

# THE ECONOMIC CLUB

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

**Excerpts from the Signature Event featuring William C. Ford Jr.,  
Executive Chairman, Ford Motor Company**

**October 5, 2016**

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.

*[Right before the Great Recession began]* . . . at the time I was the chairman, I was CEO, I was president, and I was COO. 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.

. . . 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.

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, 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. . . . it was a very kind of turbulent environmental time. There was no dialogue between the two sides, and I felt there had to be.

I gave a TED (Technology, Entertainment, Design) Talk 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 GDPs 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 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. We have to have a completely new approach to what it means to move people and goods and health care around city centers.

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. What if mobility 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. The advice is transmitted back. And then, of course, if we need to deliver medicine or something, we can do that too.

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?

We are [*making electric cars*]. And yes, it will be a major part of our business. And yeah, we're being disrupted at every level. The power train itself from internal combustion to electric. The way people access vehicles. 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 other ways to access vehicles. The notion of autonomous driving, it's not science fiction. It's coming. It's coming fast.

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. 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.

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.

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.

[*on Henry Ford's legacy*] the \$5-a-day wage, when the average wage was \$2, and profit sharing. 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.

I worry about competition from everywhere. Look, we live in a very – to use an over-used term – disruptive world. 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. That's just the world we live in. 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?

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.

. . . 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 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.

. . . 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. It changed everything. Then we had things like, obviously, ambulances and police cars and fire trucks. And we were the Arsenal Democracy during World War II. So now here we are, at the threshold of a very different age.

And the challenge is, how do we reinterpret that heritage for this new era? How do we make people's lives better in this new era? To me, that's so exciting.