

2015 Auto Contracts Wrap-Up

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Outline

- Summary of the agreements
- Financial impacts
- Outlook for attrition and hiring
- Competitive position
- What increased use of temporary workers will mean
- Implications for suppliers
- North American production shifts
- Q&A

Process & Strategy

- UAW chose to negotiate with FCA first
 - *First tentative agreement was rejected 2-to-1*
 - *Second tentative agreement had about 15% new pages*
 - *Second agreement was ratified with 77% in favor*
 - *Contract costing the same, but shifted cash to current workers*
- GM went next
 - *Economics of core tentative agreement ratified with 55% in favor*
 - *Skilled trades rejected the agreement*
 - *UAW leadership investigated reason for “no” votes, and declared the agreement ratified*
- Ford went last
 - *Tentative agreement initially appeared to be headed for defeat, with large locals voting it down by 2-to-1 margins*
 - *Ratification was just over 51% in favor*

New 2015 UAW Contract Summary



Signing Bonus	\$3,000 for “in progression” workers \$4,000 for legacy workers	\$8,500, with \$1,500 “pull-ahead” profit sharing \$2,000 for temporary workers	\$8,000 for permanent workers \$2,000 for temps >90 days at signing
Wages	<2007:3%, 4% lump, 3%, 4% lump 2007-2015: 8-year grow-in to \$29 >2015: 4-to-8 year grow-ins to \$25	<2007:3%, 4% lump, 3%, 4% lump 2007-2015: 8-year grow-in to \$29 >2015: 4-to-8 year grow-ins to \$25	<2007: 3%, 4% lump, 3%, 4% lump 2007-2015: 7-year grow-in to \$29 >2015 4-to-8 year grow-ins to \$25
Jobs	+103; \$3.4B potential total investment	+8,500 new &/or secured; \$9B investment	+3,300 created & retained; \$1.9B new+\$6.4B announced=\$8.3B
Retirement Incentives	\$25K targeted	\$70K, tilted toward production	\$60K for 4,000 retirement eligible production workers
Profit-Sharing	\$800 for each margin point > 2%	\$1/\$1 Million once margin >2% \$12K cap removed	\$1,000/\$1 Billion once margin >2%
Retirees	\$1,000 vehicle voucher (one-time)	\$250/year for retirees; \$125/year for surviving spouses	\$500 gift card (one-time)
Other Bonuses	\$0-1,500 annual quality bonus \$1K-5K one-time for World Class Mfg	4 \$1,500 annual inflation protection 4 \$250 annual competitiveness bonus	4 \$1K annual performance bonuses 4 \$500 annual quality bonuses
Health Care	No change to worker contribution; maintained distinction between traditional and in-progression plans	No changes to worker contribution; same plan for traditional & in-progression Health care plan for temp workers	No changes to worker contribution; same plan for traditional & in-progression Health care plan for temp workers

Wage Rates Under 2015 UAW-FCA Contract V2.0

	Hired <2007	2007-2015	Hired >2015
Skilled Trades		2015: \$33.69 2017: \$34.70	n/a
Production	2015: \$29.36 2017: \$30.24	\$17-29.94* over 8 years	\$17-22.50 over 4 years
Mopar		\$17-29.76 over 8 years	\$17-25 over 8 years
Axle		\$16.25-19.86 over 4 years	\$16.25-19.86 over 4 years
Temporary workers	Team member maximum rate	\$17-22 over 4 years	\$15.78-19.28 over 4 years

