REMARKS BY MARK FIELDS PRESIDENT OF THE AMERICAS, FORD MOTOR COMPANY U.S. CHAMBER OF COMMERCE - JUNE 14, 2006

Below is the text of remarks by Mark Fields, as prepared for delivery to the United States Chamber of Commerce.

It's a pleasure to be here this morning at the United States Chamber of Commerce. Any corporate executive who has something to say – to consumers, to business colleagues, to the United States government – is lucky to get the chance to say it here.

The US Chamber was founded – at the request of a US President – because both corporate and government interests understood that the health of our society depends on the health of business ***in*** that society.

That's why societies have a profound interest in the health of their businesses – and the United States has a profound interest in the health of ***American*** business.

There is perhaps no business more iconic to America than the automobile industry. Kids sketch cars in their notebooks … musicians sing about them … everyone from Steve McQueen to Pixar have made movies about them. Automobiles move our families and are the backbone of our commerce. And nothing makes the heart race like seeing a Mustang GT tear down the road.

Our cars aren't just American icons. I'm here because a successful domestic automobile company is a national treasure.
And that imposes a unique responsibility on Ford as well as our partners in government.
Today, I want to talk with you about how Ford Motor Company is fulfilling our obligations, what our partners in government can do to help, and why it matters to America.

First, let me tell you how Ford is taking responsibility for its own future.
And that means first acknowledging that we've made mistakes in the past.
Perhaps, in the language of Washington, I should say, "Mistakes were made."
Too often in the past, our philosophy was to ***move the metal*** – to build the vehicles we had the capacity to build and then price them – and often discount them – to get the customer to bite.

We allowed ourselves to get bogged down in the accumulated decisions and systems of the past, getting stuck in old ways of thinking, and producing products that were a reflection of that thinking – vehicles that aimed to be all things to all people, but instead ended up being too little to too few.

Even when we had successes, like with our SUVs, we grew so dependent upon that success that we didn't look far enough beyond the horizon, tracking the trends, knowing our customers, and seeing the day when they might want something else.

Today, I'm proud to tell you, that's the Ford of the past – not the Ford of today.
True customer-focus means that our business decisions originate from our knowledge of what the customer wants, both today and tomorrow. "If you build it, they will buy it" – that's business as usual, and that's wrong. "If they will buy it, we will build it" is right – and we're going back to it.

Ford remains an iconic American brand, and we still enjoy economies of scale, loyal customers, great suppliers, committed dealers, productive workers, and visionary designers and engineers.

And, this is a bit of news that doesn't get reported enough: Even while we face a tough 2006 in North America, we continue to make money around the world. In fact, every one of our operations outside the United States – Asia, Europe, South America – was profitable last year and in the first quarter this year, with a solid foundation for growth in the long-term.

That said, it is our mission – and my intention – to return our North American automotive operations to profitability as well – and to do so no later than 2008.

To that end, we've launched a turnaround plan called ***The Way Forward***. It was created by challenging some of the brightest minds in our business to question everything we did and then to draw up a blueprint for our success.

This plan has been characterized by some in the media as job cuts and plant closings. It does include those things, and they are painful to acknowledge and enact. But that's not the heart of the plan. We can't cut our way to growth. We have to innovate.

That means innovating under the hood... in design… in quality… in safety… in environmental impact… and in production. But innovation for its own sake won't work. We have to innovate for a purpose – and that purpose is building bold, relevant vehicles that people want to buy.

The United States is the most open and competitive automotive market in the world. By the end of the decade, there will be more than 300 models competing for customers' attention. If you miss the mark on what consumers want, they'll go somewhere else, fast.

That's the reality, and it's also a huge opportunity.
Because if you do hit that sweet spot – with vehicles that excite people and meet their needs – you can profit just as quickly, too.

Although it's still in its early days, we're already seeing ***The Way Forward*** at work.
Our new products – especially our fuel-efficient cars – are selling well. The Ford Fusion, Mercury Milan, and Lincoln Zephyr, all had their best months ever, and are gaining share at the expense of our Japanese competitors.

The new Ford Fusion in particular is our way of saying that the Honda Accord and Toyota Camry's reign at the top of the American sedan market are no longer unchallenged. And people are responding – Fusion buyers are younger than our average buyers, and 93% of them would recommend it to a friend.

