

Ford Motor Company

Media Call

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CORPORATE PARTICIPANTS

Mark Truby - *Chief Communications Officer*

Kumar Galhotra - *Ford Blue President*

Ted Cannis - *Ford Pro CEO*

Bryce Currie - *Vice President of America's Manufacturing Ford Blue*

Liz Door - *Chief Supply Chain Officer*

Rhett Ricart - *Dealer Principal and CEO of the Ricart Automotive*

PRESENTATION

Operator

Good afternoon, and welcome to today's Ford Media Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's remarks, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. To withdraw your question, please press star then two. Please note, this event is being recorded.

I would now like to turn the conference over to Mark Truby, Ford's Chief Communications Officer. Please go ahead.

Mark Truby

Okay. Thank you, Becky, and thanks, all of you, for joining us today. Since the strike was escalated last evening to include Kentucky Truck plant, we wanted to provide a little bit more insight on to all of you on the impacts that we will be feeling and what this means for our business. Today's briefing is on the record. The materials and slides you see will be available for download and the recording will be posted online. We'll have some brief speaker remarks and then we'll turn it over to you for questions. Our speakers today are Ford Blue President Kumar Galhotra, who you know; Ford Pro CEO, Ted Cannis; Vice President of America's Manufacturing Ford Blue, Bryce Currie; our Chief Supply Chain Officer, Liz Door; and Rhett Ricart, he's a Dealer Principal and CEO of the Ricart Automotive Group.

So with that, Kumar, let me turn it over to you.

Kumar Galhotra

Thanks, Mark. As Mark said, the UAW escalated its strike strategy, this time to the Kentucky Truck plant. This plant builds Super Duties, Expeditions and Navigators for us. It's one of the biggest auto plants in America, and the largest truck plant in the world. But this goes way beyond just hitting Ford's profits. This is a significant new development in our negotiations with the UAW. We know UAW leadership set out to wound Ford for months, but this goes way beyond just to the importance of profits.

We'll address what this means for our customers for our economy and our employee, but before that, the question really to be asked is, why escalate against Ford in the first place? Just a few key points. The Wall Street Journal recently reported that UAW workers are the best paid auto workers in the world. The record offer we have made would widen that gap substantially, making it even better. Our offer includes unprecedented improvements in wages. This offer would put employees among the top 25% of all US jobs, hourly and salary. It provides great benefits. We provided product commitments for every UAW factory and provided job security commitments. It would change the lives, our employees, for the better. So all things considered, it's an incredibly positive offer.

Now, as a company if we go further, we risk the ability to invest in the business and profitably grow. And profitable growth is in the best interests of everyone associated with Ford. The UAW themselves publicly described our offer as the best offer on the table, and we bargained in good faith this week on joint venture battery plants, which are slated to begin production in the coming years. But as we've said, it does not make sense to do a deal that would ultimately--will not agree to a deal that does not allow our business a chance to survive and grow. Ford wants an

easy transition that preserves jobs and is committed to reaching an agreement that allows for that.

We are demonstrating that we want to achieve a record contract and a strong future for our employees. The UAW responded to our efforts by taking down our largest truck and SUV plant. Kentucky Truck plant is one of the most important manufacturing plants of any kind in America in the automotive industry. We want to take a moment to take you through the various aftershocks that happen when a plant like this is taken down, so let's take it from a few different perspectives. For customers, Super Duty is the work truck of choice for top industries, and this strike hurts their ability to get the trucks they need.

For employees, 8,700 workers are now earning strike pay instead of full pay, and taking down Kentucky Truck plant will hurt profit sharing. For suppliers, over 600 suppliers feed into Kentucky Truck plant. They will have to lay off workers. For dealers, Super Duty is more than 10% of their sales. Navigator is more than 20% of sales for Lincoln dealers. This immediately impacts their Super Duty customers who range from small to large business owners, because they rely on the Super Duty for their livelihood.

For all the jobs that exist because of Kentucky Truck, we're talking well over 100,000 families potentially feeling the impact. For the economy, Ford employs more than 12,000 people in Kentucky and supports a state GDP contribution of nearly \$12 billion, and that's a good thing. Being profitable benefits everyone associated with Ford. Kentucky Truck plant sustains jobs and factories that aren't as profitable. It's part of how we maintain a full portfolio of vehicles for our customers. It's also part of how we fund our EV investments and the modernization of our company.

