

FORD CHAIRMAN WILLIAM FORD EXAMINES HIS COMPANY IN THE NATION AND THE WORLD

**William C. Ford Jr.
Executive Chairman
Ford Motor Company**

October 5, 2016

Excerpts from Mr. Ford's Remarks

When you were growing up, did you think the Ford name was a plus or a minus? Well, it was certainly both. I never wanted it to define me, but it was something I was very proud of. But you know, it's interesting, for me academics and sports were very important because they were great equalizers. Nobody cared what your last name was. You either did well academically and you were a good teammate in sports, or not. So that's why, you know, both areas were for me very important, because you actually got honest feedback.

After graduating from Princeton in 1979, you went to the company. Was it something you had to do? No, is the short answer. But the company was in one of its all-too-many downturns. And I thought that things were looking pretty grim. And I had this naïve notion that I needed to go back and help if I could. But I had actually interviewed for other jobs elsewhere. I went back. And I remember my dad saying to me: Well, don't do this if your heart's not in it because, he said, you will be lousy at it and you won't be doing the company or yourself any favors. And so I thought I'd give it a year and see how it went.

Was it obvious to you that you would rise up to the top? No. I mean, I thought I could do it, but there was certainly no guarantee. There were many people there who wanted me to succeed. There were many people who didn't want the family to succeed. And then there was this notion that, you know, my values didn't always align with the top management's values. So then I went through this whole period of whether or not this was the right place for me to try and leave my mark on the world.

Your values being very pro-environment. Yes.

And that maybe internal combustion engines weren't consistent with that? Well, it was a couple things... I grew up thinking that cars and trucks were the greatest. People were writing songs about them. People in Detroit celebrated them. I got to college, and I realized there was this whole school of thought that the auto industry – in general, but also autos – were not necessarily such a great thing. And it really opened my eyes. And I thought, wow, we have to change if we're going to get this next generation of the best and the brightest, because if we don't, any company is only as good as its people. And if we couldn't attract the best and the brightest of the next generation, we weren't going to win.

I was viewed, I think, as a bit of a Bolshevik because, in fact, I was told to stop – very clearly – to stop associating with any known or suspected environmentalists. [Laughter.] And of course, I didn't...

Ford is unionized, but foreign competitors that manufacture here are not. Disadvantage? It's not a disadvantage.... We have a great relationship with our union. And maybe it's because our union has one industry that they support, that's the auto industry. So our success is their

success. And you know, people forget that during the dark times our union leadership was fantastic. They actually took all the health care obligations off our balance sheet and put it on theirs.

You have coined the phrase smart mobility — what's that? People were looking at a world of 7 billion people going to 9 billion people on the planet, rising GDP¹s around the world, growing middle classes, particularly in places like India and China. And our industry was extrapolating out, saying, this is fantastic. We can sell, you know, X number more cars and trucks. And I simply said: Time out. Where are they going to go? We already have gridlock in cities all around the world. And the notion that we can start jamming ever more cars and trucks and get overcrowded cities makes no sense to me. And we have to have a completely new approach to what it means to move people and goods and health care around city centers.

And so that really embarked us upon this journey of solving gridlock in cities. But then you expand it beyond cities and say, well, there are mobility issues everywhere. For instance, there are 800 million people in the world without access to health care. Well, what if mobility then can provide that? One example we have is we have a pilot in India where we're using our vehicles to go out to rural villages, where there are no doctors, and we use our connected vehicle to transmit expectant mother's health back to hospitals in the cities. And then advice is transmitted back. And then, of course, if we need to deliver, you know, medicine or something we can do that too.

So this whole notion of mobility, most people are focused on cities, and that's right. There's also a poverty element to this. Harvard just did a study that said that the number-one cause of poverty is people not being able to get to where the work is. So what if we can enable mobility so that people can move freely around – particularly around cities. And then, you know, that will be a great thing. So this smart mobility notion is us – and not just us – but us and others trying to figure out how do we move people, how do we move food, how do we move health care in an ever-more crowded world?

Are you making electric cars? Yes.... it will be a major part of our business. And yeah, we're being disrupted at every level. If you think of it, the power train itself, as you suggest, from internal combustion to electric. The way people access vehicles. You know, it used to be you went and bought a vehicle and it sat in your garage. Now you have Uber and Lyft and Zipcar and, you know, other ways to access vehicles. The notion of autonomous driving, it's not science fiction. It's coming. It's coming fast.

How do you feel about non-Ford cars? Look, I do have favorite cars that are non-Ford. I mean, some of our competitors do some spectacular things. But at the end of the day, you know, I don't ever sit there and wish I had them. I sit around and say: How do we beat them?

DAVID M. RUBENSTEIN: [Sounds gavel.] Welcome, everyone, members and guests of The Economic Club of Washington. Welcome to this luncheon in Atrium Hall at the Ronald Reagan Building and International Trade Center. Welcome to the third event of our 30th season.

Our special guest today is Bill Ford, who is executive chairman of Ford Motor Company. We are very honored to have him here today. Let me give people a little bit of his background.

