



UAW FORD

Modifications to 2007 Agreement

October 2009

Message to UAW Ford members

October 2009

This document summarizes additional proposed modifications to the UAW Ford 2007 national agreement, the results of discussions between the UAW and Ford during the past several months.

Your negotiators had the difficult task of maintaining the highly successful long term strategy of pattern bargaining while at the same time achieving the goals set out by UAW Ford members and the UAW Ford bargaining team: NO further concessions in wages and benefits for our members; Protect our jobs through new products & investment and Protect UAW Ford retirees.

- We protected UAW Ford retirees—there are NO changes to their health care in the proposed modifications.
- NO further changes to the VEBA funding beyond the February changes (Because Ford did not go into bankruptcy UAW Ford retirees have by far the most cash funding for our VEBA).
- We protected your wages, pensions and health care benefits—NO more concessions.
- YES to reconfirming the February product commitments and YES to new commitments to bring more work into UAW Ford facilities. This includes insourcing, new product commitments, and commitments on capacity utilization.
- YES to a first-ever \$1,000 quality and productivity bonus, paid in March 2010.

To maintain the principle of pattern bargaining and to maintain Ford's competitiveness we are recommending the following limited modifications:

1. Wage freeze for **entry level workers** through the life of the agreement. No cap on number of Entry Level employees until Sept. 2015 when we return to the 20 percent cap and any Entry Level employee over the 20 percent cap will transition to traditional employee status, by seniority.
2. **Skilled Trades Efficiency:** Ford proposed going to two or three classifications in skilled trades. Your negotiators convinced Ford to maintain our UAW Ford skilled trades classifications and to gain efficiencies by establishing Mechanical Skilled Trades Teams throughout the company in three phases. In the mechanical teams the rate of pay will be set at the rate of the highest trade.
3. **Binding arbitration:** Upon expiration of the 2007 agreement, UAW Ford workers retain the right to strike on product and all other issues except for improvements in wages and benefits. If there is a disagreement on improvements to wages and benefits, **ONLY** the disagreement on IMPROVEMENTS to wages & benefits can go to arbitration. To be clear if the Company proposed any concessions (including in wages and benefits) we maintain the right to strike, or if we propose improvements in product or any other area, we maintain the right to strike.

We believe that these changes, while limited, are necessary to keep Ford competitive within the U.S. auto industry and grow jobs in the U.S. Although the company reported a small profit last quarter, this does not change the underlying dynamics of the business:

- Ford has substantially more debt than post-bankruptcy General Motors and as a result, substantially higher interest costs.
- Ford must be profitable if it is to make its required VEBA and pension payments.
- U.S. auto market remains the worst it has been in decades, with SAAR hovering around only 10 million.

Failure to act in this situation will undermine our efforts to continue to win new work, to protect U.S. jobs long-term and to ensure that Ford can continue to make contributions to our pension funds and the VEBA, therefore protecting UAW Ford members' futures.

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As a result of these discussions, Ford has reconfirmed product and investment commitments in the 2007 agreement and February 2009 modifications (some of which were delayed due to the global economic crisis and dramatic loss of sales) and agreed to significant additional products and investment (see pages 4 and 5).

Some may ask "Why now, why not wait until 2011?" We agreed to enter into discussions in keeping with the principle of pattern bargaining and to take the opportunity to seek additional gains and protections for our members. Early in these discussions it became clear that we could win additional product and investment commitments now, that if we waited until 2011, would likely be committed elsewhere. We also saw opportunity to win new money needed by our members that we would miss if we waited. It is our responsibility as leadership to take advantage of any opportunity that we can to improve the lives of our members; we believe we have done this. The great thing about our democratic union is that UAW Ford members get to make the final decision. The decision is now up to you.

We recommend ratification of these proposed modifications to our 2007 agreement, because the proposed changes will further our collective goals: NO further concessions in wages and benefits for our members; protect our jobs through new products and investment; and protect UAW Ford retirees.