If Kentucky Truck plant were a standalone business, that revenue would be more than about Southwest Airlines, more than Marriott International, more than Nordstrom. Much of that is driven by Super Duty. We're talking about F-series, America's best-selling truck for 46 straight years, best-selling vehicle since 1981. And all of our full-size trucks are assembled in America with UAW labor, which is unique to us. So that's what we want to take you through today so that everyone understands the true impact of taking down this planet. We have some of our leaders here, but we also have Rhett Ricart to walk you through all these impacts.

So Ted is going to kick us off. As you know, Ted is the CEO of Ford Pro. Ted, over to you.

Ted Cannis

Thanks a lot, Kumar. Super Duty is woven so deeply into every community across America, it's really hard to imagine life without it. Super Duty pickups and chassis cabs are the number one choice in the utility, mining, forestry, construction and service industries. And you might be surprised to know that at Kentucky Truck, we've already built more than 1,500 Super Duty trucks this year for uses as ambulances and first response vehicles. America's first responders rely on our heavy duty trucks more than any other brand, and Super Duty pickups and chassis cabs are the number one in that emergency response vehicle market.

And if we can't ship new Super Duty trucks, or produce the replacement parts, we're jeopardizing more than just Ford profits. And it's not just first responders. F-series is the backbone of work for the people who build our country's infrastructure and keep it running. These are the utility trucks that crews use to restore power outages and the construction trucks that help build our roads. These are the trusted trucks for a whole host of basic industries and

working in neighborhoods and cities around the community. If they're not being built and if they're not in the available, they're not working.

This strike is going to impact all of those customers and by extension, the people who rely on them. If those customers don't get their heavy duty trucks from Ford, there are other options from our competitors that built many of their heavy duty trucks outside the United States with non UAW workers, or they're not going to get a vehicle at all, and many have been waiting for these vehicles.

To share more in the impact to our production system, I'm going to turn it over to Bryce Currie, leading our manufacturing side. Bryce?

Bryce Currie

Thanks, Ted. We're focused on keeping our customers running and supplying them as best we can. But really, what I want to talk a little bit more is about the implications for our people and the families and particularly at Kentucky Truck plant today. Kentucky Truck employs nearly 9,000 people. There are very few factories in America that have more than that, as Kumar had stated.

Nearly 85% of our permanent hourly employees at Kentucky Truck earn the top wage rate of \$32 an hour. And so for most of our employees on strike or on strike induced layoffs, they go from earning approximately \$1,500 per week on average to \$500 a week in strike pay. So you can see how the disparity is growing for those who have been in strike for four weeks now, such as Michigan assembly plant and Chicago assembly plant. It's affecting people. And since Kentucky Truck plant is responsible for about 16% of Ford's global revenue, we can also assume the profit sharing for '23 will be impacted for all of our UAW represented Ford employees as this strike drags on.

Previously, we've also explained how the ripple effect when a strike targets part of our interconnected production system. The work stoppages at Michigan assembly and Chicago assembly have also forced more than 1,900 layoffs from interconnected plants. So when we go to Kentucky truck plant, it's even more. It's a major piece of our production footprint. We have 13 facilities that are either upstream or downstream of Kentucky Truck. We anticipate at nine of those plants in the coming weeks, we'll have as many as 4,600 people affected by the strike.

And I want to stress that this will be a prolonged impact, even if the strike is short lived, because bringing a plant back up is much more difficult than taking it down. And that's not just on the manufacturing plants within Ford, but it goes likewise for our suppliers. So normally, a vehicle rolls off the line at Kentucky Truck every 37 seconds, but it will be a slow ramp up before we can return back to that level. We're dealing with a cold start.

And what I'm going to do is turn it over to Liz Door, who runs our supply chain, to explain the effects that that will also have on our suppliers.

Liz Door

Thank you, Bryce. The ripple effects of the UAW strike are extending far beyond Ford. So far, the work stoppage at Michigan assembly plant and Chicago assembly plant have forced more than 13,000 layoffs, so far at nearly 90 supplier sites. The fragile supply chain will be nudged further toward collapse with this strike at Kentucky Truck plant.