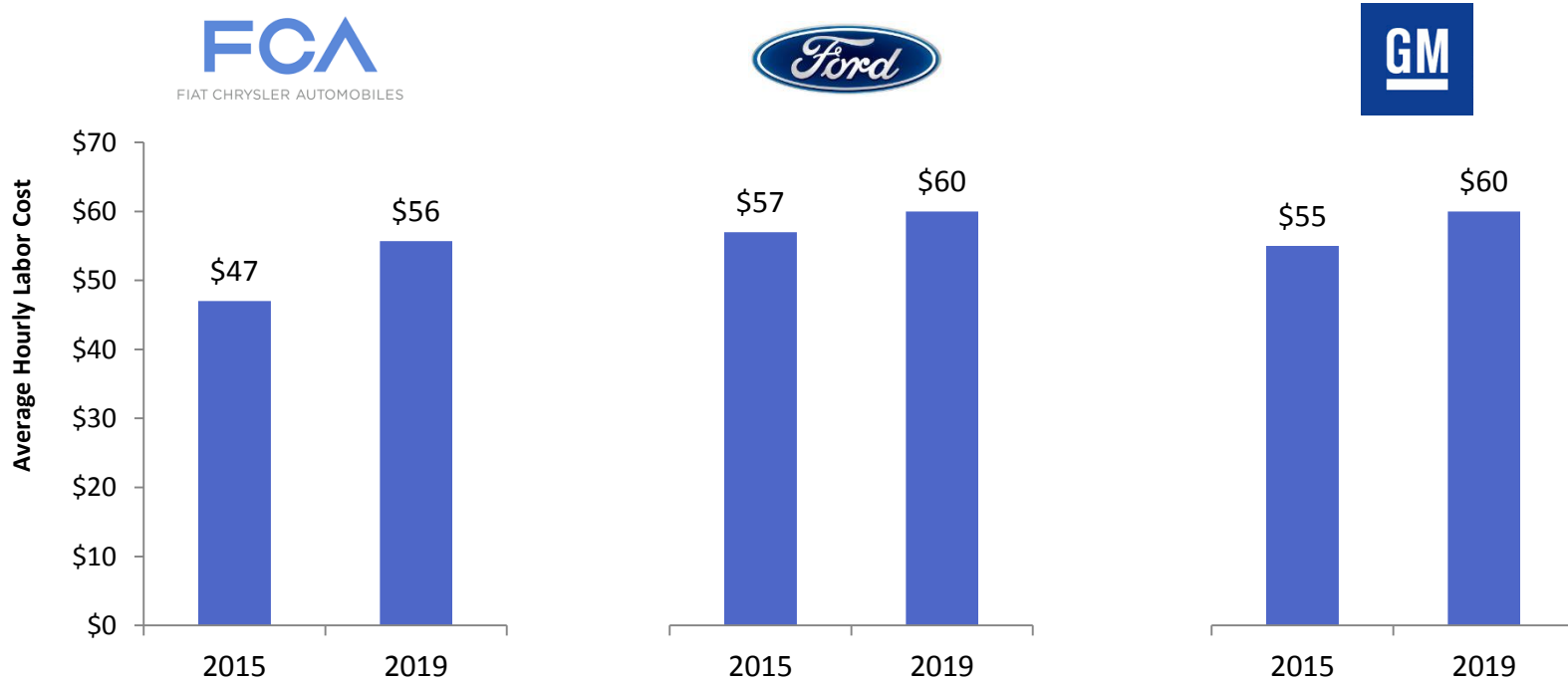
Wage Rates Under 2015 UAW-GM Contract

	Hired <2007	2007-2015	Hired >2015
Skilled Trades		2015: \$33.99 2017: \$35.01	
Production Group B	2015: \$29.98 2017: \$30.88	\$17-29.94* over 7 years	\$17-28 over 7 years
Production Group C (CCA, etc.)	2015: \$28.89 2017: \$29.76	\$17-29.76 over 4 years	\$17-25 over 8 years
GMCH	\$16.85-19.26 over 4 years plus 3% in 2016, 2017, 2018 and 3.7% in 2019 for those at top rate		\$16.25-19.86 over 4 years
Temporary workers	\$17-22 over 4 years		\$15.78-19.28 over 4 years

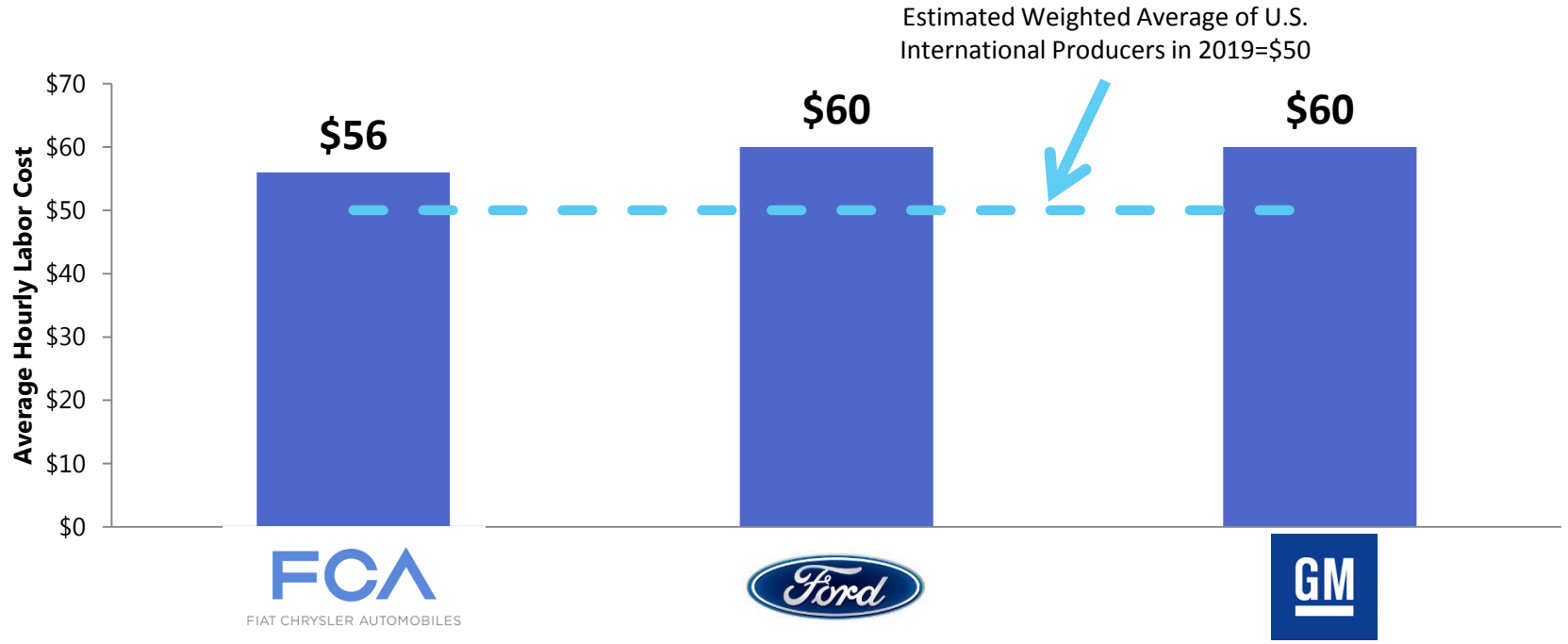
Wage Rates Under 2015 UAW-Ford Contract

	Hired <2007	2007-2015	Hired >2015
Skilled Trades		2015: \$33.79 2017: \$34.81	
Production	2015: \$29.78 2017: \$30.67	\$17-29.75* over 8 years	\$17-28 over 8 years
Rawsonville, Sterling, Woodhaven		\$16.25-19.86 over 4 years plus three 3% annual raises and one 3.7% raise (2019) for those who reach \$19.86	\$16.25-19.86 over 4 years
Temporary workers		\$17-22 over 4 years	\$15.78-19.28 over 4 years