In Solidarity,

Ron Gettelfinger
President

Bob King, *Vice President*
and Director, UAW Ford Department

and the UAW Ford National Negotiating Committee



Proposed Modifications to the 2007 UAW Ford National Agreement

Skilled Trades: Mechanical Teams to be Launched in all Facilities; Pay Rate Set at Highest Base Mechanical Classification

Under terms of the proposed modifications to the UAW Ford National Agreement, Mechanical Skilled Trades teams will be launched at all company facilities, with guidelines developed by the UAW Ford Skilled Trades Governance Committee by year-end 2009. Teams will be launched in three phases, with one-third of facilities launched by June 30, 2010, one third by year-end 2010, and all remaining facilities by June 30, 2011.

The pay rate for UAW Ford workers assigned to Mechanical Skilled Trades teams will be the negotiated wage rate of the highest paid base mechanical classification on the team. There will be no established lines of demarcation within

the mechanical teams, and no assignments can be made that result in unsafe working conditions. All plants, in conjunction with the UAW Ford Skilled Trades Governance Committee, will develop appropriate training plans for the mechanical teams. The established lines of demarcation for Skilled Trades classifications not identified as part of the mechanical team will be honored.

Any skilled trade employee, current and future, working on a production job will be paid the negotiated wage rate of their basic skilled trade classification, effective with the ratification date of this modified agreement.

The union and the company will meet to discuss any contemplated indefinite layoffs (ILO) of mechanical trades. Skilled trades efficiencies achieved as a direct result of implementation of Mechanical Teams will not result in an indefinite layoff (ILO).

The UAW Ford Skilled Trades Governance Committee will have oversight of

implementation of Mechanical Skilled Trades Teams, and will report progress to the UAW Vice President and Director of the UAW National Ford Department, and to Ford Vice Presidents for Labor and Manufacturing.

Best in Class Efficiency

During discussions of this proposed modified agreement, the parties agreed that that UAW and Ford will continue efforts to achieve best in class levels of efficiency and effectiveness including competitive staffing levels.

At GM and Chrysler, modified UAW agreements will reduce core skilled trades classifications down to two or three. This proposed modified agreement takes a different approach for UAW Ford skilled trades workers to reach pattern efficiency. The implementation of Mechanical Teams will allow us to maintain our current classification structure.

Quality and Productivity Bonus

UAW negotiators insisted – and Ford agreed – that this modified agreement recognize the extraordinary contributions of UAW Ford workers to the company's industry-leading achievements in product quality and workplace productivity. If these proposed modifications are ratified, the company will pay a first-time ever Quality and Productivity Bonus of \$1,000 to each full-time, seniority hourly employee on the active employment roll as of Dec. 31, 2009. Payments will be distributed in March, 2010.

Eligibility requirements, pay practices and procedures described in the March 5, 2008 administrative letter will be followed when making these bonus payments. This one-time special payment will only be paid if this \$1,000 lump sum is greater than the amount generated by the UAW Ford Hourly Profit Sharing Plan. Profit Sharing or the Special Bonus will be paid, not both. If the Profit Sharing Plan generates a greater amount than the Quality and Productivity Bonus, the special Bonus will not be paid.

Binding Arbitration

Upon expiration of the 2007 Agreement, the parties will enter into negotiations for a new national agreement. Any unresolved issues concerning wage and benefit improvements remaining at the end of these negotiations will be resolved through binding arbitration. Wage and benefit improvements for UAW Ford workers will be based on a standard that will maintain wages and benefits comparable to all of Ford's U.S. competitors, including transplant automotive manufacturers.

The parties agree to continue good faith bargaining on unresolved issues not subject to binding arbitration without resorting to economic weapons (strike-lock-out) at their disposal until full information is available on the final outcome of binding arbitration regarding wage and benefit issues.

Upon expiration of the 2007 agreement and consistent with the above, UAW members will maintain the right to strike on product and all other issues.

Settlement Agreement

It is further agreed that to the extent there are any provisions, language, or conditions contained in the 2007 Collective Bargaining Agreement, including any unpublished letters, past practices, or any other written and local agreements, that are inconsistent with anything contained in the Amended Agreements (Addendums) referenced in this letter, the terms of the Amended Agreements shall control.

Ratification

This is a summary of the proposed modifications to the 2009 UAW Ford National Agreement. In all cases, the actual language will apply.

Modifications to the 2009 UAW Ford National Agreement will take effect on the first Monday following the ratification of the Agreement.