In the US alone, over 600 parts supplier locations and thousands of supplier jobs support Kentucky Truck plant. We're hearing from our suppliers as they evaluate the restart process, that it will take up to four plus weeks to achieve our full production rates. Some suppliers will have to recruit for new hires to replace employees who leave for other work. The replacement workforce will need training if this matter does not resolve itself quickly.

While suppliers are only one piece of the puzzle that is hurt by these strikes, every Ford job supports 11 other jobs, from dealers, suppliers, to commercial customers and community businesses, according to a study recently done by Boston Consulting Group. That means this strike has the potential to reach much farther than the 9,000 jobs at Kentucky Truck plant, impacting approximately 100,000 in the broader economy.

Now, I'd like to turn it over to Rhett Ricart, a Dealer Principal and CEO of Ricart Automotive Group, and he has another view on these ramifications.

Rhett Ricart

Right. Thank you and good afternoon. I appreciate the opportunity to speak with you today, from the 3,000 plus Ford and Lincoln dealers in every community throughout the United States. Our commercial vehicle business for ourselves here in Columbus, Ohio, is about 20% to 25% of our business, very significant, but it has to do with the emergency, the police and other communities that we're actually under contract to not only maintain the service of their vehicles, but also when it comes to ordering and supplying them in the future.

So Ford Motor Company is the 900 pound gorilla when it comes to the commercial industry, and you saw on the on the video earlier. But the key is that those are customers out there, and those are communities. So we hope, the dealers hope and pray that they can come together with a conclusion to this because it not only affects our union workers and the workers on the assembly line, it affects the 3,000 dealers throughout the United States, as well as their families, and as well as a community's customers, all of the people that we touch every day that bring their vehicle in to get them back out on the road so they can keep our community safe and protected. Those are our main concerns, and we are all for, as I said before, hoping and praying that we can come together with an amicable solution to this.

Mark Truby

All right. Thank you, Rhett. We have our whole panel here, everybody that you heard from, Kumar, Ted, Bryce, Liz and Rhett, and we have a few minutes for questions. With that, I'll turn it back to the operator. Betsy?

QUESTION AND ANSWER

Operator

We will now begin the question and answer session. To ask a question, you may press star then one on your touch tone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed, and you would like to withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Mike Wayland with CNBC. Please go ahead.

Mike Wayland

Thank you. (Inaudible) Two questions. Just first, what was being discussed? I mean, what are the sticking points currently for the negotiations? I know you mentioned retire benefits and the EV plants, but I mean, are we still talking to find pensions and things that the union wanted to get back? And secondly, how quickly do you expect the ripple effects to occur from Kentucky Truck to other Ford plants as well as suppliers?

Mark Truby

Maybe Kumar, take the first one and then Bryce if you could take the second.

Kumar Galhotra

Hi, Mike. So we've been working with the union quite intensely, obviously for last several weeks. And this last week, the two areas we were talking about, you're correct, was pensions, and also the battery plants. And frankly, we thought we were making progress on both and were quite surprised at the escalation. As I said earlier, we've made an outstanding offer. It's great wages. It's great benefits. We've been bargaining in good faith.

The battery plants are not as straightforward proposition, unfortunately. It's a very complex area, because these are joint ventures. The plants aren't even built yet. We haven't hired the workforce yet. The workforce isn't unionized yet. Yet, we are very open to working with them on a way forward on the battery plants. So those are the two key items we were working on and frankly, we're surprised by the escalation yesterday.

Mark Truby

Bryce, you want to take the second question?

Bryce Currie

Sure. With respect to the ripple effect, we expect within the week, there will be impact on some of our component plants that supply to KTP. As you know, you have engine, transmission, stamping, axles. So they will have effects throughout the week and into next week if this were to continue to go on, and that can also have outward effect on some of our other assembly plants because of our stamping that is within the Kentucky Truck plant.

Mark Truby

Great. Next question, please.

Operator

The next question comes from David Shepardson with Reuters. Please go ahead.

David Shepardson

Hey. Thank you for doing the call. I just wanted to follow up on the battery plant question, and I understand the constraints you referenced about where the plants are in terms of being built and they haven't started production. Do you know yet what GM has apparently agreed to with the UAW? Is that a template that you think you could embrace, or something similar, some framework with the UAW, but including workers under the master agreement? And on your economic offer, I mean, is the offer you made, is that it? I mean, do you see any potential room to move up, or is this basically your final offer to the union?

