FORD AND THE UAW’S SUCCESSFUL PARTNERSHIP

BACKGROUND
After the near-collapse of the U.S. auto industry in 2008, Ford Motor Company and the United Auto Workers worked toward an agreement that has benefited union employees and Ford. The collaboration continued with the current UAW-Ford Collective Bargaining Agreement ratified in 2011, which is set to expire in September.

Ford aims to reach an agreement with the UAW that allows the company to remain competitive and continue creating jobs in the U.S. We also want the agreement to provide our hourly workforce with continued stability, investment in U.S. plants, and the ability to share in the success of the company. We need an agreement that enables Ford to stay flexible, create jobs and economic growth for the communities where we manufacture, and weather the storm when the next downturn comes.

WHERE WE ARE TODAY
Ford’s recent success is a result of our strong new vehicle portfolio, investments in infrastructure and technology, and the outstanding work of our hourly employees, who are more productive than ever. For example, in 2013, Ford produced 46 cars per employee versus 34 per employee in 2006.

Ford has shared its success with a broad range of stakeholders, including hourly workers. Since the start of the 2011 contract, Ford has paid, on average, more than $43,000 in profit sharing and lump sum payments to U.S. hourly workers. Since the 2011 agreement, Ford has hired more than 15,000 employees in the U.S. and invested more than $6.2 billion in U.S. plants.

Together, the UAW and Ford can continue sharing success if we remain flexible and competitive in our operations.

STATE OF THE INDUSTRY
The automotive industry has changed profoundly during the last 50 years, requiring all stakeholders to adapt. It has been years since the Big Three dominated U.S. vehicle sales.

U.S. VEHICLE SALES MARKET SHARE 1961 TO 2011

![Graph showing U.S. vehicle sales market share from 1961 to 2011. The graph compares the share of Big Three vs. International brands. The share of Big Three has decreased over time, while the share of International has increased significantly.]
Even more important than U.S. market share, though, is the industry’s increasingly global shift. Companies are manufacturing vehicles all over the world, and new competitors are entering the market with cheaper labor costs.

### 2013-2014 VEHICLE PRODUCTION BY REGION

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>16,501</td>
<td>17,419</td>
<td>5.6%</td>
</tr>
<tr>
<td>Europe</td>
<td>19,922</td>
<td>20,382</td>
<td>2.3%</td>
</tr>
<tr>
<td>Japan</td>
<td>9,630</td>
<td>9,774</td>
<td>1.5%</td>
</tr>
<tr>
<td>China</td>
<td>22,116</td>
<td>23,722</td>
<td>7.3%</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>68,169</strong></td>
<td><strong>71,297</strong></td>
<td><strong>4.3%</strong></td>
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Units Thousands, Source: OICA

While not the only driver of competitiveness, labor represents a significant cost in vehicle manufacturing. Though better positioned than it was a decade ago, Ford in the U.S. still operates at a competitive disadvantage versus other automakers. This cost gap exists between Ford and the “transplants,” or foreign automakers with plants in the U.S. In fact, Ford’s gap to the transplants is larger now than in 2011, due largely to the fact that the transplants have significantly increased their temporary workforces.

### LOOKING AHEAD TO THE 2015 AGREEMENT

The collective bargaining agreement typically covers all aspects of employment, including wages, benefits, working conditions, grievance procedures, seniority, union representation, hours of work, vacation and holidays, dues check-off and union security.

Ford’s goal is to reach an agreement with the UAW through which we can continue to share the company’s success. We recognize the UAW wants to address a number of concerns; at the same time, Ford must remain competitive and flexible in order to stay nimble in an ever-changing industry. We believe the new agreement should include:

- Future investment in our U.S. plants
- Flexibility in plant operations
- Fair and competitive labor costs, including a component of variable compensation tied to the company’s success

If we achieve those objectives, we are confident Ford can continue to grow, create good middle-class jobs and pay generous hourly employee profit sharing.

### BENEFITS OF OUR PARTNERSHIP

Ford and the UAW have come a long way since 2007, and have both benefited from working together. The UAW has taken a constructive approach in working with Ford. Meanwhile, the company has made, kept and exceeded our promises on job creation, in-sourcing and investment.
Job Creation, Investment, In-Sourcing

- By reducing our labor costs, we have been able to preserve and create jobs in the U.S. We have brought manufacturing jobs back from Europe, Japan and Mexico, ensuring more products and components are made here in the United States.
- Ford has invested more than $6.2 billion in U.S. plants and created more than 15,000 jobs during the 2011 contract period.
- For example, Ford has invested $1.1 billion in Kansas City Assembly Plant, adding more than 4,000 jobs since 2011. The job creation continues – in August 2014, Ford hired 300 new employees in Louisville, Kentucky, and invested a further $130 million in the plant there. And in February 2015, an additional 900 jobs were added to Kansas City to support demand for the all-new F-150.
- In addition, as part of this February 2015 job creation initiative, we announced approximately 300 to 500 workers would transition from an entry-level to “new traditional” wage, at $28.50 an hour.

Entry-Level Employees

- Entry-level employees receive average annual base wage increases of more than 5 percent.
- An entry-level employee hired Jan. 1, 2011, received average cash compensation of $54,000 in 2013. This is about $7 per hour higher than the average U.S. manufacturing worker.
- The entry-level structure has been a key element of our labor cost competitiveness and a driver for investment in U.S. plants.

Profit Sharing and Our Communities

- During the duration of the 2011 agreement, U.S. hourly employees will have received more than $43,200 in bonuses and profit sharing on average.
- Ford hourly employees contribute significantly less than the U.S. manufacturing average to their healthcare costs. Legacy cost sharing is 6 percent compared to an industry average of 28 percent.
- Ford’s plants have a beneficial impact on their communities, supporting not just UAW workers and their families but also local suppliers, vendors, small businesses and local governments. Each auto job supports nine other U.S. jobs – not just auto suppliers but schools, hospitals, restaurants and retail, among others.
- Therefore, our more than 15,000 added jobs mean more than 100,000 jobs for Ford communities.

WHAT’S NEXT?

We will continue working with our UAW partners on securing a fair and competitive labor agreement that allows us to further invest in the U.S. and create U.S. jobs. If you have questions regarding this process or would like to discuss it in greater detail, please contact:

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