

The Fifth Dimension: The Supplier & OEM Interface

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The Fifth Dimension

The Supplier & OEM Interface

- DaimlerChrysler Overview
- The Chrysler Group Results
- The Chrysler Group's Product Offensive
- Internal and External Interface

DaimlerChrysler Overview

THE AUTOMOTIVE BUSINESS AND AUTOMOBILE-RELATED SERVICES
ACCOUNT FOR 99% OF DAIMLERCHRYSLER'S REVENUES

Mercedes Car Group



- Mercedes-Benz
- Maybach
- smart

Chrysler Group



- Chrysler
- Jeep
- Dodge

Commercial Vehicles



- Freightliner
- Mercedes-Benz Trucks
- Mercedes-Benz Vans
- Buses & Coaches
- Powersystems

Services



- Financial Services
- DaimlerChrysler Bank

DaimlerChrysler's Strategy is Based on Four Strategic Pillars



Global Presence



Strong Brand Portfolio

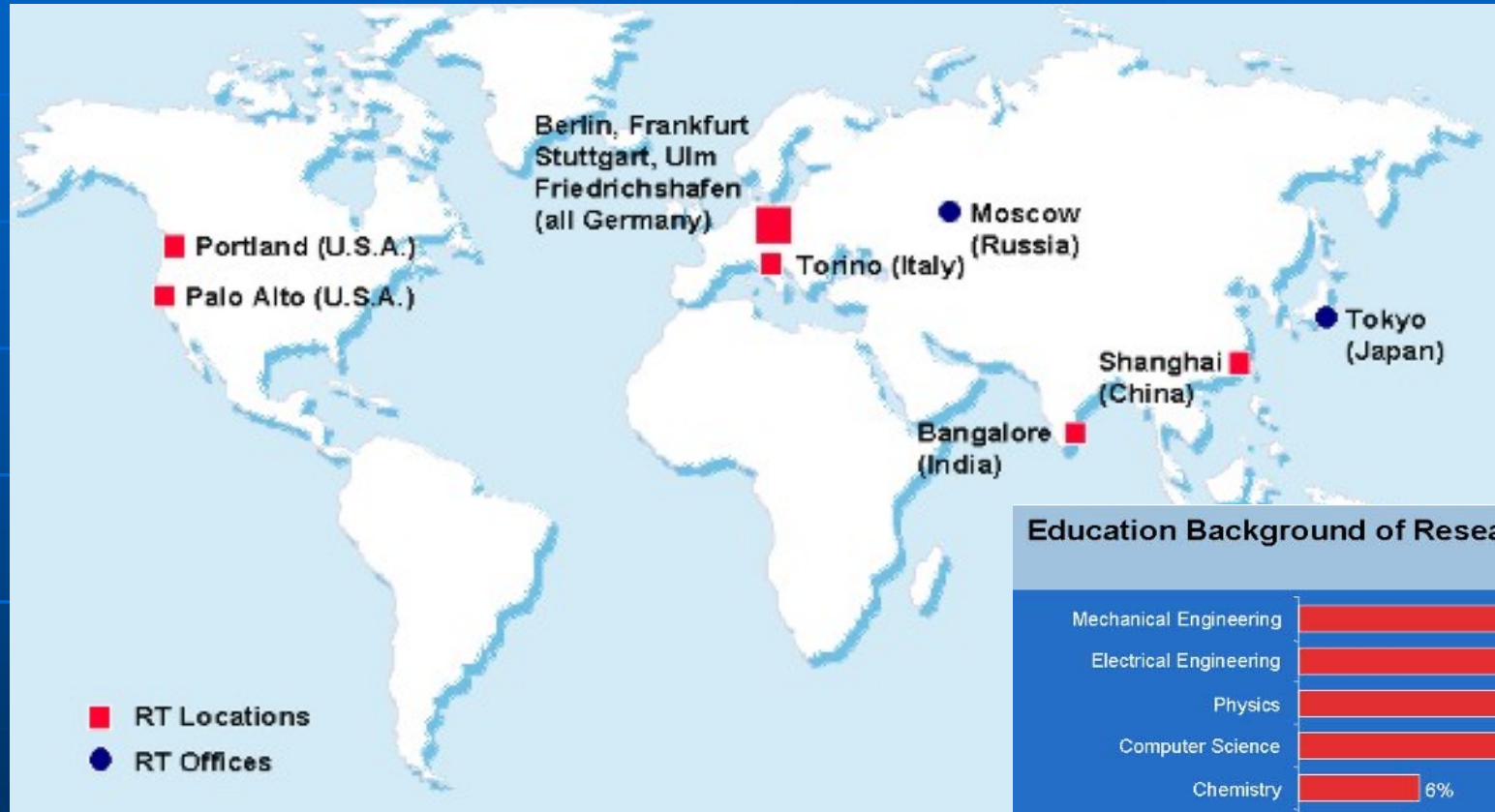


Innovation & Technology Leadership



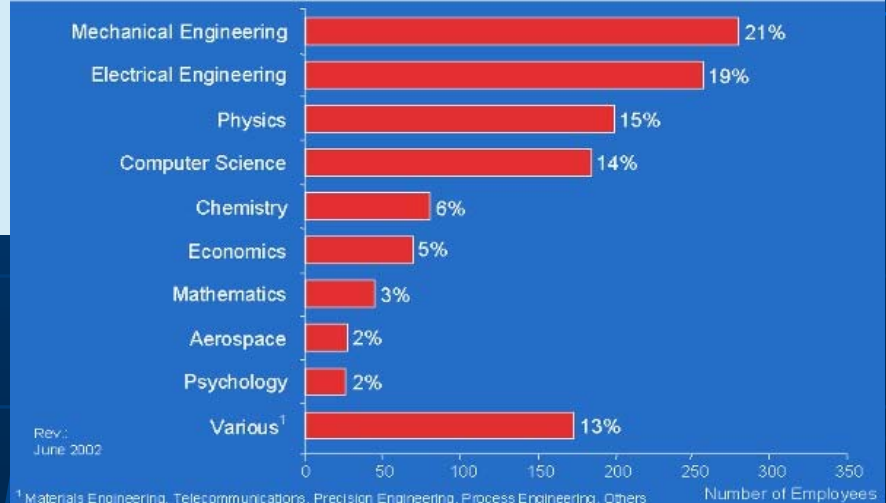
Broad Product Range

Extensive Research Capabilities

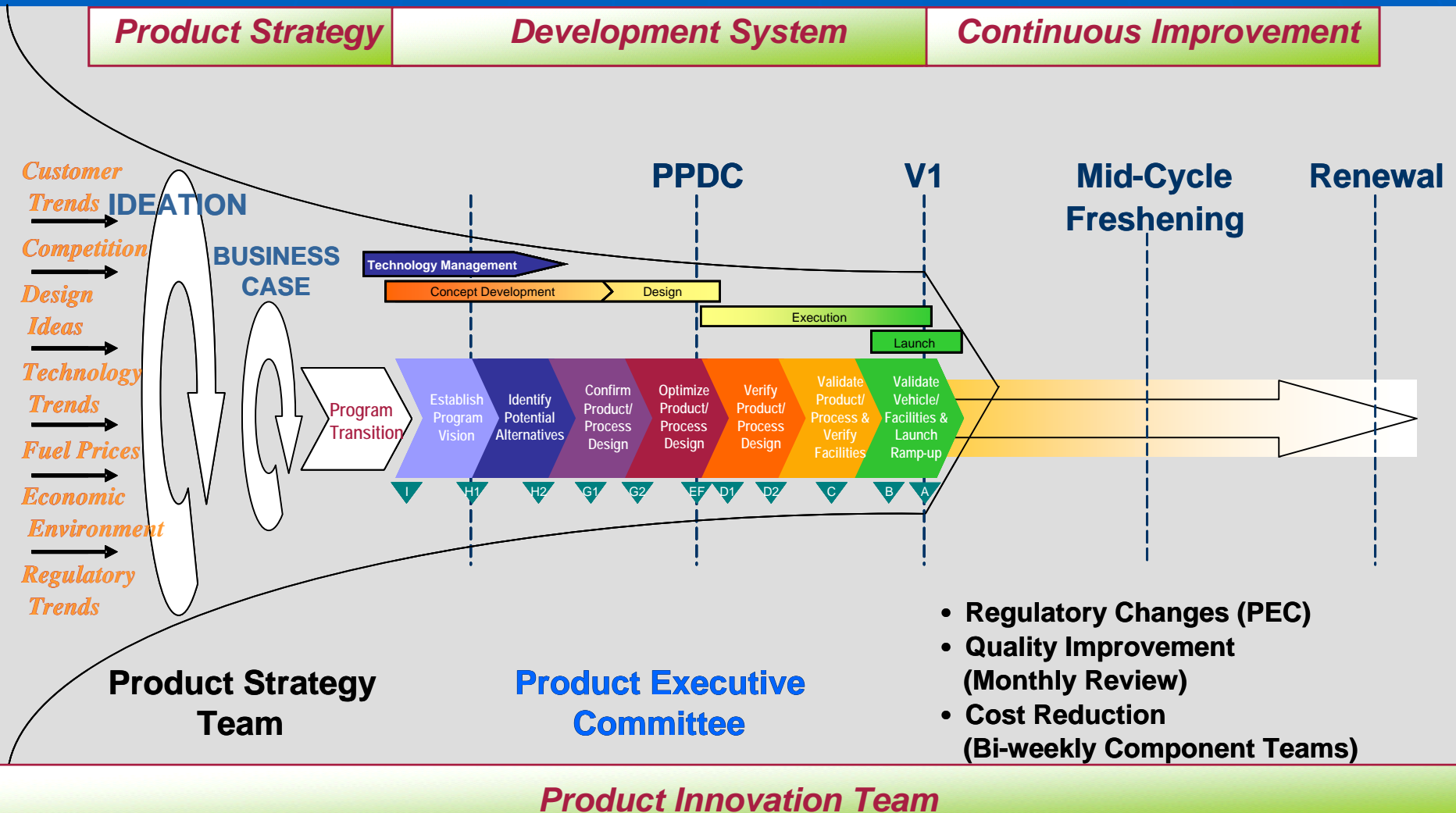


Permanent staff 1,600 scientists plus
1,000 doctoral/diploma candidates/junior staff

Education Background of Research Staff



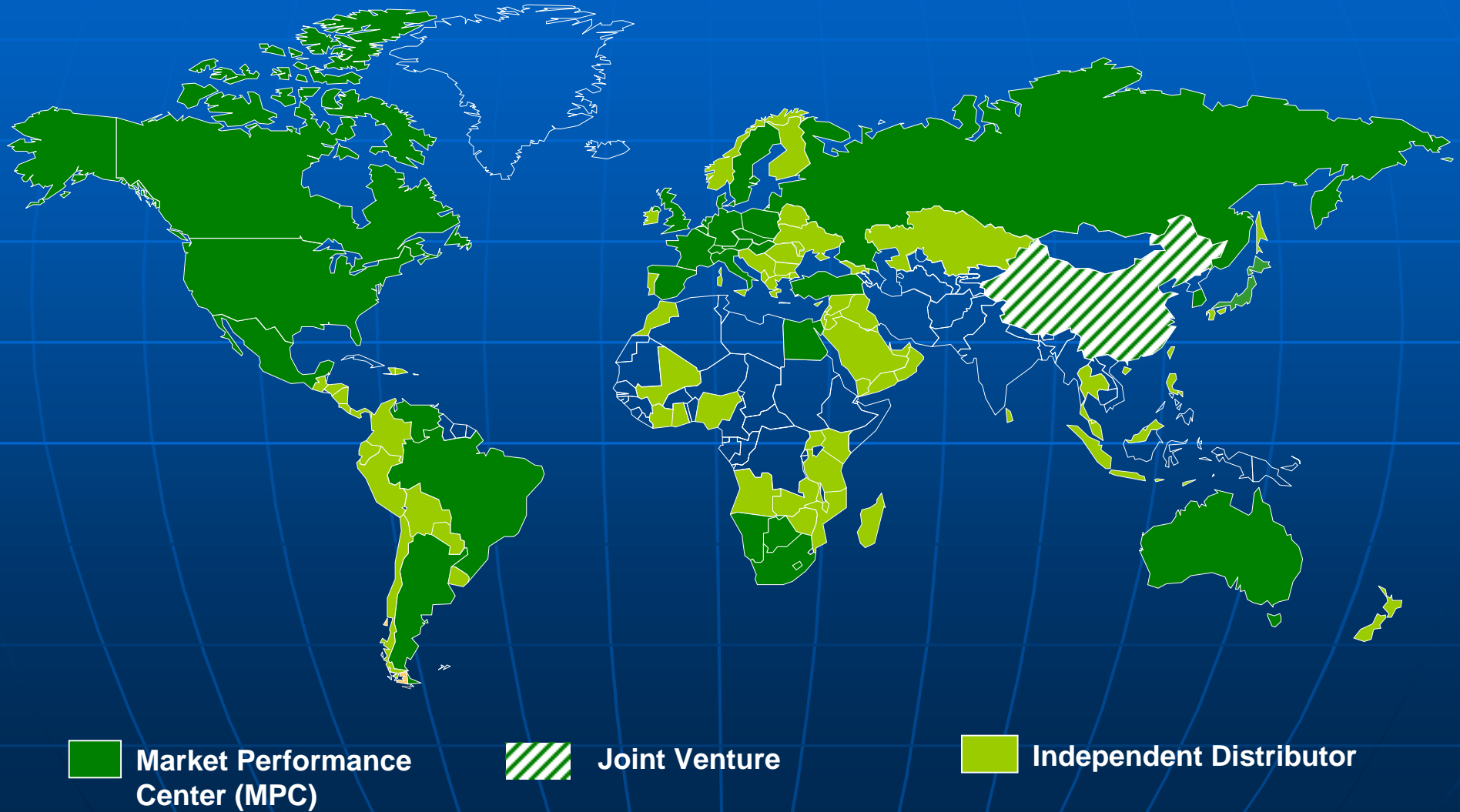
Disciplined Product Development Processes



