And then what happens is that they see things that they want to change themselves.

We're removing a lot of the threat that comes from change, because people can understand the logic from a safety, quality and cost perspective. Don't just take my word for it, here is a short video clip with a Windsor team member.

The results have come fast at Chrysler, in part because our Fiat partner already has gone through the implementation of WCM. Fiat not only provided us a great toolbox to work with, but also deployed experts in the system to help Chrysler get the system up and going.

The progress we have made is also a tribute to our employees' willingness to embrace change.

Let me cite some data from Windsor Assembly.

In 2010, the plant reduced injury frequencies by 60 percent and first aid trips by 30 percent, indexes that are both based on total hours lost versus total hours worked.

For the 2010 model year, warranty incidences were reduced by 18 percent, an indication of improved build quality.

By eliminating waste, Windsor Assembly achieved an estimated cost savings of \$45.8 million U.S. dollars in 2010, which exceeded its target by some \$5.8 million dollars.

Employee suggestions show how engaged they are. In 2010, workers in model areas offered an average of 15.9 suggestions per person, and those in non-model areas contributed 7.1 suggestions per person.

Positive results are showing up throughout our manufacturing system. In 2010, Chrysler Group workers offered more than 230,000 suggestions – that comes to 6.6 per person. And about two-thirds of those suggestions were implemented. About 56,000 of the suggestions were turned into kaizens – continuous improvement projects that produced an estimated \$305 million dollars in annualized savings.

System-wide, we realized productivity improvements of 9 percent, which surpassed our target of 8 percent.

Our people identified 57,000 unsafe conditions and nearly 80,000 unsafe acts. This enabled us to reduce incidents on the First Aid Index by 25 percent and to decrease lost time injuries by 40 percent.

On the quality front, first-time capability improved by 13.2 percent during 2010.

The target for WCM is to reduce waste and defects to zero. WCM will allow us to continue to drive improvements in the system.

It's a different way of thinking throughout the entire organization. If you talk to Marcel Breault, Windsor Assembly's plant manager, he'll tell you that he now spends 80 percent of his time looking for improvements – and that means getting out on the shop floor and talking to people.

We could not have made this much progress without our union partners, the UAW and CAW, at all levels. Union leadership has stuck to its principles, to improve the well-being of its members. In so doing, we are working together to implement WCM in a way that enhances not only the company but also the overall work experience and, ultimately, job security.

One of the strengths of WCM is that it has a well-defined methodology, including an audit process that generates focus and creates an avenue for further learning.

At the beginning of WCM implementation in 2009, Windsor Assembly scored an 18 in its audit. This spring, when external auditor Professor Hajime Yamashina audited the plant, it scored a 40 – the first of our assembly plants to reach that level. Bronze level status is a score of 50, and Windsor is working to surpass that when it is next audited in the fall.

The highest audit score so far at Chrysler was achieved by our GEMA engine plant, located in Dundee, Michigan.

One thing that perhaps you can take back to your own company is the importance of having a clearly defined production system that is consistent across your plants.

For us, WCM is a single methodology that applies to all of our facilities – assembly, engine, transmission, stamping and parts plants.

It represents a significant change, and it won't work unless your CEO considers it important. Sergio Marchionne, the CEO of Chrysler Group and Fiat, often speaks of how WCM is driving the change in culture that is critical to the revitalization of Chrysler just as it helped Fiat restore world-class status.

World Class Manufacturing is big. It is not just another program. It is an interactive process that involves the way we work every day. It involves a better way to work and achieve competitiveness, and it is helping restore pride and dignity in the workplace.

WCM is the single methodology to run our plants and drive improvements, and it requires a deep commitment at all levels of the organization.

Chrysler Group is going through a profound transformation, and WCM is a vital part of the change that is designed to establish us firmly as a world-class company.

We know this is a goal that can only be reached in partnership with some great supplier companies. I hope my presentation today has contributed to building understanding between us and strengthening our bonds.

Thank you very much.

-###-

Additional information and news from Stellantis are available at: <https://media.stellantisnorthamerica.com>