¹ GDP is gross domestic product of a country.

Bill was born in the Detroit area, went to school at Hotchkiss, and then went to Princeton. Graduated in 1979, then managed to get a job at Ford and worked there for a while. And then went to MIT², at the Sloan School, and got a Master's degree there in management. And then went back to Ford, and has a series of jobs over a period of years at Ford. And ultimately became a member of the board in 1988, and then ultimately became chairman of the board in 1998. And then became the CEO³ in 2003, which he did until 2006.

He is currently the executive chairman of Ford. Ford is a company that his great-grandfather, Henry Ford, started in 1903, and it is a company that today has a market value of roughly \$49 billion, revenue last year of about \$149 billion, about 199,000 employees, and a net income last year of roughly \$7.2 billion.

Bill is active not only in helping to run Ford, but also in various philanthropic activities in the Detroit area. He's a very committed environmentalist, very committed athlete. He's a fly fisherman, a hockey player, and a black belt in martial arts, among other things. He is somebody who has been very active in helping to reinvent and renovate Detroit and trying to make it a much more habitable place, and been very active in many different philanthropic activities in the Detroit area.

So, very impressive.

WILLIAM C. FORD JR. Oh, are we finished now? That was great. Thanks! [Laughter.]

MR. RUBENSTEIN: So, when you were growing up, did you think the Ford name was a plus or a minus? Because –

MR. FORD: Well, it was certainly both. I never wanted it to define me, but it was something I was very proud of. But you know, it's interesting, for me academics and sports were very important because they were great equalizers. Nobody cared what your last name was. You either did well academically and you were a good teammate in sports, or not. So that's why, you know, both areas were for me very important, because you actually got honest feedback.

MR. RUBENSTEIN: So, when you go to Princeton and your last name is Ford, did people say are you related to those people from the automobile company, or did you just say that's a different Ford? [Laughter.]

MR. FORD: It depends who was asking. [Laughter.] And I mean, sometimes I'd say, boy, that's a common last name.

MR. RUBENSTEIN: When it was an attractive young woman what did you say?

MR. FORD: Whatever it took. Whatever it took. [Laughter.]

MR. RUBENSTEIN: So you played sports at Princeton.

² MIT is Massachusetts Institute of Technology.

³ CEO is chief executive officer.

MR. FORD: I played rugby, yes.

MR. RUBENSTEIN: OK. And so after you graduated in 1979, you went to the company. Was it something that you had to do, or you didn't have to do that?

MR. FORD: You know, it's funny – no, is the short answer. But the company was in one of its all-too-many downturns. And I thought that things were looking pretty grim. And I had this naïve notion that I needed to go back and help if I could. But I had actually interviewed for other jobs elsewhere. I went back. And I remember my dad saying to me: Well, don't do this if your heart's not in it because, he said, you will be lousy at it and you won't be doing the company or yourself any favors. And so I thought I'd give it a year and see how It went.

MR. RUBENSTEIN: So to put it in context, Henry Ford had one son, is that right? He had Edsel.

MR. FORD: He had one son, yes.

MR. RUBENSTEIN: Edsel Ford. And Edsel Ford had Henry Ford and your father, William Clay Ford.

MR. FORD: And then another son and another daughter, yes.

MR. RUBENSTEIN: OK. Your father was in the company for many years, but your uncle, Henry Ford, was the CEO for a number of years, right?

MR. FORD: Right.

MR. RUBENSTEIN: OK. So after you're at Ford for a while, you decide to get a master's degree, but you went to the Sloan School which is named after the head of General Motors.

MR. FORD: [Laughs.] Yeah, I know. [Laughter.] It gets pretty incestuous at some point, yes.

MR. RUBENSTEIN: OK. So did people point that out, that that was unusual?

MR. FORD: Yes. That was pointed out all the time when I was at Sloan, yes. [Laughter.] I had a separate bathroom, by the way, at Sloan.

MR. RUBENSTEIN: Good. So after you graduated from there, you went back to Ford and you rose throughout various positions. But was it obvious to you that you would rise up to the top?

MR. FORD: No. I mean, I thought I could do it, but, you know, there was certainly no guarantee. There were many people there who wanted me to succeed. There were many people who didn't want the family to succeed. And then there was this notion that, you know, my values didn't always align with the top management's values. So then I went through this whole period of whether or not this was the right place for me to try and leave my mark on the world.

MR. RUBENSTEIN: Your values being very pro-environment.

MR. FORD: Yeah.

MR. RUBENSTEIN: And you thought that maybe internal combustion engines weren't consistent with that, or?

MR. FORD: Well, you know, it was a couple things. You know, it was the notion that when I got to college – I grew up thinking that cars and trucks were the greatest. People were writing songs about them. People in Detroit celebrated them. I got to college, and I realized there was this whole school of thought that the auto industry – in general, but also autos – were not necessarily such a great thing. And it really opened my eyes. And I thought, wow, we have to change if we're going to get this next generation of the best and the brightest, because if we don't — any company is only as good as its people. And if we couldn't attract the best and the brightest of the next generation, we weren't going to win.

