

Agreement governing the separation of the Ford Visteon organisation

The existing Visteon activities presently owned by Ford in Europe will be transferred into separate legal entities. The legal entities being created are depicted on the attached organisation chart [omitted here]. Ford Motor Company is contemplating a spin-off of the parent Visteon company and after full spin-off will have no equity in the new parent company or its subsidiaries, and the new parent Visteon company will be incorporated in the US and be publicly traded.

In connection with this transaction and on behalf of the respective national companies, Ford Motor Company and the Ford European Works Council have concluded the following agreement, which will apply to all Visteon activities listed below and being established as independent legal entities in Europe (hereafter collectively referred to as "Newco"). In the event that any of these Newco activities in Europe are transferred outside Newco, then the successor companies will be obliged to adopt this agreement.

Scope of the agreement

The following agreement applies to hourly and salaried employees on Visteon payroll below senior management (the agreement covers up to and including LL5/SCR) of the current European plants in Berlin, Dueren, Wuelfrath, Belfast, Basildon, Enfield, Swansea and Charleville and to the existing Visteon engineering and other staff and hourly support activities in the countries where the above plants are located.

The Visteon activities in Cadiz and Palmela are not affected by this agreement as the operating arrangements and contractual terms and conditions of employment are not altered by the change of ownership to Newco.

Employment contract

The existing employees of the above-mentioned activities will become employees of Newco. The employees will be transferred to Newco no later than the end of the second quarter 2000.

Accrued seniority and all existing terms and conditions, in particular pension entitlements, will be transferred to the new employment contracts. For the duration of their employment, terms and conditions of existing Ford employees, who transfer to Newco, will mirror Ford conditions (including discretionary pension in payment increases) in their respective countries (lifetime protection).

In respect of employee programmes, such as car purchase and share purchase plans, comparable programmes will be developed and implemented.

Until the full spin-off of Newco, present Ford employees working in Visteon activities will be eligible to volunteer to be reassigned to Ford. The timing of these flow-backs to Ford will be subject to the availability of suitable opportunities within Ford facilities, normal selection criteria, and the need to maintain operations within Newco. If an employee refuses two offers of suitable vacancies in Ford, the flow-back commitment will cease. Ford will commit to implement all flow-backs within a five-year period from the date of full spin-off.

In addition, existing Ford employees working in Visteon who transfer to Newco at the time of the transfer of assets and liabilities to Newco ("legal separation") will have the opportunity to apply for vacancies within Ford which are to be filled externally, and they will be considered against normal Ford selection criteria. Where they are equally suitable, former Ford employees who have transferred to Newco will be given preference over other external candidates, and past Ford and Visteon experience will be taken into account.

Future new hires into Newco after the date of legal separation will be employed under terms and conditions decided by Newco, which in the UK will be negotiated collectively as appropriate and in Germany will be aligned with the respective tariff agreements.

For terms and conditions of employment of existing Ford employees who transfer to Newco at the time of legal separation in the U K and Germany, Newco will adopt and honour the outcome of the Ford collective agreements in the respective countries.

Collective agreements

All existing Ford collective agreements, in particular investment and plant security agreements and the employment security and investment statements (thereafter “investment agreements”) will be fully adopted by Newco.

Existing apprentice training programmes will be continued.

Employee representation

In Germany, Newco will become a member of the employers’ association of the metal industry. Plant and corporate employee representation arrangements will be established according to applicable legal and tariff provisions.

In the United Kingdom:

- current Ford employees who transfer to Newco at the time of legal separation will continue to be represented by the existing Ford procedure and bargaining arrangements for six years after legal separation. Ford national bargaining committees will include management representatives of Newco as appropriate.
- thereafter Newco will establish local and national representation and bargaining arrangements for all Newco employees in the existing UK Ford locations which transfer to Newco at the time of legal separation.
- separation of Newco representation arrangements from Ford earlier than provided for in this agreement may take place if it is agreed by all parties that this is mutually beneficial.
- representation in respect of new Newco employees hired following the legal separation of Newco from Ford, will be the subject of discussion between Ford, Newco and the appropriate national unions in the UK.

The existing in-plant representation structures and processes in Charleville will continue and are not affected by this agreement.

Newco will establish a new, independent European Works Council.

Sourcing

In recognition of the commitment contained within this agreement that Newco will maintain terms and conditions for existing employees who transfer to Newco that mirror Ford conditions for the duration of their employment (lifetime protection), Ford management commits to provide sourcing to Newco in Europe as described within the following sourcing agreement.

The following principles apply in respect of the sourcing of Ford business to the aforementioned Newco plants and the allocation of work to the Newco engineering, development and other Newco staff and hourly support activities in these countries.

