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Chrysler Announces Product and Plant Changes

- Industry-wide volume reduction and sales slow down requires plant adjustments
- Four products will be cancelled from Chrysler line-up; while adding two all-new products and two hybrid models

October 31, 2007, Auburn Hills, Mich. -

Chrysler LLC today announced that it would make volume-related reductions at several of its North American assembly and powertrain plants, and eliminate four products from its line-up.

Shifts will be eliminated at five North American assembly plants which, combined with other volume-related manufacturing actions, will lead to a reduction of 8,500-10,000 additional hourly jobs through 2008.

Additional actions include reductions of salaried employment by 1,000 and supplemental (contract) employment by 37 percent. The Company also plans to eliminate hourly and salaried overtime and reduce purchased services due to reduction in volume.

The volume-related actions are in addition to 13,000 jobs eliminated by the three-year Recovery and Transformation Plan (RTP) announced in February. The objectives of the RTP remain the same.

"The market situation has changed dramatically in the eight months since Chrysler established the Recovery and Transformation Plan as its blueprint," said Bob Nardelli, Chairman and Chief Executive Officer. "Annual industry volume (U.S. market) then was running at a 17.2 million clip. Now, we expect a seasonally adjusted annual volume for 2007 to be significantly lower and carry over into 2008."

"We have to move now to adjust the way our company looks and acts to reflect a smaller market," added Tom LaSorda, Vice Chairman and President. "That means a cost base that is right-sized and an appropriate level of plant utilization."

LaSorda added that third-shift operations at assembly plants usually reflect a high demand after a product is launched. Three of the five plants affected by this action are the result of elimination of third shifts – in Belvidere, Illinois; Toledo, Ohio, and Brampton, Ontario.

In contract negotiations just concluded with the United Auto Workers, Chrysler committed to spending more than \$15 billion on products, plants and engineering during the life of the contract through 2011.

The company announced that it will eliminate four models through 2008, including Dodge Magnum, the convertible version (only) of Chrysler PT Cruiser, Chrysler Pacifica and Chrysler Crossfire. In the same time frame, Chrysler will add two all-new products to its portfolio: the Dodge Journey and Dodge Challenger, along with two new hybrid models, the Chrysler Aspen and Dodge Durango.

"These actions reflect our new customer-driven philosophy and allow us to focus our resources on new, more profitable and appealing products," added Jim Press, Vice Chairman and President. "Further, these product actions are all in response to dealer requests."

Manufacturing Actions

Chrysler will eliminate shifts at five assembly plants, and take further volume-related actions at several other facilities.

It will:

Drop third-shift operations at Belvidere (Ill.) Assembly Plant in the first quarter 2008. Belvidere builds the Dodge Caliber, Jeep Patriot and Jeep Compass.

Drop second-shift operations at its Jefferson North (Detroit, Mich.) Assembly Plant in the first quarter 2008. It's expected that the plant will return to two shifts in first quarter 2010 with the introduction of the next generation of sport-utility vehicles. The addition of a third shift will remain an option, depending on market demand. Jefferson North builds the Jeep Grand Cherokee and Jeep Commander.

Drop third-shift operations at the Toledo (Ohio) North Assembly Plant in the first quarter 2008. Toledo North builds the Jeep Liberty and Dodge Nitro.

Drop third-shift operations at Brampton (Ontario) Assembly Plant in first quarter 2008. Brampton will build the Chrysler 300, Dodge Charger and Dodge Challenger. The Dodge Magnum will be discontinued.

Drop second shift operations at Sterling Heights (Mich.) Assembly Plant in first quarter 2008. Sterling Heights builds the Dodge Avenger and Chrysler Sebring sedans and Chrysler Sebring Convertible.

In addition, Mack Avenue (Detroit) Engine Plant II will return to a traditional two-shift / two-crew operation in the first quarter 2008 after operating on a three-crew, two-shift, 120-hour-per-week (3/2/120) schedule. Mack II builds the 3.7-liter V-6 engine.

"I'm confident that we have the right team in place and a business plan that doesn't need to be re-written," concluded Nardelli. "Like all good plans, the RTP has built-in flexibility that allows us to stay one step ahead of market change. And that is the way to long-term sustained profitability."

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