

Bargaining Update Navistar CAW Local 127 and CAW Local 35

Sisters & Brothers:

As you are aware, the Master Bargaining Committee's opened formal negotiations with the employer on May 4, 2009. The bargaining committees are in the process of the normal exchange of proposals with the corporation. This week will be spent explaining the Unions proposals to the corporation. The management from Navistar has once again presented major concessionary demands, primarily targeted at the operational flexibility of the day to day operations in office, production, and trades.

We are committed, as Master Bargaining Committees, to ensuring the long term viability of the facility including a commitment to levels of production. The corporation has a demand to eliminate their past commitment of thirty five (35) units per day. As of this morning, we continue to go through the Union's proposals in detail. These proposals are a combination of the demands put forward by the membership and the bargaining committees. It is critical to our bargaining that we remind the corporation of the significant sacrifices made by our members in both the plant and office. The CAW Research Department has reviewed the financials of the corporation and we have highlighted the following information with the Management Bargaining team lead by Dave Beebe, Vice President of operations:

- For the 4 ³/₄ years since our last agreement, Navistar has made over \$2.1 billion in the truck division and over \$710 million in net income for share holders,
- The truck division has accounted for 71% of the corporation's total gross profit over the 2004 to the third quarter of 2008.

The market share has significantly increased from approximately 12% in 2002 to approximately 24% now as reported by the corporation. The significant increase was largely due to the success of the *Prostar* and *Lonestar* products. The company has made \$487 million in net income in the last 2 quarters of 2008. Navistar lost money in the first quarter of 2008 but came back strong in the 2nd and 3rd quarters due to high class 8 market share.

The corporation did not report financial results to the U.S. Securities and Exchange Commission for almost 3 years beginning in 2005, with audits over proper financial reporting. As a result, it was de-listed from the New York stock exchange. The corporation has been granted its status back and is re-listed on the New York stock exchange. The corporation spent \$410 million on professional fees in order to bring its internal financial reporting systems in line. Without discharge the company would have been profitable in 2007.

This information was taken from Navistar's annual reports and as of today, the company has not denied the accuracy of the above information. The bargaining committees are making sound arguments on the membership's behalf, as we believe that the membership deserves a decent collective agreement with job security.

Yesterday afternoon, the corporation tabled a comprehensive document concerning the future of the facility. The proposal attached, for your information, outlines radical and unprecedented changes. The document as proposed would reduce the plant population to less than 100 active workers. This includes office, production and trades. This is an absolute insult to the memberships of this facility who have made great sacrifices for a measure of job security and a fair and equitable collective agreement. The union will be giving an official response to this proposal this morning.

Once again, we want to underscore that we will constantly remind Navistar of the commitment of our members to the products that we

build, Our engineering, quality and productivity has made these products a total success in the marketplace and irrespective of the current downturn and the lagging market the facts are, you've done your job to ensure the success of the facility in Chatham.

We are committed to updating the membership on an ongoing basis during this difficult bargaining. We will be distributing leaflets in the facility to ensure our membership is fully knowledgeable on the bargaining. We have developed a schedule with the company, outlined by weeks as follows:

- May 11th, 2009 — in bargaining.
- May 18th, 2009 — The bargaining committees will be back in the facility for this week.
- May 25th, 2009 We recommence bargaining.
- May 30th 2009 — Membership meeting and strike support vote.
- June 1st, 2009 — In bargaining.
- June 8th, 2009 — In bargaining.
- June, 15th, 2009 — In bargaining
- June 22nd, 2009 — In bargaining.

It is incredibly important that the membership does not rely on rumours or innuendos as we go through this process,

There have been significant rumours about the outsourcing of work and we expect to see these demands from the company. We will remain solid as Master Bargaining Committees against these demands. We will continue to remind the corporation that our labour costs are lower than their U.S. operations and that we are more productive. We expect to see, once again as part of the company's demands, the threat of moving our work to Mexico. We are very early in the bargaining process and will continue to work hard in our

attempts to secure a fair and equitable collective agreement on your behalf.

We once again commit to regular updates to the membership.

In solidarity,

Master Bargaining committees of CAW Local 127 and CAW Local 35

Company Proposal

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The following is the Company's proposal in connection with the negotiations with CAW Local's 127 and 35 to replace the collective bargaining agreement that will expire on June 30, 2009.