Worldwide Manufacturing Locations



Global Retail Locations



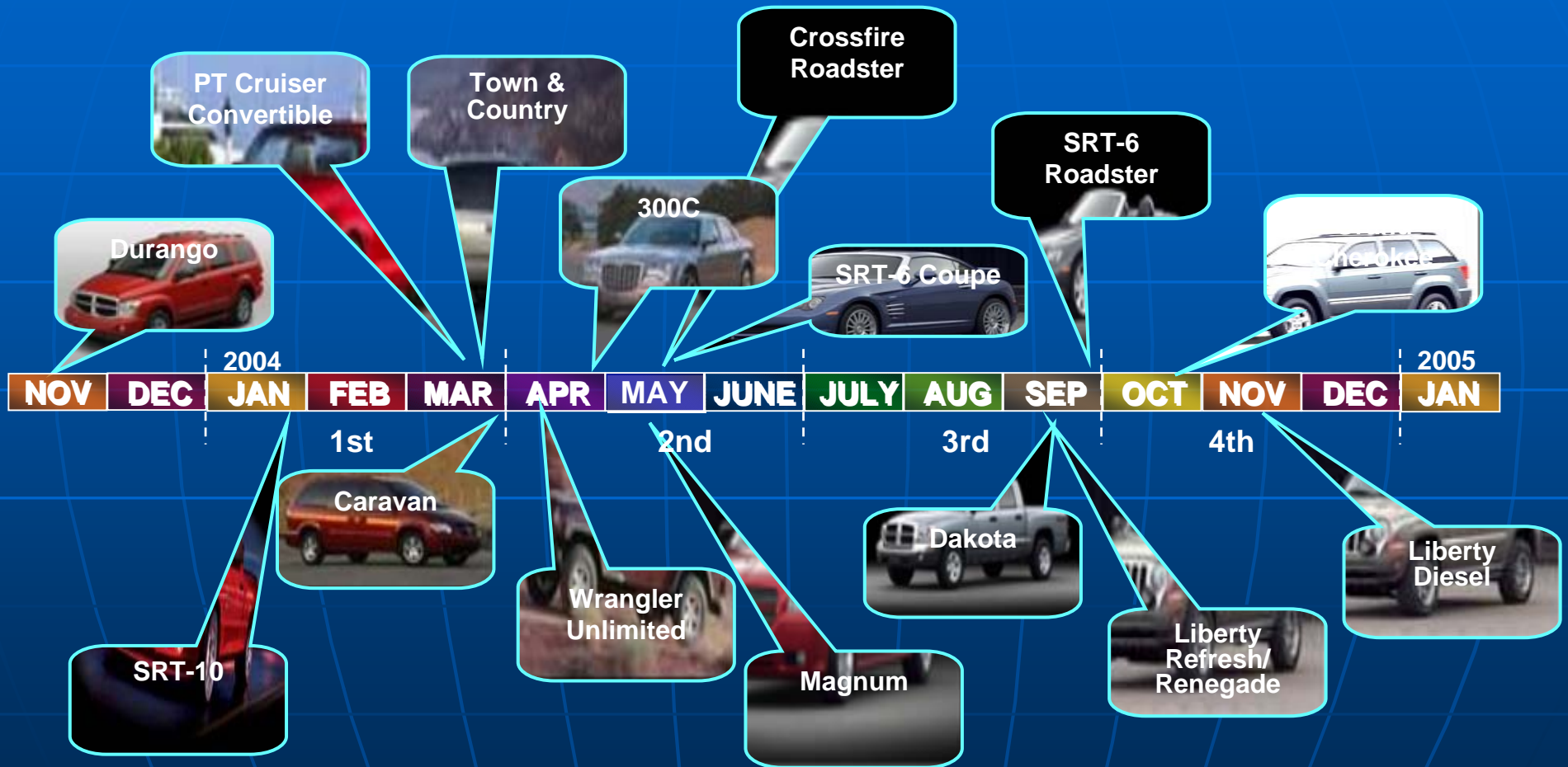
The Chrysler Group's Transformation

By Leveraging our Global Enterprise, The Chrysler Group's New Generation of Vehicles Shares the Ultimate in:

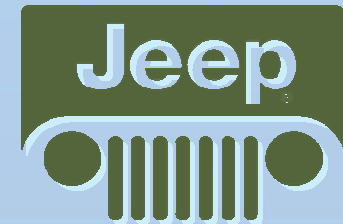
- **Innovation**
- **Quality**
- **Styling**
- **Environment**
- **Value**
- **Safety**