MR. RUBENSTEIN: Right. Did everybody agree with you there, or not?

MR. FORD: No. In fact, I was viewed, I think, as a bit of a Bolshevik because, in fact, I was told to stop – very clearly – to stop associating with any known or suspected environmentalists. [Laughter.] And of course, I didn't – but remember back to those days. That was the era where people were plugging up discharge pipes, they were picketing, they were – it was a very kind of turbulent environmental time. And there was no dialogue between the two sides, and I felt there had to be.

MR. RUBENSTEIN: So, Edsel Ford produced – he had four sons – or, four children, Edsel Ford?

MR. FORD: The original Edsel? Yes.

MR. RUBENSTEIN: He had four children. And so how many cousins came out of those four –

MR. FORD: Well, there are 13 of us in my generation.

MR. RUBENSTEIN: Thirteen. And so, was it obvious that you would be the one who would be running the company one day, or not?

MR. FORD: Well, probably not. I'm 12th out of 13 in age. So I was, you know, probably the one that was overlooked. And maybe that was to my advantage.

MR. RUBENSTEIN: OK. So when you were the CEO of the company, you began to do something that people said was very dangerous. You borrowed \$23 billion. Why did you do that?

MR. FORD: So, well, I just want to say a word about Dick Gephardt, who's here today. Dick, his leadership, was so invaluable in getting us through the darkest period in auto history and in Ford's history. And you know, our two competitors went bankrupt and we didn't. And I will always believe it was because of the leadership we had on our board. And Dick Gephardt was an absolute hero back then. And so – [applause] –

MR. RUBENSTEIN: So I should have put it in context better. Right before the Great Recession happened, you thought maybe something bad would happen, and you decided to borrow money, is that right?

MR. FORD: Yes, that's right. So a couple things happened. One is I went to my board, and at the time I was the chairman, I was CEO, I was president, and I was COO⁴. And I went to my board and I said: Look, tough times are coming. I need help. And they said, well, what do you need? Do you need a CEO or do you need a COO? I said, I don't care. I got to get the right person. But we also had to borrow a lot of money, because restructuring is expensive, as you know. So we had a massive restructuring ahead of us. We hired Alan Mulally, who turned out to be a terrific CEO. We borrowed all this money. And then we went to work. And thankfully, it did work.

MR. RUBENSTEIN: And when the Great Recession happened, ultimately your two major competitors were bailed out by the U.S. government.

MR. FORD: Right.

MR. RUBENSTEIN: Did it kind of anger you that they were bailed out and you didn't have to be bailed out? – [laughter] –

MR. FORD: Well, at a certain level yes, of course. But we were in this very odd position of having to support our biggest competitors. Why? Because the entire industrial supply base in the country was under tremendous stress. And if General Motors particularly had gone under, it would have taken under a number of suppliers and it probably would have dragged us down, and a number of other industrial companies. So we were in this very odd position for having to advocate for the bailout of our competitors.

MR. RUBENSTEIN: So you have shareholders you have to deal with, who are worried about the company's future, but also the family. The family controls 40 percent of the voting power of Ford.

MR. FORD: Right.

MR. RUBENSTEIN: And do you have family councils and does the family say, well, you're not doing a good job. Forget what the shareholders think, we want the family to do X, Y, or Z?

MR. FORD: No, I was very proud of the family, how they hung together. You can imagine the family meeting where I said: Guess what? I just borrowed \$23 billion and had to mortgage

⁴ COO is chief operating officer.

everything, including the family name – because we had to mortgage the blue oval as part of the collateral. And you know, so that was a –

MR. RUBENSTEIN: What was their reaction?

MR. FORD: A little silent. [Laughter.] But one of the things that – you know, that Alan Mulally and I talked about was the importance of having the family united behind us, so that the management team and the board of director never felt distracted by, I wonder what the family is really up to? And I was very proud of them. They all hung together unequivocally and said: We believe in you. We believe in the plan. Go do it.

MR. RUBENSTEIN: In the 1960s and '70s, when American car manufacturers dominated the manufacturing and sale of cars in the United States, people said that maybe the automobile companies in the United States got a little fat and happy and they weren't really prepared for the onslaught of Japanese and German cars. In the '70s and '80s, it was often thought that the quality of cars produced by Japanese and German manufacturers was better. Do you think that was a fair analysis? And do you think it's fair today that they're better or they're not any better?

MR. FORD: No, not today. But I think back then absolutely it was a fair analysis. We had gotten – as you would suggest – sort of fat and happy as an industry. And yeah, there were some tough lessons learned in the '70s, '80s, and '90s.

MR. RUBENSTEIN: So today you are unionized, as are the other major American manufacturers. But the companies that are from Japan or Germany, when they produce cars here they're not typically unionized. Is that an advantage or disadvantage for you?

MR. FORD: It's not a disadvantage. I mean, it's interesting. People, you know, have very strong opinions about unions one way or the other. We have a great relationship with our union. And maybe it's because our union has one industry that they support, that's the auto industry. So our success is their success. And you know, people forget that during the dark times our union leadership was fantastic. They actually took all the health care obligations off our balance sheet and put it on theirs.

