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NEW

MEMORANDUM OF UNDERSTANDING

WORLD CLASS SKILLED TRADES WORKFORCE

[Date]

Mr. Jimmy Settles  
Vice President and Director  
American Axle Department  
International Union, UAW  
8000 East Jefferson Avenue  
Detroit, Michigan 48214

AAM and the UAW recognize and value the fact that our skilled trades workforce is among the most talented, highly-trained workforce in the industry. Additionally, the Parties recognize that the majority of our skilled trades associates were hired with cross-functional skill sets and capabilities. The skilled trade workforce must be provided opportunities in the workplace to use these skill sets and capabilities and maximize their full potential, including support of preventive, predictive and planned maintenance activities.

Additionally, during these negotiations, the Parties discussed at length the necessity of becoming U.S. market competitive in the assembly of axles and driveshafts, component machining and metal forming operations. Since 1994, tremendous economic change has occurred in the Tier 1, Tier 2, and Tier 3 automotive supplier industry reflected in changing customer preferences away from full size trucks and SUV's, the significant decline in market share of our primary customers and an increase in the number of direct competitors on U.S. soil.

Historically, skilled trades work assignments were evaluated on the basis of a definition reflecting "normal" and "historic" practices which originated at a time when competition was less threatening. Recently, AAM has experienced unprecedented competition and financial losses requiring the Parties to address uncompetitive work practices. The Parties recognize that these practices may no longer be applicable to the rapidly changing requirements of the U.S. automotive supply industry, unless such practices improve the competitiveness of the plant operations. Based on these discussions, the Parties acknowledge that immediate and significant change is necessary to improve the sustainability of plants covered by the Master Agreement, thereby leading to improved associate job security. To survive in this increasingly competitive market, a work