



OESA

Automotive Supplier Barometer

June 2007

OESA

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June 2007 Summary

- Responding to OESA member feedback, the June 2007 OESA Automotive Supplier Barometer is the first survey on the new every-other month schedule.
- Survey participants indicate the greatest level of optimism since the survey began in July 2006. Suppliers seeing a “somewhat more optimistic” 12-month outlook increased for the second survey in a row to 32 percent and those indicating a “somewhat more pessimistic” view declined to 13 percent – the lowest level in 11 months.
- Several factors contributed to the improved outlook. Albeit against weak comparisons, 2007 second half production schedules are expected to increase and companies report increased clarity in future product capital expenditures. In addition, uncertainty over the ownership of the Chrysler Group was determined and positive press statements emerged from the negotiations between Delphi, the UAW, GM and interested financial parties of this change of ownership.
- Suppliers have a significant stake in the success of the Chrysler-Cerberus Capital Management deal. Respondents view the deal as a positive step, as one person stated, “New management focus could improve domestic and/or international market share creating stable financial results for themselves and their suppliers.” In addition to intensified focus, suppliers see increased outsourcing and product innovation opening up content per vehicle opportunities and increased decision making speed and a greater entrepreneurial spirit improving supplier relations.
- Interestingly, suppliers see almost the same issues – business opportunities, pricing and supplier relationships – as the largest risks of the Chrysler-Cerberus deal.

