October 2009

CAW-Canada/Ford of Canada BARGAINING REPORT

Highlights of the Tentative Restructuring Agreement between CAW-Canada and Ford of Canada

Production, Skilled Trades and Salaried

HIGHLIGHTS

- No cuts to base wages
- No cuts to pensions
- Product commitments and manufacturing footprint
- Closure agreement for St.Thomas

SECURING THE FUTURE

Dear Brothers and Sisters;

Canadian autoworkers have endured what will surely go down in history as our most painful and challenging year ever. An irresponsible and immoral financial system collapsed in chaos. That dragged the world into recession, including Canada. Few industries suffered as much pain and dislocation as the North American auto industry.

We have now lost 60,000 good-paying auto jobs in Canada since the World Trade Organization overturned our cherished Auto Pact. That's 60,000 workers and their families who can no longer count on the decent income and benefits that an auto job provides.

Ford wasn't immune to the crisis, despite its more "positive" public image and its success in avoiding bankruptcy. Ford has lost over $50 billion since 2001. It's still carrying vast excess capacity (despite numerous plant closures). And to avoid bankruptcy it went massively into debt; Ford's debt burden is now far higher than GM's or Chrysler's, and this will drag down the company's performance for years to come.

While Ford has survived better than GM or Chrysler, it would be ridiculous to claim that Ford is a healthy company. Yet our goal with this tentative agreement is not to "help" Ford out of its troubles. As we've argued all along, we could work for free and it wouldn't make any meaningful difference to the financial viability of this company.

Quite the contrary, our goal was to protect ourselves, in the long run, as best we can against the globalized hurricane that is still battering our industry. Ford has lots of excess capacity. It will be closing more plants in the years to come. We must position ourselves to hang onto every job we possibly can in Canada.

Because of the over-valued Canadian dollar and contract changes in the U.S. (like the VEBA health care trust and the two-tier wage system), production costs in Canadian plants are now substantially higher than in America. That wasn't our fault (we don't control the dollar, nor the UAW's bargaining strategy). But we still must deal carefully and strategically with the situation we face.

Make no mistake: Ford's top executives were ready to start pulling out of Canada if we did not reach this agreement. They threatened us explicitly to move the new Coyote engine, and the future replacement for the Edge/MKX, right out of Canada. Moreover, they wouldn't wait until 2011 to start that process. So the argument that we should just wait until normal bargaining in 2011 wasn't an

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THINKING ABOUT THE FUTURE *(continued from front cover)*

option. Clearly our bargaining position would be worse in 2011 than it is today.

Moreover, the pattern bargaining system which has served autoworkers so well for decades was at risk, if we did not renegotiate our contract. By 2011, with pattern bargaining a thing of the past, Ford wouldn't be satisfied with just matching the GM-Chrysler pattern. They would be aiming to go much further.

With this contract, we keep ourselves in the ballpark, in the never-ending contest for new investment. And we preserve the integrity of pattern bargaining. Most important of all, we have cemented Ford's commitment to crucial products and major capital spending that will benefit our plants in Windsor and Oakville.

Don't forget that we have fully protected our wages and our pensions, and most of our benefits. For an industry that's been at death's door (including Ford), that's a remarkable achievement.

The closure of St. Thomas is a bitter, bitter pill, for our members and for the entire community. Nothing can compensate our St. Thomas members for the heartache and frustration they are feeling today. But your elected bargaining committee took the high road. Once we had to face the inevitable, they went to work to negotiate the best possible closure package they could. And your bargainers deserve your appreciation for their efforts.

Counting all of the severance benefits, pension grow-ins, and other options available in this package, the closure agreement will cost Ford in the neighbourhood of $400 million. The St. Thomas workforce, on average, is younger than in most plant closure situations – and that made it all the more expensive to negotiate early retirement and bridging benefits. But your committee stuck to their guns right to the end, and substantially enhanced the severance package above and beyond what is presently in our contract.

We all feel incredible frustration over the economic events of the past year. Workers didn't cause the crisis. It would be very easy to just tell the company to take a hike.

But the satisfaction we derive from that expression of anger wouldn't do us much good, once thousands more good jobs began disappearing. Our families, our communities, and the next generation of autoworkers are depending on us to do everything we can to cement Ford's presence in Canada.

It is for them that we join with the entire CAW-Ford Master Bargaining Committee in recommending this tentative agreement for your ratification.

