

# Caterpillar's Retiring Executive Chairman Oberhelman Looks Back Over 41 Years With Caterpillar Inc.

**Doug Oberhelman**  
**Executive Chairman, Caterpillar Inc.**  
**Immediate Past Chair, Business Roundtable**

**February 9, 2017**

## **Excerpts from Mr. Oberhelman's Remarks:**

### **On Caterpillar Inc.**

*Where does it manufacture its equipment?* We manufacture it everywhere. We have more or less 40 plants, major plants and facilities, in this country, and we produce in another 20 countries overseas. The problem or the challenge that we have is it's hard to ship that D8 tractor, at 87,000 pounds, very far without a lot of freight. And we have a lot of local competitors all over the world. So we manufacture where we sell, basically.

*Where are its 90,000 employees located?* Sixty/fifty, 60 percent outside (the United State) and 40 percent in.

*What is the biggest piece of equipment that you make?* The most prominent piece would be a 400-ton dump truck. It's a great machine. The payload is 400 tons. It weighs another 200 tons. It'll go about 45 miles an hour. It has an automatic transmission.

*Why are caterpillar's revenues down for four straight years?* We got hit with mining, which collapsed. And I'll give you a statistic well-known to our industry. At the peak in 2012, we were selling these large mining trucks – 250-ton trucks and up – at the rate of about 1,600, 1,700 a year. Last year we sold less than 90, and the market just collapsed with mining. Now, it's showing signs, and my good friend over here, Hal, knows we're kind of seeing some shoots here come up. But we got hit with that. We got hit with an oil drop of \$110 — whatever it was — \$100 to \$30 dollars, gas went down. So we got caught up in a number of markets simultaneously, which hadn't happened to us before and we hadn't planned for that. We usually plan for cycles, but not simultaneous disastrous cycles like that.

### **On President's Manufacturing Council**

*As a member of President Trump's Manufacturing Council, do you believe that manufacturing in the USA can be revived and made even better?* Manufacturing employment has been declining for many, many decades. Manufacturing output of GNP<sup>1</sup> has not been declining, it's been growing. So there's ways in which we can make that improve and make manufacturing for the things that we can do here very competitive. And I will come back to it. I'm sure we'll get to these things like tax reform, things like how do we accomplish our R&D<sup>2</sup> here in this country, to protect our intellectual property, those kind of things that we really need to get done and can be more aggressive about.

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<sup>1</sup> GNP is gross national product.

<sup>2</sup> R & D is research and development.

**On policy positions of the Business Roundtable (BRT):**

*Taxes?* BRT wants to see tax reform, with more competitive rates and international tax rules to promote growth and investment.

*Regulations?* We'd like to see smart, more effective regulations. We believe regulation is absolutely necessary, and that we can safeguard our people and our environment without also sacrificing competitive advantage.

*Obamacare?* I think everybody sees there have to be some amendments, there have to be some repairs. I personally am not for a total repeal of it, but I think everybody realizes it's kind of sinking of its own weight and needs help.

*Trade?* BRT members also support opening and expanding markets through trade....We need markets for our foreign exports. We have to find a way to engage and ensure that there are more winners than losers when it comes to trade.

*On the Trans-Pacific Partnership, was BRT against it? Is it dead now?* No, no. The BRT and I were very, very vocal supporters of a Trans-Pacific Partnership. It's dead now for sure.

However, there were a couple of reasons that I was passionate about this, Caterpillar was behind it and the BRT was around it. One of them is just the fact that that Asian trading group of a dozen countries or so, excluding China, is where a lot of growth is. We were going to be able to write the rules in that area based on our values, our trading system, what we want, with the WTO<sup>3</sup> behind us. Now that we pulled away, we let the rules be written by somebody else, and China's working on it. And I worry about the system because now all these small countries that are important to us as markets are going and trying to link up with China. So it's very worrisome now.

*NAFTA?*<sup>4</sup> NAFTA's probably going to need some revision as well....It's been a very positive thing for BRT companies, but it's 30 years old.

*What about Dodd-Frank? Want it repealed?* No, I think Dodd-Frank is another one where there have to be some adjustments to that. I don't think anybody would say repeal Dodd-Frank in its entirety, because there are some good things in there. But at the same time, there are some things that really need to be changed and adjusted.

*So are you optimistic about our country's future?* I'm very optimistic, yeah. I really am.

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DAVID M. RUBENSTEIN: Good evening, everybody, and welcome, members and guests of The Economic Club of Washington. Welcome to our fifth event for our 30<sup>th</sup> season, a dinner event here at the JW Marriott Washington, DC. I am David Rubenstein, president of the Club. How many people here are members of the Club? OK. How many are guests? OK. How many want to be members? [Laughter.] OK. All right,

Our guest tonight is Doug Oberhelman. He is the executive chairman of Caterpillar. He became the chief executive officer (CEO) of that company in July of 2010, and in December of 2010 also became the chairman. He served in those capacities until the end of last year, when he gave up his title as CEO. But he's now the executive chairman of Caterpillar.

Caterpillar, as you all probably know, is the largest construction, equipment, and mining equipment company in the world. It was started as the result of a merger in 1925 between two

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<sup>3</sup> WTO is World Trade Organization.

<sup>4</sup> NAFTA is North American Free Trade Agreement.

companies in Illinois, Holt Manufacturing Company and a tractor company. Those two companies became Caterpillar. It is now a company with market capitalization of about \$60 billion, revenue of about \$40 billion, and about 95,000 employees.

Doug is a native of Woodstock, Illinois. He went to college there in Illinois, Millikin University, and graduated in 1975, and then immediately joined Caterpillar and worked his way up over the years through a number of positions. He served in Japan, he served as chief financial officer (CFO), and became the CEO in 2010.