So, you know, at our darkest moment, you know, I sat down with the head of the United Auto Workers and I said: Can you help? And he said, absolutely. And for him, you know, that's a tough sell to his membership. And so Ron Gettelfinger is his name. And I'll never forget what he did for us.

MR. RUBENSTEIN: Did you ever say you'll help him by getting other people to be unionized in your German or Japanese –

MR. FORD: Well, you know, you have to be careful about that. I mean, there are some laws about that. [Laughter.] But we have a great relationship with our union.

MR. RUBENSTEIN: OK. So you have 199,000 employees, as I mentioned. How many of them are blue collar and how many are white collar, so called?

MR. FORD: Well, the majority would be blue collar. And I don't know the exact breakdown.

MR. RUBENSTEIN: And your employees, how many are in the United States, would you say?

MR. FORD: Well, we are about half, in terms of our sales – half U.S. and half international.

MR. RUBENSTEIN: OK. Recently you announced that you were building a new facility in Mexico. And somebody mentioned –

MR. FORD: Geez, you heard that? Really? [Laughter.]

MR. RUBENSTEIN: Yes, I did. Somebody running for President mentioned that that was not an appropriate thing. Did you have a response to that?

MR. FORD: Yes, I have. [Laughter.] I would like to think Ford is everything that should be celebrated about what's right with the country, and let me explain why. We didn't go bankrupt. We paid back our loans. We did it the old-fashioned way. We pulled ourselves up by our bootstraps. We've rehired 26,000 people in the United States since 2011, once we got back on our feet.

We've made \$12 billion of investment in the United States since then. And we're the largest car and truck company in the United States making cars here. We're not the largest car and truck company, but we make a disproportionate number of our cars and trucks in the U.S. And this last announcement, where we're building a plant in Mexico and moving some small cars there, we're not losing any jobs in Michigan because we're putting new vehicles into those plants.

So, you know, that's what's so frustrating and, at a certain point, infuriating about this, because I feel like we've not only invested heavily in this country and are adding lots of new jobs in this country, but, you know, I think he and others should look at us and say: That's how you do business. You pay back your loans and you hire people and you invest in – and you invest in your – [applause] –

MR. RUBENSTEIN: And did you have a chance to explain that directly to him?

MR. FORD: I did.

MR. RUBENSTEIN: And did he change his mind?

MR. FORD: Well, you know, I've had a very good meeting with him. He was a very good listener. And he knows the facts. So you know, but who knows what the campaign trail is all about? I certainly don't.

MR. RUBENSTEIN: OK. So let's talk about cars for a moment. When you manufacture cars, you sell them, in effect, I guess, to dealers. Is it like on a consignment where they can sell them back to you if they can't sell them, or?

MR. FORD: No. They take them and then they sell them, yeah.

MR. RUBENSTEIN: OK. And so, when you go buy a car in a dealer, and it has a sticker on it, is that the real sticker price? [Laughter.] And is that where you start negotiating from? Because everybody always feels that the sticker is – you should have to negotiate. Is that still – people still do that?

MR. FORD: Yeah, you know, and it varies dealer by dealer. And, you know, dealers are independent business people. We don't control the dealers. So what they do is really – you know, the practices are, unfortunately, quite varied across dealerships.

MR. RUBENSTEIN: So a dealer will say: I have a need for certain types of cars. And if they say to you, make the cars of a certain type, how long does it take to actually produce a car that's red with certain types of, you know –

MR. FORD: You mean, like this one over here?

MR. RUBENSTEIN: Right there, yes.

MR. FORD: By the way, you'd look good in that, I think.

MR. RUBENSTEIN: OK. What's the price? I don't know. I have to negotiate that. [Laughter.]

MR. FORD: Well, what's the sticker? I don't know.

MR. RUBENSTEIN: I don't know. It doesn't have a sticker there. [Laughter.]

OK, so when you drive a car, you drive, I presume, a Ford product.

MR. FORD: Yes, that's a fair statement. [Laughter.]

MR. RUBENSTEIN: But do you test the new models?

MR. FORD: I do. I do. And actually, I drive all our competitors' stuff too. But I remember when my kids were young, because I'd bring them home and they'd tell me I couldn't park it in our driveway. But I do. I drive everything.

MR. RUBENSTEIN: And so what's the best value for money? Let's suppose I wanted to buy a car today.

MR. FORD: Oh, my goodness.

MR. RUBENSTEIN: You know, is the best value for money –a Ford product? What would you recommend I buy? Let's say I have \$25,000. Can I get anything for \$25,000?

MR. FORD: Of course you could. But it's completely dependent upon people – what lifestyle they have and what they need. And so, you know, it's sort of like asking what's your favorite child? You know, that's a tough one to answer.

MR. RUBENSTEIN: So, speaking of your children, you have four children.

MR. FORD: I do.

MR. RUBENSTEIN: Are they allowed to drive non-Ford cars, or do they ever do that?