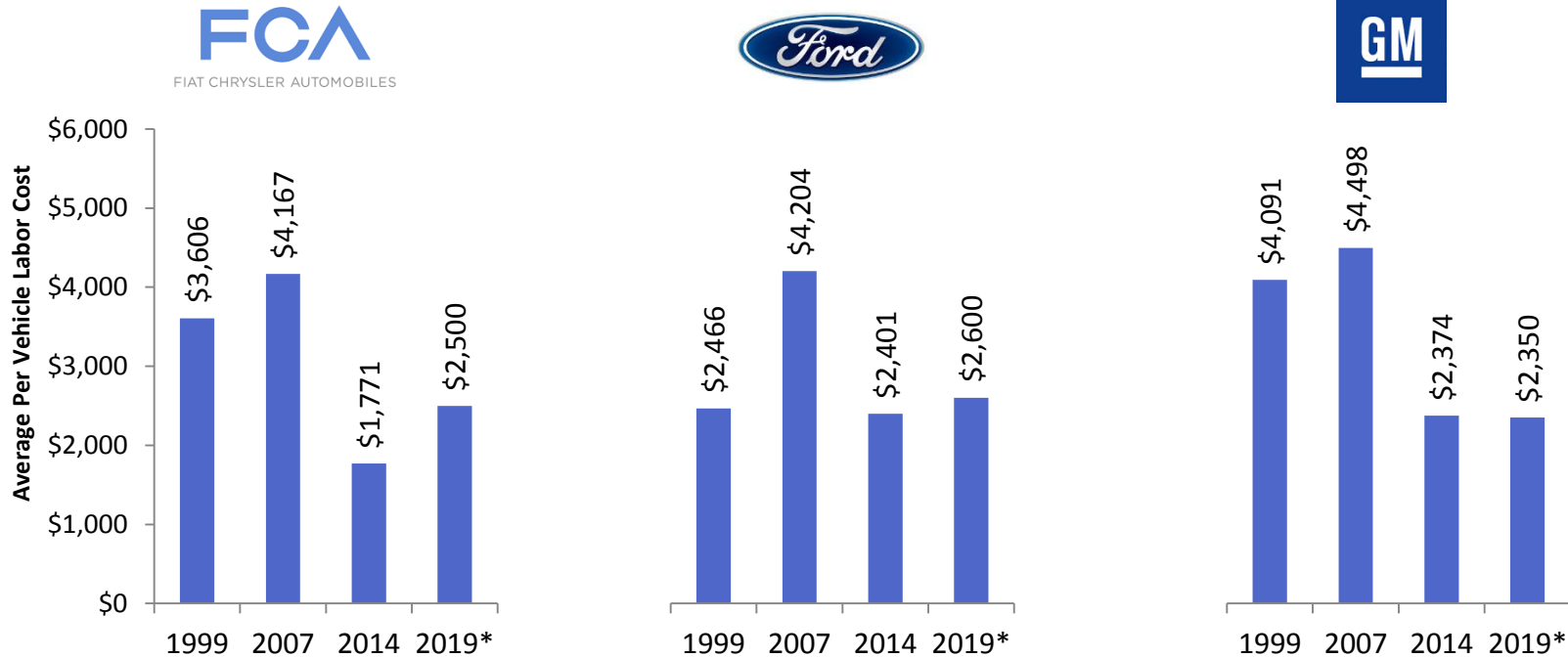
Average Hourly Labor Cost Changes, 2015-2019



Projected Cost Competitiveness in 2019: UAW Average Hourly Labor Costs vs. Internationals



Per Vehicle Labor Cost Changes, 1999-2019



The Tale of the Tape:



Achieved:

- Pay increases AND profit sharing/lump sums (largely cash)
- Begin to phase out tier 2...but with many more wage scales
- Did not change health care benefits/lower cost
- Got back Easter Monday & Legal Aid
- Won same health care for everyone at GM & Ford

Didn't Win Back

- COLA
- JOBS Bank/GEN pool
- Overtime after 8 hours/day
- 3-year grow-in to top wages
- Pension increases

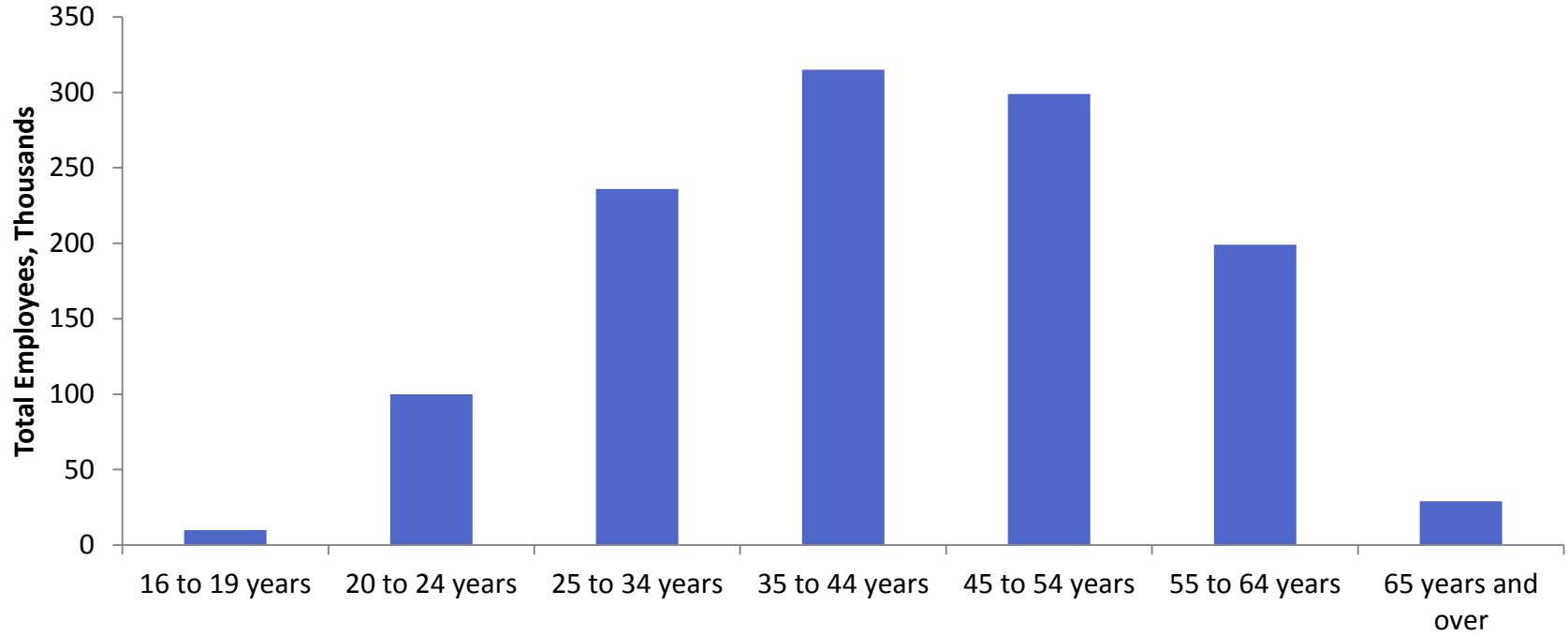
For the Automakers:






- Most of the cost of the contract is cash
 - *Therefore up for grabs in 2019 depending on the market*
- Still have lower wage scales for new hires
- Companies can adjust production in a downturn and can layoff excess employees at lower cost than last major downturn
- Overall contract cost does not rise as much as it has in pre-2009 contracts

Hiring will outpace overall employment growth due to technology/skill needs and demographic factors.

