International Newsroom

Navistar Files Lawsuit Against Ford for Breach of Contract Involving Diesel Engines for Ford F-150 Pickup Trucks

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Navistar International Corporation (Other OTC: NAVZ) announced today that it has filed a lawsuit against Ford Motor Company for breach of contract relating to a diesel engine contract involving the Ford F-150 pickup truck and is seeking damages. The suit, filed in the Circuit Court of Cook County, Ill., seeks “at least hundreds of millions of dollars.”

Navistar believes that Ford intends to introduce a new diesel engine that actually was designed by International Truck and Engine Corporation, Navistar’s principal operating company.

According to the lawsuit, Ford is developing a 4.4 liter diesel engine for production in North America by late 2009 or 2010 or possibly earlier and intends to produce the engine itself for use in the F-150, and possibly other vehicles. The lawsuit states that Ford cannot do that without violating its contract with Navistar. Reportedly, Ford is considering producing V8 diesel engines at a Ford facility in Chihuahua, Mexico.

The lawsuit states that International spent millions of dollars and devoted years of its employees’ time to develop a next generation diesel engine named “Lion” for use in vehicles including the F-150 pickup trucks in which Ford had not previously offered diesel engines. Ford agreed that International, which has been the exclusive diesel engine supplier for Ford’s heavy-duty pickup trucks since 1979, would manufacture the new diesel engines for Ford in North America.

The lawsuit, filed June 4, is separate from previously reported litigation between the two companies. Earlier this year, Ford filed a lawsuit against Navistar involving 2007 engine pricing and prior period warranty claims on

Power Stroke® diesel engines. Navistar counter-sued, stating that pricing is consistent with contractual agreements, that the warranty claims are entirely without merit and that Ford has stopped honoring the terms of an agreement under which engines were built. Navistar amended its counter-complaint on May 2 and asked for in excess of $2 billion in damages.

International's operating company recently launched a new 6.4L Power Stroke® diesel engine for Ford that meets 2007 emissions standards while increasing performance, durability and fuel economy.

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