

SPEECH: MARK FIELDS AT TRAVERSE CITY MANAGEMENT BRIEFING SEMINAR; AUG. 13, 2008

Following are remarks given by Mark Fields, Ford Motor Company's president of The Americas, at "Transcending Turbulence," the Management Briefing Seminar held by the Center for Automotive Research in Traverse City, Mich., on Aug. 13, 2008.

Good morning, everyone. It's always great to be part of the Management Briefing Seminars - and energizing to hear what's top of mind among industry leaders.

I was thinking back to this event and others like it just two years ago:

- The industry was nervous because gas prices were approaching \$3 a gallon.
- Second-quarter truck sales represented just 12.7 percent of the industry.
- Customers were just starting to hear a lot more about crossovers.
- And industry experts were arguing over which companies were part of the "Big Three."

What a difference just two years makes.

I also have been watching some of the recent commentary - including from speakers this week - about who's to blame for the auto industry not anticipating the dramatic increase in fuel prices and the accelerated segmentation shifts this year.

But I really wonder if that is where we should be spending our energy as industry leaders.

I am reminded of one automotive leader who preceded all of us and dealt with times as turbulent as today. And it was Henry Ford who commented, "Don't find fault, find a remedy; anybody can complain."

He also said, "When everything seems to be going against you, remember that the airplane takes off against the wind, not with it."

In many ways, we at Ford see today's environment in the same vein as our founder. While none of us would have planned for the sharp downturn in the industry or the dramatically accelerated segment shifts, we are seizing the opportunity in a dramatic way.

And we didn't just start this spring.

In 2004, trucks and SUVs made up 70 percent of our lineup. Cars and crossovers were a mere 30 percent. Today, we've shifted the balance to nearly 60 percent cars and crossovers, providing people more of the products they want and truly value, while still supporting the important core truck customer.

We're making an unparalleled investment in powertrains, boosting both fuel efficiency and the fun-to-drive factor in our products. Escape and Escape Hybrid, for instance, are delivering best-in-class fuel economy, thanks in no small part to the six-speed transmissions we're rolling out in higher volumes than even GM and Toyota.

Next year, we'll start bringing to market EcoBoost engine technologies, which are downsized but turbocharged, on 750,000 vehicles annually within the next five years. The key is that this is technology that millions of customers can benefit from today - not demonstration fleets or high-priced technology for tomorrow.

Some of our rivals snickered when we first starting talking about EcoBoost nearly two years ago - but it's interesting to see others trying to catch up with us on EcoBoost, which promises customers up to 20 percent better fuel economy and 15 percent improved emissions versus larger-displacement engines.

On hybrids: We remain staunch advocates of the technology. Ford was the first American automaker to put a hybrid in the market - which was the world's first SUV hybrid. Next year, we'll double both the number of offerings and the volume of Ford hybrids when the Ford Fusion and Mercury Milan Hybrid mid-size sedans hit the market.

We're leading the industry in technology that matters to customers, especially small-car buyers. Focus customers, for instance, are purchasing more equipment, including Ford SYNC. That's driving Focus transaction prices up \$750 per unit year-to-date, compared with a segment-average increase of \$100.

In fact, Ford sells just about as many vehicles with SYNC as without it.

We've been making tremendous progress to build "One Ford," uniquely positioning the company to capitalize on our global product portfolio - especially small cars.

You know, two years ago at the Los Angeles Auto Show, we talked about what we saw as the next industry battleground: in small cars.

Today, it's truer than ever, thanks to U.S. fuel prices and more conservative consumption trends that more closely align American and European consumers.

Ford is playing to win and lead in small cars - and we are doing so by centralizing our global engineering and vehicle program responsibilities to ensure quality launches and by basing flexible small-car assembly facilities in North America to allow for quick response to market dynamics.

The bottom line is that we're harnessing and leveraging globally successful products for a quicker start out of the blocks in North America.

Ford already delivers the best small cars in Europe. Now it's North America's turn. And we intend to deliver these small cars profitably.

Let me dimension the kind of scale - and efficiencies - we're talking about from "One Ford" in the C-segment alone.

Today, Ford has:

- Two platforms for C-sized vehicles. One platform provides the foundation for the North America Focus, in two body styles, a 2-door and a 4-door.
- The other platform provides the foundation for the European Focus - which is among 8 body styles on this foundation globally.
- The North American and European Focus vehicles today share less than 20 percent commonality of parts and systems.
- Today's two C-sized platforms deliver an annual volume of approximately 1.1 million units for the business.

