

A message to Chrysler Canada Employees from Bob Nardelli and Tom LaSorda

Friday, Apr 17, 2009

Dear Employees,

Today, we are at a crossroads in the history of Chrysler. Let's take a look at what's happened in the past few weeks.

On February 17 and February 20, Chrysler submitted its Viability Plan to the U.S. Treasury and U. S. Administration; and to the Canadian governments, respectively.

On March 30, U.S. President Barack Obama stated that Chrysler's Viability Plan was unacceptable. "It's with deep reluctance but also a clear-eyed recognition of the facts that we've determined, after careful review, that Chrysler needs a partner to remain viable."

He went on to state: "I'm committed to doing all I can to see if a deal can be struck in a way that upholds the interests of American taxpayers. And that's why we'll give Chrysler and Fiat 30 days to overcome these hurdles and reach a final agreement — and we will provide Chrysler with adequate capital to continue operating during that time. If they are able to come to a sound agreement that protects American taxpayers, we will consider lending up to \$6 billion to help their plan succeed. But if they and their stakeholders are unable to reach such an agreement, and in the absence of any other viable partnership, we will not be able to justify investing additional tax dollars to keep Chrysler in business."

U.S. President Obama has made it clear that our company must attain competitive labour rates: "Now, what we're asking for is difficult. It will require hard choices by companies. It will require unions and workers who have already made extraordinarily painful concessions to do more ... It will require efforts from a whole host of other stakeholders, including dealers and suppliers."

Also on March 30, the Honourable Tony Clement, Minister of Industry, said, "While the restructuring plans represent progress, they do not go far enough to ensure the long-term viability of these companies. Therefore, we are not certifying their proposals. Together with our U.S. counterparts we believe that further fundamental changes are needed."

Just this week, Fiat CEO Sergio Marchionne has made it clear that an alliance is contingent on the UAW and CAW meeting transplant all-in labour rates: "Absolutely, we are prepared to walk. There is no doubt in my mind," Marchionne was quoted as saying. "We cannot commit to this organization unless we see light at the end of the tunnel."

The Canadian government has been very supportive of our viability, providing a loan of \$1 billion (CDN, \$750 million drawn to date), with an agreement to provide additional support in proportion to the loans received from the U.S. Treasury.

On April 14, the Canadian governments, both federal and provincial, invited the CAW and Chrysler to attend a meeting in Toronto where they laid out four specific guidelines that must be met for providing further financial support. Their "asks" were:

That labour costs be reduced to a level equal to those of Toyota Canada. We believe that a Canadian benchmark is the appropriate one for you to achieve. We ask that you jointly demonstrate to us that the agreement you reach attains this benchmark.

That Chrysler complete an alliance with Fiat that, in return for equity participation gives Chrysler access to Fiat management, Fiat technology, Fiat sales and distribution outside of NAFTA, and distribution of Fiat products inside NAFTA.

That Chrysler and Fiat submit revised plans to Canadian governments and U.S. Treasury based on appropriate assumptions that show clearly Canadian production, product mix, capital investment and R&D.

That Chrysler and Fiat commit to maintain Canada's proportion of North American production and to invest over the medium term that same share of total capital investment and R&D expenditure in Canada.

Let's keep in mind, the all-in labour costs at Chrysler Canada are \$76 per hour while the Toyota Canada all-in rate is approximately \$57 per hour.

While we have made some progress with the CAW, it falls significantly short of closing the \$19 gap. And yet, as recent as Wednesday this week, the CAW continues to ignore this clear mandate from the government stating that they will not go any further. This unwillingness to work within the government's guidelines jeopardizes the future of Chrysler and our operations in Canada.

We have made several proposals to the CAW to offset these costs, without affecting base wages and pensions. Some specific examples include:

Prescription drug dispensing fees, by eliminating the cap results in estimated savings of \$2.16 per hour.

Elimination of out-of-province health care coverage (snowbirds), with employees and retirees assuming responsibility for any coverage results in a cost savings of \$1.00 per hour.

The change from semi-private hospital room coverage to "ward" coverage saves an estimated \$0.97 per hour.

Elimination of life insurance for current and future employees results in a cost savings of \$1.54 per hour.

The reduction of shift premiums to 2.5 percent results in a cost savings of \$.80 per hour.

By increasing health care premiums would save an estimated \$1.04 per hour.

The elimination of non-traditional benefits such as child care, legal services, tuition reimbursement, dependant scholarships and extended health care coverage (chiropractic services, massage therapy, naturopath, orthotics, etc.) results in a cost savings of \$0.73 per hour.

Unfortunately, the CAW has been opposed to these solutions – however, we are open to alternative ideas. Next week, we plan to meet with the CAW to attempt to reach an agreement that is acceptable to Fiat and the Canadian government.

The clock is running. Without labour concessions, Chrysler Canada's manufacturing operations will not survive long-term. Thousands of good-paying jobs are in jeopardy, as well as the economic health of communities such as Windsor and Brampton.

Canada has always been an important manufacturing and sales market for Chrysler LLC. It represents the largest vehicle sales market for Chrysler outside of the U.S. and no other vehicle manufacturer has a larger portion of its total manufacturing in Canada than Chrysler.

However, these are not normal business circumstances and all Chrysler constituents have been asked to "break pattern" – employees, retirees, dealers, suppliers and others.

Time is very short. We have only two weeks before a final decision must be made. Let me be clear, our negotiations are about saving Chrysler Canada. We are coming down to the wire in the fight for our company's survival – and we need your support.

Bob Nardelli
Tom LaSorda