In solidarity,

Ken Lewenza
National President

Peter Kennedy
National Secretary-Treasurer

Mike Vince
President, CAW Local 200
Chairperson, CAW-Ford Master Bargaining Committee

HEALTH CARE TRUST

During bargaining the CAW and Ford discussed the idea of establishing an independent Health Care Trust fund to pay for future health benefits for retirees. This trust (which is now being established at GM and Chrysler) would ensure the provision of benefits even if the sponsoring company goes bankrupt. However, due to its severe cash flow constraints Ford was unwilling to fully fund its liability to the trust. Therefore, retiree health benefits will continue to be paid directly by the company as per current practice.

PAID HOLIDAYS

The paid holiday schedule under the 2008 agreement remains unchanged. Paid holidays in 2011-2012 will be as follows:

Monday October 10, 2011	Thanksgiving
December 26, 27, 28, 2011	Christmas Holiday Period
December 29, 30, 2011	Christmas Holiday Period
January 2, 2012	Christmas Holiday Period
Friday April 6, 2012	Good Friday
Monday April 9, 2012	Easter Monday
Friday May 18, 2012	Friday before Victoria Day
Monday May 21, 2012	Victoria Day
Monday July 2, 2012	Monday after Canada Day
Monday August 6, 2012	Civic Holiday
Friday August 31, 2012	Friday before Labour Day
Monday September 3, 2012	Labour Day

PRODUCT COMMITMENTS

Product Commitments and Manufacturing Footprint

One of the toughest issues during bargaining was confirming Ford's long-term proportional commitment to Canadian manufacturing. This was an essential trade-off for the application of the pattern contract changes from GM and Chrylser.

With this contract Ford commits to the following product investments during the term of the collective agreement:

Oakville

- Major refreshening of Edge and MKX.
- Allocation of new-generation products to Oakville based on a new global vehicle platform during the business plan period.
- Installed capacity for a third shift of production when market conditions permit.

Windsor

- Significant additional volume for Essex with incremental application for Coyote.
- Continuing 5.4 litre production in Windsor Engine Plant through the life of the program.
- Sole-source for Coyote (including any variants off same architecture), 5.4 litre and 6.8 litre through entire product life.
- Opportunity to insource components work (contingent on acceptable business plan) associated with incremental volumes of Coyote.

Bramalea

- 2008 job security letter (no sale, no closure) continues to apply.

The new product commitments in Oakville and Windsor will involve total capital spending by Ford in excess of $2 billion (U.S.). Of that total, over $630 million (U.S.) will consist of new capital equipment in the Canadian facilities.

With these production commitments Ford's Canadian output will represent 10 percent of Ford's total North American manufacturing output over the term of the collective agreement.

Furthermore, with these production commitments, under Ford's business and cycle plans Canadian production will continue to match or exceed Ford's Canadian sales.

NEW HIRE PROGRAM

- The start rate for new hires will be 70% of the established rate with increases of 5% per year for the following six years until the full job rate is attained.
- New hires will contribute $1 per hour toward the existing defined benefit pension plan.
- Pension credits will be capped at a maximum of 30 years credited service for new hires.
- Modified SUB and Short Work Week program will be introduced for new hires.

HEALTH CARE AND INSURANCE

New Health Care Contribution

Effective January 1, 2010 a new Health Care Contribution will come into effect as follows:

- Employees and retirees under age 65 will pay $30 per month.
- Retirees who are age 65 or older will pay $15 per month.
- Surviving spouses will pay $15 per month.
- The Contribution will be applicable to subscribers only, and not their dependents.

Drug Plan

- **Out of Pocket Maximum:** The current out-of-pocket maximum of $250 for the 10% Co-pay on drugs is scheduled to increase to $270 on January 1, 2010 and to $290 on January 1, 2011. With the one year extension of the Collective Agreement, the out-of-pocket maximum will increase to $310 on January 1, 2012.

  The Drug Plan out-of-pocket maximums are combined family amounts.
- **Drug Listings:** When the Drug Plan carrier is able to negotiate a price for brand name drugs that is lower than the equivalent generic drug, the brand name drug will be included on the Controlled Formulary and dispensed. This will result in lower costs for the Plan, as well as lower Co-pays for participants.
- **Dispensing Fee:** The maximum eligible dispensing fee covered by the Drug Plan has been reduced from $11.00 to $9.00 per prescription, effective January 1, 2010.

Semi-Private Hospital

Semi-private acute care hospital coverage will be eliminated on the first of the month following the implementation of the agreement.