One-third of U.S. Motor Vehicle & Parts Employees Currently Are or Will Soon Be Eligible to Retire.



Attrition & Hiring

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FIAT CHRYSLER AUTOMOBILES
 - Targeted retirement incentives will yield not much more than normal attrition
 - Product movement/retooling will mean shuffling existing workers more than hiring new ones (net employment change=+103)
- 
 - Retirement incentive tilted toward production; possible to clear out roughly 6,500 legacy workers over four year contract
 - Largely replacement hiring, with some growth (8,500 jobs “created/retained”)
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 - Retirement incentive aimed at clearing 4,000 retirement-eligible in early 2016; hitting a demographic bubble, and retirement attrition could be as high as 5 to 6%/year
 - Largely replacement hiring (3,300 jobs “created/retained”)

Increased Use of Temporary Workers

- FCA and GM currently use temps for 5-10% of annual hours worked; Ford for <1%
- Temps can be used for:
 - Generally long-term, but no more than 3 days/week
 - Absentee replacement
 - Monday/Friday
 - Short-term supplemental employees
 - Vacation/Leave replacements
 - Launch/Increased Production (3rd shifts)
 - Attrition program transition
 - Other similar supplemental manpower needs
- New temps will be paid the former entry-level scale (\$15.78-19.28/hour), and will be used to balance higher wages/bonuses paid to current workers

UAW Skilled Trades Classifications Were Consolidated Over The Past 3-4 Contracts

SKILLED TRADES CLASSIFICATION STRUCTURE											
9/22/2015											
Train to Level 4 consistent with WCM Principles within specific trades.	Electrical Work Group		Mechanical Work Group			Tool & Die Work Group					
	TRAIN UP TO A LEVEL 3 WITHIN WORK GROUP		TRAIN UP TO A LEVEL 3 WITHIN WORK GROUP			TRAIN UP TO LEVEL 3 WITHIN WORK GROUP					
	Electrician	Repairer Welder Equipment ₁	Pipfitter	Millwright	Machine Repair	Tool Maker	CNC	CMM ₃	Die Maker	Die Welder ₂	
	Electrician	Repairer Welder Equipment	Pipfitter	Millwright	Machine Repair	Tool Maker	CNC Machining Technician	Layout Inspector	Die Maker	Welder - Tool & Die	
	Repairer Welder Equipment		Pipfitter - Plumber	Sheet Metal Worker		Tool Maker - Jig & Fixture Builder	Keller Machine Operator	Layout Metal & Wood	Die Maker - Die Cast		
			Pipfitter / Spray Gun Repair	Millwright / Welder				Inspector Layout & Sample Check*			
				Welder Maintenance				Tool Maker - Tool & Gauge Inspection			
Eliminated / Protected Classification Alignment											
	Recording Instrument Maint. & Repair		Repairer - Portable Pneumatic Tools	Carpenter / Painter		Tool / Fixture / Machine Repair Tech	Inspector Form Cutters			Pattern Maker - Wood	
			HVAC	Carpenter		Grinder - Cutter	Pattern Maker Wood				
				Painter & Glazier Maintenance		Cutter Grinder	Saw-Do-All Tool Room Only				
				Mechanic - Trailer Repair		Inspector Gauge Surveillance	Pattern Repairer Foundry Patterns				
				Brickmason & Cement Finisher		Grinder - Tool Room					
				Crane Operator - Locomotive		Tool & Cutter Grinder					
				Furnace Repair		Machine Operator - Tool, Die & Maint.					
Stand Alone Classifications											
	Boiler Repair	Repair - Compressor	Compressor Operator	Engineer - Steam	Boiler Operator	Sewage Disposal Plant Operator	Energy Center Operator	Mechanic Diesel - Mechanic - Truck - Tractor	Mechanic - Gas & Electric Jitney	Powerhouse & Maintenance	Mechanic - Refrigeration & A/C (CTC Only)

1. Welder Repair Classification will apply to FCA US LLC Stamping Plants only, attritional openings will be filled by the electrician base trade.

2. A limited number of Die Makers may be trained up to a level 4 in Die Welding. The Local Parties will submit recommendations to the National Parties for review and concurrence.

3. CMM attritional openings will be filled by candidates with a Tool Maker or Die Maker base trade.

Employee's remaining in these Classifications (placed prior to 1/1/12) require no additional STR Training and will not combine with any overtime Equalization Group.

The UAW and D3 Automakers Are Adding Apprentices and Changing Their Processes



- New apprentice eligibility process targeted to be in place Q1 2016
- Promised investments “could result in” +1200 apprenticeships



- Implementing a new online apprenticeship application
- Plans to add +1300 trades; +400 new apprentices (first 200 in 2016)



- Plans to add 150 apprentices during 2016 (with a pledge of continued growth through length of the agreement)

IMPLICATIONS IN SUPPLIER SECTOR

At the Bargaining Convention...



We are confident that our bargaining philosophy will support us at the bargaining table as we join together to “bridge the gap” in our pay and working conditions and secure the American Dream for all.

From UAW 2015 Special Bargaining Convention Proposed Resolutions

Another Reason Expectations Ran High...

THE WALL STREET JOURNAL.

