

QUALITY QUARTERLY

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AFTERMARKET SUPPORT

Best in Class Parts and Service

John O'Leary, the Senior Vice President of Aftermarket for Daimler Trucks North America since 2010, put himself through college in Seattle by working summers in the Alaskan fishing industry. On shore, he helped rebuild diesel engines used in the boats and trucks that transported the catch.

"I still have the scars on my knuckles to prove it." He went on to earn his degree in accounting and worked in truck manufacturing at the plant level, becoming "very familiar" with trucks and how they are built. He joined Freightliner LLC in 2000 as an accounting manager and was soon named director of internal audits. He was subsequently president and CEO of Thomas Built Buses for seven years before taking on his current aftermarket position.

Today O'Leary is responsible for sales, marketing and distribution of parts for the Daimler Trucks brands – Freightliner, Western Star, Sterling, Thomas Built Buses, Freightliner Custom Chassis and Detroit Diesel.

O'Leary's team of 900 professionals manages dealer operations for the company's distribution networks, technical customer support, field service and training. He is also responsible for the remanufacture of diesel engine parts by Detroit Diesel Remanufacturing Corporation.

It's a full plate, no doubt, but he enjoys the job. "I like being able to directly impact the customer's experience."

The DTNA aftermarket business units are very diverse, he concedes, "but each one has the same goal – generating customer loyalty to our brands through a superior value proposition in terms of the total cost of vehicle ownership."

O'Leary is a member of Daimler Trucks' Operating Committee, the panel of top

executives responsible for making key decisions and leading the company.

A critical part of being successful long-term is the ability to manage employees "through the difficult times." His management style is to "hire great people, empower them to succeed and stay out of their way."

Opportunities for Improvement

O'Leary sees "several major opportunities" for improving service information and increasing parts availability by "using technology more effectively." He is working "in concert with our dealers to deliver a consistently higher quality service experience to our joint customers."

Growing the remanufacturing business and increasing the exposure of the Alliance brand of parts will help dealers achieve a higher penetration of the second and third owner markets. Owners of used trucks often don't utilize the parts and service support available from dealers once the new truck warranty expires, he observed.

"The biggest challenge we have at the moment is getting suppliers to keep up with our requirements on a handful of critical engine parts. This directly impacts our ability to minimize downtime for our customers and excel in their eyes."

The aftermarket business is on solid ground despite the economy because customers are keeping their older trucks in service. "We have definitely seen a lift as a



result of this trend. With customers running their trucks longer, there is a greater need for parts and service. Older trucks tend to consume more parts."

O'Leary said Daimler Trucks North America is enjoying "record sales" in parts and service as customers have elected to run older trucks instead of replacing them. "In addition we are getting a lift from the very gradual economic recovery currently under way."

The company's suppliers and distribution partners have worked closely with DTNA to get through the downturn. "I'm very proud of the success we've seen in many aspects of our business this year. This success has not come easy as the entire industry struggles to rebound."

O'Leary cited an old saying in the truck business: "The salesperson gets the first order from a customer, but the parts and service people get all of the succeeding orders. That still holds true today."

MESSAGE FROM THE QUALITY CHIEF

The Great Work

Dear Colleagues:

At Daimler Trucks North America, we're happy to see the arrival of the New Year. No doubt about it: 2010 was a tough one for our industry, but we got through it by keeping our focus on our customers and our strategy.

This year brings the opportunity to profit from the great work we've done during the great recession – introducing new products like the updated Freightliner Coronado, successfully launching the new 2010 engines that meet and exceed the EPA's requirements, and continuing the refinement of our design and manufacturing methods that ensure our product quality.

Last year saw the culmination of many of the tasks we committed ourselves to in recent years. We've dedicated ourselves to doing everything we can to help our customers succeed. That means keeping their trucks on the road so they can do their jobs.

According to John O'Leary, our Senior Vice President of Aftermarket Support, Daimler Trucks North America has about 800,000 trucks working the highways and byways of the United States, Canada and Mexico. We profile Mr. O'Leary and show how he's helping to make sure DTNA keeps its leadership position in trucking. He's a veteran of the truck business who has done everything from rebuilding diesels by hand to running a truck dealership.

This issue of the Quality Quarterly takes a look at the sales success of the new engines with Selective Catalytic Reduction technology that Detroit Diesel developed to meet the 2010 EPA regulations. David Hames, the General Manager of Marketing and Strategy for Daimler Trucks North America, takes us into the details.

