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Spartan Motors Announces School-Bus Manufacturer, Carpenter Industries, Resumes Operations

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CHARLOTTE, Mich., Nov. 9 /PRNewswire/ -- Spartan Motors, Inc. (NASDAQ:SPAR) announced Carpenter Industries, Inc., a leading manufacturer of school-bus bodies, will resume operations today.

Spartan Motors, a Charlotte, Mich.-based manufacturer of custom chassis, said nearly 100 employees of Carpenter will be called back to work this week. Carpenter had halted production in July. In October, Spartan announced a recapitalization plan that allocated majority ownership of Carpenter to Spartan Motors.

Spartan Motors said Executive Vice President Anthony Sommer will oversee operations at Carpenter. Sommer will work closely with Marc Kennedy, who was named president of Carpenter Industries last week. Sommer has served Spartan Motors for more than 15 years in a variety of positions, including chief financial officer and, most recently, as head of Spartan's Emergency Vehicle Team subsidiaries. Kennedy joined Carpenter in the fourth quarter last year as chief operating officer.

"Carpenter Industries will be in good hands under the direction of Tony Sommer and Marc Kennedy," Spartan President and COO John Szykiel said. "Tony's intimate knowledge of Spartan's corporate culture and his track record of successfully managing operations, combined with Marc's experience in the bus industry, will help keep Carpenter focused on the goals we have set for productivity, quality and profitability."

Szykiel continued: "We are making a fundamental shift in the strategy of Carpenter from a mass production operation to a focus on becoming a niche leader with quality and innovation for the school bus market. This increased focus is directly in step with the corporate strategy of Spartan Motors and will be a catalyst for the reemergence of Carpenter. Spartan Motors has shown it can be very successful in niche markets -- in most cases competing against much larger, more entrenched companies -- and Carpenter should be no different."

Spartan's strategic plan for revitalizing Carpenter includes the following components:

- * Scaling down Carpenter's business.

Carpenter will begin initially producing buses at a modest rate to allow the opportunity to identify and fix problems and create a new baseline on quality. Production levels will be increased over time as specific quality and efficiency milestones are achieved.

"Successful turnarounds are not sales driven, but operations focused," said Sommer. "For Carpenter, this approach will begin by pulling back from non-core markets and focusing on the basics -- building a great conventional- style bus. From there, we will move to transit-style buses, but not until we have a reliable, high quality conventional product and not until the early part of 1999."

- * Focus on operations

Carpenter's leadership team has already begun to evaluate every operation, process and system at the Company to determine their contribution to quality and profitability. This initiative will be lengthy and comprehensive, but is essential to Carpenter's long-range success," Sommer said.

"We must raise the bar on quality and workmanship, and this means operating at a pace that allows us to identify problem areas and make changes. The problem in the past has been Carpenter's sales focus at the expense of

manufacturing and quality processes. This was a key contributor to Carpenter's problems of the past and the negative perceptions of the company that exist today," said Sommer. "No process or operation is sacred. We are addressing every single issue and setting new standards that are customer driven, not sales or product driven."

Spartan's emphasis on quality also involves providing the appropriate resources for Carpenter's employees, including increased training, the right tooling and parts, and motivation to succeed.

"We have the support of employees at Carpenter as evidenced by our initial meetings and discussions and their enthusiasm toward change," said Kennedy. "There is a significant attitude improvement because they recognize that it's not the same Carpenter they left four months ago. They're now working for a Spartan Motors-led company -- a company with a reputation as a winner."

* Increase outsourcing activities

Carpenter will work to outsource many of its systems to reduce production costs and maximize the engineering expertise of its suppliers. Carpenter's core strength is as a school bus body designer and assembler and the strategic plan prioritizes this focus.

"Our goal is to partner with our suppliers and get them involved in helping us build a better bus," said Sommer. "Increased outsourcing has both a quality and profitability benefit. We have proven it at Spartan Motors and will transfer this experience to Carpenter."

* Improve distribution efforts

Carpenter's network of dealers is undergoing change, including the loss of some representatives and the addition of new dealers. The school bus distribution business is experiencing a shakeout from other manufacturers and Carpenter is working to identify strong replacements or additions within its network.

"Dealership relations are critical to the success of Carpenter and our strategic plan," said Kennedy. "Our current dealers are supportive of our focus to improve quality and are committed for the long-term."

* Restore Carpenter's reputation.

Carpenter Industries has a reputation in the marketplace for inconsistent quality and failure to deliver on its promises. Addressing this credibility problem is the foundation of Spartan's strategic plan and an opportunity only afforded it with its gain of control of the Carpenter.

"It is unfortunate that our first significant contact with vendors and dealers was the recapitalization process. However, this was a needed first step to ensure the sustainability of Carpenter Industries," said Szykiel. "We are now in a position to fully communicate the challenges that exist and our plan for addressing them, and we are committed to ensuring our vendors and all our stakeholders remain informed and involved in our progress."

Szykiel concluded: "The revitalization of Carpenter is a significant challenge. We will begin small, achieve milestones, and move forward while always emphasizing the importance of partnerships with our customers, dealers, employees and vendors. Ultimately, our performance will be the measure of our success.

"Spartan Motors was born out of a bankruptcy, we experienced the challenges and rewards of growth, and today the Company is financially strong because of it. We believe Carpenter has an equal opportunity to succeed."

Spartan Motors posted net income of \$2.5 million, or \$0.20 per share, on net sales of \$184.3 million through the first nine-months of 1998, putting it on pace for record net sales and solid profitability for the year. In the 1998 third quarter, Spartan Motors reported an 82% increase in net sales and a more than three-fold increase in operating income.

Carpenter's school bus operations and network of more than 40 dealers give Spartan Motors access to the North American school bus market, which represents about 35,000 units annually and growing. Industry experts suggest the school bus industry will experience continued growth, fueled by an expected 25% increase in K-12 student enrollment over the next decade, according to the U.S. Center for Education Statistics.

Spartan Motors, Inc. (<https://theshyftgroup.com/>) is a leading developer and manufacturer of custom chassis for fire trucks, recreational vehicles, transit buses, school buses, step vans and other specialty vehicles. The Company also owns a majority stake in Carpenter Industries, Inc., which manufactures school bus bodies, as well as three companies that manufacture fire-and-rescue vehicles: Luverne Fire Apparatus, Quality Manufacturing and Road Rescue, Inc.

The statements contained in this news release include certain predictions and projections that may be considered forward-looking statements by the securities laws. These statements involve a number of risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and actual results may differ materially.

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