

Chrysler Group's World Class Manufacturing Academy Realizes over \$1 Million in Savings since January Opening

- Head of World Class Manufacturing updates Academy's progress at manufacturing conference
- About 1,500 workers have attended training at Academy through June
- Chrysler hourly employees made 282,000 suggestions for improvement in 2011; 70 percent implemented

June 20, 2012, Plymouth, Mich. - Chrysler Group LLC's new World Class Manufacturing (WCM) Academy has only been open for about six months and already it has generated over \$1 million in savings, according to Mauro Pino, the Company's Head of World Class Manufacturing, speaking at a manufacturing conference in Plymouth, Mich., on June 21, 2012.

"The financial results of the home plant projects have made the Academy an excellent business case, producing hard savings of over \$1 million so far," said Pino. "And that figure is expected to grow to nearly \$2.5 million in savings by year end."

Pino was invited by the Italian Trade Commission and its Machines Italia project, along with IndustryWeek and Ward's Auto World, to speak to industry leaders attending the conference, "Fast Forward: Strategies for Solving Manufacturers' Most Difficult Problems," about how Chrysler has pioneered ways to overcome obstacles to profitable growth.

Chrysler Group can attribute much of its recent improvements in quality, safety and productivity on the implementation of WCM in all of its manufacturing facilities in the U.S., Canada and Mexico, for which Pino is responsible. WCM is a methodology that Fiat began developing, implementing and refining in 2005 with the purpose of reducing waste, increasing productivity and restoring dignity to the employees. As a result of the collaboration with Fiat and the sharing of knowledge since 2009, WCM has become the driving force behind significant changes on the shop floor, leading to the Dundee (Mich.) Engine Plant and the Windsor (Ont.) Assembly Plant becoming the first Chrysler facilities to earn Bronze, the first award level of achieving World Class status.

"The goal [of WCM] is to continuously improve performance in order to reach the objective of zero waste. Waste is broadly defined, and it includes the goal of zero accidents, zero breakdowns and zero inventories," said Pino. "This approach creates value for both the business and the customer, ensuring product quality and maximum flexibility in responding to customer needs by involving and motivating employees at every level."

During his keynote speech, Pino spoke about how the WCM Academy, which opened in January at the UAW-Chrysler Technology Training Center in Warren, Mich., was created to help accelerate the pace and rigor of WCM implementation. It combines classroom and laboratory sessions, with the emphasis on hands-on exercises in problem solving. About 1,500 workers representing more than 40 manufacturing facilities have gone through training programs at the academy through June.

"At first, we thought we might have to ask our plants to please send people to the Academy. But the response has been so overwhelming that we have twice as many applicants as we have slots for training," said Pino. "The plants understand that the people coming out of the Academy are great assets because of their success in applying their learnings when they come back to the plant and create improvement projects."

One of the projects that contributed to the \$1 million in savings was implemented at Chrysler's Indiana Transmission Plant (ITP) in Kokomo, Ind., after employee Tracey Aber attended the Academy's Seven Steps of Micro Stoppages course. Micro-stoppages are small equipment breakdowns that can cause major losses in time and money. The

course, using a slot car track as an educational tool, teaches participants to see that there might be more to a breakdown than what is obvious to the naked eye and apply a disciplined process to find the root cause of a problem.

After taking the course at the Academy, Aber returned to his home plant and engaged his team to use the methodology he learned to identify the true root cause of the hidden phenomenon that was causing pallets along the line to impact each other and stop the line about 15 times per day. By analyzing the issue using WCM tools, the ITP team implemented two countermeasures that dampened the impact of the pallets and eliminated the re-coil effect, resulting in the machine having zero micro-stops for three months.

"The human element is at the center of WCM. Our success depends on the involvement of our workers, who work in teams. Team members understand that they have a vital role to play in improving their areas of work," said Pino. "Everyone is encouraged to continually make suggestions, and every suggestion is considered and evaluated for potential application."

In fact in 2011, Chrysler Group hourly employees made 282,000 suggestions for improvements at their facilities and more than 70 percent of those suggestions were implemented.

But what is essential for WCM to be successful is the "psychological contract" between management and labor, according to Pino.

"Managers need to trust workers as being the best workforce possible, and workers need to trust managers are leading them in the right direction," said Pino. "We could not succeed in implementing WCM without the cooperation of our unions, the UAW and CAW. It is a win-win, because management recognizes we need the knowledge, experience, creativity and dedication of unionized workers. And the unions realize that the well-being of their members is tied to Chrysler's success."

Pino told the audience that WCM is crucial to Chrysler's competitiveness and future success. Collectively, the company is removing problems as quickly as possible in order to achieve the "zero" concept.

"WCM is not another project or initiative, because those come and go," said Pino. "To put it simply, WCM is the way we run our business."

About Chrysler Group LLC

Chrysler Group LLC, formed in 2009 to establish a global strategic alliance with Fiat S.p.A., produces Chrysler, Jeep®, Dodge, Ram, Mopar, SRT and Fiat vehicles and products. With the resources, technology and worldwide

distribution network required to compete on a global scale, the alliance builds on Chrysler Group's culture of innovation, first established by Walter P. Chrysler in 1925, and Fiat's complementary technology that dates back to its founding in 1899.

Headquartered in Auburn Hills, Mich., Chrysler Group's product lineup features some of the world's most recognizable vehicles, including the Chrysler 300 and Town & Country, Jeep Wrangler, all-new Dodge Dart, Ram 1500, Jeep Grand Cherokee SRT8 and Fiat 500. Fiat contributes world-class technology, platforms and powertrains for small- and medium-size cars, allowing Chrysler Group to offer an expanded product line including environmentally friendly vehicles.

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