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Monday, March 10, 2008

Plastech touts improved quality

Auto supplier disagrees with disparaging remarks from key customers Chrysler and Johnson Controls.

Eric Morath / The Detroit News

Lampooned in bankruptcy court for the substandard quality of its automotive parts, Plastech Engineered Products Inc. executives are speaking out, saying quality has improved dramatically during the past year and that the company is on a path to meet or exceed industry standards.

Plastech's story of progress contrasts the claims Chrysler LLC executives made in bankruptcy court last month. They said that the products the company received from Plastech were disproportionately flawed.

Douglas Doran, Chrysler's director of interior purchasing, testified that the automaker cited Plastech on some 450 specific quality issues in 2007 alone -- more than the average supplier. Plastech produces interior and exterior components, including bumpers and instrument panels for Chrysler and other automakers.

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Plastech executives, however, say Chrysler and other automakers have seen much improved quality from the Dearborn-based supplier since CEO Julie Brown instituted a performance improvement plan in late 2006.

Company data provided to The Detroit News showed that Plastech's automaker customers posted five times fewer problems in the fourth quarter of 2007 than they did during the same time period in 2006.

In January 2007, the month before Plastech filed for bankruptcy, customers reported 26 problems per 1 million parts -- a figure executives say is well below industry targets. That data pertain only to automaker customers, not parts provided to other suppliers.

Considering the improvement, the claims made in court last month were disheartening, said Kelvin Scott, Plastech vice president and general counsel.

"Given the amount of attention put on improving quality and creating the highest quality parts, we were very disappointed about those reports," he said. "It did cause further introspection, and a regeneration of our efforts to make sure our quality standards are high."

While the improvements Plastech is reporting are admirable, the company has not yet matched industry leaders, said John Henke, a supplier consultant and principal of Planning Perspectives, Inc.

"Twenty-five problems per million is decent, but not great," he said.

"Some suppliers to Toyota and Honda have 10 or fewer problems per million."

Chrysler sent consultants

Plastech says many of its products are more closely scrutinized because they often appear on interior and exterior surfaces that are visible to the driver.

Dissatisfaction with Plastech quality became very public in its ongoing bankruptcy case.

Both Johnson Controls Inc. and Chrysler asked for Plastech to return tooling so they could take the work to another supplier.

A judge ruled Chrysler could not repossess all of its tooling, but allowed Johnson Controls to take back tooling for parts it provides for the Dodge Challenger. Chrysler is appealing the decision.

In court, Chrysler's Doran said on three occasions the automaker sent an outside consultant to work with Plastech on quality issues.

Along with financial issues, quality was a factor in Chrysler seeking to end its relationship with Plastech, he said.

"This situation was a meltdown for us," Doran said.

Chrysler and Johnson Controls spokespeople declined to comment for this story.

Greater attention to detail

Plastech said it's been working hard to improve quality. In the past 12 months, the company has sought to standardize procedures at plants the company acquired in recent years and implement the best practices.

For example, a procedure now in place at all 36 Plastech plants is a first piece approval process. Once a mold produces a workable part, it is checked against a gauge and then management must sign off before a larger run occurs.

"We are paying greater attention to detail, analyzing our work, and making sure every employee down to plant level knows excellent quality is the No. 1 goal of CEO Julie Brown," Scott said.

New orders, including those from Ford Motor Co., indicate that Plastech is improving its quality, he said.

Ford said it doesn't comment on supplier relationships.

Ultimately, improved quality is only part of the equation for success, said Harry Veryser, an economics professor at University of Detroit-Mercy and one-time owner of a Fraser auto supplier.

Plastech must also compete on price, he said.

Last year that was a challenge for Plastech, as it received \$86 million in financial assistance from key customers -- essentially raising the per piece price of its parts.

Veryser said the company is squeezed by rising raw material and labor costs -- and efforts to improve quality are an additional expense.

"Making those quality improvements is a major investment and adds to their cost," he said. "Automakers talk about quality, but in the end its price, price, price."

You can reach Eric Morath at (313) 222-2504 or emorath@detnews.com.

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