We're also playing to our existing product strengths. The F-Series trucks are up in both sales and share this year – while Chevy, Nissan and Toyota have all stagnated or lost share in that segment.

In addition, we're developing new strengths, with the new Ford Edge coming later this year poised to satisfy a growing demand for crossover vehicles, and with the Ford Escape and Mercury Mariner hybrids posting record sales of late.

Finally, we're looking beyond just the next quarter, or even the next year, but to the next generation of transportation. As we developed the hybrid engine that powers the Ford Escape and Mercury Mariner, our innovations led to more than 130 patents, with additional patents still pending. We're now applying those engineering insights to the hybrid hydrogen fuel cell powered vehicles we're currently testing.

And we're putting 250,000 flex-fuel E-85 vehicles on the road this year, while working on new alternatives, such as clean diesel and hydrogen internal combustion engines.

Our name is the Ford Motor Company. Nowhere does it say that we're the "Ford traditional gasoline-powered internal combustion Motor Company."

As a result of our new products, we've slowed our decline in market-share, our quality continues to improve, and we're on pace to convert three quarters of our North American assembly plants to flexible manufacturing by 2008 -- enabling us to switch between models and deliver more products faster based on changing demand.

We're also on schedule with plant idlings, we've completed our promised 10 percent reduction in salaried costs, we're making faster-than-expected progress on our hourly reductions, and our retiree health agreement is close to completion.

This is what Ford Motor Company can and must do to return to profitability in North America – and we're committed to it. But this is just part of the equation.

It's just as important that our partners in government work with us to ensure an even playing field as we compete with our automotive rivals from around the world.

In any export business, you hear the words "level playing field" quite a bit. In all my time in the auto industry, I'm not sure I've ever had the opportunity to play on one.

In my 17 years with Ford Motor Company, I've worked in auto markets around the world. Last September, I returned to the US after having spent the previous ten years abroad, including time in South America running Ford of Argentina, in Japan as CEO of Mazda, and in the United Kingdom as the head of Ford of Europe and President of Ford's Premier Automotive Group, which includes Volvo, Land Rover, Jaguar, and Aston Martin.

These experiences have given me a good perspective on how government can partner with – or stand in the way of – its manufacturing industries.

In Europe, manufacturing generally – and the automobile industry specifically – struggles to operate under a crushing burden of regulation imposed at the local, national, and European Union levels. By 2010, EU regulation already on the books – or those being speculated about -- could add approximately 5,000 Euros – 6,300 dollars – to the cost of vehicle we make in Europe.

How are companies responding to such regulatory and tax burdens? They're leaving. During my time in Europe, I witnessed a steady exodus of automotive jobs from every major automotive manufacturer, including ours.

During my time in Asia, I saw a different approach. Governments saw export industries as strategically important, vital to the national interest, and therefore deserving of crucial assistance from their government partners. So the government of Japan, whose automakers already enjoyed the competitive advantage of nationalized health care and pensions, also gave its automakers the further advantage of R&D assistance and significant trade support, including a willingness to distort their currency – something I saw first hand.

It's not just Japan. Over the last two decades, the Korean government – as a matter of national policy – enacted a series of steps to close their market to imports while boosting its own automobile exports. The results are striking. Last year, less than 4,000 US-made vehicles were permitted to be sold in Korea – while Korean brands exported more than 730,000 vehicles to the United States

These trade and economic policies, while offering some advantages to their national manufacturers and exporters, come at a cost. In Europe, it's a shrinking automotive manufacturing industry. In Japan, it's an economy that has stagnated due to excessive government intervention. In Korea, it's a lack of public faith among consumers due to the cozy – and even corrupt – relationship between government and industry.

There is a reason why governments around the world pay close attention to their domestic automobile industries. As an industry, automakers represent the single greatest engine of economic activity in the world. Automobile manufacturers drive raw materials development, financial systems, advanced materials and manufacturing development, safety innovations, and environmental controls.

In America, the domestic auto companies buy 60 percent of the country's rubber and nearly a third of its iron, aluminum and steel. Domestic automakers also represent the largest source of corporate research in America. More than semiconductors, software or pharmaceuticals.

But when it comes to the economic benefits to American society, all cars are not created equal.
Foreign automakers own about 40 percent of the US market today, but they employ only about 20 percent of the workers – and purchase only 20 percent of the parts built here in the US.