During his tenure as CEO, the stock rose by 54 percent, which is pretty good [applause], and he also has served in many other capacities. He's been the chairman of the National Association of Manufacturers, and the past two years he served as the chairman of the Business Roundtable. He's also a member of the ExxonMobil board. And most importantly, he's a member of Augusta National Club, if anybody wants to – [laughter] – play golf.

But he's also here with his lovely wife, Diane, and I want to thank you both for coming. [Applause.] They have four children and four grandchildren, with two on the way as I understand it.

So it's my pleasure to introduce the executive chairman of Caterpillar, Doug Oberhelman. [Applause.]

DOUG OBERHELMAN: Thank you, David. Thank you.

Well, thank you, David. And boy, it's just great to be here. I hope you all enjoyed that video. We usually play that at full volume – [laughter] – and then we get everyone's attention, but that's a sampling of the products we make, from big bulldozers like the one on your table<sup>5</sup>, to locomotives, to engines that will barely fit in this room, to draglines that will not fit in this hotel. So it's kind of nice to put some good music to that and show what we do around the world.

I have been so honored and privileged to be with Caterpillar, which is just a wonderful company with a rich history and a long, long background. That D8T on your table is one of the most famous tractors. Most people recognize that from the John Wayne movies because that's what he ran when he put out the fires. But more than that, it's one of the basic infrastructure machines that everyone uses around the world for all kinds of things. Weighs 87,000 pounds. List price is about \$700,000. But we've been a little slow, so anyone that would come up this evening with an order, I will make sure you get a very good price and have one in your garage in the next few days. [Laughter, applause]

I do thank you, though, for the opportunity to be your first speaker of this year, and to welcome a new Administration and a new Congress as well, which is new, new, and new across the board. I don't have to tell you about that. I've spoken to Detroit and Chicago Economic Clubs over the years, and it's an honor to speak here to this very influential group here at the Washington Economic Club.

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<sup>5</sup> On every table was a collectible diecast scale model of Caterpillar's signature bulldozer, the famous CAT D8T Track-Type Tractor.

I like talking with economic clubs because, in my view, a strong national economy is the foundation for everything we do and are provided for in life. Think about it. To meet our most basic needs requires economic survival, at a minimum. And the more economic growth, the better living standards for all, no matter where you are on the spectrum. So a country with a solid economic footing, with a sound education system, with opportunity for income growth, where investment and innovation flourish, is always more stable and secure. It's a country where everyone has freedom to gain skills, change jobs, make more money, and believe in a better future.

But the U.S. economy hasn't been growing fast enough to provide that freedom. And why is that? We can point to specific policies and regulations, and there are many reasons. And I also think, though, as a Nation we're still feeling a malaise that dates back to 2000, even before the terrorist attacks of 9/11 and the Great Recession seven years later.

Today we're politically divided and antagonistic towards those that don't share our views. Many have accepted slow growth with fewer opportunities as the new normal, because that's the way it's been for so long. The source of this is more than just policies; we've lost our national optimism, our belief that it can be done. We just can't seem to get together and get our country and our government together and moving.

I'm retiring after 41 years at Caterpillar. David, thanks for that wonderful introduction.

During my career, I've lived in Asia, South America, North America, and traveled the world. I've been lucky enough to have visited almost 70 countries during that period of time. I've seen my share of broken governments and broken countries, and I'm always grateful to come home.

The U.S. is not broken, not at all. And of course we can do better. We always can and we should always try. But as I said, our current period of discontent started around 2000. Remember, the Twin Towers fell only nine months after the wrenching Bush-Gore recount. And from that election, we've probably never really healed. And if we had healed, this last election ripped the wounds wide open again.

So what do we need? My solution isn't revolutionary. It's pretty basic. I think we start coming together again through economic growth and strength.

At the risk of showing my age, I remember well President Kennedy and also Ronald Reagan saying that the rising tide lifts all boats. A strong economy lifts red boats, blue boats, progressive boats, conservative and independent boats, and all boats. An economy growing by more than 2 to 3 percent a year consistently can lift people and families all across the United States.

I'm a child of the protests and discord of the Vietnam era, and I remember it only too well – very well. And by the amount of some of the gray hair in the room, I would say I'm not the only one that would remember that period. And I remember seeing and hearing, and my dad

saying, and everybody talking about in the newspapers that our country would never be the same, we would never recover. It was over for the United States. But we did, and look what happened since the mid-'70s.

It's a lesson for today. We've come together before, and with some help we can do it again. Robust economic growth seems to be a practical step toward solving our national discontent. So I'm going to offer a few ideas to get there.

Not only am I retiring from Caterpillar, I'm retiring from my position as chairman of the Business Roundtable. The BRT chose a more than worthy successor in Jamie Dimon, who will represent BRT here in Washington and beyond very, very well. The Roundtable is unique among Washington trade associations in that our members are the CEOs and only the CEOs of our Nation's leading mature global and publicly traded companies. We have a combined \$6 trillion in annual revenues and nearly 15 million employees. All of this is to say that when BRT advocates for specific policies, we're not a very narrow interest group. We're supporting multiple industries and millions and millions of employees, and their families, supplies customers, you name it. We're not even bipartisan, actually, we're nonpartisan.

What we want is broad-based economic growth. And we'll work with President Trump, just as we worked with President Obama and President Bush and President Clinton, to help get that done.

You won't be surprised that BRT wants to see tax reform, with more competitive rates and international tax rules to promote growth and investment. We'd like to see smart, more effective regulations. We believe regulation is absolutely necessary, and that we can safeguard our people and our environment without also sacrificing competitive advantage.

