

APPENDIX Q**MEMORANDUM OF UNDERSTANDING
"BEST-IN-CLASS" QUALITY PROGRAM**

The parties recognize that continuous improvement in the quality of the Company's products and services to meet customer needs and values is essential to securing Ford's long term success in the global marketplace and real job security for its UAW represented employees.

For a number of years, the UAW, Ford Motor Company, and its employees, including those represented by the UAW, have worked together in a spirit of teamwork, cooperation and mutual interest to improve product quality. These efforts have produced substantial results. Ford and the UAW further recognize that local union and employee support and involvement have been key elements of the progress that has been achieved.

From the time the "Best-In-Class" Quality Program was established in 1987, the parties have worked toward achieving mutual goals and have demonstrated the ability to take a problem solving approach to issues. The strengthening of this joint relationship has created a highly successful program based upon a foundation of mutual trust and respect that assures all issues can be resolved on a day-to-day basis. Therefore, this Memorandum and the "Local Quality Representative" Letter of Understanding are "living documents" permitting the parties to continuously improve, support and expand the UAW-Ford "Best-In-Class" Quality Program outside the normal collective bargaining process.

This Memorandum is an on-going agreement which will not expire concurrently with the Collective Bargaining Agreement. Accordingly, the provisions of Article X, Section 10 and Article XI, Sections 2, 3 and 4 will not apply to this Memorandum of Understanding or the "Local Quality Representative" Letter of Understanding. The UAW-Ford National Quality Committee will provide the overall coordination for the continuous improvement of this Program. The Committee will continually review and update the direction of the parties' joint quality efforts, including internal Program processes, and will make recommendations to the UAW-

Ford Quality Improvement Steering Committee on a periodic basis. The Committee also will be responsible for communicating any changes in the Program to Ford-UAW locations. Should either party believe it would be more appropriate for the "Best-In-Class" Quality Program to have an expiration date that coincides with the present Collective Bargaining Agreement, the party may submit this request to the Vice President and Director of the UAW-Ford Department and the Company's Vice President Labor Affairs for review and approval.

The structure and responsibilities within the "Best-In-Class" Quality Program are set forth below.

I. UAW-Ford Quality Improvement Steering Committee

The joint UAW-Ford Quality Improvement Steering Committee will continue to direct and expand the quality improvement activities of the UAW-Ford "Best-In-Class" Quality Program to support continuous improvement in the Company's products, services and processes, including:

- Review annual quality objectives, strategies, and indicators for the UAW-Ford "Best-In-Class" Quality Program and for the Company Quality Operating System (QOS). The Committee will jointly develop measurables to support the annual objectives and the QOS.
- Drive joint actions to improve quality of products, processes, and services.
- Conduct discussions concerning the Company's manufacturing, assembly, and parts distribution facilities, as well as suppliers and dealers.
- Review and support joint exploration (including consideration of pilot efforts) of new and enhanced processes to improve quality of components and vehicles produced by Ford.
- Support the Company objective of producing "Best-In-Class" vehicles that meet or exceed expectations of present and future customers.
- Create a work environment which allows the full contribution of each employee toward the achievement of quality leadership by Ford.

The Steering Committee will:

- Be co-chaired by the Vice President, Manufacturing and by the Vice President and Director of the UAW-Ford Department and include an equal number of Union and Company representatives designated by the respective co-chairpersons.
- Be supported by a full-time UAW-Ford National Quality Committee to implement the provisions of the UAW-Ford "Best-In-Class" Quality Program and maintain liaison with operations working quality committees and local quality committees guided by a **chartering** process recognizing that program design may vary among the organizations involved.
- Review and have access to the Ford Motor Company Global Quality website for quality data and metric reports including but not limited to: J.D. Powers, Global Quality Research System (GQRS), Consumer's Report, Analytical Warranty System (AWS), US Market Research Schedule, and The Customer Speaks.
- Oversee and provide for development of new UAW-Ford "Best-In-Class" Quality Program education and training through the Targeted Training process based upon specific business needs.
- Review the activities and recommendations of the National Quality Committee, plans for operations and facility quality initiatives, and the results of local and national quality actions.