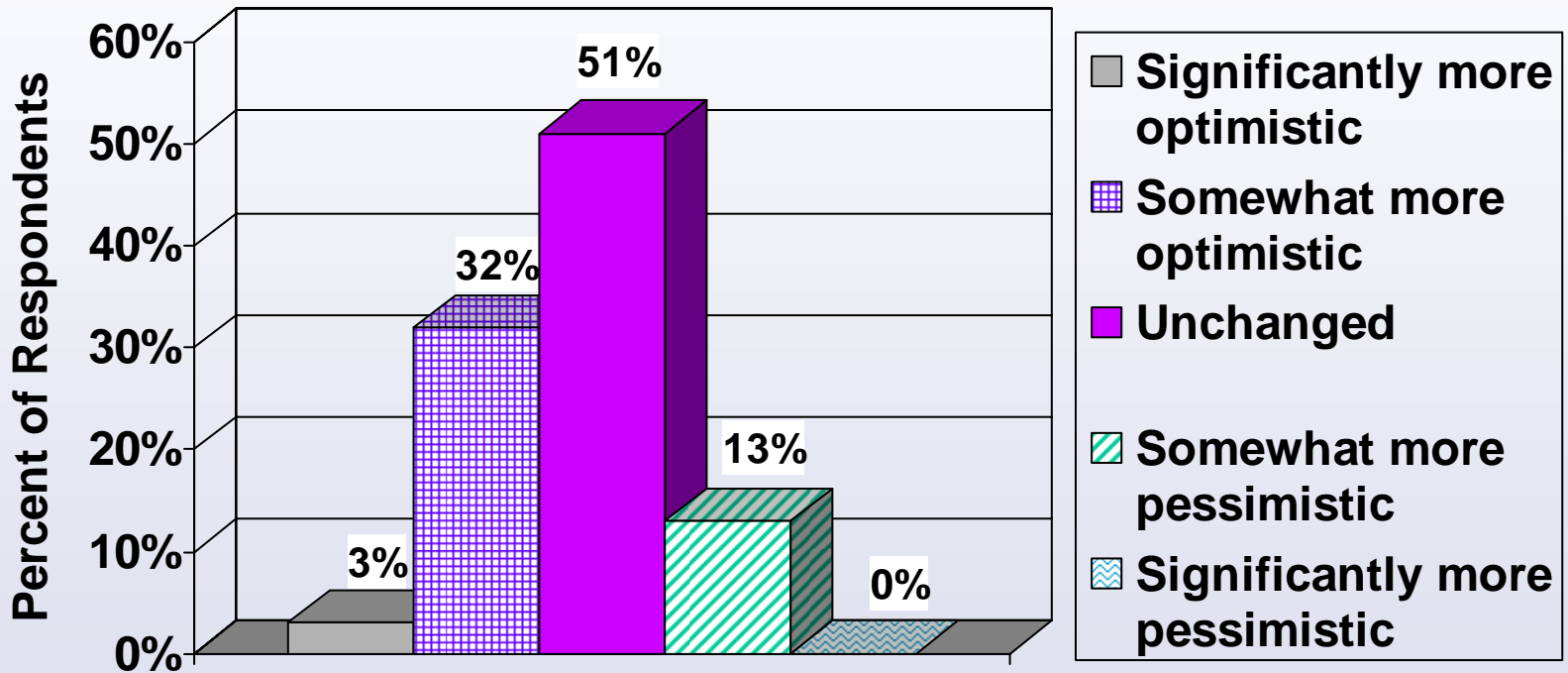


June 2007 Summary

- Material markets, globalization, North American production schedules and the financial viability of their own company and customers remain the top supplier strategic concerns.
- Commercializing new technology is a concern for suppliers, as one respondent pointed out in strategic concerns highlighting: “The pace of technology requirements across a variety of customers in each geographic region of the world.”
- However, the majority of suppliers – 54 percent – rated themselves a 5 or a 6 (where 7 is a benchmark for others) in their internal engineering and design capabilities for bringing new technology to market.
- For future success, suppliers note the need to increase their personnel capabilities in global business development; operations, lean processes and program management; electrical, mechanical and software engineering and finance, cost estimating, risk management.



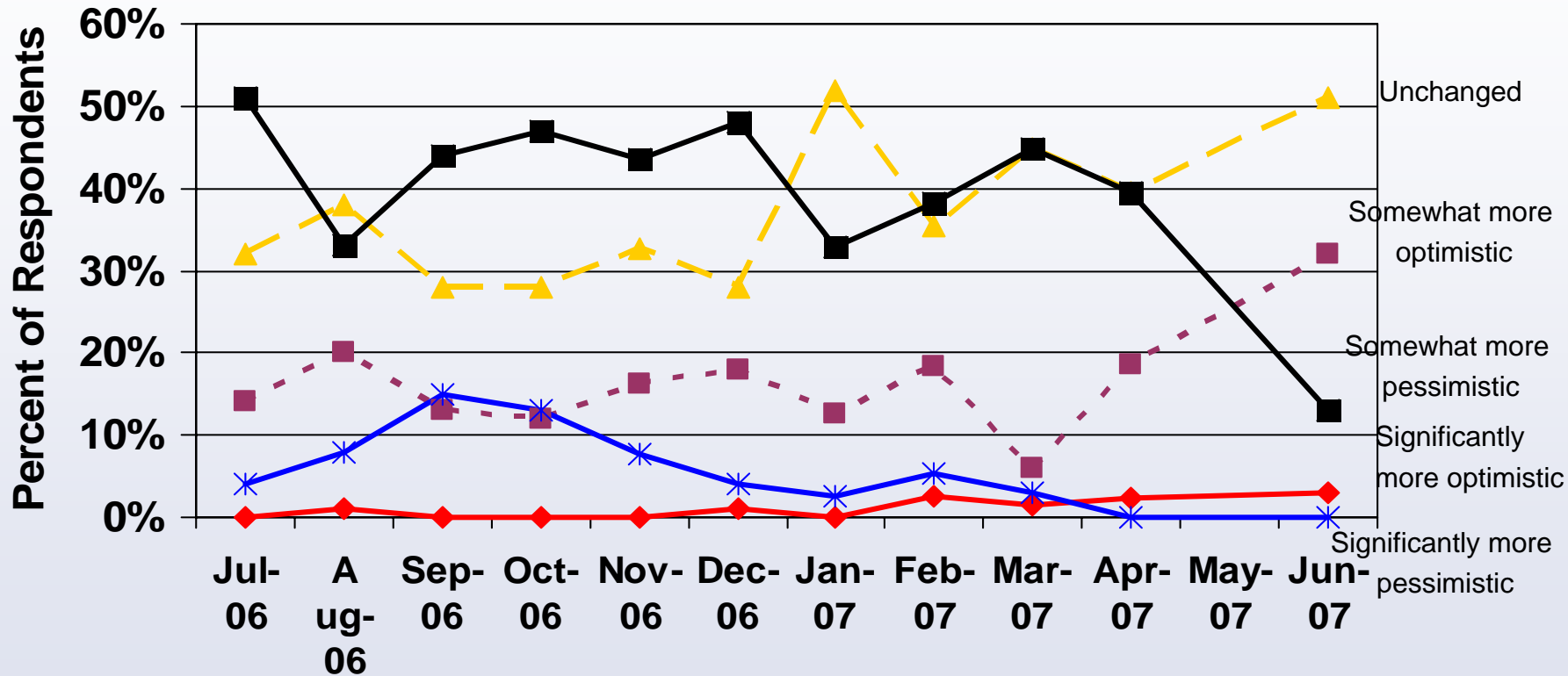
Question 1: Describe the general twelve month outlook for your business. Over the past month, has your opinion become:



Responses = 68



Question 1 Trend: 12 Month Business Outlook for Your Business



Note: Responses for July = 81; August = 88; September = 117; October = 107; November = 92
December = 92; January = 69; February = 76; March = 67; April = 43; June = 68



Question 2: Identify the top 3 strategic concerns facing your company. Number of total mentions and representative responses reported.

➤ **Material Markets and Cost Recovery (36)**

- “Raw material price increase and resistance of customers to consider them without threat to supply.”
- “Material economics: material purchase increases verses selling price increases.”
- “Material pricing and availability.”
- “Escalating steel surcharges.”
- “Material and energy costs.”

➤ **Globalization – Opportunities and Threats (27)**

- “More decisions for auto industry made outside North America.”
- “Resources to handle growth opportunities in Europe and Asia.”
- “The geographic footprint of operations to support a global presence.”
- “Standardization of commercial vehicles around the world driving minimal differentiation.”
- “Foreign competition.”



Question 2: Identify the top 3 strategic concerns facing your company. Top 5 by number of total mentions and representative responses reported.

➤ **U.S. Market and Production Schedules (24)**

- “Overall automotive build level - especially for the Detroit Three.”
- “Reduction of planned volumes and revenue impact.”
- “Mix from SUVs and trucks to small to mid-sized cars.”
- “Domestic automaker production schedule changes and impact on new model/new revenue level implementation schedules.”

➤ **Company Financial Strength (21)**

- “Remaining financially strong and poised to take on business opportunities created from under-performing and/or financially stressed operations.”
- “Maintaining satisfactory margins. Fixed cost pressures as Asian imports become more likely.”
- “Pricing and profitability.”
- “Demand for customer givebacks.”



Question 2: Identify the top 3 strategic concerns facing your company. Top 5 by number of total mentions and representative responses reported.

- **Customer Profitability and Viability (20)**
 - “OEM state of confusion resulting from sale and/or restructuring actions.”
 - “Turn around of the U.S. automakers.”
 - “Financial viability of many of the large Tier Ones.”
 - “Protecting ourselves in a market where both customers, including Tier 1's, and suppliers are financially distressed.”
- **Other Mentions of Interest**
 - “Recruitment of qualified engineers, especially controls/ electronics and diesel.”
 - “Pace of technology requirements across a variety of customers in each geographic region of the world.”
 - “The diminishing manufacturing base in the U.S.”
 - “Finding the sweet spot between having the lowest cost structure and providing the best total value proposition to the customers who demand it.”
 - “Commercializing new technologies.”
 - “Protection of IP as Tiers and domestic automakers shop for lowest piece price.”
 - “Innovation to generate top-line growth, better margins, and value to customers.”



Question 3: Identify the top three opportunities for your company and/or the industry resulting from the pending sale of the Chrysler Group to Cerberus. Total mentions and representative responses reported.

- **Increased Focus on NA and Decision Making Quality (53)**
 - “Better focus on the Chrysler business versus being a part of Daimler.”
 - “Now a private company focused on longer term.”
 - “Smarter owner may turn around the company.”
 - “Short and long-terms goals will be clear and consistent.”
 - “New management focus could improve domestic and/or international market share creating stable financial results for themselves and their suppliers.”
 - “Increased focus on exciting high quality globally competitive product.”
 - “More willingness to support innovation.”
 - “Quicker response times in all areas.”
 - “Politics shouldn't trump speed.”
 - “Less bureaucratic.”



