



Comparison of Navistar
Operating Costs in
Lisle, Illinois and
Fort Wayne, Indiana

September 2009

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Overview and Summary of Results

Navistar currently operates a headquarters facility in Warrenville, Illinois and two engineering facilities in Melrose Park, Illinois and Fort Wayne, Indiana. The company is contemplating a consolidation of these three existing facilities into a new world headquarters that would be located in Lisle, Illinois. The attached calculations summarize the significant additional costs Navistar would incur if its consolidated facility is located in Illinois rather than the Fort Wayne, Indiana location. The costs included in the comparison represent the major, geographically variable costs that could be reduced by relocating employees to Lisle, Illinois rather than Fort Wayne, Indiana, but do not represent an exhaustive comparison of all operating costs.

Summary of Key Findings

- ▶ Total Navistar operating expenses in Lisle, IL exceed the cost in Fort Wayne, IN by \$31.1 million per year.
- ▶ Navistar labor expenses associated with employing 3,600 employees in Lisle, IL exceed the estimated expense of employing the same employees in Fort Wayne, IN by approximately \$33.1 million per year.
- ▶ Navistar's facility and tax expenses (including real and personal property taxes) in Lisle, IL are higher than the estimated cost in Fort Wayne, IN by approximately \$111,000 annually.
 - The lease of a facility in Lisle, IL is projected to cost 24% more than the lease of a comparable structure in Fort Wayne, IN, costing Navistar an additional \$2.4 million annually.
 - Fuel expenses for Navistar in Lisle, IL are projected to be \$5,000 more annually.
 - The absence of a personal property tax in Lisle, IL results in an additional projected \$2.2 million annual personal property tax expense in Fort Wayne, IN.

Data and Assumptions Used in the Comparison

- ▶ Annual payroll costs are based on an expected 3,600 employees at the consolidated location and reflect current payroll costs by position for the three existing facilities that are under consideration for consolidation.
- ▶ Annual benefits expenses are estimated to be 38% of base salary and commissions in both locations.
- ▶ Annual lease costs are estimated assuming that the estimated difference in construction costs translates to a proportional difference in annual lease costs. Construction cost data was obtained from RS Means.
- ▶ Fuel costs are estimated using Energy Information Administration (EIA) state-wide diesel fuel costs in Illinois and Indiana.
- ▶ The general sales tax rate in Illinois is 7.25%, 0.25% higher than the rate in Indiana. Although sufficient data to estimate Navistar's sales tax liability in both locations was not available, the higher sales tax rate in Illinois would be expected to result in higher operating costs.

Comparison of Operating Costs in Lisle, IL and Fort Wayne, IN

City County	Lisle, Illinois DuPage	Fort Wayne, IN Allen
<u>Payroll Expenses</u>	\$432,592,853	\$399,494,404
Headcount	3,600	3,600
Sr Management/Leadership	197	197
Management/Sr Individual Contributors	1,683	1,683
Exempt Non-Management	709	709
Non-Exempt Non-Management	259	259
Union	752	752
Average Payroll Cost	\$87,076	\$80,414
Sr Management/Leadership	225,000	157,300
Management/Sr Individual Contributors	98,100	90,200
Exempt Non-Management	66,400	69,500
Non-Exempt Non-Management	48,500	47,400
Union	59,000	60,000
Average Benefits Expense	\$33,089	\$30,557
Sr Management/Leadership	85,500	59,774
Management/Sr Individual Contributors	37,278	34,276
Exempt Non-Management	25,232	26,410
Non-Exempt Non-Management	18,430	18,012
Union	22,420	22,800
<u>Facility Overhead and Tax Expenses</u>	\$15,505,542	\$15,394,091
Annual Lease Expense	\$12,197,847	\$9,841,310
Real Property Tax	\$3,142,992	\$3,238,162
Market Value of Leased Office	\$154,750,937	\$124,854,157
Assessment Ratio	33.3%	100%
Combined Property Tax Rate	6.093%	2.594%
Personal Property Tax Paid	n/a	\$2,154,956
Market Value of TPP	n/a	73,582,000
Assessment Ratio	n/a	100%
Combined Property Tax Rate	n/a	2.929%
Fuel	\$164,703	\$159,663
TOTAL ANNUAL EXPENSE	\$448,263,097	\$417,203,113