2004 Calendar Year Product Offensive



Product Offensive 2004 – 2007



25

New vehicles to market

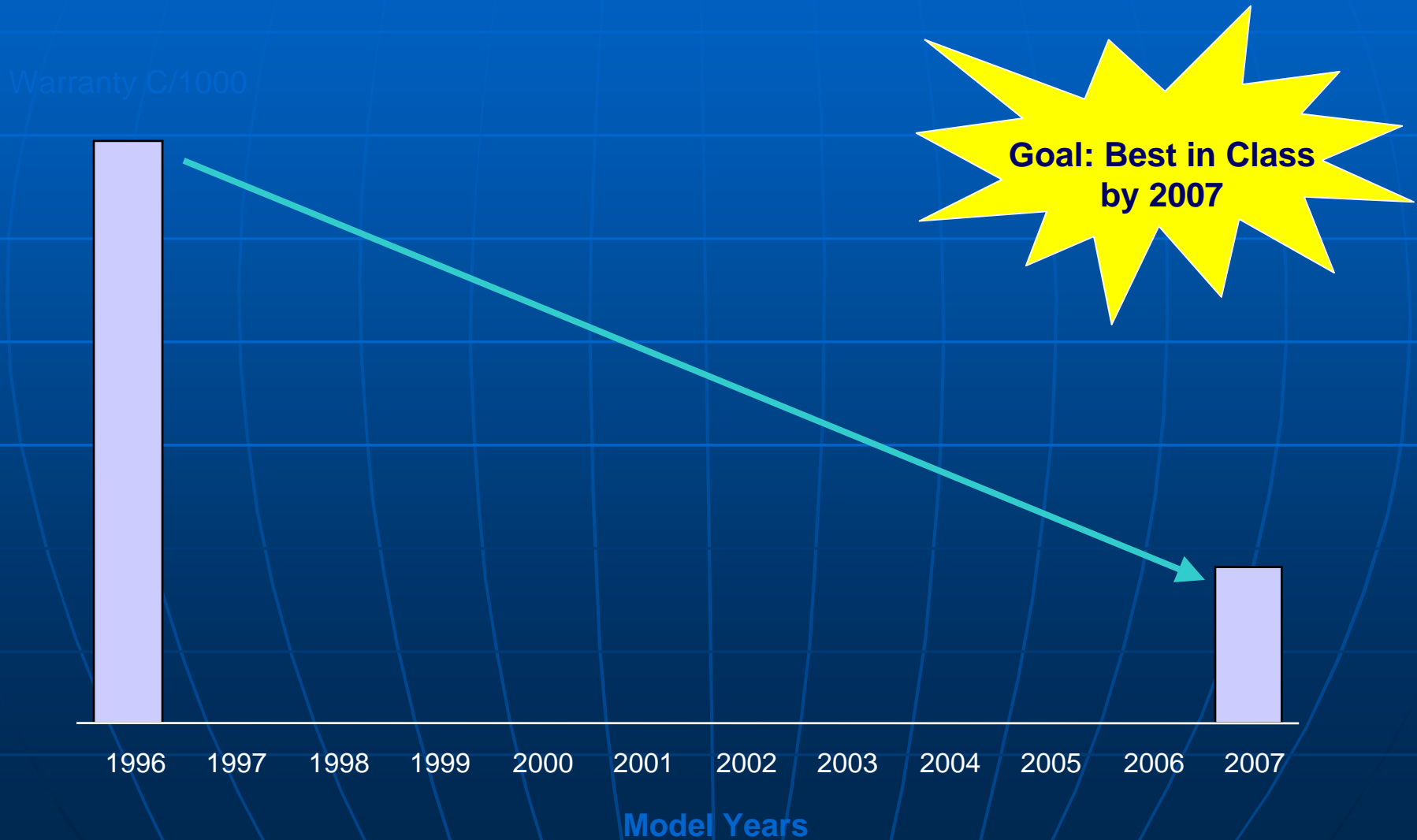
in

36

months

Chrysler Group: Strategic Transformation

CHRYSLER GROUP HAS SHOWN SIGNIFICANT PROGRESS
REDUCING WARRANTY CONDITIONS AND EXPENSES



2004 Consumer Reports

PT Cruiser
Toluca Assembly Plant



RECOMMENDATION

Jeep Liberty
Toledo North Assembly Plant



Chrysler Sebring
Sterling Heights Assembly Plant



Dodge Stratus
Sterling Heights Assembly Plant



J.D. Power IQS - Results

2004 Chrysler Group Top Quartile Models



Dodge Stratus Coupe



Dodge Neon



Chrysler PT Cruiser



Dodge Ram Pickup HD



Dodge Caravan/Grand Caravan

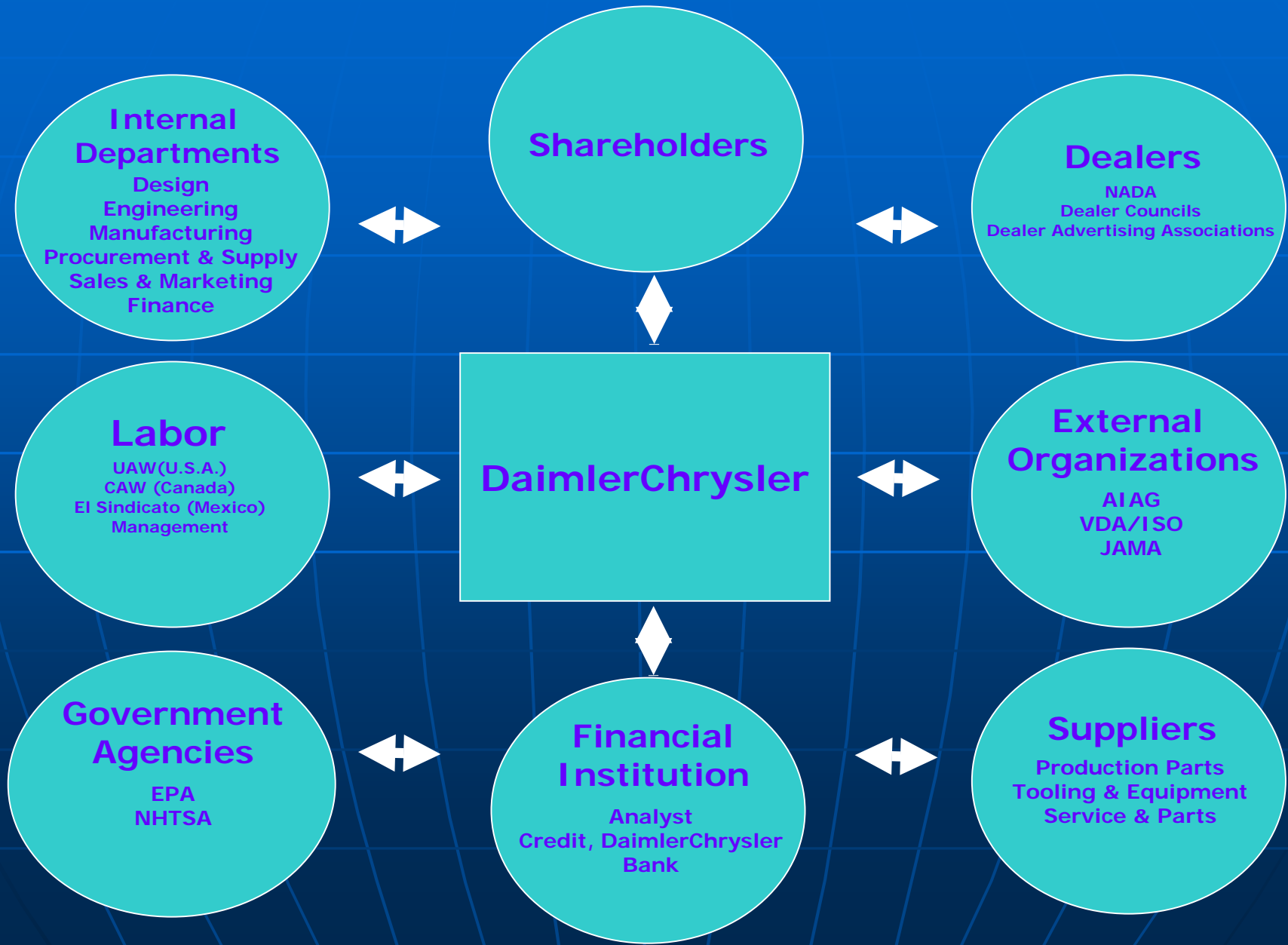
2004 Harbour Report

- Command Performance:
- Chrysler Group is Most-Improved Automaker in The Harbour Report 2004
- 7.8 % improvement
- Set new industry benchmark in transmission productivity