BRT's argument against oppressive regulation is not new. The fact that people seem to be listening to it, however, is new.

BRT members also support opening and expanding markets through trade. Because of our location – the United States is like an island, albeit a powerful one – we need markets for our foreign exports. We have to find a way to engage and ensure that there are more winners than losers when it comes to trade.

There are many more things we can do to bring back growth to the long-run historical average, which is about 2.7 percent, but there's no magic formula. It'll take a lot of hard work, a lot of political compromise, a lot of government restructuring, and a whole lot of optimism. To adapt a phrase we hear a lot these days, let's make America optimistic again. If we pull together our potential is unlimited, and we can create an economy where every boat is really lifted for all of us.

I thank you for the comments. And, David, you and I will go at it. Thank you.  
[Applause.]

MR. RUBENSTEIN: So have you ever thought of running for office? [Laughter.]

MR. OBERHELMAN: I never have. I never will. I like to stand by and throw bombs in.

MR. RUBENSTEIN: All right. So let's talk about two different subjects generally. One is the things you talked about in the BRT's interest and generally economic policy and things like that. But before we get to that, let's talk about Caterpillar for a moment.

MR. OBERHELMAN: Sure. My second-favorite subject, after my wife. [Laughter.]

MR. RUBENSTEIN: OK. Well, all right. [Applause.]

So, when I was growing up, I would see caterpillars on the ground a lot, and they were really soft and squishy animals – [laughter] – and they didn't seem really robust. Why would you name a company that makes strong equipment after a little squishy animal like that? Why would you do that?

MR. OBERHELMAN: Well, you know, I hope they were black-and-yellow caterpillars that you saw.

MR. RUBENSTEIN: Yes.

MR. OBERHELMAN: I could ask you the same about Carlyle. [Laughter.]

MR. RUBENSTEIN: All right, OK.

MR. OBERHELMAN: But I won't. I won't. [Laughter.]

MR. RUBENSTEIN: Well, we're named after something that's a nice hotel.

MR. OBERHELMAN: It's a nice hotel. But actually it's a great – [laughter] – it's a great Caterpillar story.

MR. RUBENSTEIN: All right.

MR. OBERHELMAN: 1904, Thanksgiving Day, the CEO of one of our predecessor companies, the Holt Company that you mentioned, was out in the mud in California trying out this new experimental design of an oval track around his tractor. And his photographer was nearby, Mr. Clements. And he said, Mr. Clements, what do you think this thing looks like out here? He said, Mr. Holt, it looks like a caterpillar, like the little squishy bug.

MR. RUBENSTEIN: All right.

MR. OBERHELMAN: And the rest is history. That's a true story.

MR. RUBENSTEIN: OK. All right. Well, I'll tell you about the name.

MR. OBERHELMAN: It's one of the great stories of all time. [Laughter.]

MR. RUBENSTEIN: So on Caterpillar itself, now, the equipment you manufacture, is it mostly manufactured in the United States?

MR. OBERHELMAN: We manufacture it everywhere. We have more or less 40 plants, major plants and facilities, in this country, and we produce in another 20 countries overseas.

The problem or the challenge that we have is it's hard to ship that D8 tractor, at 87,000 pounds, very far without a lot of freight. And we have a lot of local competitors all over the world. So we manufacture where we sell, basically.

MR. RUBENSTEIN: So you have 90,000 employees, roughly. So are they roughly half in the United States –

MR. OBERHELMAN: Sixty/forty, 60 percent outside and 40 percent in.

MR. RUBENSTEIN: Forty percent in, OK. Now, your biggest customers, are they outside the United States now, or?

MR. OBERHELMAN: Our biggest customers – [chuckles] – when the mining business was good are all over the place. Our customer base is everywhere from the big locomotive – or big freight companies in this country, the big railroads, big mining companies internationally, big contractors that build everything from heavy highway and civil construction projects to you name it.

MR. RUBENSTEIN: Now, I didn't mention in the beginning that you're a member of the Manufacturing Council that President Trump has organized. I take it you believe that manufacturing in the United States is not dead and can be revived and made even better than it is. Is that right?

MR. OBERHELMAN: Well, I think there are some things that we have to do to help preserve what manufacturing is here and grow it. You know, manufacturing employment has been declining for many, many decades. Manufacturing output of GNP<sup>6</sup> has not been declining, it's been growing. So there's ways in which we can make that improve and make manufacturing for the things that we can do here very competitive. And I will come back to it. I'm sure we'll get to these things like tax reform, things like how do we accomplish our R&D<sup>7</sup> here in this country, to protect our intellectual property, those kind of things that we really need to get done and can be more aggressive about.

MR. RUBENSTEIN: What is the biggest piece of equipment that you make?

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<sup>6</sup> GNP is gross national product.

<sup>7</sup> R & D is research and development.

MR. OBERHELMAN: Well, the biggest piece would be – I think the most prominent piece would be a 400-ton dump truck. It's a great machine. The payload is 400 tons. It weighs another 200 tons. It'll go about 45 miles an hour. It has an automatic transmission.

MR. RUBENSTEIN: Where does it go 45 miles an hour? And what – [laughter] –

MR. OBERHELMAN: Not on Interstate 95. [Laughter, applause]

MR. RUBENSTEIN: Right.

MR. OBERHELMAN: But this would be for large surface pit mines.

MR. RUBENSTEIN: So do you sell a lot of them every day? Or those are hard to sell, I assume.

MR. OBERHELMAN: We used to sell a lot more of them than we have lately, but we have a very leading position with those. Two of those vehicles would fit in this room, for example.

MR. RUBENSTEIN: So now, do you know how to drive these things? You're the CEO. If you had to drive one of these things, do you actually know how to do that?