Question 3: Identify the top three opportunities for your company and/or the industry resulting from the pending sale of the Chrysler Group to Cerberus. Total mentions and representative responses reported.

➤ **Increased Business Opportunities (32)**

- “Decoupling from Daimler may open up more North American opportunities.”
- “Increased reliance on the supply base.”
- “They will review supplier awards.”
- “More complete system/module supply opportunities.”
- “Shift of purchasing focus away from German-based suppliers.”
- “Bundled supply purchases between DCX and Chrysler will be unbundled.”
- “More out-sourcing.”
- “Powertrain development not common with Mercedes.”
- “New, open business opportunity.”
- “Opportunity for carry-over business.”



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➤ **Improved Supplier Relationships (15)**

- “Understanding supplier concerns.”
- “Different OEM/Supplier relationship.”
- “Collaboration.”
- “Movement on cost savings proposals.”
- “Chrysler will be run more like a “real” business - entrepreneurial - look for real ways to reduce cost.”
- “Long term financial planning could lead to healthy supplier relationships.”
- “Improved supplier long term relationships.”
- “Fresh new management may provide an opportunity to work with them in ways not previously thought of.”
- “Improved partnership.”
- “Better supplier relationships.”



Question 3: Identify the top three risks for your company and/or the industry resulting from the pending sale of the Chrysler Group to Cerberus. Total mentions and representative responses reported.

➤ **Increased Pricing Pressure (29)**

- “Increased emphasis on cost cutting.”
- “Possible focus on cost as opposed to value.”
- “Continued de-contenting.”
- “Price reduction pressures higher,”
- “Excessive cost-cutting which hits bone at Chrysler and further squeezes supplier margins.”
- “May focus on regional low cost suppliers.”
- “Purchasing price concession pressure.”
- “Failure to improve leads to more price pressure / cost cutting.”
- “Cerberus will leverage supply base further.”
- “Short sighted financial expectations could lead to a squeeze the supplier philosophy.”



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➤ **Decreased Business Opportunities (25)**

- “Further loss of market share due to no investment in the business.”
- “Loss of platform sharing will reduce volume opportunity.”
- “Synergy between supplier North American and European divisions reduced.”
- “Fewer opportunities to leverage volume/growth opportunities between Chrysler and Mercedes.”
- “Status of awarded joint global programs.”
- “New programs canceled or delayed.”
- “Re-opening of contracts with common Daimler parts.”
- “Lack of access to Mercedes products and knowledge.”
- “Continued market share loss.”
- “Diminish number of models in the market and diminish supply need.”