MR. FORD: They will be disowned. [Laughter.]

MR. RUBENSTEIN: Oh, OK. So when you're driving around Michigan and let's say you need gasoline, do you go in and pump the gas yourself? Do people stare at you? Do they know who you are?

MR. FORD: They do. Yeah, people – you know, I've lived in that area my whole life. You know, my kids played sports with all their kids. I mean, I live a pretty low-key lifestyle. And I love the fact that I go out and just hang out with everybody.

MR. RUBENSTEIN: OK, so Ford has been thought to be a manufacturer of hardware, cars. But now you're trying to move more into the software area.

MR. FORD: Yes.

MR. RUBENSTEIN: And you have coined the phrase, smart mobility. Can you explain what smart mobility means?

MR. FORD: Yeah. And if you can bear with me just for a second. I gave a TED Talk⁵ in 2011 saying that the way people were looking at the world was just wrong. They were looking at a world of 7 billion people going to 9 billion people on the planet, rising GDP⁶s around the world, growing middle classes, particularly in places like India and China. And our industry was extrapolating out, saying, this is fantastic. We can sell, you know, X number more cars and trucks. And I simply said: Time out. Where are they going to go? We already have gridlock in cities all around the world. And the notion that we can start jamming ever more cars and trucks and get overcrowded cities makes no sense to me. And we have to have a completely new approach to what it means to move people and goods and health care around city centers.

And so that really embarked us upon this journey of solving gridlock in cities. But then you expand it beyond cities and say, well, there are mobility issues everywhere. For instance,

⁵ TED (Technology, Entertainment, Design) Talk refers to a global set of conferences.

⁶ GDP is gross domestic product of a country.

there are 800 million people in the world without access to health care. Well, what if mobility then can provide that? One example is, we have a pilot in India where we're using our vehicles to go out to rural villages, where there are no doctors, and we use our connected vehicle to transmit expectant mother's health back to hospitals in the cities. And then advice is transmitted back. And then, of course, if we need to deliver, you know, medicine or something, we can do that too.

So this whole notion of mobility, most people are focused on cities, and that's right. There's also a poverty element to this. Harvard just did a study that said that the number-one cause of poverty is people not being able to get to where the work is. So what if we can enable mobility so that people can move freely around – particularly around cities. And then, you know, that will be a great thing. So this smart mobility notion is us – and not just us – but us and others trying to figure out how do we move people, how do we move food, how do we move health care in an ever-more crowded world?

MR. RUBENSTEIN: Well, some people will say that for large companies, like Ford, it's hard to make decisions quickly, and then people can come along and disrupt you. So Tesla comes along. And are you making electric cars?

MR. FORD: Yes.

MR. RUBENSTEIN: And do you expect they'll be a major part of your business in 10 years or so?

MR. FORD: I do. The answer is yes, we are. And yes, it will be a major part of our business. And yeah, we're being disrupted at every level. If you think of it, the power train itself, as you suggest, from internal combustion to electric. The way people access vehicles. You know, it used to be you went and bought a vehicle and it sat in your garage. Now you have Uber and Lyft and Zipcar and, you know, other ways to access vehicles. The notion of autonomous driving, it's not science fiction. It's coming. It's coming fast.

MR. RUBENSTEIN: Have you been in any of these –

MR. FORD: Oh, absolutely.

MR. RUBENSTEIN: And you're not afraid of sitting there?

MR. FORD: I'm not afraid at all, no. It's actually quite fascinating. I mean, the first time you get in one, it's a bit of a leap of faith, but then you quickly realize, you know, this is quite interesting. But a lot of –

MR. RUBENSTEIN: Were you, like, in the back seat, or you were in front? [Laughter.]

MR. FORD: Well, it's interesting. You know, there will be no steering wheel, there'll be no pedals. So you can sit anywhere you want. But there are some ethical questions that are going to have to be solved before these become ubiquitous. Meaning, so, you and I are driving. And

we come across a potential accident. We act instinctively, because that's all we can do. But these cars will have such quick computing power, you know, the easy comparison, is who does the car choose to hit – the grandmother or the baby? But then it goes beyond that. What if the best outcome for society is for the car to take you out, the occupant, because what if the car could intercept a runaway bus that might be hitting 10 pedestrians? So for society's sake, it might be best to save those 10 pedestrians –

MR. RUBENSTEIN: And kill me.

MR. FORD: Yeah, but kill you. [Laughter.]

MR. RUBENSTEIN: Right. Thanks.

MR. FORD: So those are the kind of ethical questions that we've never had to face before. And no one company is going to solve that, certainly. Because could you imagine if we had one algorithm and Toyota had another and General Motors had another? I mean, you obviously couldn't do that. So we need to have a national discussion on ethics, I think, because we've never had to think of these things before, but the cars will have the time and the ability to do that.

MR. RUBENSTEIN: But they will, presumably, operate on some type of mechanism that could be attacked by a cyber terrorist, couldn't they? And how do you deal with that problem?

