



Working on the auto assembly line hasn't changed much, regardless of the vehicle's powertrain – though wages have recently.

Chrysler Begins to Line Up Its Loan Paybacks

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AP Auto Writers

DETROIT (AP) – Chrysler will soon repay \$7.5 billion in bailout money from the U.S. and Canadian governments, another sign that the company is recovering from its near collapse two years ago.

The Auburn Hills automaker will pay back that government debt later this quarter using money from new bank loans and an upcoming bond sale. Chrysler has been negotiating a loan refinancing deal with Morgan Stanley, Goldman Sachs, Citigroup and Bank of America. Details could be disclosed on Monday.

The refinancing would allow Chrysler to repay a big chunk of the bailout from the U.S. and Canada that helped the company get through bankruptcy in 2009. It would also help the automaker save millions by lowering interest payments and bolster its case for a public stock offering as early as the end this year.

The maker of minivans and Jeeps has come a long way since filing for bankruptcy protection on April 30, 2009, when its survival was in doubt. Since then, Chrysler has slashed costs and has begun to see stronger sales for its new vehicles, including the popular Jeep Grand Cherokee SUV.

Chrysler has been trying for about six months to refinance the government loans, which cost it \$1.2 billion in interest last year. The loans carry interest rates that average 12 percent, and Chrysler has said it can do much better on the open market.

CEO Sergio Marchionne on Thursday said the refinancing will help Chrysler's bottom line, although he would not say how much the company would save in interest payments.

The company lost \$652 million last year and has not turned a net profit since leaving bankruptcy protection in June of 2009.

"I think it's going to make a material difference to our profit-and-loss statement," Marchionne said after touring a Detroit Jeep factory with Treasury Secretary Timothy Geithner. "It's time to try to close the loop on what has been an incredibly necessary intervention" by the governments, he said.

In an appearance later that same week at the Detroit Economic Club, Geithner said the government wants to sever its

ties to Chrysler as quickly as possible, although it will balance that with the need to get the maximum return for taxpayers' investment.

The loans have been a problem for Chrysler and the Obama administration, which approved the bulk of the U.S. bailout. The money has turned off some customers who are unhappy with the government aid for Chrysler and its Detroit rival, General Motors Co.

For Obama, the refinancing would repay a big piece of what the U.S. loaned to Chrysler, eliminating at least part of a thorny political issue ahead of the 2012 presidential campaign.

Marchionne also said he has no doubts that repaying the governments will improve public perception of the company's Jeep, Dodge, Ram and Chrysler brands.

Chrysler took a total of \$10.5 billion from the U.S. government to survive two years ago. It already has made some payments, and the refinancing deal will repay another \$5.9 billion. Chrysler still owes the government about \$2 billion.

Some of that could be repaid when the government sells its 8.6 percent ownership stake in a Chrysler IPO. But Geithner said the most important thing is not whether the government recovers all of its investment.

"We didn't do this to maximize return. We did it to save jobs," he said.

Chrysler also took \$1.6 billion from Canada and Ontario that will be repaid in the refinancing. Canada got a 2.2 percent stake in Chrysler and could get more cash in the public stock sale.

Chrysler's biggest owner is a United Auto Workers health care trust fund, which holds a 59.2 percent stake. It plans to sell the stock to pay retiree health care bills that were shifted to the trust by the company.

The company will sell bonds to institutional investors in a private offering. Once the government loans are repaid, Fiat SpA, which runs Chrysler, will pay \$1.3 billion to the U.S. automaker. That money also will be used to help repay the government bailout.

In exchange, Fiat will get an additional 16 percent stake in the company, raising its stake to 46 percent. Fiat also can get another 5 percent after it begins making a 40 mpg car in the U.S. That would give it 51 percent ownership and full control of the company.

SAE Publishes Active Safety Book

WARRENDALE, Pa. – SAE International released the second in its "Safe, Green and Connected" trilogy of books edited by 2010 SAE International President Dr. Andrew Brown.

"Active Safety and the Mobility Industry" features 20 SAE technical papers originally published in 2009 and 2010, which showcase how the mobility industry is considering all aspects of safety in designing and producing safer vehicles. The new book details the latest innovations and trends in active safety technologies and driver distraction prevention techniques.

In addition, the book explores a variety of safety issues in the areas of market

and consumer preferences; driver assistance and modeling; active safety systems, crash sensing and sensor fusion; communications and road safety.

The publication also includes a number of articles authored by renowned experts in the field of active safety.

SAE says the new title is invaluable for any individuals working in the field of safety engineering. It will also be of great interest to researchers, professors, students and various safety certification groups in the public and private sectors. With the field of safety engineering rapidly evolving, centering on entire new concepts.

Assembly Line Workers' Skills Evolve

by Christine Snyder
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Environmental and fuel concerns are altering automotive powertrains and jobs, though hourly workers see little change.

The "Driving Change" conference in Dearborn May 4 focused on the "Greening of the Automotive Workforce."

"(With) green products, it's still basically the same on the line," said Brad Markell, an international representative of the UAW, during the conference session on automotive manufacturing and technology jobs. "A hybrid transmission is still a transmission."