MR. OBERHELMAN: I've actually driven that 400-ton truck. It's a ball. [Laughter.] And it'll stop – it'll stop from 40 miles an hour to that wall, coming to a complete stop with 600 tons behind it. It's an engineering marvel. It really is.

MR. RUBENSTEIN: So the people who typically buy that are –

MR. OBERHELMAN: Big mines. Big mines.

MR. RUBENSTEIN: And so do you – did you test all the equipment, or do you test the major new products that you are making?

MR. OBERHELMAN: Well, I don't, although I have done a couple of those. I always give a few suggestions on things.

MR. RUBENSTEIN: All right. Now, you have a phrase that I think it's called smart iron. What does that mean.

MR. OBERHELMAN: Well, this is really fun, and this is one of my latest passions – was my latest passion in the last couple of years – because the idea of a bulldozer like that you don't think of having a lot of intelligence and a lot of software in it, but there's a lot going on in that machine. And if we can help our customer – take a mining truck, for example. We'll go back to this 400-ton truck. We're now making those that are autonomous, without a driver. And it's completely computerized, it's all radar/LADAR<sup>8</sup>. It's a wonderfully highly sensitized machine, and we're trying to get to the point where it will run 24 hours a day nonstop. And so as that

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<sup>8</sup> Radar/LADAR is laser radar-based guidance system.

machine is experiencing things, maybe it has a hot axel or a hot bearing in one of the final drives. If we can sense that, send a code to the site operations manager and tell him that axel is going to fail at some point, we can take that offline before it fails, fix it, and get it back into production. There are all kinds of possibilities here.

MR. RUBENSTEIN: So when you're building your equipment, do you build them to spec – somebody orders it and then you build it? Or do you build them and just hope that people will buy it?

MR. OBERHELMAN: All of the large equipment's all built to spec. Every one's a little different. But we make a lot of smaller equipment that you see around the streets of Washington. And in fact, we helped on the Smithsonian Museum. Some of the redoing there was smart – they're volume production machines.

MR. RUBENSTEIN: Well, the big equipment, for example, that you make, do you negotiate the price of that, or is this fixed-price?

MR. OBERHELMAN: Well, when I started it was fixed-price, and today there's no fixed price. [Laughter.] That's another 41-year change we've had. But everything's a negotiation today.

MR. RUBENSTEIN: And if somebody wants to buy your things, can they buy it on the internet over eBay or something? [Laughter.] Or they don't do that?

MR. OBERHELMAN: Well, actually there is an active used equipment market on eBay and we participate in that. But everything new comes from us through one of our official Caterpillar dealers. We have 175 dealers around the world.

MR. RUBENSTEIN: And who are your biggest competitors?

MR. OBERHELMAN: Well, our biggest competitor worldwide is Komatsu, a Japanese company, and Volvo, a European company. And this is why we're a little bit different and why we are so passionate about some things, like trade. Our biggest competitor in the U.S. is John Deere, which is just up the road from us in Illinois, actually. But we don't see them outside the U.S. So we compete against the yen, against the euro, and now against the Chinese yuan because we have 50-some competitors inside China wanting to come out and attack us. So when we talk about exchange rates, we talk about interest rates, we talk about trade, that's who we're dealing with. We're not dealing with American competitors here.

MR. RUBENSTEIN: So I noticed your equipment is usually yellow and black. Have you ever thought of experimenting with different colors, or would that make a difference?

MR. OBERHELMAN: Yeah. Yeah, a lot of coalmines like white tractors so they can see them. It's not a joke. I mean, they can see them out in the coal dust. We make – I've seen every color. Actually, we've made one pink tractor for I think the only female-owned large contractor in this country, and she did it for a breast cancer movement, which was very nice, a few years ago. [Applause.]

MR. RUBENSTEIN: So now Caterpillar's revenues are down for four straight years.

MR. OBERHELMAN: Yeah, yeah.

MR. RUBENSTEIN: And I assume – is that because of the mining decline, or what was the reason your revenues were down?

MR. OBERHELMAN: We got hit with mining, which collapsed. And I'll give you a statistic well-known to our industry. At the peak in 2012, we were selling these large mining trucks – 250-ton trucks and up – at the rate of about 1,600, 1,700 a year. Last year we sold less than 90, and the market just collapsed with mining. Now, it's showing signs, and my good friend over here, Hal, knows we're kind of seeing some shoots here come up. But we got hit with that. We got hit with an oil drop of \$110 — whatever it was — \$100 to \$30 dollars, gas went down. So we got caught up in a number of markets simultaneously, which hadn't happened to us before and we hadn't planned for that. We usually plan for cycles, but not simultaneous disastrous cycles like that.

MR. RUBENSTEIN: So like on these construction sites that have your equipment, let's say, can anybody come in at night and steal one of these things and drive away with it? [Laughter.] Or it's hard to kind of do that, right?

MR. OBERHELMAN: Yeah, it's pretty difficult, although the smaller things we do have – we do see incidents of that. With rubber tires, we can drive it from a jobsite here on K Street to G Street and load it on a truck and take it. But it's not prevalent. We don't have that problem.

MR. RUBENSTEIN: All right. So, with respect to Caterpillar today, you would say its future is going to be in construction equipment, mining equipment, both international sales, domestic? Where is the future?

MR. OBERHELMAN: Yeah, I still come back and believe with, you know, the world going from 7 billion people to 9 billion people in the next 25 years, a need for basic infrastructure – people want to live like we live here around the world – we're right in the middle of that, and we'll be in fine shape over that period of time. So we make electric power through generator sets. We make big engines for oceangoing cargo vessels. Wherever there's infrastructure, we're in the middle there somewhere.