Sourcing, Product and Investment Commitments

New investments to be made in plants; prior investment commitments still valid

The parties agreed in 2007 and again earlier this year to commit new products at a number of plants at Ford Motor Company. The dramatic change in business conditions in the U.S., particularly in the auto sector has precluded the company from fulfilling a few of these commitments. Our negotiators won written commitments from the company to replace the commitments that the company could not fulfill because of the economic crisis.

Our negotiators convinced Ford to reconfirm the following commitments:

- New products to the following assembly plants:
 - Ohio Assembly Plant
 - Kansas City Assembly Plant
 - Michigan Assembly Plant
 - Louisville Assembly Plant
 - Chicago Assembly Plant
- Source a new transmission to the Van Dyke Transmission Plant
- Source a needed increment of small displacement engine capacity in Cleveland Engine Plant #1
- Source the in-house production of advance technology vehicles to the Michigan Assembly Plant
- Insource kitting of powertrain components and additional starter volume at Rawsonville
- Insource additional crank shaft volume at Woodhaven Forging Plant
- When business conditions improve and cash is available, invest \$200 million to purchase new technology and equipment for the Stamping Business Unit, including installation and launch
- When business conditions improve and cash is available, invest \$20 million to purchase new five axis mills for the Dearborn Tool and Die plant

Our negotiators also won new commitments, including:

- Mustang production will continue at Auto Alliance through the current product life cycle
- Expedition production will continue at Kentucky Truck Plant through the current product life cycle
- Lima Engine and Cleveland Engine #1 will receive substantial investments based on the current engine architecture during the product life cycle
- Livonia Transmission Plant will receive 6R capacity expansion
- Louisville Assembly Plant will be sourced an incremental product with significant export volume
- Michigan Assembly Plant will receive an incremental product during the current business plan period
- Rawsonville Plant will produce the hybrid electric vehicle battery assembly pack
- Romeo Engine Plant receives a new product based on current engine architecture
- Sharonville Transmission Plant: Incremental volume awarded to the plant due to an additional application for the 6R140 transmission
- Sterling Axle Plant will in-source the rear drive unit work

The company also agreed to address any amendments to the current product cycle plan due to changing business conditions and consider alternative plans in order to fulfill the intent of the above product commitments, which are subject to the normal grievance procedure.

Winning and Preserving Work at ACH Facilities

The UAW and Ford are committed to working together to address challenges facing ACH facilities, to improve competitiveness, retain work and maintain employment. In our recent discussions, the UAW emphasized the importance of these joint efforts to source more products into the ACH facilities. While Ford restated its intent to sell or close these facilities, the UAW advocated that filling these facilities with product is in everyone's interest. Our joint efforts have already resulted in the following product actions.

Milan

- The E-Series fuel tanks will be transferred to the facility.
- The Taurus, Expedition EL/ Navigator L fuel tanks will be insourced.

- Mustang fuel tank outsourcing will be canceled.
- F-Series fuel tank will be a new product for the facility.

Saline

- The current model programs for Focus, Flex/MKT and Escape consoles will be insourced.
- Outsourcing for the Expedition/ Navigator IP, cockpit, door trim and console work retained.
- Future Focus IP outsourcing canceled.

Sandusky

- F-Series heavy duty, Explorer and Focus product work retained.

Sheldon Road

- F-Series heavy duty HVAC work retained.

In addition, during discussion of these proposed modifications, Ford committed

to source two new fuel tanks to the Milan facility, contingent upon the local parties achieving a competitive labor agreement.

Ford also committed to source HVAC work for the Ford Escape and Ford Focus to the Sheldon Road facility, also contingent upon the local parties achieving a competitive labor agreement.

Stamping Business Unit

UAW negotiators raised concerns during these negotiations regarding utilization of UAW-represented Ford stamping facilities, particularly Walton Hills and Buffalo.

The parties agreed to jointly evaluate opportunities to insource secondary stampings and service parts where there is existing open capacity and a good business case, in order to improve press load, sub-assembly space and under-utilized manpower.

