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**Al Iacobelli, Vice President - Employee Relations, Chrysler Group
RAI TV**

Giovanni Botteri, RAI: You wrote the new deal between Chrysler and union workers, right? Which are the principal points that are different from the other deals in the past?

Al Iacobelli: The principal differences in the agreement really center around a much deeper commitment to World Class Manufacturing in terms of how we deliver product, product quality, and involving people sincerely at the plant level, the floor level, in their day-to-day operations so they have true autonomy and involvement, meaningful involvement. That's an important aspect of the agreement that differentiates what we did historically.

The second part of that agreement that's very important are the work practices themselves. They're much more competitive in terms of the shift design, break periods, and the duration of work schedules in general, so it was a combination of both economic structure, work practices, and then most importantly the true immersion to World Class Manufacturing. That to me was the biggest piece, and we worked very closely with the UAW, the International UAW to help craft that and indoctrinate that into our operations.

GB: Translating in money numbers, what does it mean?

Al: In terms of financially, is that what you're referring to?

GB: Exactly.

Al: We created over many, many years – the Collective Bargaining Agreement had a number of economic benefits that were tied to elements not necessarily associated with the competitiveness of manufacturing. It was CPI, Consumer Price Index and other indices that helped inflate labor costs above and beyond the competitive range in the United States. So what we were able to do from an economic perspective is work with the UAW to design the new wage structure going forward so that it allowed for more growth over a longer period of time and that effectively is the biggest difference from an economic perspective. So an individual who had been here prior to the bankruptcy would make upwards of approximately \$24 to \$28 an hour in wage on top of benefits, and the all-in labor cost was quite substantial. It was well north of \$75 per hour, which included pension and all the other health care costs as well; the all-in labor cost so to speak. That was far in excess of what was happening in the United States at our transplant competition and what we were able to do is redesign that labor cost to make it much more competitive and so when new hires are brought in, the new hires are brought in at a new wage scale that progresses and continues to keep them competitive with the rest of the market.

GB: The old workers from 60's, 70's, they had more money and less skills. The new workers have less money and more skills. How do you deal with this?

Al: That's an interesting philosophical question because if I were to ask the workers who had greater seniority they would argue that their experience provided them a greater depth of

skill than the newer workers. So that's an issue that we could debate, but the reality is that the experienced workers have brought a great skill base and they've seen the evolution of technology in our operations so they have a tendency to manage change differently and much more successfully. They have a greater attendance ratio, they have a greater tolerance for change, and in many respects, they lead many of the teams in our manufacturing operations. The younger workers coming in are coping and learning differently, at a different pace; very smart, very committed, but we find that we have a greater degree of success with our experienced workers.

Now, I think the real question is how do we continue to attract the newer workers with the new wage scale, and we've been very successful with that because it's attracted quite a few new employees. We've hired numerous employees at multiple facilities and it hasn't really been an issue for us.

GB: I mean globally how you deal with this. I mean if you have a worker who has \$28 an hour, it's a worker who can afford a Chrysler. A worker of \$15 an hour perhaps can't afford a Chrysler. I mean globally – it's different from Italy because in Italy workers have always been lower class, for Italian class, and here in the United States it was the Middle Class. Now you have a difference, a social – deep social difference; it's coming in the lower class the worker in the factory. How do you deal with this in a global market where you have to pay somebody also for buying your cars?