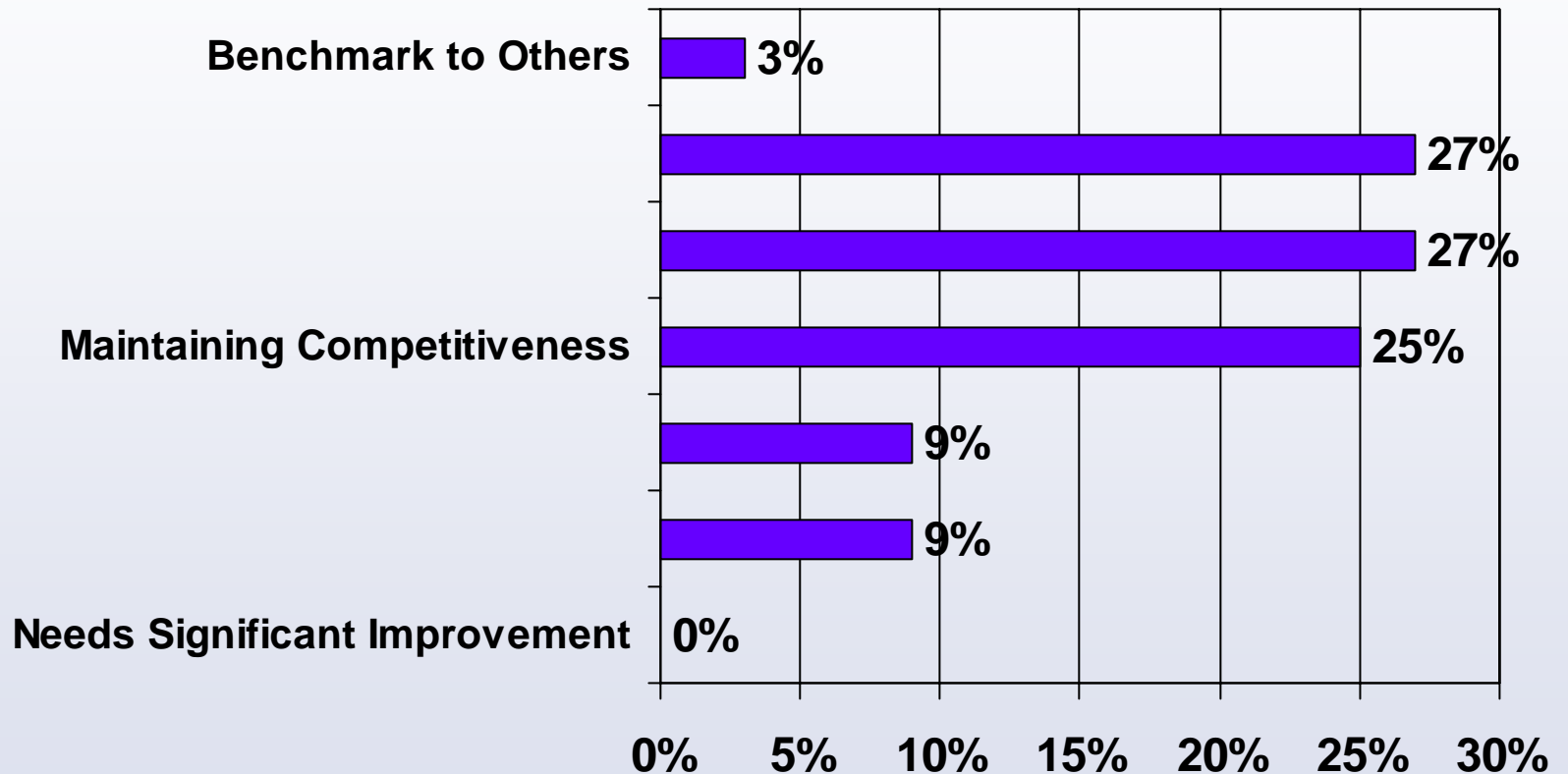
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➤ **Management Transition/Supplier Relations (19)**

- “New agenda unknowns.”
- “More aggressive attitude.”
- “Equity fund thinking allows a shift of leverage.”
- “New management could clash with the present management and slow progress and ability to capture sales, decreasing supplier sales as well.”
- “Difficulty in getting movement on some longer term decisions.”
- “Business model sustainability.”



Question 4a: Rate your current perception regarding the engineering and design skill levels in your company to effectively and efficiently bring new product to market.