Within five years, Ford will have:

- One C-sized platform that delivers more than 10 body styles globally.

- Commonality for the North American and European Focus skyrockets to 90 percent.
- And the annual volume for this single global platform grows to nearly 2 million units.

This kind of commonality should drive a double-digit percentage improvement in C-car profitability versus developing separate C-cars for North American and Europe.

Now, we're working hard to reduce manufacturing complexity within the system. In fact, we've reduced the number of orderable combinations in North America - including series, packages and options - by 90 percent for Ford brand alone in the 2008-2009 model years.

This reduces dealers' inventory age, lowers floor plan costs and makes ordering and stocking vehicles faster and easier. Our parts and service division can run more efficiently, thanks to leaner inventories. That frees up cash, allowing us to invest still more in our product plans.

And customers? They'll have a much easier time finding vehicles with the features they want.

If you look at the C-segment, for instance, Focus will provide approximately 150 combinations by the 2010 model year - more than a 95 percent reduction versus the 2008 model year.

Now, Ford has legions of C-car customers in the U.S., including:

- 6 million Escort buyers
- More than half a million Tracer buyers
- Nearly 600,000 Lynx buyers
- And, 1.9 million Focus owners in the U.S. - and growing fast

We're making stylish, high-quality products to appeal to them - and a new breed of C-car buyers.

Many have never even owned a vehicle. Their incomes are higher than traditional small car buyers. A lion's share of them are from the growing population of 14- to 29-year-olds known as the Millennials.

Roughly 11,000 of them reach driving-age every day - and by 2010, they'll represent 28 percent of the driving population. They're the largest U.S. population group outside of the Baby Boomers, and they have an insatiable appetite for technology. Cell phones, digital cameras, DVDs, iPods and social networking have defined their lives. And they're redefining the way Ford thinks about vehicles.

Our small cars need to be more "ambitious" vehicles than ever, delivering style, perceived quality and appealing to lifestyle, not life stage.

To that end, today, I'm pleased to announce that Ford is dedicating a new team to further accelerate our in-vehicle connectivity leadership. This customer connectivity group aims to provide customers a better, more convenient, less distracting driving experience, while taking full advantage of available information and services that can make their lives better.

These 40 people will work at a clock speed that, frankly, neither the industry nor Ford has ever seen before.

Product Development, IT, Marketing and Sales and Finance experts are going to continue delivering game-changing customer features - profitably - by strengthening the alliances we've forged with some of the best technology companies in the world:

- SYNC, offering integrated in-vehicle connectivity through customers' Bluetooth devices.

- SIRIUS Travel Link, which offers on-the-go access to information including traffic updates, weather, sports scores and even the cheapest gas stations.
- Ford Work Solutions, which can help our truck customers more effectively work from the job site.
- SIRIUS satellite radio, on which we've just tipped the 2 million vehicle-mark.
- HD radio and
- Next-generation navigation - and more.

The team reports to both Derrick Kuzak and Jim Farley - and answers to a Steering Committee, of which I'm part. Today, I'm pleased to introduce the group's leader: Doug VanDagens.

You might not know him well, but you're familiar with his work.

Doug joined Ford in 1986, and most recently, has been leading Ford's electronic product development and business operations and already has been involved with bringing these industry-leading features such as Travel Link to market.

In fact, Doug and the team are getting ready to launch Ford Work Solutions and two new SYNC functions - 911 Assist and Vehicle Health Reports - in 2009 model year vehicles.

Importantly for customers, the team has found a way to offer these features for free, given Ford's unique approach to customer connectivity:

- Our core development team is lean.
- We're committed to leveraging the technologies and advancements of world-class partners who are experts in their fields, so we can deliver with speed, quality and efficiency.
- That means our technologies are affordable for millions.

Pushing even further, even faster: That's the call to action for Doug and the team.

And that's show you best transcend turbulence in this industry. Not by looking back. But by bringing out great products and game-changing technologies, with the right cost structure to deliver profitably.

Yes, the business environment is challenging. We have our work cut out for us. But we at Ford have our eyes totally forward - concentrating on the elements we can control, bringing people the products they really want, including high-quality, well-equipped, fun-to-drive small cars.

Thanks, ladies and gentlemen, for your time today.

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