

Chrysler Group Toledo Project Highlights Supplier Co-Location Concept

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- Innovative manufacturing project confirmed for family of future vehicles
- Suppliers to build and operate body and paint shops, chassis assembly
- \$2.1 billion total program investment; \$900 million to be invested for manufacturing

The Chrysler Group today announced plans to pursue an innovative manufacturing project in the City of Toledo that will feature the most advanced use of supplier co-location yet in North America. Part of a \$2.1 billion total program investment, the project will be located on the company's existing manufacturing complex on the city's north side and will produce a family of future vehicles for sale worldwide.

In the Chrysler Group's co-location project, three suppliers will build and manage key manufacturing process facilities for body, paint and chassis operations that are totally within the plant "footprint." The companies chosen for this supplier co-location project, pending final negotiation of purchase agreements, are The Kuka Group (body shop operations), Durr Industries (paint shop operations) and Hyundai Mobis (chassis assembly).

Tom LaSorda, Chrysler Group Chief Operating Officer, called the concept an alternative to the traditional "greenfield site" approach to new manufacturing facilities employed by many automakers. "At the Chrysler Group, we love to defy conventional wisdom," said LaSorda. "That's why – today – 23 of our 24 major manufacturing facilities are still in urban locations ... and are still part of the economic lifeblood of their communities."

Chrysler Group is able to accomplish similar savings to "greenfield" concepts because supplier investment in the project will equate to an approximate \$300 million savings, "enough to pay for one additional derivative product," said LaSorda. Total capital investment for the Toledo project is projected to be \$900 million.

But the uniqueness of the project doesn't stop there, added Frank Ewasyshyn, Executive Vice President, Manufacturing. "This is a true collaborative partnership with the UAW, as well," said Ewasyshyn. "We had to look long and hard at what kind of innovative work practices would allow an investment like this to happen in an operation like Toledo – the oldest existing manufacturing facility in America."

Chrysler Group and the UAW signed an unprecedented, eight-year agreement last December for Toledo Jeep® employees that paved the way for this partnership.

"The UAW recognized that having suppliers based in our facility could open new opportunities... it just meant looking at it from a different direction," said Ewasyshyn. In the case of chassis builder Hyundai Mobis, for example, it meant attracting a new supplier to the Midwest. Hyundai Mobis has plans to open a facility in Alabama, and currently operates primarily in China and Korea.

"This project keeps approximately 3,800 jobs right here in Toledo, it enables us to implement new ways to become competitive in a rapidly changing time for our industry," said Lloyd Mahaffey, UAW Regional Director, Toledo Region.

Ewasyshyn also credited the current Toledo workforce for its efforts to improve quality, productivity and safety in the plant operations. In the 2004 Harbour Report, Toledo (Ohio) North Assembly Plant and Toledo (Ohio) South Assembly Plant achieved 9.5 percent and 9.2 percent improvements over last year's performance respectively. The complex also was recognized by the National Safety Council with the "Green Cross for Excellence" and "Significant Improvement" awards for realizing outstanding strides in plant safety. Those achievements directly contributed to making the new manufacturing project a reality.

LaSorda added that it is only through innovative approaches such as these that the Chrysler Group can close the competitive gap with "transplant" companies that aren't burdened with legacy costs. "We have commitments to the communities in which we operate and to our union partners," he said. "Our intention is to honor those commitments."

Government Support

A collaborative effort between the State of Ohio, City of Toledo and Toledo-Lucas County Port Authority has resulted in proposed support for the manufacturing project, which is currently pending the final government approvals. The support is expected to include tax incentives, abatements, land, traffic-related infrastructure changes, training funds, among others.

"This project helps secure great jobs in Toledo both now and into the future," said Bob Taft, Governor of Ohio. "It represents the great relationship between Ohio and Chrysler Group, and the commitment by both to keep Toledo the home of Jeep."

Today's announcement represents one example of Chrysler Group's overall flexible manufacturing strategy, which involves a number of actions that enable multiple products to be built on the same assembly line; the ability to react quickly to changing market demands; and alternative practices to traditional vehicle assembly.

Construction of the new facilities is tentatively scheduled to begin this fall, with vehicle production slated for 2006.

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