Markell, who started his career at GM Willow Run Assembly, said, "Most autoworkers of the future are the autoworkers of today."

In a few cases, additional on-the-job training is required for green automotive manufacturing jobs, like at GM's Brownstown battery plant, said Markell. Brownstown gives employees three weeks of training on battery handling.

"That kind of skill development will continue," said Markell, who suggested that when additional training is needed – or can enhance or advance workers' careers – that automakers adopt the Japanese tradition of training during downtime instead of laying off workers.

"We need a training model that works for people," said Markell. "Blocking out four hours every Wednesday to go to community college works for some but not for others."

Markell said while the assembly line job hasn't changed, employer expectations have.

"There is a big gap between

the image of the perfect worker and the content on the floor," said Markell. "Everybody wants someone good at math . . . but when you're on the floor, there is no math."

Markell called on automakers to be more realistic in their expectations of autoworkers. "Don't think of the athletic . . . superworker. Look at what's happening on the floor . . . 90 percent of the job is just doing the work."

Kristin Dzciczek, an analyst with the Center for Automotive Research (CAR), said her research supports Markell's assessment of industry expectations.

"When asked what they want, they want the highest quality labor at the lowest possible entry level wage," said Dzciczek.

The skills needed to work on the line may not have changed much, but the entry level wage certainly has.

Dzciczek said while the same percentage of potential new employees drop out or fail the screening process at \$15 per hour as they did at \$28 per hour, the percentage of new hires who quit has risen dramatically.

"At \$28 per hour, nobody left," said Dzciczek. "At \$15 per hour, there is a 20 percent turnover now."

Dzciczek said the answer is simple. "It's really hard work in the plant," said Dzciczek. "Working one day in the plant is one thing, but then to get up and do it again the next day, and the next day and the next day, is another."

Dzciczek said workers are leaving for jobs that pay even less if those jobs offer them a more flexible schedule or are less demanding physically.

Dr. Susan Helper, AT&T professor of economics at Case Western Reserve University,

offered results from the Case Western Auto Supply Chain study that indicated higher wages were more cost-effective.

"The higher the wage, the less the shortage (of employees)," said Helper. "High wages may seem a luxury, an extravagance . . . but it (that attitude) doesn't capture the cost of losing a skilled worker."

The big change in the automotive workforce is the engineering and skilled trades jobs.

A combination of mechanical and electrical engineer, which Randall Champagne, a GM engineer, coined, "Mechatronics," is the gold standard in terms of desirable skill sets in the automotive industry.

Dzciczek characterized the coveted automotive engineer skill set as "jack of all trades and a master of one." Automakers want engineers with in-depth knowledge of their specialty and understanding of how it interacts with other disciplines and systems.

Dr. Leah Jamieson, dean of the College of Engineering at Purdue University, said there is a new emphasis on "soft" – or as she prefers to call them, "professional" – skills for engineers, such as communication skills and teamwork, that has become a critical part of an engineer's education.

"We have a long history in teaching (for example) thermal dynamics . . . but not on how to make engineers good communicators . . . or good leaders," said Jamieson. "We had better not be educating our students in a technical bubble."

Jamieson said an increase in some of the traditional engineering programs such as co-ops, internships and competitions will be good for

honing professional skills as are newer programs such as service projects with community or nonprofit organizations and entrepreneurial activities. Anything that gets engineers out of their "technical" bubble and interacting with both other engineers and non-engineers is ideal, said Jameison.

Those types of interactive, hands-on activities are attractive to potential employers, said Champagne.

"All managers say they want enthusiasm for this area," said Champagne. "They want not just those that attend school . . . not only those that show certification, but show the extra mile. (They look at candidates) when they have a patent or participated in EcoCar or First Robotics."

Dzciczek said there appears to be no strategy, but deep concern, on where this new workforce will come from.

"We can't buy this new workforce off the shelf," said Dzciczek. "We have to create it."

"It all boils down to teamwork, working with others in the industry, government and academia," said Champagne. "We need to boost up these skills."

Champagne, said MAGMA, (Michigan Academy for Green Mobility Alliance) is a good start as it joins industry, educators and government together to train and retain workers in green skills.

The event, sponsored by the Center for Automotive Research in Ann Arbor, was organized to help its participating visitors to get a better handle on the recent retrenchments of the auto industry, jobs, auto company hometowns, and how all of this mixes together as the car business moves forward.

Chevy Truck Donation Buys Relief in Alabama

DETROIT – Chevrolet is donating a dozen Silverado full-size crew cab pickups to United Ways in Alabama to help with recovery and reconstruction work following a series of deadly tornadoes that struck the region April 27.

The 12 donated pickup trucks, along with a GMC Savana full-size van, were due to arrive today at Tuscaloosa Chevrolet. From there they will be distributed to United Ways in western and central Alabama for use in local relief efforts.

The donations of the trucks came as people from throughout GM reached out to those hit hard by last week's storms. GM volunteers from the southeast region are gathering in communities where the need is critical to acquire and distribute relief supplies such as tarps, flashlights and batteries.