2004 Focus

- Emphasis on Warranty Improvements
- Launch Management
- Prevention of Problems
- Speed of Problem Resolution
- Durability / Reliability / 3/36 Warranty
- Improve Internal and External Collaboration

The Extended Enterprise Collaboration



Importance of Collaboration

➤ We rely on our partners to:

- Provide perfect parts and services
- Efficiently design & produce parts & services
- Proactively look for better standards, methods, parts, products, and services
- Continuously strive for improvement
- Provide innovative methods and technology
- Delight the customers through passionate execution of requirements and customer wants

The Fifth Dimension: The Supplier OEM Interface

DaimlerChrysler Corporation

Scott R. Garberding

Vice President

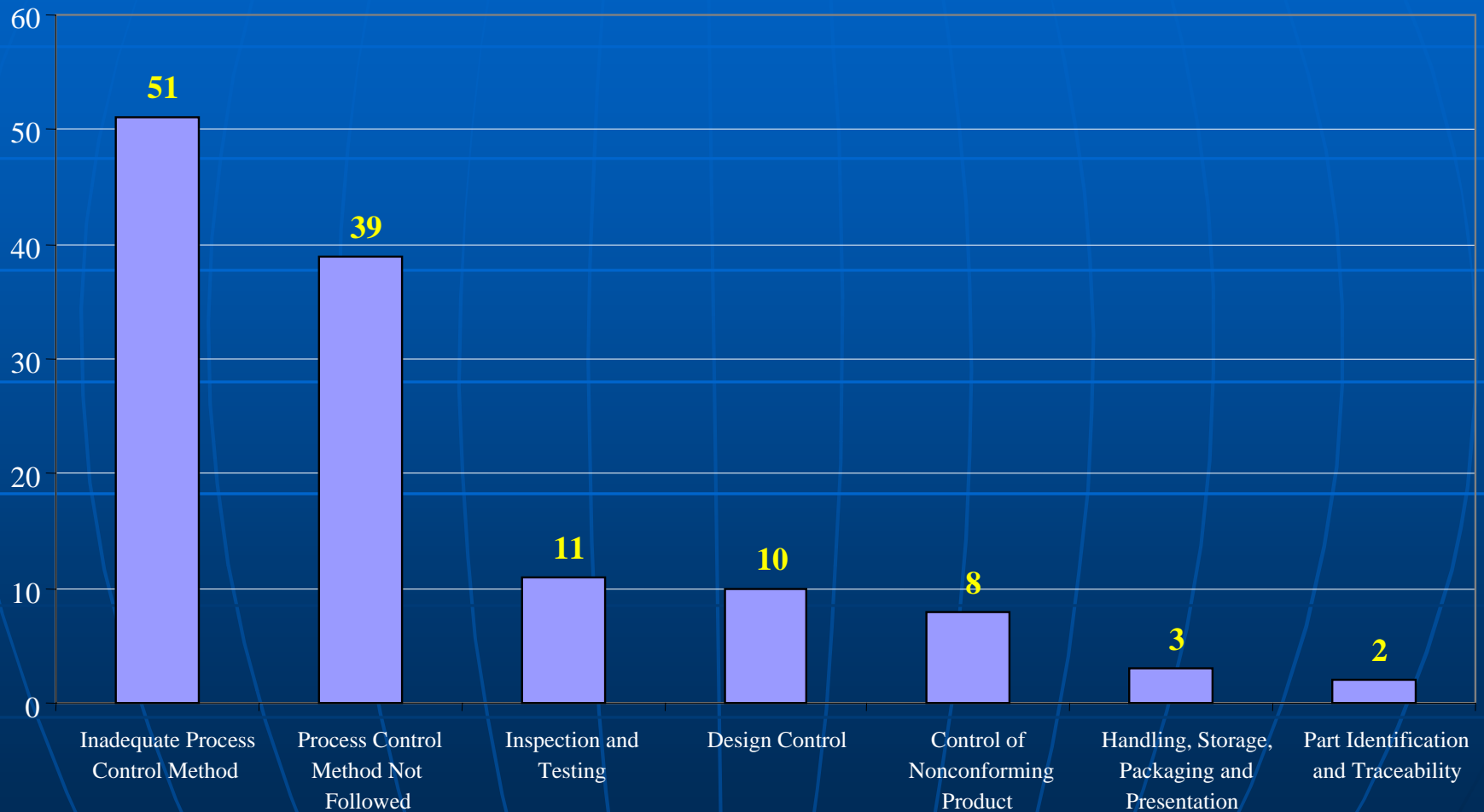
Supplier Quality

The Suppliers' role is key within Chrysler Group

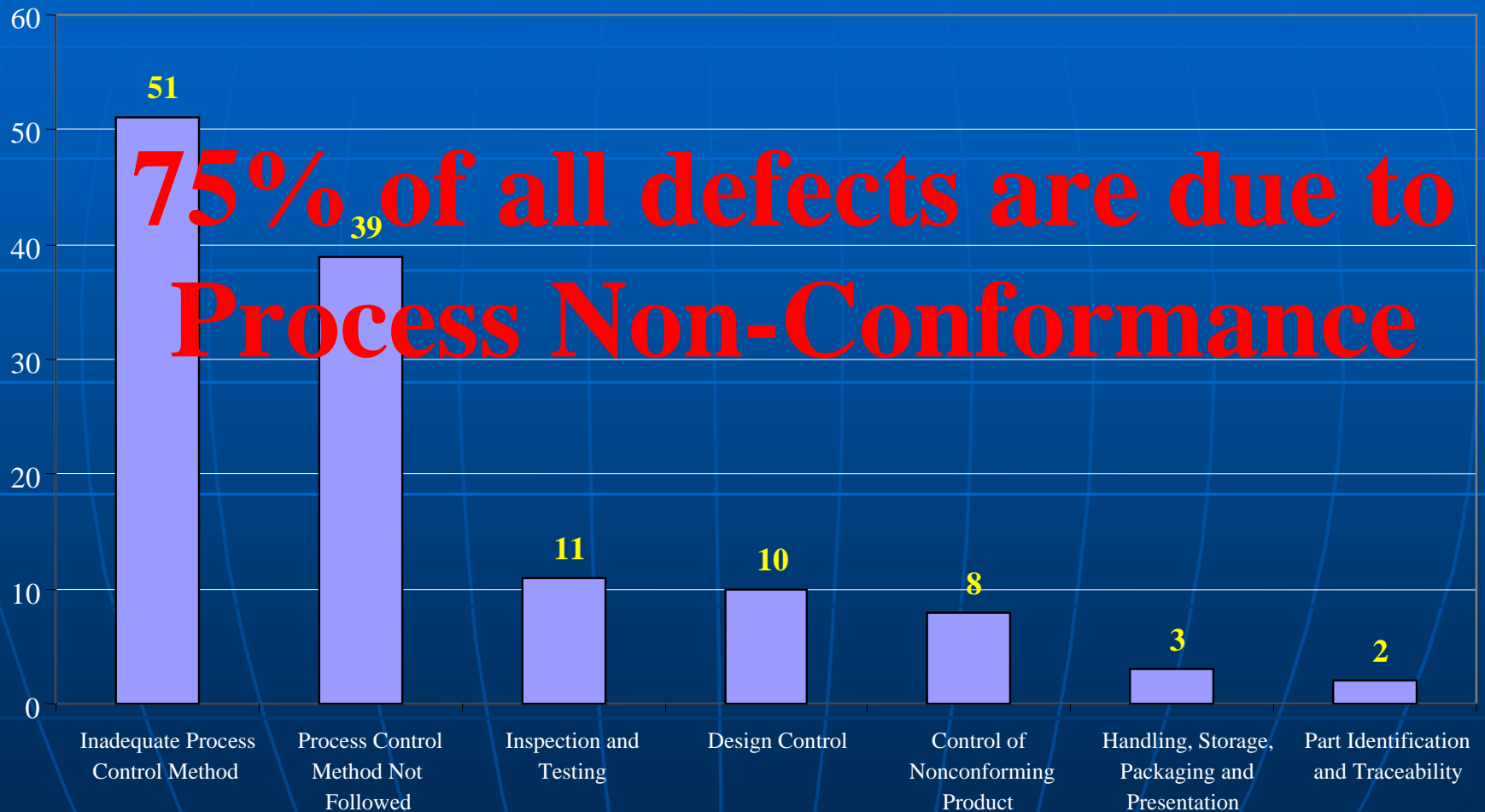
- **1,300 Top Parent Suppliers**
- **64,000 purchased production components**
- **\$26 Billion annual buy**

