

THE ECONOMIC CLUB

O F W A S H I N G T O N, D. C.

**Excerpts from the Signature Event featuring Dr. Dieter Zetsche,
Chairman of the Board of Management of Daimler AG and Head of
Mercedes-Benz Cars Division**

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Germany definitely is one of the most, if not the most benefitting country in the European Union, first of all because of the unified market – and we are obviously exporting more than anyone else into Europe as well – and secondly because we have lower interest and probably a somewhat weaker currency than Germany would have on its own, which of course is some kind of a boost for the industry. But we have to be careful. I am never in favor, in the long run, of a weak currency, because ultimately the strong currency asks you to train and practice every day and to improve your operations, and that is the more lasting foundation than kind of an artificial tailwind based on currencies.

Daimler is the first auto manufacturer in the car-sharing business. When we launched our service Car2Go, many people thought it was crazy to share cars instead of selling them... Today Car2Go is already the biggest car-sharing service in the world with over 1 million customers. In D.C. alone, more than 50,000 use our practical smart cars to get around on a regular basis...

... in general terms, in Germany, when we want to do something, we plan for the next three years, think about every alternative which could happen down the road. And then when we are finished with planning, then we start executing exactly to what we planned before. Here in the U.S., you just start and go and then you learn by doing and improve.

For decades, people have predicted the downfall of the American economy. In the '80s, many feared that Japan would soon be the leading economy in the world. In the 2000s, they say the same thing about China. Yet, despite all of those bleak predictions, the U.S. continues to be the locomotive of the world economy.

... there is no question that another game changer is already in full effect: digitalization. I'm convinced regardless of whether cars are powered by gasoline, diesel, hydrogen, or solar energy, one key fuel of the future for industry will be data. Data changes everything, from the customer experience to the culture of corporation to business models.

Our long-term vision is a learning car that progressively tailors itself to the driver. If your smart phone only needs four buttons, then the Mercedes of tomorrow shouldn't have any more. That's why our team in Silicon Valley is working on dynamically displaying only those functions to the driver that he or she really uses.

Let's assume that there are hundreds of thousands of autonomously driving vehicles on the road each day. At Daimler, this involves not just cars but trucks and buses as well. We are currently testing autonomous trucks on public roads in Germany and the U.S. All of these vehicles gather millions of experiences in traffic and learn from them. Thanks to the network data streams, they share this knowledge. ... in the future, cars will have the chance to teach each other and become increasingly smarter thanks to real swarm intelligence. Large troupes of cars will become smarter together.

Five years ago most people assumed that virtually every auto manufacturer in the world would mostly sell electric vehicles. Today, five years later, we know high purchase prices, cheap gas, range anxiety, a limited number of charging stations – these and many other factors slowed down the rise of electric mobility. Plus to this day, no manufacturer has actually made money on

electric vehicles. . . electric mobility will become the dominant form of personal transportation, just not as fast as some people expected.

Today we see many of the most promising global trends driven by American companies. And many of those companies are headquartered in an area that embodies the American entrepreneurial spirit: the Silicon Valley. Now, I am not a computer scientist. I'm an engineer. And Daimler is headquartered in Stuttgart, not at Stanford. In other words, to me, German hardware is just as exciting as American software. And that's exactly why I find our times so fascinating. Of course, the world of engineering and the world of software are becoming increasingly intertwined. In our industry, we see virtually endless possibilities arising from these trends.

Clever and connected cars bring totally new possibilities – not only to customers; they also open the door to new business models. For example, if each visitor gets dropped off directly at the entrance of the shopping mall and the car is able to look for a parking space on its own, we can entirely rethink urban parking structures. They can be further away because no one needs to walk from there to the actual destination. And the parking space itself can be much smaller, as no one needs to get in or out of the car. And best of all, when your car comes back to pick you up, you don't even have to tip it for this automated valet service. Or if a car company knows that someone has recently begun to stop off at the daycare center every day, why not send him a roomier model to test?