AI: The new agreement really makes it much more competitive, and I think the easiest way to look at this is when work is allocated to a facility, regardless, anywhere in the world, it's based on the financial argument that does it make sense to make the product there based on the overall cost structure, and labor is a significant part of the overall cost structure. So it was our mindset to be as competitive as possible to attract as much work as possible and to keep our facilities fully operative; and their base wage plus the overtime and all the other health care benefits makes them very competitive, and they've fully capable of being able to purchase a vehicle in this market. But the allocation of work at a facility is really dependent on how competitive the work practices are and the overall cost structure. That's the simple reality, and we had a choice: between the year 2000 and 2009, just Chrysler, there were over 50,000 union jobs that evaporated, and well over 20,000 salary jobs that disappeared. We were on the brink of eliminating ourselves from existence and we had to make a decision at that point. We're going to be competitive not only from a cost perspective but also from a work-practice perspective to be the best we possibly can because that's essentially where the job security comes in, in delivering world-class products, world-class practices, and at a superior cost structure that keeps us competitive long term. And over the long run we're establishing the future generation of the automotive worker, and we're in-sourcing more work than ever before because of our competitive cost structure. So it's important to recognize, and I think the UAW and the company have worked very closely to accomplish this, that it's not just us against Ford or us against GM it's us against the global competition.

And our eyes opened when we had the privilege of visiting several of our Fiat facilities not only in Poland and Rome and Naples where there are truly impressive operations, where

people were engaged and deeply involved in the operation and we said, “We want to be like that.” So they really provided a model for us that we would like to continue to work toward.

GB: How do you see the future for Chrysler and the car industry?

AI: You know –

GB: I mean from your point of view.

AI: Yeah, from my humble perspective it’s a privilege to still be here, right, and to still be working toward an objective of being the best. I see the future as very bright, but it’s also very humbling. What we’ve experienced has taught us to approach the business very differently. You know, we have a culture of passion, hard work; we have creative people who work very hard, and we have a product portfolio that will provide great success in the future. Now it’s up to us to deliver, produce the quality, and continue to work jointly as a team because it doesn’t make any sense for us to work divisively here. If we had a difference of opinion with the union on every aspect we would work toward a mutual destruction, and what we’ve committed ourselves to is working to the joint success because it affects all of us. So I’d say the future is very bright; we’re very excited about what we see. The product portfolio is excellent. We have a commitment from the UAW, we have a commitment from our own workforce to grind through issues and continue marching forward because it wasn’t too long ago that we saw what could have happened to us had we not worked together.

GB: So the future is here it’s not in India or Poland? Do you think that you could go on making cars here in the United States or in Italy and not moving all your factories in the countries where the workers –

AI: In other words, do we think we can still keep our footprint...

GB: Yeah, yeah exactly. That’s the problem, moving, taking the (inaudible) here, or moving the factory where you can pay workers less than the last (inaudible).

AI: Well, there’s always the race to the bottom but there’s much more to the financial equation than just the economics. It’s also something that’s vital to our existence, and that’s work practices and our World Class Manufacturing initiatives. There’s a great deal of pride that we have to be associated with Fiat and to be associated with our colleagues in Italy because we share many of the same attributes; the passion and commitment to quality, the passion to be associated with something that’s well made – and that’s a differentiator. That’s what makes us much stronger together rather than being apart. So no, I see us continuing to attract business here and I see us making the best use of our footprint or manufacturing footprint for the foreseeable future.

GB: Last question: which car have you?

AI: I have Dodge Durango and I have a Fiat 500.

GB: Cinquecento.

AI: Cinquecento, I have a Cinquecento. That’s my favorite. I have a Cabrio.

[File #2]

GB: The deal you did, it's a new one or – for the United States it's –

AI: Yes. Yes, the agreement that we just finished in November of 2011 will carry forward for the next four years through 2015 that protects the integrity of what we designed jointly when we emerged from bankruptcy and further kind of solidifies what our agreement was in 2009 as we go forward, understanding that we still have a lot of work to do in restructuring our company and that's effectively what it accomplished.

GB: But this flexibility formula it's a new one, absolutely.

AI: Something that pretty – you know, the flexibilities that we talked about in 2009 we formalized in 2011 but we have worked coincident with the UAW very closely with that, regardless of what the language says, because there's a commitment and understanding that the more flexible our workforce is, the more competitive we are going forward. So the language provides structured but the real structure occurs on the plant floor when we're working together for a joint objective. The joint objective is to build the best possible product that we can as efficiently as possible.

GB: Okay.

[End of interview]