**Our performance directly relates to
the performance of our supply base.**

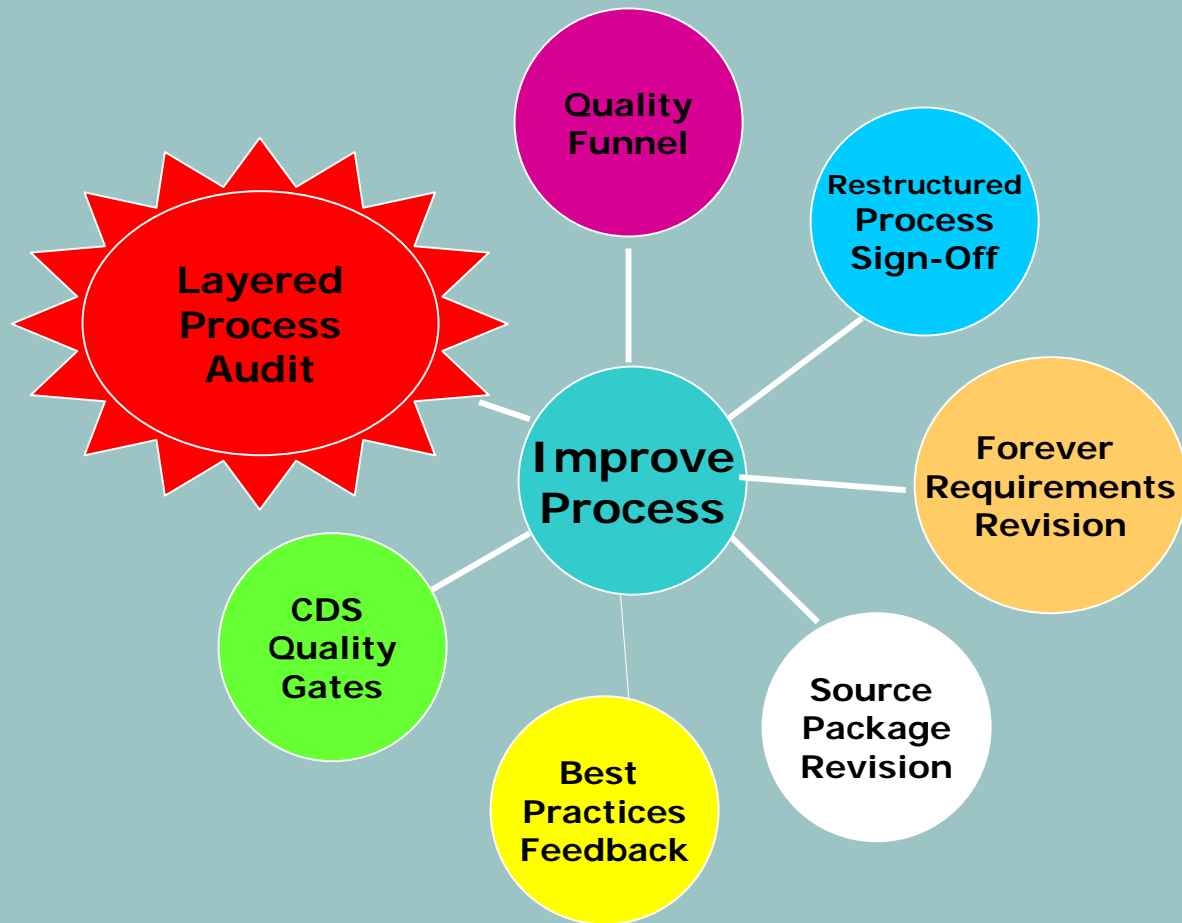
Primary Root Cause for Critical PRISMs



Primary Root Cause for Critical PRISMs

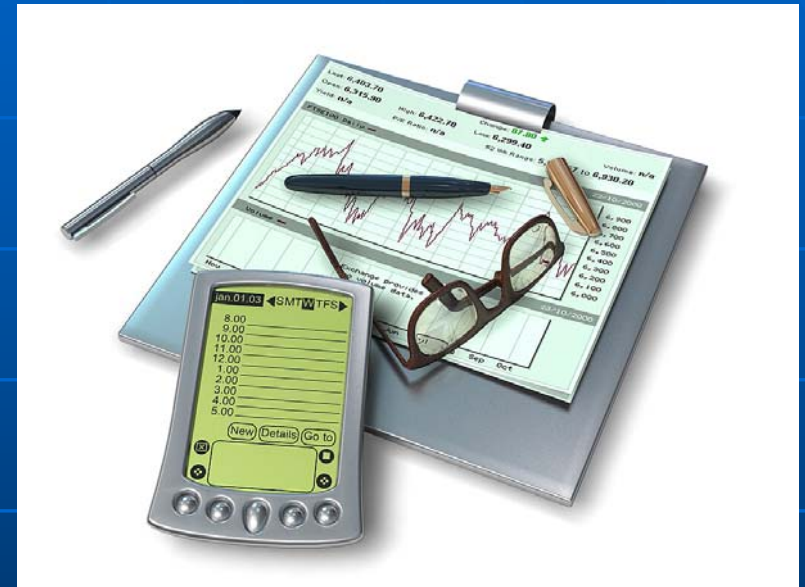


Global Supplier Quality Initiatives

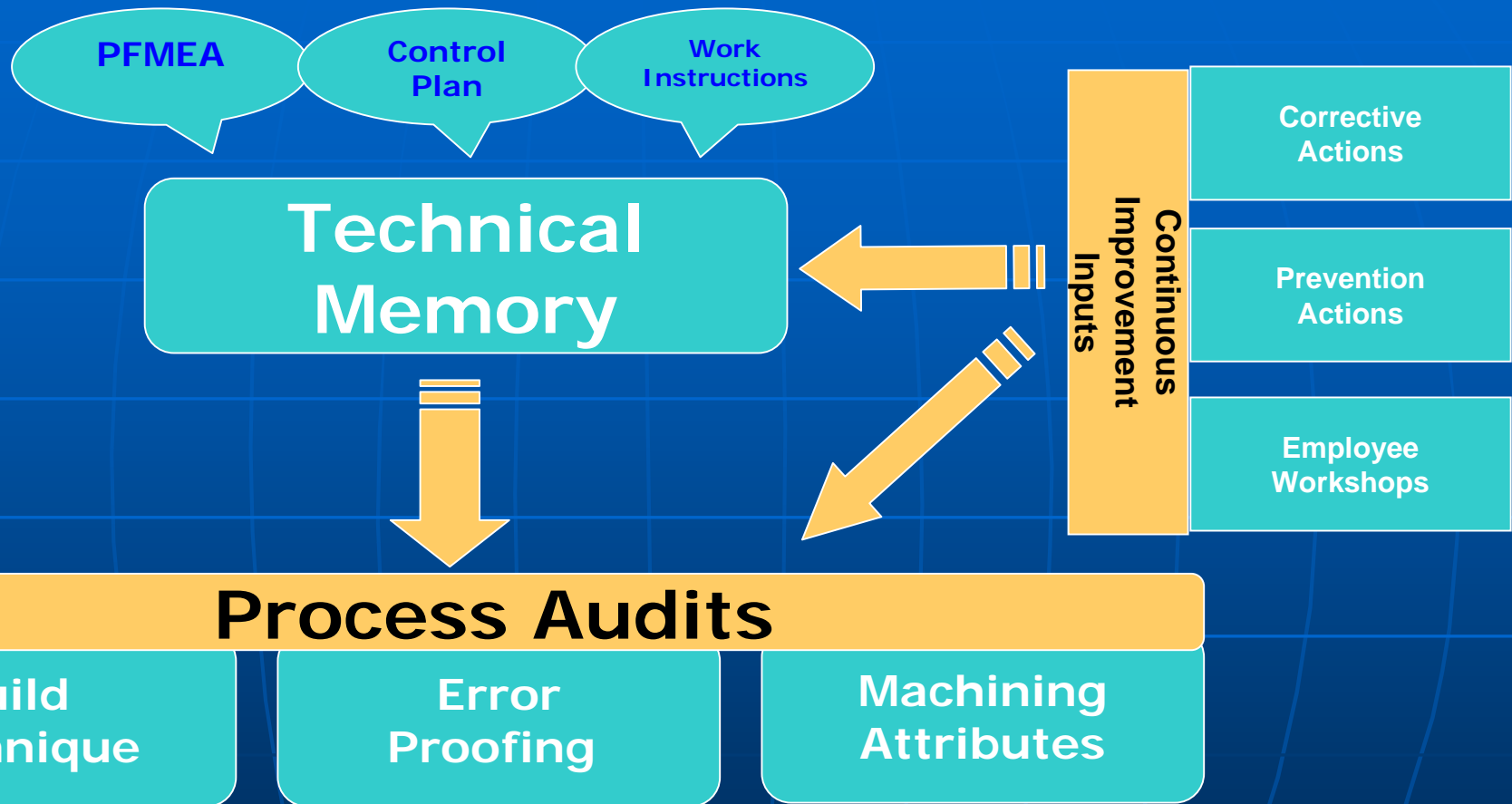


What is a Layered Process Audit (LPA)?