II. **UAW-Ford National Quality Committee**

A full time UAW-Ford National Quality Committee will continue to develop and recommend programs to the Steering Committee, provide feedback to that Committee, transform Steering Committee strategies into actions for implementation by the local quality committees, participate on operations working quality committees and assist local facility quality committees.

The National Quality Committee will be co-chaired by an appointed representative of the Vice President and Director of

the UAW-Ford Department and an appointed representative of the Global Vice President of Quality. The National Quality Committee shall continue to be comprised of equal numbers of representatives from the Union and the Company. The Union's representatives on the National Quality Committee will be appointed by the Vice President and Director of the UAW-Ford Department.

The committee will support the chartering process by reviewing, updating, and cascading the annual charters through each level of the Quality Governance Structure. The Quality charters will contain agreed to, enforceable elements required to support a "Best in Class" Quality program such as a mission statement, roles and responsibilities and quality operations and procedures.

III. UAW-Ford Operations Quality Committees

Presently established operations quality committees will continue to function and their application and activities will be on a uniform basis to all operations with employees covered by this Agreement.

These operations quality committees will continue to include representatives of operating Management, the UAW-Ford National Quality Committee, and other Company and UAW representatives as appropriate.

These committees will meet at least semi-annually, or more frequently as they determine necessary, to discuss and review quality performance objectives and indicators concerning the operations' products and services and joint actions that could be taken to drive and support improvement. Other topics of discussion or activities include:

- Transform the strategies from the UAW-Ford Quality Improvement Steering Committee into a roadmap and actions for implementation by the UAW-Ford Local Quality Committees.
- Discuss quality matters in Vehicle Quality Reviews / Product Commodity Team Meetings, weekly operations meetings, and monthly Quality conference-calls.

- Assure the Company and Union leadership's commitment to driving customer satisfaction, continuous improvement, and full workforce involvement in achieving Best-In-Class Quality.
- Emphasize the importance of customer satisfaction in the quality improvement process.
- Review specific operations and local education and training needs to support continuous quality improvement, including specific tracking and monitoring of such training.
- Share information on Company, operations and facility competitive quality positions including future goals for continuous improvement.
- Emphasize the importance of total involvement and commitment of the entire workforce in quality improvement.
- Provide recognition and positive reinforcement for the quality improvement process.

IV. UAW-Ford Local Quality Committees

Facility committees will be co-chaired by the facility manager and the unit chairperson. Other committee members will include the Facility Operating Committee, to include the Product Vehicle Team (PVT) Manager or Product Resident Engineer and Supplier Technical Assistance (STA) Resident and other representatives of local management as appropriate, the local union president (if he or she so elects), the Local Unit Quality Representative, the Employee Resource Coordinator, and other members of the unit committee designated by the unit chairperson.

These local committees will continue to meet at least monthly, or more frequently as they determine necessary. They may agree to meet consistent with local Time and Data Management processes. The unit quality representative and facility quality manager will be responsible for coordinating the resolution of local quality committee matters and reporting the results to the co-chairs of the local quality committee between scheduled meetings.

The focus of these committees is to discuss and review quality information and indicators concerning the facility's products and services and joint actions that could be taken to drive improvement. Additionally, local committees will:

- Develop and implement local plans for quality improvement consistent with the objectives and strategies designated by the UAW-Ford Quality Improvement Steering Committee and the Operations Quality Committees.
- Provide direction and support for the unit quality representative in the quality improvement process, including supporting the principle that all employees have responsibility for quality in their work.
- Assure that the quality representative has regular access to the quality operating system management including weekly meetings with the facility quality manager, or a designated representative in that manager's absence.
- Review internal processes and establish a system locally to address vehicle concerns, with a goal of minimizing the quality representative's involvement in this area.
- Assure that a process is in place to advise the quality representative of reworks and campaigns and to ensure proper communication with the affected employees.
- Establish a process locally that allows employees to raise product quality concerns, make the necessary corrections, and stop the operation, when necessary. This process must ensure that the concerns are immediately addressed, appropriate containment measures implemented, and the operation restarted.
- Ensure the quality system addresses the hourly and salaried employees' role in the containment of non-conforming parts. The system will incorporate the responsibility of these employees to contain non-conforming parts, the process for rejecting/releasing the parts and the communication plan to provide feedback to the affected employees.

- Monitor performance against quality objectives to support and maintain a continuous quality improvement process.
- Establish a mutually acceptable process for the unit chairperson and facility management to identify hourly employees to visit other facilities or suppliers, as appropriate, to resolve quality concerns.
- Establish teams of hourly and salaried employees, including the Local Unit Quality Representative, to work with and visit outside suppliers to identify and resolve quality issues and concerns, as appropriate.
- Review local education and training needs to support quality improvements.
- Integrate "Best-In-Class" Quality Program and other quality improvement activities with employee participation and other joint activities to address common areas of interest and assure mutually supportive relationships.
- Oversee the process to ensure that all scrap materials are purged from the facility in an expeditious fashion.
- Review product launch progress and other engineering changes and ensure timely communication of appropriate information to affected facility employees. Explore opportunities for greater hourly employee involvement in the product launch process.
- Facilitate communication between product engineering and work groups, ensuring necessary engineering assistance as appropriate.

V. Local Unit Quality Representative

Provisions for a local unit quality representative, including such topics as number, appointment, functions, training requirements and other matters, are set forth in a separate letter of understanding.

The functions and responsibilities of the quality representative include the following:

- Participate on the local joint quality committee to handle joint quality initiatives.
- Coordinate the resolution of local quality committee matters and reporting the results to the facility manager and building chairperson between scheduled meetings.
- Participate in product launch quality reviews.
- Investigate and close Quality Hot Line calls and Quality Concern Resolution cases.
- Participate in the development and implementation of local strategies to achieve facility internal and external quality performance objectives.
- Participate on the facility team completing quality self-assessments.
- Participate in local Incoming Quality meetings, and on facility teams of hourly and salaried employees to identify and resolve quality issues and concerns with outside suppliers.
- Assist in the preparation of quality performance information and related material to be shared with UAW represented employees to enhance their understanding and support of facility quality initiatives.
- Verify compliance with QPS sheets when investigating a quality issue or customer concern.
- Participate in the development and implementation of job related quality training.
- Maintain communication with the UAW-Ford National Quality Committee, and attend meetings as required by the UAW-Ford National Quality Committee.
- Perform other functions associated with joint quality initiatives as may be required from time to time by mutual agreement of the Company and the Union.

VI. Quality Concern Resolution Process

- The Company and Union recognize that it is in the best interests of both parties to resolve employees' product quality concerns as soon as possible, at the facility where

they originate. This quality concern review process will originate at the location and may include review by the operations quality committees and, if required, the UAW-Ford National Quality Committee.

- The UAW-Ford National Quality Committee will provide ongoing coordination of this process, which will be independent of the grievance procedure provided in the Collective Bargaining Agreement.

VII. Supplier Relationships

- It is recognized the "Best-In-Class" quality principle of "Working Together for Quality" includes the employees' relationships with all suppliers, both external and internal. It is the hourly and salaried employees' responsibility to ensure quality parts are used in the production of Ford vehicles, regardless of their manufacturing source.
- Accordingly, all suppliers will be responsible for their quality performance (consistent with the Supplier Corporate Citizenship letter dated November 03, 2007). Additionally, the Company is responsible for the administration of policies consistent with the provisions set forth in the Q1 2nd Edition. The National Quality Committee will have timely access to the list of suppliers that have been placed on Q1 probation or had their Q1 status revoked and may visit outside supplier locations in conjunction with the Ford on-site Supplier Technical Assistance Engineer. If issues arise with the ability to access an outside supplier facility, the National Quality Committee will work through the Supplier Technical Assistance Manager to address the concern. Further, the UAW-Ford National Quality Committee shall be afforded periodic meetings as needed with Supplier Technical Assistance/Purchasing and the various operations to obtain information on supplier improvement processes and discuss outside supplier concerns.