We also introduce our new Online Warranty Link project, OWL, which is changing for the better how we manage our warranty programs. The general release of OWL has been a long time coming, in part because warranty administration historically has been such a complex task. However, OWL is an outstanding example of how technology helps us handle a tough assignment.

The back page of the issue announces the winners of our Truck Operating System awards, which go to the business units, plants and work teams that best represent how we are improving the way we approach our work.

Please accept my wishes for a great and more progressive new year!

Paul Romanaggi
General Manager Quality and Supplier Management
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SCR ENGINE TECHNOLOGY

Customers Happy With EPA 2010 Diesel Performance, Power

To judge from the company's 2010 truck orders, customers are showing a strong interest in the new diesel engines with Selective Catalytic Reduction (SCR) technology offered by Daimler Trucks North America.

"The orders for our Class 6-8 trucks with EPA 2010 engines totaled nearly 75,000 units during the first year on the market," recounted David Hames, general manager of marketing and strategy for Daimler Trucks North America.

"Needless to say, we are very pleased."

Available for Freightliner and Western Star trucks, the 2010-compliant engines built by Detroit Diesel have caught on fast. Daimler Trucks offers only SCR engines in the company's vehicle lineup. That includes Detroit Diesel's DD13, DD15 and DD16 models for heavy-duty on-highway and vocational work. Daimler Trucks also offers the heavy-duty Cummins ISX



and the Cummins ISB, ISC and ISL engines for medium-duty applications. All are equipped with SCR technology.

Detroit Diesel's heavy-duty engines reached the market with an estimated five percent gain in fuel economy over previous models. "Many customers are seeing this and more," Hames noted. "Customers have been extremely satisfied with the engine's performance," he said. "The power, responsiveness and overall performance of the Detroit Diesel engine is welcomed by drivers and fleet managers alike."

Customers who have 2010 and 2011 models on the road are telling Hames and his staff about their

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MANUFACTURING EXCELLENCE

Truck Operating System Awards for 2010

Daimler Trucks North America has recognized its manufacturing plants with awards in seven key areas of the company's quality-focused Truck Operating System. Another seven TOS awards went to work groups throughout the company that support the manufacturing process.

Martin Daum, President and CEO of Daimler Trucks North America, presented The President's Quality Award to the Santiago Truck Plant. The Santiago plant achieved the highest TOS recognition for the fourth time in the five years it has been awarded. The President's Quality Award goes to the plant with the best overall demonstrated level of quality.

"While the past year presented extraordinary challenges, the strength of our award submissions provides a tremendous message that TOS has become a way of life at Daimler Trucks," said Daum. "We saw considerable diversity and originality of ideas from an even larger group of applicants," he said.

Daum was joined by Chief Operating Officer Roger Nielsen and General Manager of Manufacturing Alan Mayne in making the awards presentation. It was held at the corporate offices in Portland, with representatives from each recognized plant and department on hand.

The manufacturing awards went to a winner and runner-up in each of the categories. Direct TOS awards went to:

- **Human Infrastructure:** Winner, Freightliner Custom Chassis Corporation. Runner Up, Thomas Built Buses
- **Standardization:** Winner, Cleveland Truck Plant Finish Cab department; Runner Up: Saltillo Truck Plant Finish Cab.

- **Quality Focus:** Winner, Cleveland Truck Plant; Runner Up, Gastonia Parts Plant
- **Just In Time:** Winner, Santiago Finish Cab; Runner Up, Saltillo Truck Plant
- **Continuous Improvement:** Winner, Portland Truck Plant; Runner Up, Freightliner Custom Chassis Corporation
- **Practice Transfer:** Winner, Saltillo Truck Plant; Runner Up, Thomas Built Buses
- **Overall Implementation:** Winner, Thomas Built Buses; Runner Up, Santiago Truck Plant

Indirect TOS awards went to:

- **Work Structure and Management:** Winner, Engineering; Runner Up, Saltillo Truck Plant

- **Standardization:** Winner, Engineering; Runner Up, Cleveland Truck Plant
- **Best Process Improvement:** Winner, Thomas Built Buses; Runner Up, Santiago Truck Plant
- **Best Project Management:** Winner, Saltillo Truck Plant; Runner Up, Engineering
- **Continuous Improvement:** Winner, Finance; Runner Up, Information Technology
- **Practice Transfer:** Winner, Memphis PDC; Runner Up, Saltillo Truck Plant
- **Overall Implementation:** Winner, Saltillo Truck Plant; Runner Up, Bridgeport PDC



SCR ENGINE TECHNOLOGY

Customers Happy with EPA 2010 Diesel Performance

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satisfaction with the improved fuel economy, vehicle drivability and the strong support they get from Daimler Trucks North America.