The Company submits this proposal with the understanding that any current contract language, supplemental letter or past practice inconsistent with this proposal will be modified, deleted or eliminated in order to be consistent with this proposal.

The Company reserves the right to change, amend, add to or modify this proposal, responses or counterproposals at any time during these negotiations. Where tentative agreement is indicated for a specific issue, agreement is conditional on reaching agreement on specific language and on all other contract terms.

Model Expansion and Flexibility

Consistent with the overall Navistar manufacturing strategy, the Chatham Assembly Plant will expand its model mix to now assemble a variety of day-cab truck platforms (ex. DuraStar, WorkStar, TranStar, ProStar, LoneStar, etc.).

Production Levels and Mix

Production volumes and model mix will fluctuate with customer demand and other internal and external influencers that may affect overall enterprise-wide costs. There are no minimum or maximum production level limitations, nor work ownership.

Operational Flexibility and Cost

Competitiveness .Sourcing

A new operating environment will be created that will support the new production requirements. This will be done by identifying and focusing on our core competencies and allowing non-core work to be performed by others. This includes third-party sourcing and/or utilization of other Navistar facilities:

Cabs — Delivered to Chatham fully trimmed and painted.

Hoods — Delivered to Chatham painted.

Glamour Paint— Decommissioned,

Sourcing (cont,)

Materials All material movement will be handled in-house by third-party service provider(s). This includes but is not limited to shunting, shipping/receiving, warehousing, line-side delivery, stock chasing, sequencing, inventory audit, etc.

Quality — Suppliers will work independently and on-site to sort, repair and remedy any defects or work needed as it pertains to material or equipment. In addition, employees in the Quality Department will meet minimum skill requirements assessed through testing.

Maintenance Skilled Trades will be organized to best serve the new operating environment and production requirements in the most cost effective and safe manner. This includes:

There will be two skilled trades classifications: IMM and Electricians
All employees will work to their ability and trade licenses they hold.
All preventative maintenance and construction will be performed by third-party providers.

I.T. Information Technology functions will be outsourced.

Centralization of Non-Core Functions — For various reasons the company will move toward a centralized structure for certain business functions. This will include elimination or consolidation elsewhere of positions in Engineering and Accounting.

Workforce Flexibility

In the new operating environment employees will significantly broaden their scope of work. This will include but is not limited to In-Process Validation (IPV), general cleaning and incidental duties including but not limited to changing light bulbs, air hose quick-connects, filters, etc.

Employees' tasks can be moved or adjusted at any time in order to meet the daily needs of the business or production requirements. Consistent with this expanded scope of work, job classifications are as follows:

Local 127 Assembler	Local 35 Mfg Quality Engineer 730A — 013
Spray Painter	Mfg Quality Engineer 810A — 011
Quality/Repair Monitor	Manufacturing a Engineer 730B— 013
Team Leader	Manufacturing Engineer 810BA --011
Industrial Mechanic Millwright	Principal Supply Chain
Electrician	Supply Chain Planner
Plant Chairperson	Stock Status Reconciler
	Stock Status Investigator
	Office Chairperson

Union Representation

Local 127 — 1

Local 35 — 1

In addition, both Local 127 and Local 35 will recognize a Joint Health and Safety Representative as required by current law.

All union representatives will be working reps.

Temporary Work Force

Consistent with the flexibility requirements of the business and marketplace a temporary third-party workforce, not exceeding 20 percent of the active unionized workforce, will be contracted.

Work Schedules

Work schedules may be changed on an individual or department basis for reasons to better serve the customer or business.

Notice for mandatory overtime will be communicated to employees for the following week no later than the last day worked of the prior week.

Previously scheduled vacation shutdown periods can only be changed with a minimum 60-day notice prior to the commencement of the first day of shutdown.

Overtime

Errors in overtime scheduling will be remedied by moving the bypassed employee to the top of the low hour qualified list, in lieu of pay or other compensation.

Overtime pay will only begin after 40 hours compensated. Double-time pay for Sunday will only begin after 56 hours compensated.

Attendance

Employees who accrue 4 points will receive a verbal warning. Employees who accrue 5 points or more will be disciplined.

Points will be charged for scheduled overtime absences.

Economics

Wages

(Reserved)

COLA

(Reserved)

Pension

(Reserved)

Health Care

(Reserved)