MR. RUBENSTEIN: So your equipment is made with a lot of steel, I assume.

MR. OBERHELMAN: Yeah.

MR. RUBENSTEIN: So the steel, is it locally produced steel? In other words, do you import steel to make things in the United States, or where do you get your steel from?

MR. OBERHELMAN: Yeah, we use steel from everywhere. Obviously, our plants in China use Chinese steel. We import steel from Britain. In many cases here we use local steel. We have a

great partnership with our steel companies in this country. They're also customers, by the way, because in many cases they have to move equipment around, or sometimes they have energy plants as well, so they'll buy from us. It's a nice relationship.

MR. RUBENSTEIN: So let's talk for a moment about the global issues that you have addressed with BRT. And how many members are there of the Business Roundtable?

MR. OBERHELMAN: Well, there are about 210 members who are registered. We have meetings quarterly that have around 150 to 180 participate.

MR. RUBENSTEIN: So let's start with taxes. Does the BRT support a tax cut on corporate income tax rates?

MR. OBERHELMAN: Yeah, they do. But beyond that, a very comprehensive tax reform going right back to almost starting over.

MR. RUBENSTEIN: How would you pay for the tax reform? What's the pay-for?

MR. OBERHELMAN: There are going to be a couple pay-fors. You have to broaden the base by really getting rid of deductions. And today they're talking about everything from eliminating the interest rate deduction on that –

MR. RUBENSTEIN: Well, what do you – what does the Business Roundtable support?

MR. OBERHELMAN: Broaden the base, lower the rate, and pay for it with the deductions.

MR. RUBENSTEIN: So get rid of the charitable deduction, or –

MR. OBERHELMAN: Well, I think charitable, the mortgage deduction is very critical to a lot of people, and you can balance some of that with how far you take the rate down.

MR. RUBENSTEIN: OK. Let's suppose that the Congress came along and said that they want to do a border adjustment tax used to pay for it. Does the Business Roundtable support that?

MR. OBERHELMAN: Well, this is going to be an interesting one because basically, as an exporter, a border adjustment tax is going to help us all as exporters. As an importer, that's going to be the pay-for. There's a whole other coalition that imports that will line up and have a discussion on this.

MR. RUBENSTEIN: So do you think it's realistic that a border adjustment tax could get through the Congress?

MR. OBERHELMAN: I think it's going to be very difficult to see that, but it would be very good for Caterpillar and very good for exporters. We'll have to see how it sorts out in the end.

MR. RUBENSTEIN: So let's suppose the tax bill was going to go through Congress. Would the BRT's view be that, even if it didn't have enough pay-fors, we should go into more deficit and debt in order to get the tax cuts?

MR. OBERHELMAN: You know, I think that would have to be on the table as long as you could see a way through growth from tax reform to get there. I mean, take the pass-through's, for example, Subchapter S corporations and so on. And I've been a big advocate of that over the years. How is it that a big public company like us or any big company can have a 25 percent tax rate and all of our suppliers have a 45 percent tax rate? They compete with everybody else around the world, too. So that passthrough rate's got to come down as well. That's why this has got to be very broad and very comprehensive.

MR. RUBENSTEIN: What is the Business Roundtable's position on Obamacare? Do you want it repealed? Do you want it amended? Do you want it to be kept intact?

MR. OBERHELMAN: I think everybody sees there have to be some amendments, there have to be some repairs. I personally am not for a total repeal of it, but I think everybody realizes it's kind of sinking of its own weight and needs help.

MR. RUBENSTEIN: All right. What's the Business Roundtable's position on, let's say, the Trans-Pacific Partnership? Are you in favor of getting rid of that?

MR. OBERHELMAN: Yeah, no, no. The BRT and I were very, very vocal supporters of a Trans-Pacific Partnership.

MR. RUBENSTEIN: And you would say that's dead now for sure?

MR. OBERHELMAN: It's dead now for sure. However, there were a couple of reasons that I was passionate about this, Caterpillar was behind it and the BRT was around it. One of them is just the fact that that Asian trading group of a dozen countries or so, excluding China, is where a lot of growth is. We were going to be able to write the rules in that area based on our values, our trading system, what we want, with the WTO<sup>9</sup> behind us. Now that we pulled away, we let the rules be written by somebody else, and China's working on it. And I worry about the system because now all these small countries that are important to us as markets are going and trying to link up with China. So it's very worrisome now.

Having said that, if, as the President has stated, we can do bilateral agreements with every one of those countries and get something done, I'm all for it. But we've got to move – we've got to move, because our competitors – China and others – aren't waiting for us.

MR. RUBENSTEIN: Does the Business Roundtable have a position on reopening NAFTA<sup>10</sup>, for example? Do you want to reopen NAFTA and renegotiate it?

MR. OBERHELMAN: Yeah, NAFTA's probably going to need some revision as well.

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<sup>9</sup> WTO is World Trade Organization.

<sup>10</sup> NAFTA is North American Free Trade Agreement.

MR. RUBENSTEIN: And you think that's the Business Roundtable's view?

MR. OBERHELMAN: Yeah, yeah. It's been a very positive thing for BRT companies, but it's 30 years old.

MR. RUBENSTEIN: Does the Business Roundtable have a position on the repeal of Dodd – Frank<sup>11</sup>?

MR. OBERHELMAN: I'd ask John Engler and Josh Bolten to come up here and help me on all these BRT questions. [Laughter.]

MR. RUBENSTEIN: What about Dodd-Frank? Do you want that repealed, or?

MR. OBERHELMAN: No, I think Dodd-Frank is another one where there have to be some adjustments to that. I don't think anybody would say repeal Dodd-Frank in its entirety because there are some good things in there. But at the same time, there are some things that really need to be changed and adjusted.