"They are also pleased with the reduction in regenerations and the range they are getting with Diesel Exhaust Fluid." At 6 mpg fuel economy, a truck can operate up to 7,000 miles on a 23-gallon tank of diesel exhaust fluid. DEF is widely available at more than 3,500 refueling locations in North America. More than 100 of them offer DEP at the pump.



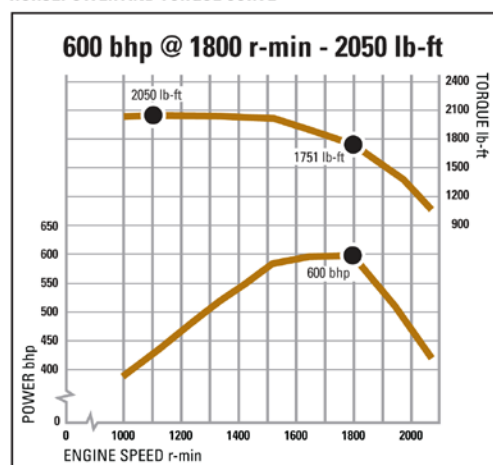
David Hames

in most of Daimler's other markets.

"We have been a leader in the industry by being the first to announce that we were going to use SCR to meet the 2010 regulations," Hames said. "We have never wavered from the decision, and today we are seeing our leadership pay off. Our market share in Class 8 trucks has grown to more than 32 percent."

BlueTec offers improved fuel economy and longer engine life while meeting the 2010 EPA requirements. "Customers talk with their pocketbooks,"

HORSEPOWER AND TORQUE CURVE



~The horsepower and torque curve demonstrates the high torque and high horsepower of the Detroit Diesel DD16. Rated at 600 hp, Detroit Diesel's high torque rated engine reaches 90 percent of peak torque of 2050 lb-ft within 1.5 seconds.

Hames noted. "They are choosing SCR and Daimler Trucks North America overwhelmingly in the market place."

One year after launching its new engines, Daimler Trucks has seen the strategy lead to customer acceptance and robust orders. "We are confident that SCR technology will be the path to cleaner, more fuel-efficient power train solutions going forward."

ONLINE WARRANTY LINK

Dealers Taking OWL "Live"

After an extensive pilot period, Daimler Trucks North America officials issued the long-awaited "go-live" order for the company's new Online Warranty Link, or OWL, in December 2010 as the first general release group of dealers began using it.

"OWL captures all of the major functional aspects of warranty administration in one place," said OWL



Warranty Project Manager Terry Tanner. The result is a user-friendly system that simplifies warranty claim creation and expedites settlement for dealers and their customers.

The initial rollout involved dealers in the Pacific Northwest, primarily. The rollout will continue into the summer of 2011 to bring OWL to all of its users throughout North America. "It's going well," Tanner said of the introduction. "There is a transition period to the new system, of course, but the dealers indicate they are doing well with it." Another group of dealers goes live with OWL in February.

Developed and road-tested with advice and feedback from dealers, fleets and component suppliers, the OWL system facilitates warranty coverage for all of the vehicles manufactured by Freightliner, Western Star, Freightliner Custom Chassis Corporation and Sterling. OWL gives warranty and service personnel easy online access to warranty literature, support systems and special features of the warranty claims process.

With on-screen real-time prompts that are specific to the claim's requirements, OWL helps the user make a claim and find the right tools to expedite the process. Users can make manual entries or submit automated file uploads to submit a claim.

Major new features of OWL include the replacement of the current damage coding

with the industry-standard VMRS (Vehicle Maintenance Reporting System) codes developed by the American Trucking Associations' Technology & Maintenance Council. OWL's many new features allow

users to:

- Access the most frequently used functions from the OWL home page
- View coverage information and get immediate coverage determination
- Attach digital photos, receipts and invoices to a claim
- Get immediate notification of parts disposition as soon as the claim is processed
- View the parts tracking history
- View the claim's life-cycle history from submittal to final transaction
- Obtain real-time validation of entered data before a claim is submitted
- Click on an icon to hyperlink directly to PartsPro, for easy parts lookup

OWL is designed to work with major business information systems used in dealerships, including those developed by ADP, Karmak, Procede, DSI and Serti, to mention a few. OWL's many reporting functions are consolidated for dealers and can be viewed online, printed and downloaded to a dealer's computer system.

OWL is accessed via the AccessFreightliner website. Web-based training is available for OWL's new users through the new www.accessfreightliner.com website.

Got a quality question?

E-mail us at qualityiseverything@daimler.com