Future Work Opportunities

During the discussions, UAW negotiators discussed future work opportunities as a top priority at Ford for UAW members. The company agreed to work with the union to develop a business case, based on cost, efficiency, and effective utilization of capacity and personnel, to bring additional work to UAW Ford facilities. These efforts will include:

- **Dearborn Diversified Manufacturing Plant**

During these negotiations, the UAW and Ford discussed the Dearborn Diversified Manufacturing Plant (DDMP) and reaffirmed a commitment to work together to seek future product opportunities for the plant.

- **Future product for Dearborn Engine and Fuel Tank plant to be sought**

The company has reaffirmed its commitment to the 2006 Dearborn Engine and Fuel Tank Plant Operating Letter that highlights the operating efficiencies and competitive work practices of our members and will be used to identify future opportunities for DEFTP.

- **Seat Assembly Study**

The parties agreed to conduct a *joint* study to see if a business case exists to insource seat assembly work. The study will be reviewed by the UAW's National Ford Department, as well as Ford Manufacturing and Labor Affairs.

- **Chinese Produced Dies**

The UAW and management have agreed to complete a joint total cost analysis of Chinese produced dies. The results of this study will be reviewed by the UAW National Ford Department, Tool and Die management and Labor Affairs.

Incremental Vehicle Capacity

The UAW bargaining team expressed concern about utilization of capacity at UAW Ford represented facilities, such as Auto Alliance International, in light of rapidly changing conditions in the U.S. auto market. UAW negotiators won a commitment that should the U.S. market return to levels where additional U.S. vehicle capacity is needed, Ford will work with the UAW to make all possible efforts to utilize open U.S. assembly capacity.

Insourcing

1,660 new jobs added since '07 exceeds contract commitment; New pledges to bring additional jobs to Ford plants

UAW members have taken a strong stand on bringing as many jobs as possible back to Ford, and have also demonstrated strong performance in achieving and exceeding quality and productivity goals.

As a result Ford has insourced 1,660 jobs since the 2007 UAW Ford agreement – more than the 1,559 jobs that were pledged in the original contract. Ongoing studies will likely add additional employment. Also, as a result of negotiations with the union, Ford has invested over \$640 million to insource products to UAW-represented Ford facilities.

This took place during one of the most challenging times in U.S. automotive history, demonstrating that UAW members can be competitive and win new work even under challenging circumstances.

These proposed modifications to the 2007 agreement include new commitments which will create new job opportunities for UAW members:

- In 2010, Ford will introduce a new Focus vehicle at the Michigan Assembly plant and plans to add more than 200 new jobs compared to the present Focus program.

- Also in 2010, Ford will introduce a new product at the Chicago Assembly plant, with a planned addition of 300 jobs at Chicago Assembly and Chicago Stamping.

- In 2011, a new product will launch at the Louisville Assembly plant, resulting in a significant number of additional insourced jobs.

The UAW and Ford will continue to work jointly to identify and implement additional insourcing actions.

Transit Connect Production

During these negotiations, the parties discussed the recent introduction of Ford's Transit Connect vehicle to the North American market. Ford committed to the UAW that if a decision is made to manufacture this vehicle in North America for the North American market, production would be in a U.S. UAW-represented Ford assembly plant, provided there is available open capacity.

Temporary Employees - Twin Cities Assembly Plant

During these negotiations, the parties agreed to extend the target date for closing the Twin Cities Assembly Plant to the end of 2011. Based on this adjusted timetable, UAW negotiators and Ford agreed to the following:

Temporary employees have the option to remain temporary employees, with no wage cuts, or to become permanent entry level employees within five days after ratification.

Long-term supplemental employees will be converted to permanent status as entry level employees.

Those employees who remain on the active roll will be provided with 16 hours of Excused Absence Allowance (EAA) upon ratification to be used prior to Dec. 31, 2010, 40 hours of EAA on Jan. 1, 2010 to be used prior to Dec. 31, 2010, and 40 hours of EAA on Jan. 1, 2011 to be used prior to Dec. 31, 2011.

Louisville Layoff Changed

Our negotiators resolved a dispute with the seniority layoff that occurred beginning July 6, 2009.

The status of weeks of layoff that occurred between the pay periods ending July 12, 2009 and Nov. 6, 2009 has now been converted from indefinite layoff to temporary layoff. The SUB/TAP eligibility for this group of employees will be adjusted accordingly.