BUSINESS

UAW Ends Two-Tier Wages at Lear in Tentative Pact

Now That Auto Makers Are Healthier, Workers Are Demanding an End to Two-Tier Wages

Negotiations Timeline: *Is This the New Normal?*

July 2015



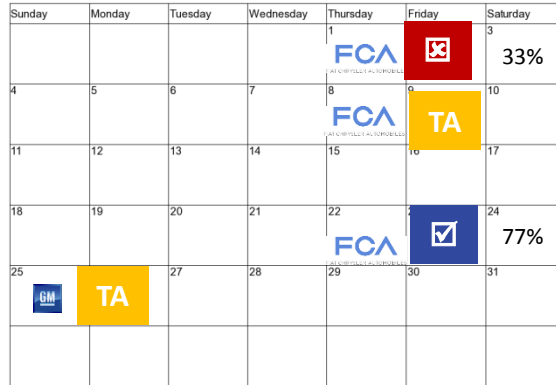
August 2015



September 2015



October 2015



November 2015



Supplier Negotiations Have Hit Some Rough Spots

The Detroit News

GM, Fiat Chrysler plants impacted by Nexteer strike

Melissa Burden, and Michael Wayland, DetroitNews 1:47 p.m. EST December 9, 2015



By Mike Anderson
BIO >>

Kohler union workers ratify contract, end strike

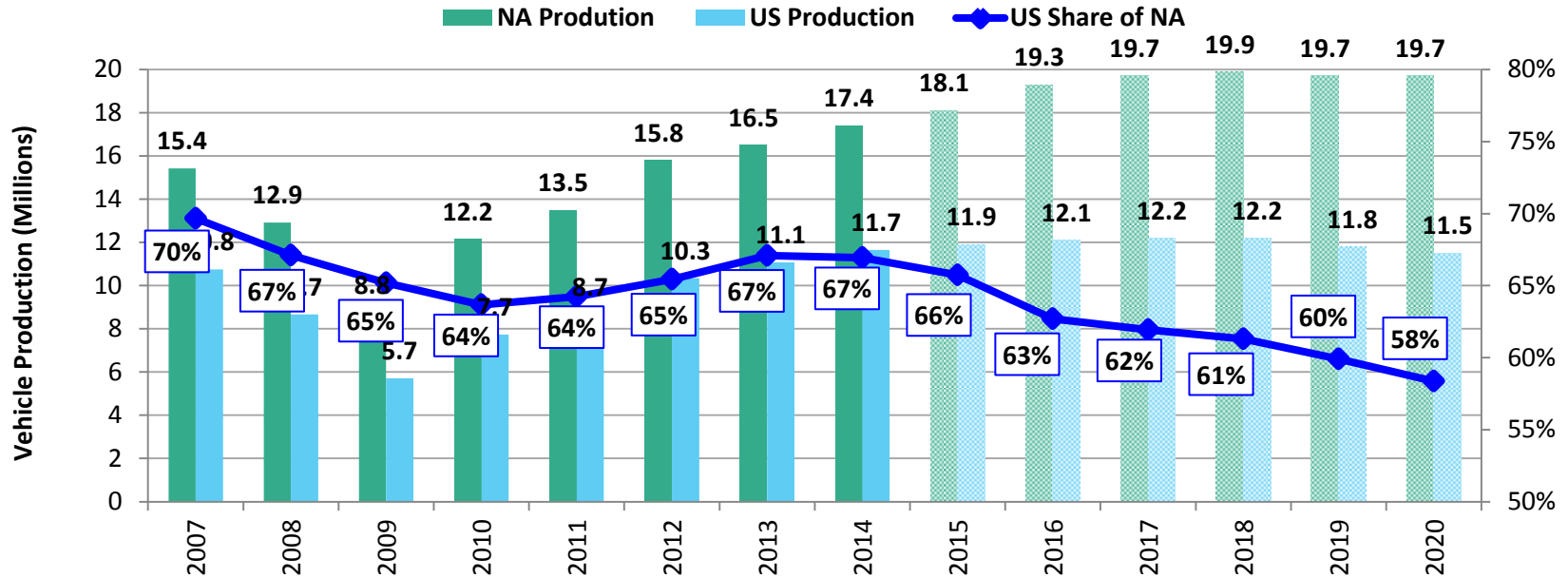
UPDATED 7:49 AM CST Dec 17, 2015

UPDATE: Honeywell lockout continues amid UAW contract dispute



SHIFTING PRODUCTION IN NORTH AMERICA

U.S. Share of North American Production is Shrinking.



Product Movement & Investments in N.A.



FIAT CHRYSLER AUTOMOBILES

- Getting out of U.S. car production altogether by ending the Chrysler 200 and Dodge Dart
- Dodge Journey moves from Mexico to the U.S.

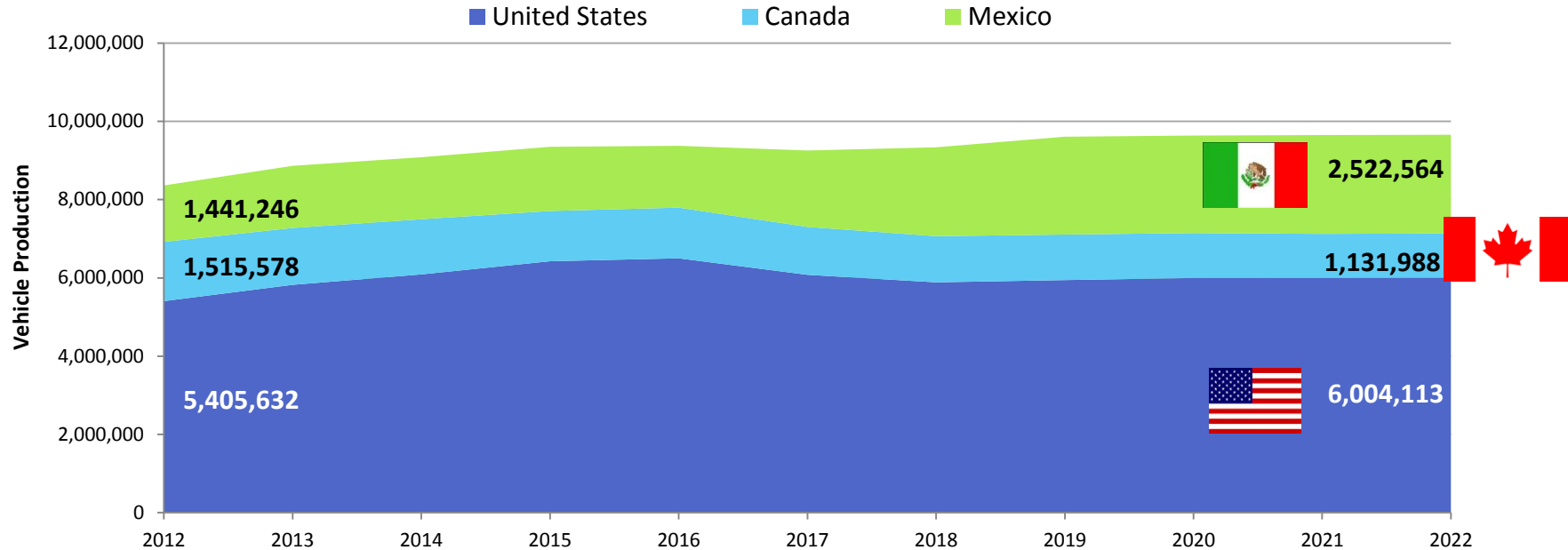


- Ford Focus and C-Max move to Mexico
- Lincoln MKC moves to Mexico
- Lincoln MKZ moves from Mexico to Flat Rock
- Ford Fusion production to double in Mexico
- New \$1.6B plant announced in Mexico