I mean, I was just reading an article in the last couple days about new bank formation – wonderful; it hasn't happened in years. Why hasn't it happened? Regulation's got to be a part of it. There's got to be a balance here, David, on all this.

MR. RUBENSTEIN: Now, the dollar, are you worried the dollar could be too strong if interest rates are increased again?

MR. OBERHELMAN: Well, this was my second job at Caterpillar, and one of the reasons I think I became so interested in international business, that currencies never seem to work out the way you think. [Laughter.] And you can, I guess, argue interest rates are probably the same way, maybe inflation behind it. But you know, for years we thought the dollar was going to be a lot stronger than it was, for years we thought it was a lot weaker than it was. Right now it's in a position that has a lot of countries very nervous with the amount of debt that they carry. If we see a rising interest rate in this country – which I think we will, and I hope that it's gradual – we'll see a rising dollar for a little while, but it never seems to work out that way for lots of reasons. Maybe because tax reform comes in and tax reform does something else, our economy grows faster, something else happens, I don't know.

But a strong dollar, you know – this has always been interesting and controversial. The Federal Reserve chairmen, Presidents of the country never say a strong dollar is good for the country. A strong dollar is not good for exporters. It's good for importers, but it's not good for exporters. And one of the reasons that we have established a global footprint – and I can remember in one of my early jobs working on a strong-dollar policy in 1984 – was to figure out how we move some of our footprint to incur sales and costs in the volume currencies where we're operating. So today, for example, a strong dollar move for us on the strong side nicks our

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<sup>11</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act is a federal law regulating the financial industry.

top line, but we have such high costs in those weak-currency countries, because we have factories where we sell, we actually have a benefit to the bottom line, in our case.

MR. RUBENSTEIN: Now, as was mentioned earlier, you've been on the ExxonMobil board.

MR. OBERHELMAN: I have.

MR. RUBENSTEIN: So the CEO is now the Secretary of State.

MR. OBERHELMAN: He is.

MR. RUBENSTEIN: So can you give us any insights into his thinking about anything?  
[Laughter.]

MR. OBERHELMAN: [Laughs.] No. He's a great guy, I will tell you, and he really is a Boy Scout. And that is so true. And he's a great friend. And I think for him at this stage in life to take this on is a remarkable endeavor.

MR. RUBENSTEIN: So when he called –

MR. OBERHELMAN: We all should thank him for that.

MR. RUBENSTEIN: So when he called the board and said I met Donald Trump and – [applause] – he wanted to make the offer of Secretary of State, what did the board say? They said we'd rather have you say, or what did they say?

MR. OBERHELMAN: We patted him on the back, wished him well, and whatever we can do to help, we'll help you.

MR. RUBENSTEIN: OK.

MR. OBERHELMAN: It was unanimous. It's a wonderful thing for Exxon, and for our country.

MR. RUBENSTEIN: All right. So let's talk about the business community and Capitol Hill. When you go to meet Members on Capitol Hill, do they understand the business issues you're talking about? [Laughter.]

MR. OBERHELMAN: Generally.

MR. RUBENSTEIN: How long does it take to get to generally? [Laughter.]

MR. OBERHELMAN: [Laughs.] Well, I have learned over the years that unfortunately you have to figure out the soundbite and talk in soundbites. But, you know, to their defense they're getting hit every 15 minutes with another thing they don't know anything about. And – no, from their constituents, from – you know, it's everything, everything's new. And so I defend that a

little bit. I wouldn't want to do it. It's a tough job to balance all this. But to understand international tax reform, it's a hard world for the tax accountants to understand and explain. So this is tough stuff. Governing's tough stuff.

MR. RUBENSTEIN: So are you a tweeter, by the way?

MR. OBERHELMAN: No, I don't. [Laughter.] I'm not a tweeter.

MR. RUBENSTEIN: You don't do that. And so, when you're communicating with all your employees, do you typically use emails? Or how do you –

MR. OBERHELMAN: We have an internal, very sophisticated social media function, but it doesn't go external for me. I'm not even on Facebook.

MR. RUBENSTEIN: So you're a member of the Manufacturing Council, and presumably you'll have a meeting with the President at some point. If he said, Doug, I need some advice, what are the one or two things I most need to do to improve manufacturing, what would you say?

MR. OBERHELMAN: Tax reform, top of the list. Absolutely got to get it done fast. And this is amazing, because the National Association of Manufacturers (NAM), which is a wonderful organization, annually does a survey of all of the elected Senators and Congressmen of how they vote for manufacturing. And every Senator and every Congressman in this country loves manufacturing jobs. But I would direct you to the NAM website, and go through that and find out how many of our Congressmen vote against things to help manufacturing. It's an eye-opener. It's an eye-opener. Basic things.

MR. RUBENSTEIN: Now, part of tax reform is said by many people to be bringing cash back from offshore.

MR. OBERHELMAN: Yeah. Yeah.

MR. RUBENSTEIN: So are you in favor of taxing the cash that's offshore?

MR. OBERHELMAN: I am, at a very low rate. But I'm more in favor of a comprehensive way to get that done, to work on it, because that's a pay-for in many ways. So how do we work this in to be competitive with other countries that do it the same way? We're one of the outliers on how we double-tax foreign profits.

MR. RUBENSTEIN: So the Democrats generally on Capitol Hill have said we ought to spend –

MR. OBERHELMAN: You're going to go this way, David? [Laughter.]

MR. RUBENSTEIN: – spend some money on infrastructure. Republicans have said we don't want to borrow money for infrastructure. The President said he's going to do something to enhance infrastructure. Do you think we should do more on infrastructure? And how would you pay for all the infrastructure?