In order to facilitate the business development of the Newco activities named above and based on the company's intention to transfer existing Ford employees in these facilities to Newco as Newco employees at the date of separation, Ford and Newco management confirm their ongoing commitment to these activities and will comply in full with the existing investment agreements which affect these facilities, and meet the legal responsibilities arising from them.

Specifically, replacement work will be substituted for the B-Car instrument panel and Transit grill that have not been sourced to Visteon in the next product cycle. A decision on substitute work will be made by 30 June 2000.

In addition, management commits to take the necessary steps to provide the opportunity to enhance or develop a viable business situation for these plants and the Newco engineering and other Visteon staff and hourly support activities.

To achieve this and, in particular, to address the concerns regarding plant closures, Ford management commits to provide these facilities with the sourcing for existing Ford products to the life of the present vehicle sourcing cycle plus one further vehicle sourcing cycle (to include CD208 and the replacement for the present Galaxy), and as a minimum for the period committed in the existing investment agreements. This commitment also includes all current components in Newco plants which will have successor parts in C1/CD platform vehicles in the next vehicle sourcing cycle. Minor facelifts will not constitute a new vehicle sourcing cycle.

The "programme cycle plan" and "current Visteon sourcing plan" documents attached to the two original master copies of this agreement are part of the agreement.

To support this agreement, Newco recognises its responsibility to ensure that the Ford products sourced to these facilities must be viable, profitable, reflect technological advances (eg electronics, moulding, transmissions, machining etc) and meet competitive price criteria. Where Newco is not able to immediately match the competitive price on products included in the above, for the future committed product sourcing cycle, it will commit to bid on a competitive basis, at a minimum level of break-even plus the cost of capital and to make up any remaining competitive price difference in equal increments across the life of the product sourcing. (But in any event in equal increments across a maximum five-year period). The difference between the competitive price and the Newco price (at a minimum level of break-even plus the cost of capital) at the date of legal separation will be shared equally between Ford and Newco over the five-year period, in line with the following formula:

- Newco commits to reduce the difference in five equal steps of 20%, so that the difference is eliminated at the end of the five-year period.
- Ford pays for 100% of the difference in the first year, 80% in the second year, 60% in the third year, 40% in the fourth year and 20% of the difference in the fifth year.

The achievement of employment security will ultimately be governed by the level of efficiency and competitiveness achieved in each Newco facility. As today, this will require the ongoing cooperation of management; unions, works council, employee representatives and employees.

The product cycle plan upon which these commitments are based is clearly subject to change. Where these changes negatively impact the sourcing of Ford product to these Newco facilities, alternative sourcing will be identified by Ford to replace any shortfalls in sourcing based on existing investment and product sourcing cycle plan commitments. However, where sourcing is impacted by market-driven changes, Ford will not be required to provide alternative sourcing.

These commitments reflect Ford management's intention in respect of the Newco business units identified above and serve as an underpin to ensure their viability. Where future alternative sourcing opportunities can be generated for these business units, for example from Ford, other OEMs, or other suppliers, such new work may be substituted for existing Ford work sourced to Newco where it makes business sense to do so, provided the spirit and intent of this agreement is maintained and there is no detriment to the Newco business unit(s) concerned.

Ford and Newco management commit that this agreement will transfer to any successor company.

Newco will be included in future Ford market tests for parts within their product range, and will be considered by Ford. Ford and Newco management and the Ford sourcing council will adhere to agreed sourcing procedures and this agreement.

Future Ford restructuring actions

This agreement on treatment of employees related to Newco separation from Ford will not set a precedent for any future restructuring actions in Europe.

In the event that it is necessary, within a five-year period from the date of this agreement, to establish a joint venture or initiate a spin-off involving any of the existing European Ford plants or other facilities the company commits that the existing Ford employees in the affected location(s) at the time of the joint venture or spin-off will work in the new business but will remain Ford employees. Normal practices on mobility (transfers and loans) of labour will continue to apply.

Existing employees at the time of the establishment of the new organisation may elect to voluntarily transfer their employment to the new organisation at any time.

Where both sides agree it is beneficial to make changes to the above arrangements in a particular case, then changes will be made by mutual agreement.

General

1. The parties to this agreement commit to implementing this agreement at the national level. A joint working group shall be set up with Ford management and the FEWC select committee. This working group shall monitor the implementation of this agreement and shall take a decision in the case of any dispute regarding its interpretation.

2. After legal separation, Newco management shall be responsible for adherence to this agreement vis-à-vis the corresponding Newco employee representatives. In the case of disagreements between Newco management and the corresponding employee representatives that arise from different interpretations of this agreement, the procedure described under 1) above may be applied.

3. Where Newco management and employee representatives agree it is beneficial to make changes to the agreement, then changes will be made by mutual consent and after prior concurrence by the working group.

Cologne, 25 January 2000

[Signed by management representatives, Ford EWC members and Visteon employee representatives.]