VIII. Customer Satisfaction Activities

- Building upon our significant long-term efforts and progress in improving product quality, the UAW and the Company agree to discuss alternative means of utilizing

consumer insights and feedback to improve customer satisfaction. Joint activities to support this objective will be the subject of ongoing discussion between the Union and the Company.

- The parties agree to continue to utilize local dealer panels where mutually agreeable, whereby, after appropriate orientation and training, the National Ford Department and local union offices may communicate with the Company's customer services activities on customer concerns and other quality matters. Such local Vehicle Concern Service Resolution Process/dealer panels will be affiliated with and under the jurisdiction of the UAW-Ford National Quality Committee. In addition, the UAW-Ford National Quality Committee will utilize a multi-step procedure for Company locations to follow to resolve employee vehicle complaints, where no dealer panels exist. Members of the UAW-Ford National Quality Committee will visit each facility to communicate the new procedure, and make recommendations, as appropriate.
- The parties also agree that it continues to be important to improve communication among representatives of the Union, the Company, and the dealers on issues of common concern regarding the achievement of their respective quality objectives. As a key step in achieving and maintaining this level of communication, the parties agree that Ford Motor Company will continue to seek to have the Vice President and Director of the UAW-Ford Department invited to meet with the officers of the Ford and Lincoln Dealer Councils. The Steering Committee may develop other appropriate quality related communications or actions for discussion with the Dealer Councils.

IX. Other Matters

- The Company and the UAW **reaffirms** support of certain quality promotional activities to increase employee and consumer quality awareness and recognize employee contributions in product and service quality

improvements. Opportunities could include auto shows, certain sporting venues, community activities, and charitable events where mutually agreeable and beneficial to UAW-Ford employees, subject to verification by appropriate market research in those cases where customer contact and other marketing and advertising considerations are involved.

- Further, the Company **continues to acknowledge** the support of the UAW National Ford Department, local unions and UAW represented employees in various ways in advertising campaigns, the introduction of certain new products, and other similar activities which likewise have proven to be mutually beneficial. Accordingly, the Company intends to continue to provide similar opportunities in the future.
- A generic Joint quality decal or sticker will be affixed to UAW built vehicles indicating that these products were proudly built by UAW-Ford members. This decal signifies the UAW's commitment to the improvement of Ford Motor Company product quality. The UAW-FORD National Quality Committee will continue to be the provider of these decals/stickers.
- The UAW-Ford National Quality Committee will use an assessment tool, including a coaching document, to assess the effectiveness of Local Quality Committees for conformance to Appendix Q. Self assessments will be conducted in conjunction with the QOS assessment process.
- The UAW-Ford National Quality Committee will designate Targeted Training Single-Point Lessons to be included in the New Employee Orientation Program for new employees.
- The UAW-Ford National Quality Committee will develop Train-the-Trainer Modules for QOS updates as required.
- The UAW-Ford National Quality Committee, the respective Operations Quality Offices, and the Local

Quality Committees will conduct Quality communication and training based on resource specific business needs.

- The UAW-Ford National Quality Committee shall receive advance notification of field service actions.

X. Funding

- Funding for program development and agreed upon training programs in support of this Memorandum of Understanding and the UAW-Ford "Best-In-Class" Quality Program will continue to be provided by the UAW-Ford Education, Development and Training Program, in accordance with provisions governing that Program. Local initiatives will be charged to local training funds.