- LPA is an ongoing system of process checks that verify proper methods, settings, operator craftsmanship, error proofing devices and other inputs are in place to ensure a defect free product.
- LPA's assure that defined methods and work instructions are utilized, problem solving solutions are held in place, and all process issues are identified and quickly corrected.

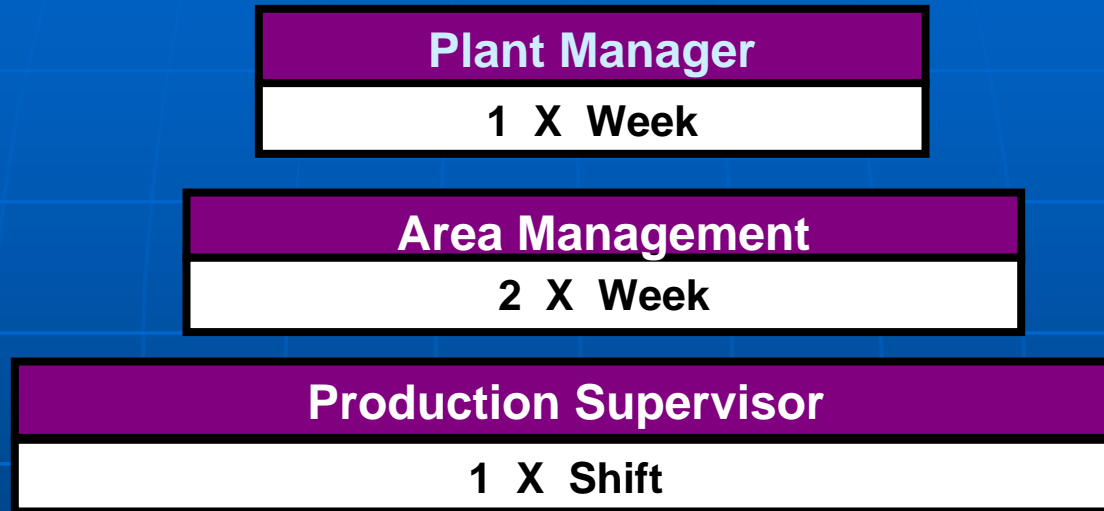


How does an LPA Work?