MR. FORD: Yeah, and so cyber security becomes a very big deal for this, absolutely.

MR. RUBENSTEIN: There's some companies that are starting where they say: We will rent cars for a couple hours. So in other words, most people don't drive their cars all day. So those cars can be rented. But won't that mean that fewer people are going to buy cars, and you will sell less cars if that happens?

MR. FORD: Yeah, but in this world that's going to happen potentially anyway. And the way we're looking at it is there are lots of revenue streams that could be, and new business models, that will come up around mobility and the idea of transportation. And, yes, the traditional, old model may or may not have peaked. But there will be all these new revenue streams. And if we do it correctly, we actually can be less capital intensive, higher margin, less cyclical, if we participate in a number of revenue streams along the way and not just sell a car, be done with it, and kind of wash our hands.

So now, having said that, we're going to live in both worlds for some time, because the world that we're talking about now won't happen overnight and it won't happen all at once. So we're going to have to straddle both worlds, making cars and trucks like we do today, for quite a while. And yet, we're going to have to also be building this business, this smart mobility business, working with cities.

And that's what's, I think, really exciting – the notion of having a city as customer. And rather than us go to cities and say, here's all this great technology, hope you like it, actually go to

them and listen and say: What are your problems? Tell us what you as a city are facing? And then let's figure out together what are some solutions that can work?

MR. RUBENSTEIN: Now, you work with software companies in Silicon Valley, you know, to kind of develop some of this software. Is that something that's going to take you to be a company which makes more software as a company than hardware?

MR. FORD: Yeah, it'll do a couple things for us. Absolutely, that'll happen. And the other thing that will happen is you'll see many more partnerships between us and other kinds of companies. You know, I served on the board of eBay for 11 years. And I was out in the Valley every month. And this term "frenemies" was used out there. They were your enemy today, and you're working on a project together tomorrow. And you know, that's the world I think that we're entering into. We're going to be doing a lot more alliances, a lot more collaboration with companies that will be one-off kind of things. And we may compete against them over in another area.

MR. RUBENSTEIN: So when you said you wanted to join the eBay board, what did the people at Ford say about that?

MR. FORD: Well, it was sort in keeping with my environmental viewpoint. Again, they kind of thought I was Bolshevik because, think back, this was, you know, probably 14 years ago. And they said, you know, we think it would be good if you joined a board. And I think they were thinking I was going to join a big industrial company. And I came back and I said: Well, I've sort of narrowed it down to Starbucks and eBay. And they said, what? And I said, well, you know, Starbucks took the ultimate commodity, which you could buy at – you know, at the corner gas station for 25 cents a cup, and they turned it into the ultimate consumer item. We have the ultimate consumer item and are in the process of commoditizing it. And so that was interesting to me.

And eBay was very interesting because the idea that you would do business with somebody you'll never meet, across borders, across the world, and trust that person, was to me very interesting. And I thought it might have implications for us going forward. You know, and I had gone to school with Meg Whitman. And so Meg said to me: Well, you know, I understand you're considering. You have no choice. You're coming to mine. [Laughter.] And I was glad I did. I loved it. It was a great time. And we bought PayPal. And it was a real go-go growth era. But the Valley was an interesting place, and still is an interesting place.

MR. RUBENSTEIN: But eBay, now, obviously sells things that have been owned by somebody else. And in the automobile world, selling used cars has a complicated reputation. Some people think if you buy used cars, you may not get a great thing all the time.

MR. FORD: But interestingly, you know, eBay is – you know, their used car business is fantastically successful. And I've bought some cars off of eBay sight unseen. You'll never know the buyer. And the transactions are great. But I'm not here to shill eBay, but I'm just telling you it's interesting that people will do business – the founder of eBay, a guy named Pierre

Omidyar, who's really very brilliant, he founded it with the notion that people are inherently good, and that that would be proven out. And he was right.

MR. RUBENSTEIN: Well, some people would say maybe everyone isn't inherently good. But maybe they are, who knows. I guess so.

MR. FORD: Well, but it's interesting, the business model proved that that was true.

MR. RUBENSTEIN: So today, you've talked to you father, I assume, over his grandfather, Henry Ford. What did he ever tell you about Henry Ford? What kind of person was he?

MR. FORD: Well, he told me a lot – I mean, my dad was very close to his grandfather. And I have a lot of stories that are kind of just fun stories that he told me about great-grandfather – or, his grandfather.

MR. RUBENSTEIN: So, Henry Ford's innovation was inventing a car that could be manufactured relatively quickly.

MR. FORD: Yes. I mean, the \$5-a-day wage, when the average wage was, you know, \$2, and profit sharing. I mean, he was called a Bolshevik in his day for both of those moves. And he was thrown out of capitalist societies for the \$5-a-day wage and for the profit sharing idea.

MR. RUBENSTEIN: Right. Now, do you worry about competition from Chinese car manufacturers?