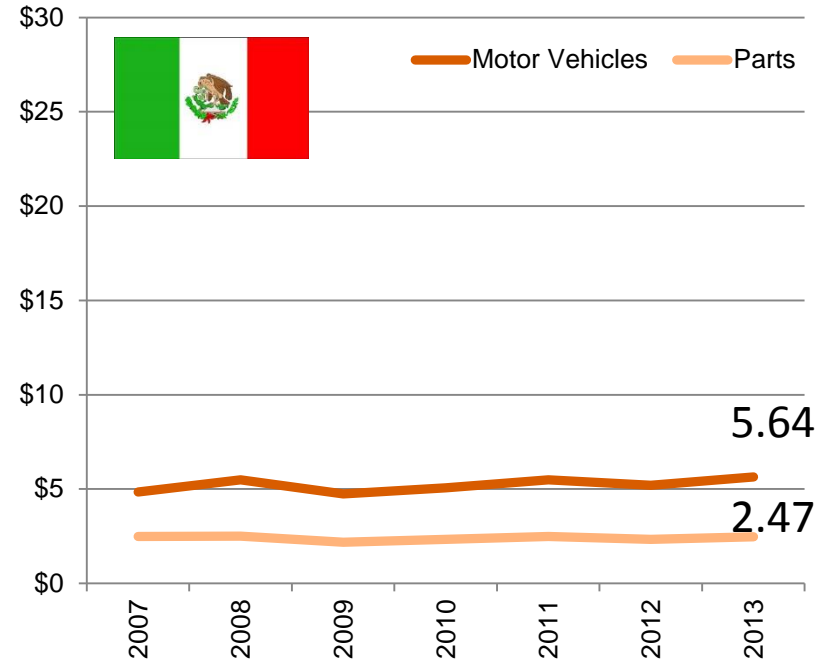
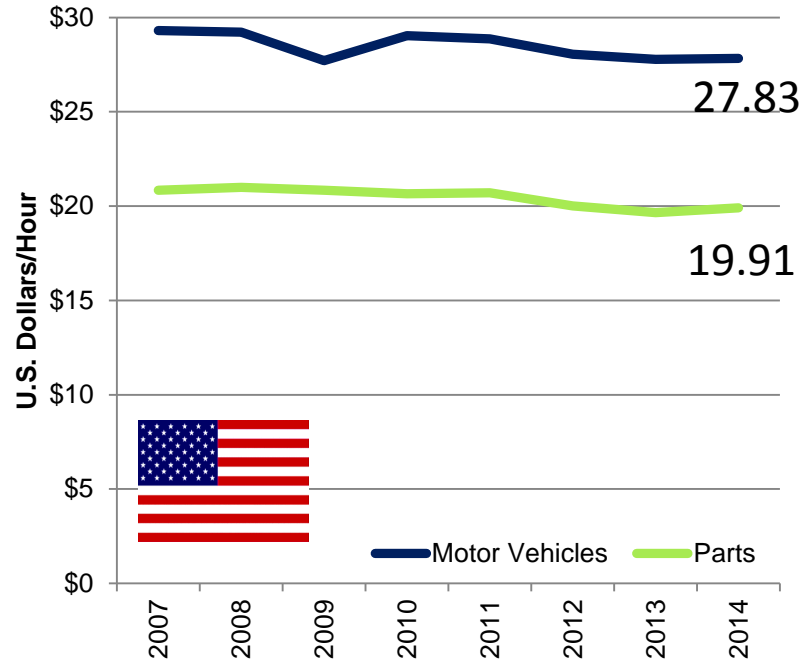
- Cadillac SRX renamed the XT5 and moves from Mexico to Spring Hill, TN
- Chevrolet Captiva Sport discontinued (was built in Mexico)
- Adding Chevrolet Cruze, Equinox, and Onix production in Mexico

Total Ford, GM, and Fiat-Chrysler Production in North America, by Country: 2012-2015 Actual, 2016-2022 Forecast



Mexican Automotive Wages are One-Eighth to One-Fifth the Wages Paid to U.S. Hourly Auto & Parts Workers