- Audits are conducted regularly by all levels of supervision
- Non-conformances are immediately addressed

LPA - Frequency Plan



- Encourages Management Involvement
- Encourages Operator Feedback
- Establishes Accountability

LPA Benefits

Reduces

- Build variation based on work standardization
- End-of-line inspection
- Part defects

Improves

- First time through capability
- Morale

Facilitates

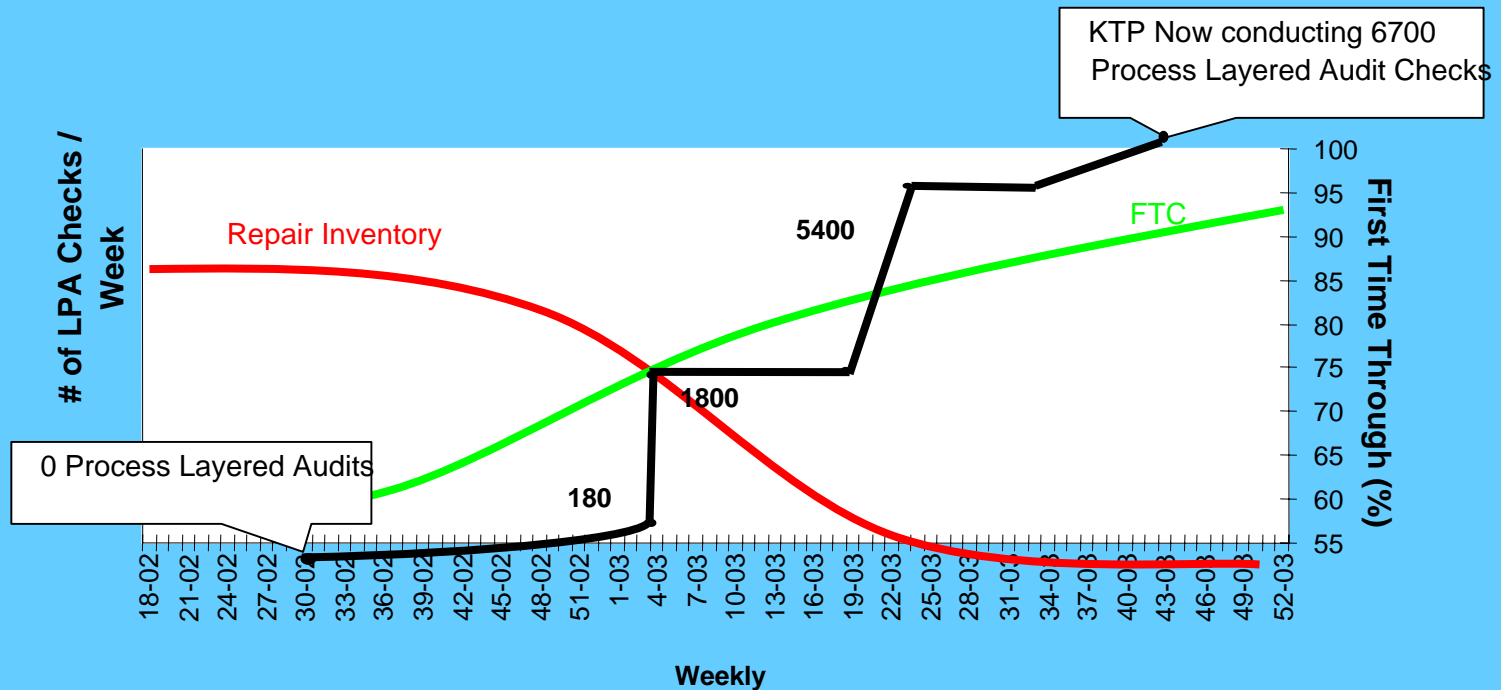
- Operator training
- Management/operator interface

Reinforces

- Safety regulations

LPA Success at Kokomo Transmission Plant

Repair Inventory vs First Time Capability vs LPA



Supplier Interface – LPA's will be mandatory

ISO/ TS 16949

- DaimlerChrysler Customer Specific Requirements
 - New section under Internal Audits
 - Effective 7/01/04 for Powertrain & Component Plants suppliers; 1/1/05 for all remaining suppliers
- Posted on AIAG, IAOB, and QMS web sites
- Letter mailed to all suppliers

DAIMLERCHRYSLER

DaimlerChrysler Corporation
Peter M. Rosenfeld
Executive Vice President
Procurement & Supply

August 6, 2004

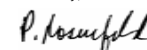
A Layered Process Audit ("LPA") is a quality improvement business system involving multiple layers of management. It consists of regularly scheduled reviews of all elements in a manufacturing/ assembly process to ensure that: equipment is being properly maintained; error proofing is working, and; proper craftsmanship and/or build techniques, from standardized work instructions, are being followed. Utilization of LPA will result in more disciplined processes and improve overall quality. Most Chrysler Group Powertrain facilities are already using LPA.

I am writing to you because I am asking that all supplier manufacturing facilities providing parts to one or more of Chrysler Group's Powertrain plants deploy LPA. Within the next few weeks, your plant and quality managers will be receiving correspondence which will provide additional information about LPA training. The course work will be conducted at the DaimlerChrysler Technology Center during the next Supplier Training Week scheduled for May 10 through 14. This training will fulfill your company's training requirements and, more importantly, will assist you in immediately implementing this procedure within your facility. At the same time, the Chrysler Group will be moving to make LPA a mandate for suppliers to its powertrain plants in the third quarter of 2004.

The Chrysler Group is in the process of finalizing implementation of LPA in all of its powertrain plants. It has proved to be a valuable tool to improve first-time through capability which ensures quality to the customer. The Layered Process Audit is a system to ensure that we build the best quality product together.

I appreciate your company's, and your personal, support on this matter.

Sincerely,



Supplier Interface – LPA Compliance Verification

Compliance Form

- Summary of training, implementation, and LPA results/ compliance
- One form per supplier location to be submitted monthly to SQ Specialist

Layered Process Audit Compliance Report

Supplier Name:					Report	
DCX SQ Specialist	Supplier Code	City	State/Prov.	Country	Month	Year

Training & Implementation Summary

	LPA Trained	LPA Implemented	Countermeasure	Comments
Staff/ Top Management:				
Mid-Level Management:				
Line Supervisors:				

Audit Sheets Developed	LPA System & Infrastructure Established	Number/ % of DCX Lines utilizing LPA	Countermeasure	Comments

Monthly Compliance Summary

Line / Operation / Number / Name / Description	LPA 1	LPA 2	LPA 3	LPA 4	LPA 5	LPA 6	LPA 7	LPA 8	LPA 9	DCX TOTAL
Number of items to be audited										
Number of items audited										
% of audits accomplished										
No. of items in compliance										
% of items in compliance										

Frequency:

Top Management (1/ week)										
Mid-Level Management										
Line Supervisors (1/ shift)										
Error Proofing (1/day)										

Green	In Compliance
Yellow	In Progress
Red	Not Started

Submitted By: _____

Approved By: _____

Date Submitted: _____

Layered Process Audit

Proven successful internally

- Expanding Collaboration to our Supply base
- Not asking Suppliers to do something we are not
- Training available to all Chrysler suppliers
- Low investment – significant quality return

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