MR. FORD: Sure. Yeah, I worry about competition from everywhere. Look, we live in a very – to use an over-used term – disruptive world. And we need to be aware of what everybody is doing. We can't dismiss anybody. A startup that's a three-man startup today may be disrupting our world in six months from now. And so that's just the world we live in. And we need to be accessible to these young companies. One of the things we're spending a lot of time on is how do we interact with these young companies? How do we let them navigate our bureaucracy? And how do we champion them within the company?

MR. RUBENSTEIN: Now, are you worried about the fact that, while car sales are good now, your profits are largely coming from SUV⁷s and, I would say, trucks? And if gasoline prices were to go up again, the theory is that those sales would go down. How are you trying to get that problem solved?

MR. FORD: So it's interesting, the world's always going to need trucks. But one of the things we did was we put our EcoBoost engine, which is a very fuel-efficient engine, into a truck. And there was a school of thought that said truck buyers will never buy a V6 engine. They simply won't do it. They always want a V8. Guess what? It worked great. We then made our trucks all aluminum. People said they'll never buy aluminum trucks. You know, you're taking 700 pounds of weight out, which gives you much better fuel economy and, by the way, also better performance – better breaking, better acceleration. It worked.

⁷SUV is sport utility vehicle or suburban utility vehicle.

So what we've taken as a philosophy is, we're going to be making a full range of vehicles, but we're going to make every single one of those vehicles as fuel efficient as we possibly can. And SUVs – you know, it used to be SUVs were just big, brawny vehicles. Now you've got very small SUVs, too, because people like the utility of having an SUV.

MR. RUBENSTEIN: When you drive a car that's not a Ford –

MR. FORD: You're really quite fascinated with this notion of me driving non-Fords, aren't you?

MR. RUBENSTEIN: I'm just curious. [Laughter.] But like, you know, if you were going to buy a non-Ford product, what would you recommend to somebody? [Laughter.] Or you wouldn't recommend it?

MR. FORD: No. Well, you know, probably something that you don't mind beating up much, because that's about all they're worth.

MR. RUBENSTEIN: OK. All right. [Laughter.]

MR. FORD: So, no, look, I do have favorite cars that are non-Ford. I mean, some of our competitors do some spectacular things. But at the end of the day, you know, I don't ever sit there and wish I had them. I sit around and say: How do we beat them?

MR. RUBENSTEIN: So, like, this car right here.⁸ This is one of your midsize cars. And something like that would go for roughly, what?

MR. FORD: Whatever you want to – again, let's take a – [laughter] –

MR. RUBENSTEIN: OK, I have to negotiate.

MR. FORD: No, but this is a family car. And so we've been very successful in that segment. But interestingly, to your point, the growth of this segment and the shrinking of this segment, really does correlate in many respects to fuel prices. And you raised that point a minute ago, you know, what happens when fuel prices go up? And there is sort of a magic point – we saw it – we've seen it in the past. So at about \$4 a gallon you start to see profound shifts in people's buying behavior. And the other thing is, if there are also big spikes and valleys, people get freaked out because they can't anticipate what their ownership cycle is going to be like. So what we're trying to do with this vehicle and with all our vehicles is – again, is to make them all really fuel efficient so that, you know, we won't have quite the same huge gyroscope going forward that we've had in the past.

MR. RUBENSTEIN: People buy a new car, and how long do they own it before they trade it in or they sell it?

⁸ A new Ford car was on display in the room.

MR. FORD: You know, it depends if it's leased or bought. But it's about a four-to-five-year cycle.

MR. RUBENSTEIN: So you're in Washington today. Do you come here very much to deal with government regulators? And what is that experience like for you?

MR. FORD: We actually have a pretty good relationship with the government, and I would say a very good relationship with most of the regulators. You know, they take the time to understand our business, and we take a lot of time to make sure that they do understand our business. So we invite them to Detroit. We take them through our labs. We take them through our safety demos. And then we try and help them with their jobs. So we gather data for them. You know, so it's a pretty good relationship. You know, there are days and weeks where – it's not always so great. But generally, we've been very pleased with the level of responsiveness. And maybe because it's not a new thing for us. You know, we've been doing this a long time.

MR. RUBENSTEIN: So you've been with the company for a long time. You started, as I said, in '79, and you're pretty young. So you could go another 10 or 15 years. You'd be at the company longer than anybody had ever been.

MR. FORD: It's kind of a daunting thought. You know, I know. But, on the other hand, I've never been more excited about this whole world that we've been discussing, the smart mobility, the tremendous change that lies ahead of us, I wake up every morning so excited because, you know, I believe that any company's purpose is to make people's lives better. And if it's not doing that, it probably shouldn't exist. And that has to be reinterpreted through every era that we live in.

So, I mean, I look back to the Model T. Prior to the Model T, most people in this country didn't travel more than 25 miles from home in their entire lifetime. And all of a sudden, the Model T enabled people to choose where they lived, where they worked, and where they played. And it changed everything. And then we had, you know, things like, obviously, ambulances and police cars and fire trucks. And, you know, we were the Arsenal Democracy during World War II. So now here we are, at the threshold of a very different age.