"Chevrolet has a strong commitment to its communities, and we are working with our dealers, our employees, and relief agencies to help people in

the southeast recover from the storms. The Silverado crew cab is a real workhorse, and we know these trucks will find many uses carrying people and hauling supplies as these communities rebuild," said Alan Batey, vice president, Chevrolet sales and service

Also today, the General Motors Foundation announced that it is providing a \$100,000 grant to the American Red Cross to help disaster relief efforts in the southeastern states. GM is also encouraging employees to personally support these efforts through a donation link on GM's internal website.

GM's OnStar is providing Crisis Assist Services for subscribers in affected states, which provides free hands-free calling minutes and directions. OnStar's Directions and Connections service is being provided for six months along with 1,000 hands-free calling minutes for each of the donated trucks.

"GM and its employees have a deep sense of responsibility and commitment to our country and the communities where we live and work. At a time of great need, GM will always be there with its people and products to answer the



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Chrysler Returns to Profit for First Time Since 2006

DETROIT (AP) – Chrysler has turned its first profit since leaving bankruptcy two years ago.

The company reported first-quarter net income of \$116 million and revenue of \$13.1 billion last week. The profit is a milestone in Chrysler's long road back to health after its 2009 bankruptcy. It last reported a net profit in 2006.

Chrysler's return to profitability is also another chapter in the comeback of the Detroit Three automakers.

General Motors Co., which also went into bankruptcy in 2009 and took government loans, has reported a string of profitable quarters and held an initial public offering in November.

Ford Motor Co., which didn't take bailout money but nearly had to file for bankruptcy five years ago, reported its eighth consecutive quarterly profit last week.

Several trends put Detroit's automakers – and Chrysler in particular – back in the black. Sales are rising as the economy improves, and each of the companies has released popular new products. Chrysler's sales rose 18 percent worldwide in the first three months of the year.

"Chrysler Group's improved sales and financial

performance in the first quarter show that our rejuvenated product lineup is gaining momentum in the marketplace and resonating with customers," Chrysler

CEO Sergio Marchionne said in a statement. Momentum is crucial. Chrysler wants to hold an initial public offering later this year or early next, but investors must first see a string of profitable quarters.

Chrysler's new vehicles caught buyers' eyes in the latest quarter. U.S. sales of the revamped Jeep Grand Cherokee SUV jumped 64 percent,

while sales of the Chrysler 200 sedan more than quadrupled over those of its predecessor, the Sebring.

Chrysler said buyers were willing to pay more for its cars and trucks. Edmunds.com estimates the company lowered incentive spending by nearly \$1,000 per vehicle in the quarter. Revenues rose 35 percent.

Chrysler last reported a profitable quarter in 2006, one year before it was sold by Daimler AG to private-equity

firm Cerberus Capital Management.

Cerberus didn't invest the cash needed to weather the worst auto sales decline in more than 25 years, and as a result, Chrysler came close to running out of money at the end of 2008.

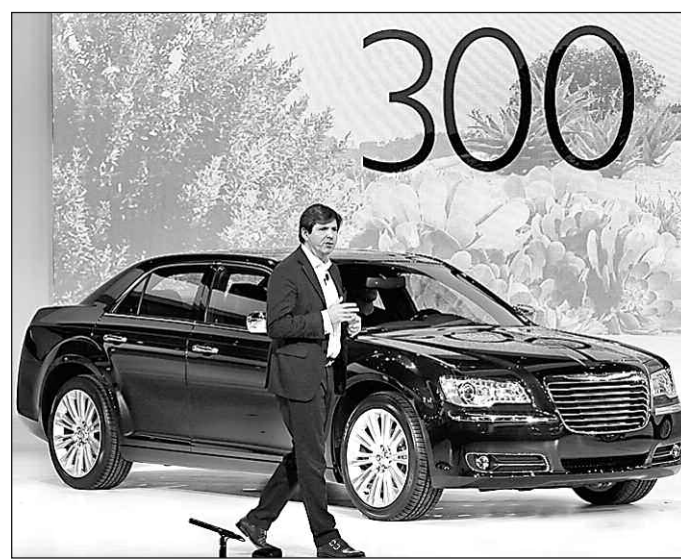
The U.S. government stepped in, authorizing \$10 billion in aid and appointing Marchionne to run the company after it emerged from bankruptcy protection in June 2009.

The U.S. government remains a part owner of Chrysler, holding an 8.6 percent stake.

But Chrysler is trying to sever those ties. Last week, the company said it will soon repay \$7.5 billion of the bailout from the U.S. and Canadian governments using a new, \$3.5 billion bank loan and \$1.5 billion credit facility and a \$2.5 billion debt offering.

The move will save Chrysler millions in interest payments. Its government loans carry an average interest rate of 12 percent and cost the company \$1.2 billion in interest last year.

The U.S. government is also expected to recoup some of the bailout money when it sells its stock in the public offering.



Consumer acceptance for new products like the 2011 Chrysler 300, above, account for Chrysler posting its first quarterly profit since before its corporate bankruptcy.