MR. OBERHELMAN: Yeah, well – [chuckles] – all of the above. We are so far in the hole. We actually started peaking in infrastructure investment to GDP back in the '70s and '80s, and we've been going down ever since. And you can see it around the country when you travel.

But it's going to take public-private partnerships in some places. It's going to take some tax revenue in some places. The gas tax hasn't been adjusted. A carbon tax is being discussed again. Something's going to have to give; we've got to pay for this. And you can't go out and borrow a trillion dollars, run up the deficit, and lay a bunch of asphalt. As much as I would love that, it's not going to happen. You can't do that.

MR. RUBENSTEIN: So suppose the President, after listening to your advice, said, you know, you're a pretty smart guy, you got a lot of experience; why don't you come in the government and I'll find a really good job for you. Would you go into the government of the United States?

MR. OBERHELMAN: [Laughs.] Well – [laughter] – if the – look, if the President of the United States asks you, no matter who the President is, you've got to respect the President of the United States, I think.

MR. RUBENSTEIN: OK. So when you go to your Manufacturing Council, you'll take your resume with you in case? [Laughter.]

MR. OBERHELMAN: [Laughs.] No, I'm not going to do that.

MR. RUBENSTEIN: You won't do that. You're not looking for anything?

MR. OBERHELMAN: No, Diane will make sure it doesn't leave our home in the morning when I leave. [Laughter.]

MR. RUBENSTEIN: So what's the greatest satisfaction of running a large company like Caterpillar?

MR. OBERHELMAN: Oh, that's easy. That's easy. Especially when things are going well, you see employees grow. You add jobs, you see the investment that they make, you see the things that come out of it like these bulldozers. And the tractor that I would show you from 1975, when I began, looks nothing like that one, but it does the same thing. But it's a lot more efficient today. There's no harmful exhaust that comes out of that engine today. It's cleaner than a gasoline engine. It's remarkable.

I would say visiting with customers and hear what they do. I had a wonderful visit at the Burj<sup>12</sup> in Dubai, and all that tower is propelled and stood by with Caterpillar standby diesel generator sets. We had the whole tour, and you just feel good about it.

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<sup>12</sup> Burj Al Arab Jumeirah Hotel in Dubai.

MR. RUBENSTEIN: In the automobile world there's a movement towards driverless cars, or as they like to say autonomous cars, to not scare people that there's no driver in it. [Laughter.] But are there going to be autonomous Caterpillar equipment?

MR. OBERHELMAN: As I said, we've had this autonomous mining truck I think something like five years before the first autonomous automobile. These are running out in the Pilbara in Western Australia. They're totally computerized. That's a bad word, but it's not a computer program; it follows some kind of a dog-fence path on the trail. It can sense what's ahead of it. It's very efficient.

Just a quick story. We were there a couple years ago, and one-half the mine is a manned operation and the other is autonomous. This was iron ore. Part of it, as you remove the overburden, you have to move it somewhere. So you load it in these trucks, it goes over, the trucks dump, and they go back and forth, back and forth 24 hours a day. So we watched on the one side of the mine – we were up at a high spot – the manned dumps, and where they dumped it looked like kind of, you know, dumps here and there. The unmanned site, the autonomous site, was a perfect checkerboard. And that means a lot more efficiency because that thing pulls up, dumps, and goes. [Makes sounds.] And it's really interesting, and that's making a lot of productivity for our customers.

MR. RUBENSTEIN: So have you ever thought of the mining world that you could say to somebody – a gold mining company: we'll let you use our equipment, but we want some of the profits of the gold if you discover it? You never wanted to do that? They don't let you do that? [Laughter.]

MR. OBERHELMAN: [Laughs.] We haven't quite had the courage to bring that up yet. [Laughter.]

MR. RUBENSTEIN: But, like, take cars. In the car world, they have classic cars and they have conventions of them, and they show them off and so forth. Are there classic equipment kind of shows?

MR. OBERHELMAN: Oh, there's a group. There is a passionate group of antique Caterpillar machine owners. And you and I would be the youngest in that group by about 20 years. [Laughter.] And these guys, they'll have shows. And I don't mean just little shows; these are giant shows. They have parades. Diane and I went to one in Iowa years ago, and they made us the parade marshal. [Laughter.] And these things are like brand new, and they're 1930 vintage. And they do everything that they did in those days. It's a –

MR. RUBENSTEIN: And these old guys are still driving it, though?

MR. OBERHELMAN: Oh yeah, they are into it, yeah. And these clubs are all over the world. I think we have 11 clubs, and eight of them or nine of them or something are outside the U.S. It's remarkable. A big group in the U.K. and a big group in Australia.

MR. RUBENSTEIN: So when you meet with government officials around the world, do the ones around the world seem to know more about business than our government officials, or?

MR. OBERHELMAN: Oh, David. [Laughter.]

MR. RUBENSTEIN: Do they know less?

MR. OBERHELMAN: I will make an interesting contrast, though. I have spent a lot of time in China over the years. And say what you will about the China system – and I understand that, and there's lots to say about that – but I will tell you every Chinese government official has been groomed to be an official in government, in public policy and administration, since he or she was probably eight to nine years old. So that's a whole administration or that's a whole program of people and curriculum to identify people at a young age to bring up to run their country. And I don't like the system they have, but I will tell you those people know what's going on in their business. Obviously, we all want democracy, what we have here. But the tradeoff is that every two years you got to get up to speed. And it's really interesting to watch the two – to contrast the two.

MR. RUBENSTEIN: Now, you and your wife own some land that was a mine at one point, and now you're trying to reclaim it for agricultural purposes.