Dental

Reimbursement levels will remain at the 2008 Ontario Dental Association (ODA) fee guide for the duration of the agreement.

The union will work to identify and list providers in each community who agree to limit their fees to the 2008 schedule.

Long Term Care

Effective January 1, 2011 the maximum rate for coverage for new entrants will be set at $1,200 per month. Current residents of long term care facilities, and those entering prior to January 1, 2011, will remain at current coverage levels.

Life Insurance

COLA will no longer be included for the purposes of determining a member's life insurance benefit amount.

CONTRACT TERM

- The current collective agreement has been extended by 1 year, with a new expiration date of September 17, 2012.

WAGES AND COLA

- Base wage rates remain unchanged for the life of the new collective agreement.
- The current $.05 per hour cost of living allowance float remains unchanged until June 2012. Cost of living adjustments will be reactivated beginning with the June 2012 COLA payment.

PENSIONS

- The Basic and 30-and-out Special Allowance pension benefit levels will remain at current levels for the life of the new agreement.
- There will not be any further PCOLA increases for current and future retirees for the life of this agreement.

SPECIAL PAYMENT

The $1,700 annual Special Payment has been eliminated.

OTHER BENEFIT MODIFICATIONS

- Effective January 1, 2010, the Dependent Children Scholarship program benefit has been reduced to $1,300 per dependent per calendar year.
- Effective January 1, 2010, the $2,600 employee Vehicle Purchase Discount will be discontinued.
- The tuition refund program will be discontinued, effective January 1, 2010.

TIME OFF THE JOB

- 40 hours of Scheduled Paid Absence will be converted to paid vacation hours. Workforce reductions arising from this conversion will result in equivalent workforce eligibility for restructuring incentives.
- The balance of Scheduled Paid Absence has been eliminated.

RESTRUCTURING EVENTS

- All currently announced restructuring events remain covered under the terms of existing agreements.
- The Retirement Allowance and vehicle voucher will be modified for other future events. The new amounts will be $50,000 for production and $60,000 for skilled trades, plus a $20,000 vehicle voucher.

INCOME SECURITY

- Full-time employees who are indefinitely laid off and return as summer replacements shall not accrue SUB credits for the period of time as a summer replacement. There is no change to the procedures for providing Guaranteed Annual Income Credit units.
- The EI clawback reimbursement will no longer be applied effective with the 2009 tax year.
- The maximum liability amounts for income security have been increased to reflect the extension of the agreement.

NATIONAL TRAINING PROGRAM AND SPECIAL CONTINGENCY FUND (SCF)

- The NTC program has been modified. The program will now provide 24 hours of training per member during the life of the contract.
- Funding commitments under the SCF will be reduced over the life of the new agreement according to a negotiated timetable. The combined cost of all union-sponsored initiatives will be reduced by one-third.

ST. THOMAS ASSEMBLY PLANT CLOSURE AGREEMENT

Despite the CAW's best efforts to ensure the survival of the St. Thomas assembly plant, Ford notified the bargaining committee that the company will close the plant in the third quarter of 2011.

The union has negotiated a closure agreement that seeks to minimize the impact on our members and their families. This will include:

- Several severance and retirement package options to ensure all members are covered;
- Retirement incentives of $75,000 for production and $90,000 for trades, for retirement eligible CAW members;
- Retirement eligible members will also be offered a $35,000 vehicle voucher or a lump sum payment of $25,000 in lieu of the voucher;
- A Special Termination of Employment Program (STEP) program to provide:
    - lump sum payments for non-retirement eligible employees equal to $75,000 for those with at least five, but less than eight years seniority, and $100,000 for those with eight or more years of seniority;
    - STEP eligible employees will also be offered a $30,000 vehicle voucher or a lump sum payment of $25,000 in lieu of the voucher;
    - health care coverages (excluding dental) for six months.

Retirement and Separation Canvas at Oakville and Bramalea

- There will also be a new retirement and separation canvas in early 2011 at Oakville Assembly and at the Bramalea distribution centre in an effort to create openings for employees from the St. Thomas assembly plant who agree to relocate.

RELIEF TIME

Relief and rest periods will be 40 minutes per 8 hour shift, effective January 1, 2010.

Your CAW-Canada Master Bargaining Committee at Ford of Canada

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RECOMMENDATION

Your Master Bargaining Committee unanimously recommends this tentative agreement and urges you to vote in favour of it.

Vegetable oil-based inks.