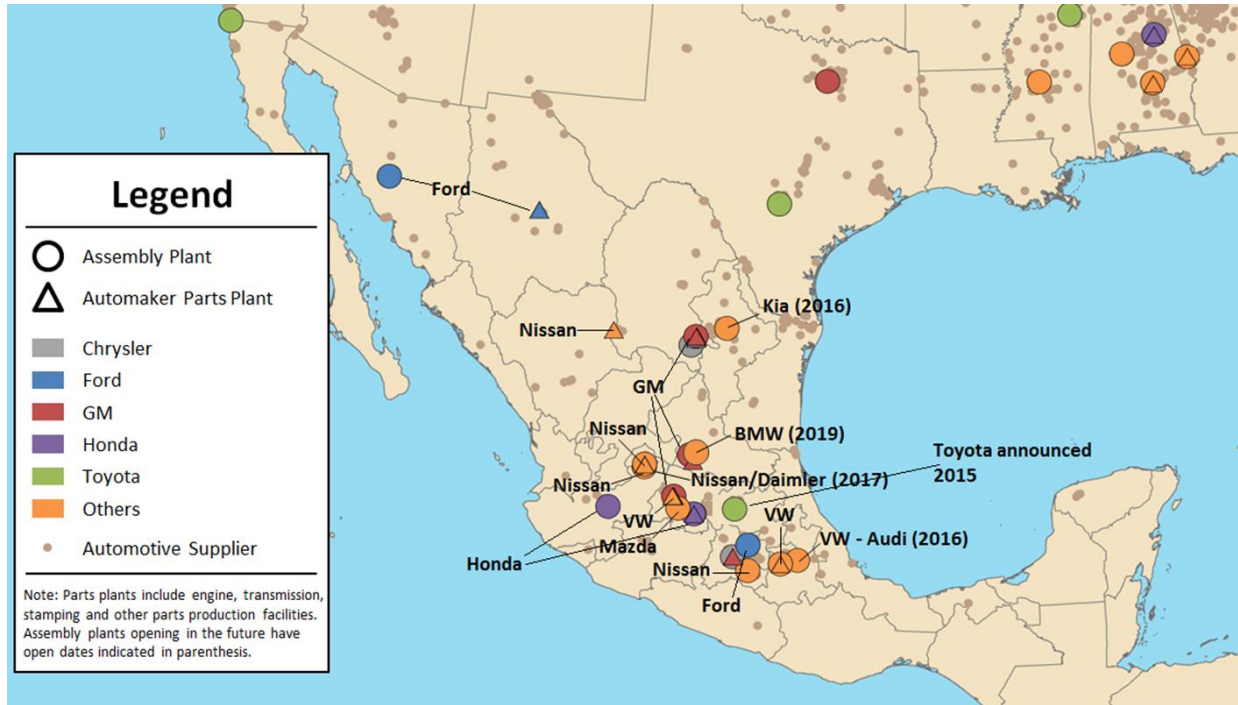
Average Hourly Wages for Production and Non-Supervisory Workers in Motor Vehicle and Parts, 2007-2014



Some Vehicles Made in Mexico



Mexico Has Become a Global Export Base for Autos and Parts



13 FTAs, 44 Countries

North American Free Trade Agreement (NAFTA)

Colombia - Mexico

Costa Rica - Mexico

European Union - Mexico

Nicaragua - Mexico

Chile - Mexico

EFTA - Mexico

Israel - Mexico

Northern Triangle - Mexico

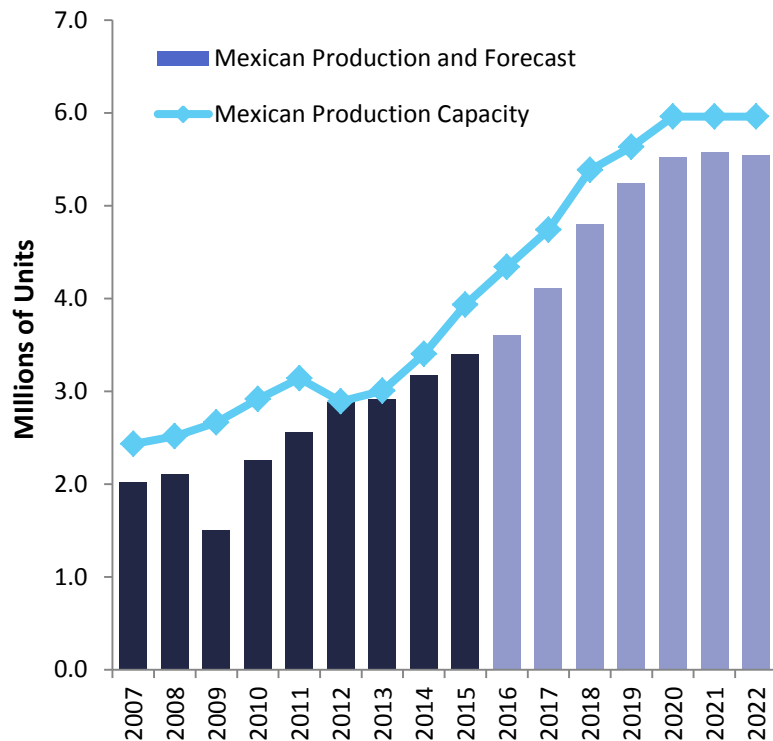
Uruguay - Mexico

Japan - Mexico

Peru - Mexico

Central America - Mexico

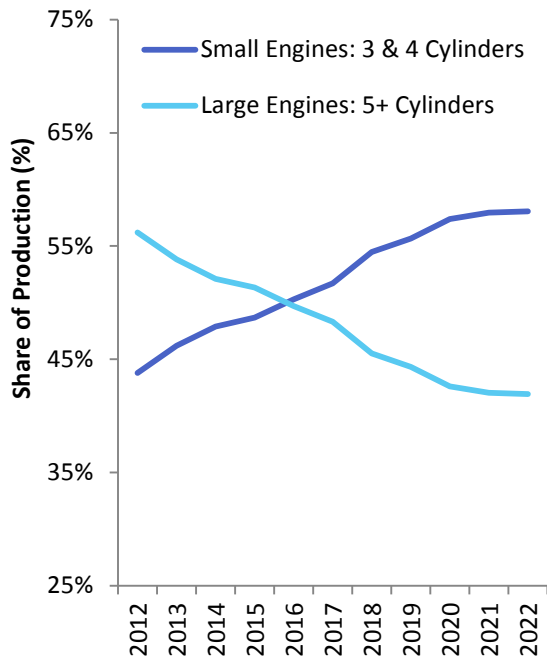
Mexican Production and Exports



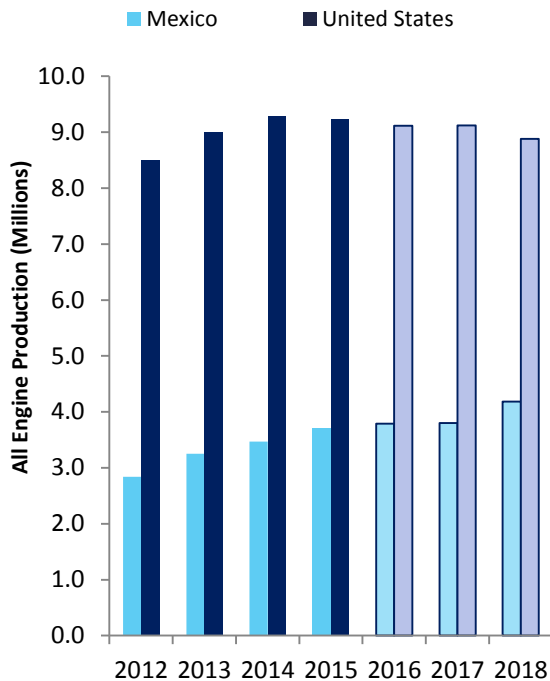
- In 2013, Mexico produced more than 1.7 million light vehicles and 1.1 million heavy-duty vehicles
- In 2016, Mexico will become the 7th largest vehicle producer in the world
- Mexico now produces roughly 20 percent of the light vehicles in North America
- Mexico has captured 8 of the last 9 announced new assembly plants on the continent since 2011
- Manufactured goods constitute 80 percent of Mexico's exports
- 2014 was a record year for Mexican automotive exports, and 2015 looks like it will again set a record