And so the challenge is, how do we reinterpret that heritage for this new era? And how do we make people's lives better in this new era? And to me, that's so exciting. So I don't – you know, yeah, I've been around here a long time. But to me, it's the most exciting point because strategically we've never been at a point like this.

MR. RUBENSTEIN: So let's assume you stay. But you have no interest in serving full time in government or anything like that?

MR. FORD: I love what I'm doing. I absolutely love what I'm doing. And I feel like if we do this right, we can really truly make people's lives better around the world. And, you know, to me, that's a really compelling thing.

MR. RUBENSTEIN: So you're the fourth generation in the company.

MR. FORD: Yes.

MR. RUBENSTEIN: And there probably are virtually no companies where there's a Fortune 100 company now that the fourth generation is the chairman of the board, publicly traded companies like that. What about the fifth generation? Are there any fifth generation people? And what about your own children?

MR. FORD: There are. And my kids are interested. And I have some nieces and nephews that are interested. And, you know, they've got to be qualified. This is not a family employment office. [Laughter.] And so, you know, I work very closely with them to make sure that they've got the right credentials, both academically, then that they start at the appropriate place in the company and work their tail off, and that they volunteer for all the jobs nobody else wants to do. They have to really want to do it, and they have to earn it. And if they show that they can do that, then that's great. And, you know – but, you know, this is a tough world. And they have to be as good or better than everybody else.

MR. RUBENSTEIN: So in the Detroit area, you've spent a lot of time trying to revitalize Detroit. And what do you think the progress is?

MR. FORD: I'm really pleased. You know, I'm old enough to remember the riots in the late '60s. And I remember flying over and, you know, seeing the city literally on fire. And I remember my dad, he owned the Detroit Lions, and the season tickets were in the safe at Tiger Stadium, which was going to burn. And at the time, there were no computers. So if a ticket burned it was like burning a dollar, because there was no backup. So he got a van. And he got a couple of the players to meet him down there.

And, you know, great story, this gang came around, recognized my dad and a couple players, and they were all carrying guns. And they said: We'll help you. So they loaded all the season tickets into the van. My dad gave them all tickets to games. And then they walked him to the border, and the National Guard was on every overpass, and he went 100 miles an hour – because he was breaking all the laws – to get back home with the tickets. I remember that.

And that era changed everything. From that point on, the city was in a many-, many-year decline. And now, it's still got a long way to go. School system is, you know, still not close to where it needs to be. Having said that, there's tremendous energy in the city. My son lives in the city. He never would have lived – he's 25 – he and his friends all live in the city. They wouldn't have five years ago. I have a venture capital firm that I started. It's in the city. Every week there are new bars and restaurants opening up.

I'm more hopeful now about the city than I have been. So when we built Ford Field, this was about 15 years ago, all the advice I got from all the business people was you're out of your mind to build this in the city of Detroit. The fans won't come. They won't feel safe. There's nothing for them to do before or after the game. And you know, you need to build it up in the northern suburbs, which is where all the money is. So I kind of gulped. The mayor at the time

was a mayor named Dennis Archer, who was a terrific man. And Dennis and I worked it out. And it's been a great thing. But for the early years there was an element of what I just described.

MR. RUBENSTEIN: Was it hard to sell the naming rights for that stadium? Or not that hard? [Laughter.]

MR. FORD: That worked. That worked. So it is Ford Field. And it's funny how that kind of worked out.

MR. RUBENSTEIN: So what would you like to be your legacy? In other words, you're still relatively young, but if you look back and people ultimately say, here's what he did with his life and career, what would you like people to say about it?

MR. FORD: Well, I don't spend any time thinking about that. I think that's sort of – to me, it feels pretentious to even think about that. I don't know what my legacy is. I mean, I hope people will say that he treated people well and that he cared about the company, and he cared about the communities that the company operated in.

MR. RUBENSTEIN: Well, thank you very much for a very good look at Ford and everything you do.

MR. FORD: Thank you so much, David. [Applause.] Thank you. Thanks.

MR. RUBENSTEIN: Let me give you a gift. On behalf of the members of The Economic Club of Washington, here is a framed copy of the first map of the District of Columbia.

MR. FORD: Thank you, thank you. [Applause]

William Clay Ford Jr.
Executive Chairman
Ford Motor Company



As Executive Chairman of Ford Motor Company, William Clay Ford Jr. is leading the company that his great-grandfather Henry Ford founded. Mr. Ford joined the Board of Directors in 1988 and has been its Chairman since January 1999.

He also served as Chief Executive Officer of the company from October 2001 to September 2006, when he was named Executive Chairman. In his role as Executive Chairman, Mr. Ford created the company's Blueprints for Sustainability and Mobility - setting the vision for Ford's innovation and leadership in these areas.

Mr. Ford received his undergraduate degree from Princeton University and completed his master's at Massachusetts Institute of Technology. He is chairman of the

board of the Detroit Economic Club and chairman of the New Michigan Initiative of Business Leaders for Michigan. He also is a founding partner of Fontinalis Partners, LLC, a Michigan-based firm that drives investment in transportation infrastructure technology companies around the world.