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Ford Automotive Operations
Ford Motor Company
Chassis Core Purchasing

Rotunda Drive at Southfield
MD 665, QMP
P.O. Box 1587
Dearborn, Michigan 48121

January 26, 1996

Mr. Les Connolly, Director
OE Tire Marketing & Sales
The Goodyear Tire & Rubber Co.
1144 E. Market St.
Akron, OH 44316-0001

Dear Mr. Connolly:

We recognize Goodyear's concern with the fluctuations in raw material prices outlined in your letter of January 17th. However, as we discussed in our meeting last week, the material cost increases incurred at Goodyear are not consistent across the industry and, therefore, are not addressed by the material clause in our agreement.

Your request for economic relief would also further exacerbate an already uncompetitive condition with Goodyear. You will recall in the 1995 negotiations, we repeatedly indicated that the settlement would not maintain your price competitiveness. As an example, the following eight tires are now priced at a 2-5% premium from Goodyear:-

<u>Vehicle</u>	<u>Fitment</u>
CDW27	P185/70R14 AS BSW
CDW27	P205/60R15 AS BSW
→ Explorer/Ranger	P235/75R15 AT OWL
F-Series/Econoline	P235/75R15 XL AS BSW
F-Series/Econoline	P235/75R15 XL AS OWL
F-Series	P235/75R15 XL AT OWL
F-Series	LT235/85R16 AS BSW
F-Series	LT235/85R16 AT BSW

The pricing level disparity between Goodyear and your competitors is a significant concern to us, and exists with your current price levels. Either an economic increase or foregoing the January 1996 contractual price reduction would obviously make the situation unacceptable.

We have a further concern that, as a result of your initial price quotes over the last year, Goodyear has been removed from consideration for several future model programs, including the 1998 UPN150, SN95, PHN131 19.5" tire, and the 1999 DEW98. Other programs may also be re-evaluated if your pricing continues to be above the market range.

Copy Rich,
As I mentioned at the 1/11 meeting date, we are proceeding with the TCR, Goodyear are trying to get out of their contractual reverts 1/11/96. No response to this letter yet. I'll let you know what they say next.



BAAZ 0845

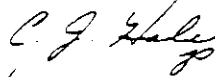
Mr. L. Connelly

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January 26, 1996

Ford is willing to work with Goodyear in the TCM process to address costs throughout the value chain, and our experience of TCM is that we can identify potential cost savings, provided we can work openly together. However, as we discussed, the results of the TCM effort will not obviate the need for Goodyear to fulfill our agreement, and partially address today's uncompetitive price issue.

Sincerely,



/C. J. Hole, Director

cc: Mr. J. W. Barnett - Goodyear
Mr. G. F. Hagan
Mr. S. S. Holmes - Goodyear

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