Engine Production and Forecast: 2012-2022

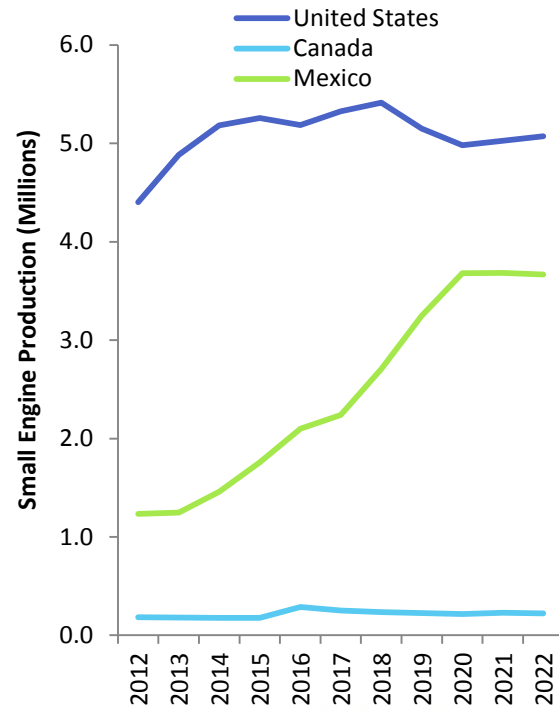
Engine configurations are changing...



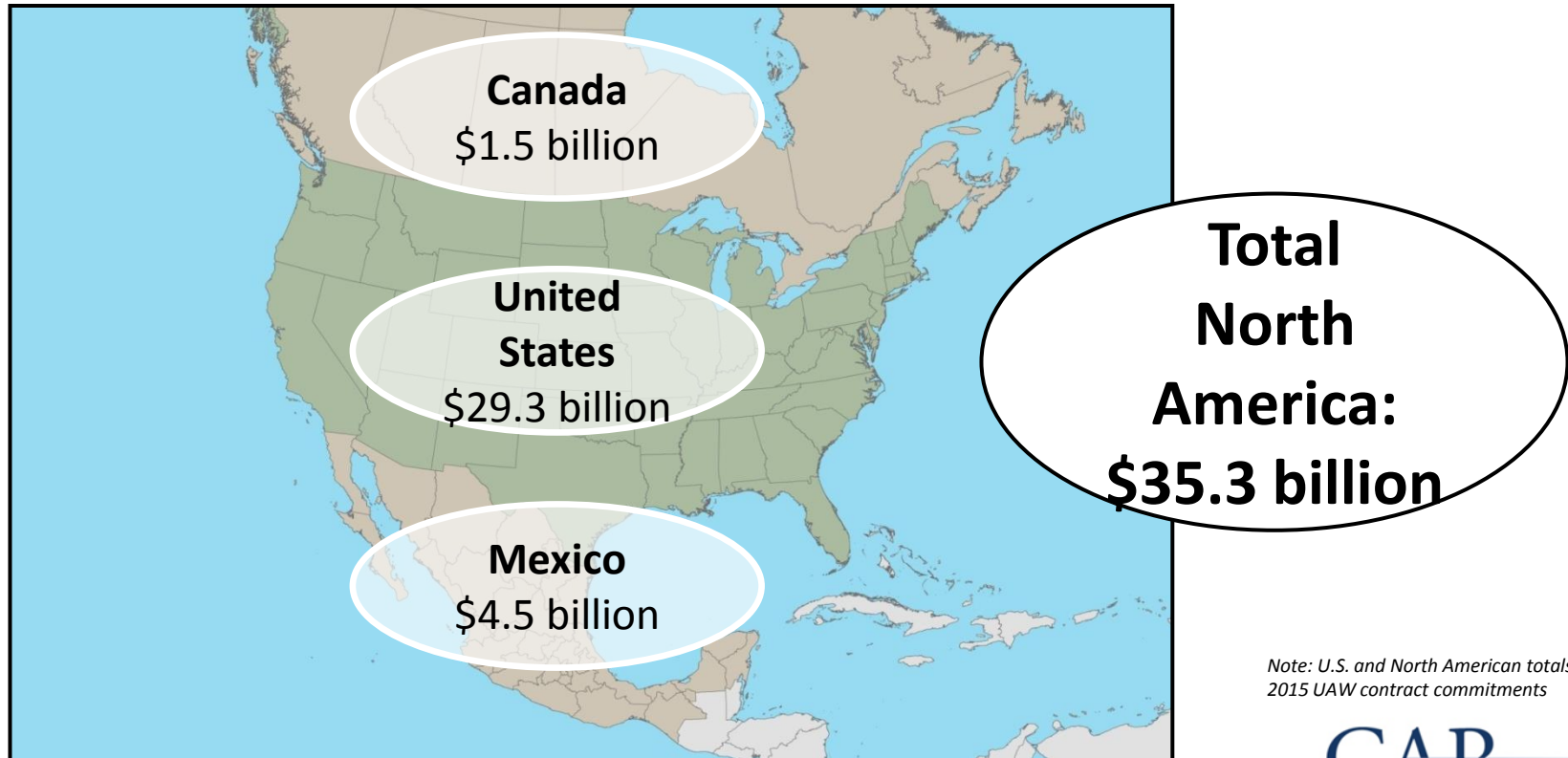
...but U.S. production changes will be incremental



...and Mexico is poised to increase its share.



Automaker Investment Announcements, Jan - Dec 2015



Note: U.S. and North American totals include 2015 UAW contract commitments

A Big Question?



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