Domestic manufacturers, on the other hand, build our cars with, on average, about 80 percent US content. For the record, Hyundai has about ten percent domestic content. VWs at 5 percent. Mitsubishi's at 36 percent. Toyota is about 47 percent.

If you don't see a big difference between 47 percent and 80 percent, you should. Parts makers employ nearly 3 times more Americans than automakers.

So, despite all their claims about being "American," most of the cars and trucks the foreign automakers sell in America aren't actually made in America. What's more, most of the design and engineering jobs are not located in America. And the profits from the sales of those foreign cars are largely not ***spent*** in America.

Now, we welcome foreign investment and new jobs. But, if this is going to be a fair fight, we have to understand America's business interests. If we think we can replace lost sales of domestic autos with rising sales of foreign imports or even domestically-built foreign cars, and suffer no significant economic loss, we are badly mistaken.

Taken together, GM, Ford and Daimler-Chrysler directly employ about 350,000 autoworkers – eight out of ten workers in the industry. When you add in all the jobs they support – whether it's suppliers or accountants – that number jumps to 4.5 million US jobs, in communities across America. Put another way, for every assembly job that US automakers create here in the states, it creates between seven and 10 other jobs down the value stream. That's why it's in our national interest to seek a level playing field.

Just as the Japanese automotive industry is strategically important to the people of Japan, the health of the US auto industry is strategically important to the people of the US – even if you don't work for a US auto company or drive an American car.

So, what are we asking from our partners in government and industry? We are not asking for anybody to help us alone or help us uniquely. No bailouts. No handouts. But – having taken the steps to help ourselves – we think it's important that we all come together to address the external challenges that affect so many American businesses.

Let me just mention a couple of the areas where Ford's interest and our national interest intersect.

Energy

The first is energy. Ford is working to make our existing conventional engines more efficient and to invest in engines that run on new sources of energy, like battery power, ethanol and other biofuels. Ford developed the first American hybrid – the Ford Escape Hybrid SUV. And, as I said earlier, we've made a significant investment in vehicles that run on E-85 ethanol, which support American agriculture, offers families a choice at the pump, and lessens our dependence on foreign oil.

Today, Ford has more than 1.6 million flex-fuel vehicles on the road, and we're committed to producing another quarter-million this year. We see renewable fuels as a vital part of our future, too, and that's why, along with GM and Daimler-Chrysler, we've endorsed the Energy Futures Coalition's goal of getting 25 percent of the country's transportation energy from renewable sources by 2025.

The problem is that, while our vehicles have the capability to use E-85, there aren't enough gas stations out there to supply it. There are 170,000 gas stations in the United States. But there are only about 700 E-85 gas pumps. If you have a flex fuel vehicle here in Washington, DC, there is not one station in The District where you can fill it up. In all of Virginia, there is only one. In Maryland, only four.

That's not enough. Right now, Ford is investing its own money, working with partners like VeraSun, the second largest ethanol producer in the country, to increase the number of E-85 ethanol pumps in America – a process that costs as little as $5,000 a pump. This is a place where businesses, such as the oil companies and the government, through incentives like tax credits can do much more than we ever could to increase retail distribution of E-85.

You know, there's a reason we're doing something about energy independence – it's what our President has called for, it's what the Congress has been working on, and, more importantly, it's good for America.

Health Care

It's no secret that the skyrocketing cost of health care is one of the greatest challenges any of us in business face. When costs are rising eight percent a year, it's a corporate competitiveness issue – and no business, big or small, can ignore it. This is especially true of Ford, when every car off the line has about $1,110 in worker and retiree health care costs built into it. That's more in health care than in steel, and that's $500 to $600 in costs our foreign competitors operating in the US don't have to carry.

Unfortunately, I don't have time to get into a discussion this morning, but I want you to know that we're working overtime in Detroit to get our health care costs in line. We've invested in health IT… we've steered our employees toward mail ordered maintenance drugs and generic versions when available… and we have innovative wellness and disease management programs. Taking on this issue is a little like boiling the ocean – and even big changes seem like we're just nibbling around the edges. It's going to take all of us -- corporations, government, and the American people -- to find a solution.

R&D

Another way to fuel greater competitiveness is to support the investments we're making in research and development. Research and development is the lifeblood of manufacturing, and currently, the automotive industry is the largest source of corporate R&D in the United States.