Employment Opportunities for Indianapolis Plant Workers

Due to the proximity of the Indianapolis plant to the Louisville Assembly plant, UAW negotiators won an agreement from the company to work together to find as many as possible employment opportunities for Indianapolis workers at Louisville.

Ford Customer Service Division (FCSD) Business Environment

During these discussions, the parties agreed to focus on efforts to improve the competitiveness and culture in the Ford Customer Service Division, as well as other topics including the staffing ratio of hourly to salaried staff, new work opportunities and the potential application of self-directed work teams. These efforts will be reviewed in a meeting with leadership of the National UAW Ford Department and the president of Ford Customer Service Division, the Director of North America Parts, Supply and Logistics, and Labor Affairs.

Entry Level Wages and Benefits Modification to Entry Level Wage and Benefit Agreement – Personal Retirement Plan Layoff of Entry Level Workers

Entry-Level Wages

All newly hired employees who start their employment prior to the expiration of the 2011 UAW-Ford National Agreement on Sept. 14, 2015, shall be hired as Entry Level employees. No Entry Level employee shall transition to traditional employee status during that time.

There will be no cap on entry level employees until Sept. 14, 2015 when we return to the 20 percent cap and any amount above the cap will transition to traditional employee status, by seniority.

The "Production" and "Starting"

wage rates are frozen at current levels and provisions for future Wage Formula Increases are suspended for the duration of the 2007 UAW-Ford National Agreement. However, new hires will continue to progress from the established starting rates to the full production rate consistent with the MOU's provisions regarding wages. The Performance Bonus payments for entry level employees are suspended for the remainder of the 2007 UAW-Ford National Agreement.

Pension administration for entry-level workers: As an administrative matter, the parties agreed that the company

may provide the cash balance retirement plan for entry level employees hired on or after Nov. 19, 2007 through a pension plan separate and distinct from the Ford-UAW retirement plan. This potential administrative change will not modify or alter in any way benefit levels for UAW Ford workers.

Opportunities for laid off entry-level workers

During these discussions, the parties agreed that in the event of an indefinite layoff affecting entry-level employees, the UAW and Ford will discuss opportunities for employment for entry-level workers at other UAW-represented Ford locations.

International Framework Agreement

Within six months of ratification of this proposed modified agreement, the company has agreed to meet with the UAW and other representatives of the International Metalworkers Federation Ford Network Steering Committee on the subject of an International Framework Agreement. Such an agreement, which will address worldwide labor practices, will assist Ford and the UAW in operating in a competitive global environment while defending fair labor standards and maintaining compliance with internationally recognized labor and human rights.

UAW-Ford Report

This report is prepared for the UAW National Ford Department and UAW Vice President Bob King by the UAW Public Relations and Publications Department. This is a summary of modifications to the 2007 National Ford Agreement. In all cases, the actual contract language will apply.

Furthering UAW Partnerships

UAW negotiators won a commitment to meet with officials at the highest level of the corporation to continue to build relationships with UAW-represented suppliers. Following ratification of these proposed contract modifications, National UAW Ford Department leadership, will meet with Ford North American executive directors of Purchasing and the vice president of Labor Affairs to confirm Ford's commitment to working with the UAW to assist UAW-represented suppliers in maintaining the highest levels of productivity, quality and long-term viability.

Pattern Bargaining

Pattern bargaining is a powerful strategic tool that requires labor agreements within the same industry to be as equal as possible in labor costs. The rationale behind pattern bargaining is that if the employer you are bargaining with knows you are going to make competitors agree to the same overall labor economics, the employer will be more likely to agree because the company will not be placed in an uncompetitive situation. Pattern bargaining stops employers from pitting us against each other. Pattern bargaining has paid off extremely well for our members in auto over the last 60 years. It has helped us to win some of the best manufacturing wages, benefits and pensions in the world.

These modifications of the 2007 UAW-Ford National Agreement are a continuation of pattern bargaining which has and will continue to create quality jobs, health care and pensions for auto workers.

By working together with our brothers and sisters at Chrysler and GM to remain consistent with industry standards, we are once again creating opportunities for new investment, new product and new jobs now and in the future. These opportunities will benefit UAW Ford members and union workers throughout the auto industry.