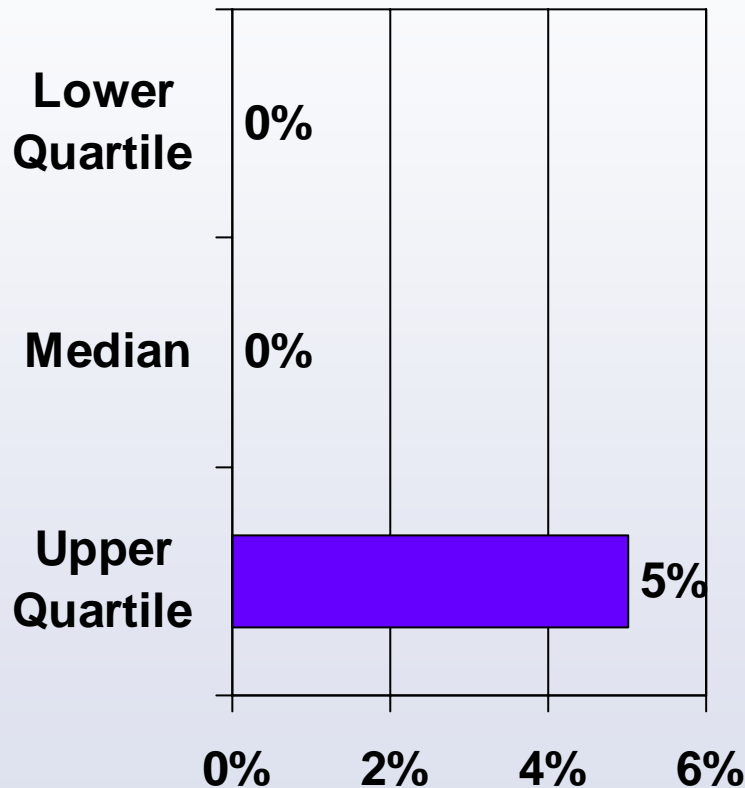


Question 4b: What are the most significant personnel skill gaps within your company? Total mentions reported.

- Global Business Development (29)
- Operation, Lean and Program Management (24)
- Engineering – EE, Mechanical, Software (14)
- Financial, Cost Estimating, Risk Management (14)
- Innovation Commercialization (9)
- Quality/Six Sigma (6)
- Purchasing (5)



Question 5: Estimate the percent change in your 2008 ER&D budget from your current 2007 spending level. (identify plus/minus and percentage change)

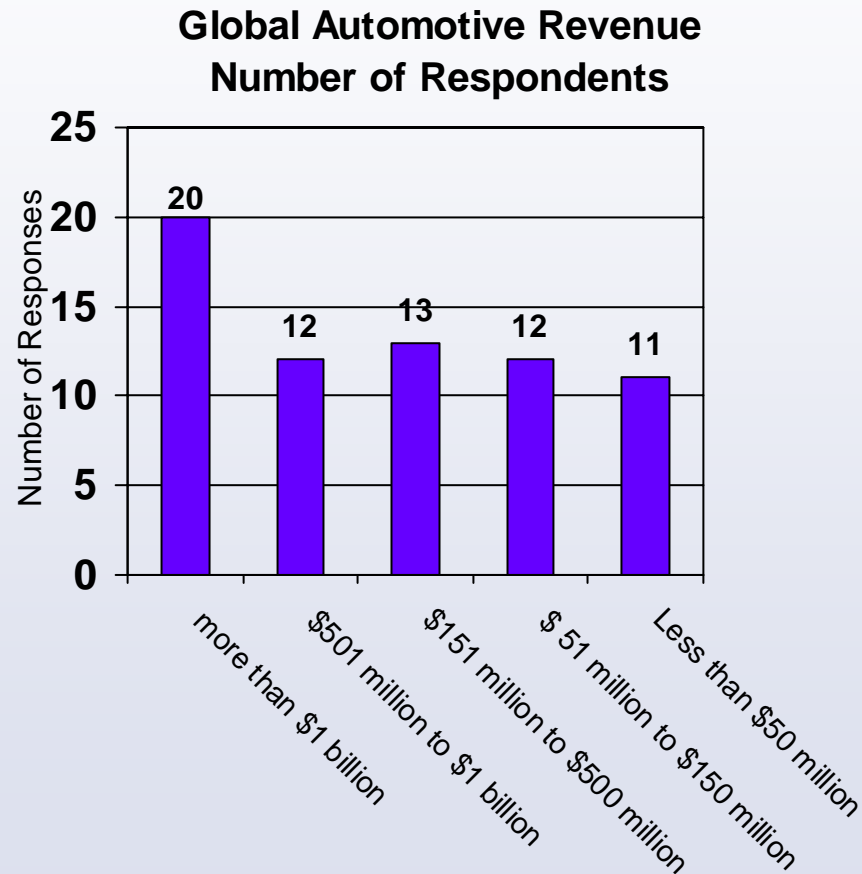


- Eliminating the highest and the lowest responses:
 - Range: + 50 % to - 15 %
 - 60 responses



Respondent Profile

- There were 68 individual respondents from 62 companies. The June 2007 OESA Automotive Supplier Barometer was conducted between June 4 – 6, 2007.



Responses = 68



THANK YOU FOR YOUR PARTICIPATION

The OESA Automotive Supplier Barometer survey is now on an every-other month schedule. The next survey will be launched on Monday, August 13th and will be released, Friday, August 17th.

For comments and suggestions for future Barometer surveys, contact:

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