The Japanese auto manufacturers employ about 4,000 R&D jobs at 33 facilities nationwide. That's all well and good, but as a point of comparison, there are 65,000 people employed in auto R&D at 200 facilities in Michigan alone.

Ford alone spends about $7.5 billion a year on R&D. That's nearly as much as NASA and more than the Department of Agriculture, Interior, Labor, Justice, Commerce, Transportation, EPA, Education and Homeland Security combined.

We believe this is one of the best investments we can make. But we shouldn't have to make that investment alone. While the government of Japan directly supported the development of their first hybrid battery – one of the most complex and expensive components of a hybrid vehicle – we developed ours ourselves.

We don't need the full force of the federal government behind our efforts; all we are seeking is the certainty that allows us to make the investments we're already making. We're asking for a permanent research and development tax credit that we can count on through the highs and the lows of the business cycle.

But it's not just about developing new technologies; it's also about investing in the factories to put those new technologies to work.

Right now, the difficult truth is that it's a lot easier to build a brand new factory than to retrofit an old one. You are a hero to an entire state if you build a new plant. States and local governments subsidize new investments, in some cases as much as $160,000 per job. Governors get re-elected winning new plants.

But you don't get as much help, or credit, when you invest just as much money updating existing plants.
Ford, GM, and Daimler-Chrysler invested about $29 billion in America over the past three years. That's more than the 14 Japanese automakers doing business here have invested over the past 25 years.

Let me repeat that. We invested more in three years – despite dramatic economic hardships – than our competitors have invested here since 1980.

With the right incentives, we can develop new technology for advanced high-tech vehicles and components. That's why, like many of you, we're urging Congress to consider tax incentives to help American manufacturers do just that. This isn't just about what looks better on our balance sheet, but what is in our long-term national interest.

Trade
Similarly, we recognize that it is in America's national interest to remain the most open and competitive automotive market in the world. Even in the face of this increased competition, Ford is ready to defend our home turf against any foreign automaker. We're only asking for one thing: the opportunity to compete fairly on theirs.

Ford Motor Company does not support a protectionist trade policy – and we never have. In fact, our company has supported every free trade agreement negotiated by the United States since the US-Canada Auto Pact in 1965.

The qualifier to "free trade" is "fair trade." If foreign governments, like Japan and Korea, use non-tariff trade barriers to keep us out of their markets – well, there's nothing free or fair about that. Competing fairly means allowing the market to set the rates of currencies against one another – not governments.

Between 2000 and 2004, the Japanese government spent more than $400 billion to keep the yen weak. That artificial weakness is, in practice, a $3-7,000 per vehicle subsidy for exports.

We can compete with Toyota, or Honda, or Nissan – but we can't compete with the government of Japan.
Right now, the President and Congress are discussing a free trade agreement with Korea. As I said earlier, theirs is the most closed automotive market in the world – even as our market is wide open to Korean auto companies.

This potential trade agreement is an opportunity for the President and Congress to demand some reciprocity, including full and unimpeded access for US made vehicles to the Korean market. Anything less will not be worthy of our support. However, this potential trade agreement, if done right, is an opportunity to finally level the playing field.

This afternoon, I'm going to the Hill to talk to leaders of both parties about these and other issues, especially about how Ford is living up to its obligation to change.

Late in his life, Henry Ford was asked about the world changing nature of his achievements. His response was, “I don’t do so much, I just go around lighting fires under other people.”

It’s clear that Henry Ford understood that you don’t get anything done by yourself. You need partners.
Every business has an obligation to deliver quality products and services to their customers while respecting and protecting the wider interests of society. At the same time, our partners in government have an obligation to safeguard and enhance the ability of business to compete. In a town that loves to hate “special interests,” I want to be clear that doing this is very much in the national interest.

When I first took the job of running Ford’s North American operations, I wrote down several thoughts in a notebook. Looking through it recently, I came across one thought that has some currency for today: “What a turnaround feels like: uncomfortable and exhilarating all at the same time.”

This is an exhilarating time to be at Ford. Sometimes finding the right balance, or charting a challenging new course forward, can be uncomfortable. But, with the right partnership between business and government – and smart decisions on our part – I know we can succeed.

Thank you very much.