MR. OBERHELMAN: Yeah, yeah.

MR. RUBENSTEIN: How does that work?

MR. OBERHELMAN: Well, this is our hobby and this is what we do in our spare time. Actually – [chuckles] – for our third anniversary I gave her a very romantic gift, a 420 Backhoe Loader with rubber tires. [Laughter.] That's a true story.

But this is a coalmine that was mined. It's out in central Illinois. It's about 1,200 acres mined 75 feet deep. It was opened up. The coal seam was pulled out. They restored it, reclaimed it, and then we've been working on it – the mine did it, and we've been working on it to bring it back to productivity.

MR. RUBENSTEIN: Wow.

MR. OBERHELMAN: And our goal on that land is no erosion. And you can imagine 75 feet down what it looked like at one time. We've got great pictures.

And so we've been working on this. And we've made wetlands, we've made lakes. We actually grow alfalfa/corn for a big megadairy next door. And we wrote a book on this a few years ago, and the theory was we traced the first settler that settled there back in 1840, what he did to the land. He found the coal there, supplied coal to a nearby town, eventually sold it to Peabody Coal. And I eventually bought it, and now we're making corn to supply to a dairy to provide milk for babies. And it's kind of a nice thought, and it's about restoration of something that people don't think you can restore.

MR. RUBENSTEIN: OK. So now that you are retiring as a CEO, what are you going to do next? If you don't go in the government, what is your passion now?

MR. OBERHELMAN: Well, I'm definitely not going into government, but we have a lot going on. Diane's got a major real-estate development company around the country, and that's a lot of fun. I'll have probably a board or two as well. We've got a lot of other things happening and the grandkids. And I think we'll probably do something with some other businesses coming up. I'm starting an investment company on this –

MR. RUBENSTEIN: Let's suppose I was going to have a mine and I need some mining equipment. Why is your equipment better than Komatsu's or some other – why should I buy yours? Why is your equipment better?

MR. OBERHELMAN: That's my favorite question. [Laughter.] Because we have a support network that can get you a spare part and get that truck moving again very, very quickly that nobody else has. And we've worked on it for 92 years. That's our key strategic advantage.

MR. RUBENSTEIN: Why do you need spare parts? It never breaks, right? [Laughter.]

MR. OBERHELMAN: Well, but you think about a mining truck that runs 8,000 hours a year, 23 hours a day. Things are going to happen. And our dealer support network around the world, 175 dealers, 24 hours a day, we guarantee parts in 24 hours no matter – just about where you are in the world. So this is something that's been our key strategic advantage forever and was the backbone of our company back in 1925 when Holt and Best were put together.

MR. RUBENSTEIN: So are you optimistic about our country's future?

MR. OBERHELMAN: I'm very optimistic, yeah. I really am.

I lived in South America in the early '80s when the petrodollar recycling was going on, and I watched country after country from Peru south – well, everywhere, but Peru south especially – go bankrupt. And it's amazing what that does. And they've all battled back. They're strong today. It can happen. Look what's happened to us, as I mentioned in my remarks, from the mid-'70s. And it'll happen again. We've just got to get up off our feet and get going.

MR. RUBENSTEIN: So if I wanted to buy a stock that was likely to go up and I see there's a lot of infrastructure going on in the United States, would your stock be a good one to buy or not?

MR. OBERHELMAN: It would be a perfect one. [Laughter.] But I can't make a comment on that. That's a hypothetical question. [Laughter.]

MR. RUBENSTEIN: Oh, OK. So, I want to thank you very much for giving us a tour of what Caterpillar's about and the BRT.

MR. OBERHELMAN: Great, David. Thank you. Well done.

MR. RUBENSTEIN: Thank you very much. [Applause.] I have a gift for you, on behalf of the members of the Economic Club of Washington, a copy of the first map of the District of Columbia.

MR. OBERHELMAN: And I've got, for you, the scale model Caterpillar CAT D8T bulldozer.

MR. RUBENSTEIN: Well, thank you, thank you very much. All right, OK.

MR. OBERHELMAN: Thank you. [Applause.]

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## **Doug Oberhelman**

**Executive Chairman, Caterpillar Inc.**  
**Immediate Past Chair, Business Roundtable**



Doug Oberhelman served as chairman of the board of directors and chief executive officer (CEO) of Caterpillar Inc. from 2010 through 2016. After a 41-year career with Caterpillar, he retired as CEO as of December 31, 2016, and will serve as executive chairman of the board through March 31, 2017.

During his tenure as chairman and CEO, Mr. Oberhelman led Caterpillar through accelerated business cycles, implementing cost-efficiencies and Lean manufacturing to simplify and improve global manufacturing and operations. He has also led the company to renew its focus on customers and reinforced its dedication to quality, sustainability, and innovations critical to the success of Caterpillar employees, customers, and dealers.

Mr. Oberhelman joined the Caterpillar treasury department in 1975 and worked in or led a wide variety of businesses across the company. He was elected a Caterpillar vice president and chief financial officer (CFO) in 1995; and from 2002 to 2010 was a group president with responsibility for many of Caterpillar's core businesses. Over the course of his career at Caterpillar, he lived in North America, South America, and Asia, and travelled extensively throughout the world.

Mr. Oberhelman serves on the board of directors of ExxonMobil Corporation and is immediate past chairman of the Business Roundtable and former chair of the National Association of Manufacturers. He is vice president of the Wetlands America Trust, a member of the Nature Conservancy's Latin America Conservation Council, and chairman of the board of trustees for the Easter Seals Foundation of Central Illinois. He previously served on the boards of Eli Lilly and Company and Ameren Corporation.

Mr. Oberhelman earned a B.A. in finance from Millikin University.