Mark Truby

Thanks, David. Kumar?

Kumar Galhotra

Thanks, Mark. Thanks for the question, Dave. On your question about are we aware of what GM has done? We're only aware of what's been said publicly by the union. We, on our part, have come at this in multiple different ways and made several proposals to the Union on how we could move forward on it. As I said, fairly complex, from both JV perspective as well as a legal perspective. And we thought we were working through those potential proposals, but clearly wasn't good enough for them because they escalated it yesterday.

On the economics, I would say, yes, we're pretty much--we have reached our limit. We've actually stretched ourselves to get to this point. That wasn't done in a vacuum, that was done in multiple discussions with the union leadership, both the union international leadership as well as the Ford department leadership, and we're still working on to get this done. But broadly, I would say, and when I say we're working to get this done, we're open to moving some money around within the deal that might fit the union's needs better. But broadly speaking, from an overall cost of the deal perspective, yes, we're there.

Mark Truby

Thanks.

Operator

The next question comes from Keith Naughton with Bloomberg. Please go ahead.

Keith Naughton

Hi. Thanks for taking the question. Perhaps, Bryce could address this, but the union is saying that actually, Ford, since the last proposal two weeks ago, or I think it's actually 10 days ago, Ford has been indicating that there would be more to come on the economic proposal, that there was room to improve it and that's what they were asking for yesterday. What do you think of that characterization, and how would you counter that?

Mark Truby

Maybe Kumar?

Kumar Galhotra

We have been very clear that we are at the limit. And like I just said, Keith, we stretched to get to this point. Going further will hurt our ability to invest in the business like we need to invest. I am surprised. I haven't heard that directly from them, but if you're saying that they're saying we were indicating the movement, we have given no such indication. Now, we're open and like I said, again, open and willing to work with them within that framework, within a certain amount of total cost of the deal that might fit their needs better.

Bryce Currie

The other thing I would say is the strong focus for us and guidance from the union over the last week was to focus on our battery language, back and forth, as well as what we were working on with respect to retirement and coming up with some creative solutions, so that's what we did.

Operator

The next question comes from Chris Leach with Lexington Herald. Please go ahead.

Chris Leach

Hi. I know you mentioned about the amount of income that the Kentucky Truck plant delivers for you all yearly. I was just wondering if you could maybe even describe just how much product or how many vehicles the truck plant is responsible for making? And is there a way that you guys

can even prepare for the amount of losses that you guys were going to have as a result of the decision that was made?

Bryce Currie

I mean, as I said, we make, out of Kentucky Truck, every 37 seconds, there's a vehicle that comes off. So you can do the calculation. It's in the hundreds of thousands. So that's where I would leave it on that.

Kumar Galhotra

Yeah, it is one the, if not the fastest automotive assembly line in the world. It is a very important product for us. As far as your question on profit, given that our earnings are coming up in a few days, I don't think it would be appropriate for us to comment on the profit impact.

Operator

The next question comes from Jordan Grzelewski with The Detroit News. Please go ahead.

Jordan Grzelewski

Thank you. I wanted to follow up on some of what's been said about the battery plant discussions. Kumar mentioned that there were possibilities being explored. Can you elaborate at all on what the potential pathways are that are being discussed? And secondly, what role if any, is your joint venture partner playing in these discussions?

Kumar Galhotra

Hi, Jordan. Thanks for the question. Given the complexity of it, given the fact that we do have a very serious partner, and given the fact that the factories are yet to be built, staffed or organized, it is a very complex question to deal with that future. Like I said, we're trying to come at from multiple angles, but given that this is still in active negotiation, I don't think it would be appropriate for me to give any more details on that.

Operator

The next question comes from Tom Krisher with Associated Press. Please go ahead. Tom Krisher, your line is live now.

Tom Krisher

Yeah, sorry. I was on mute. I was going to ask if--you're basically dealing with a pot of money that you say can't be expanded, that you're not going to go any further than this pot of money. Are you still confident that there's some way to fund all these buckets and maybe hit some of the defined benefit pension demand and the retirement health care plan? Can you do all that and reach an agreement?

Kumar Galhotra

We believe so. We believe the offer that we have made is very strong. It is very fair for our employees. Our employees already have some of the best health care in the world, period. I think it's top 1% kind of health care available in this country. We contribute very substantially to their 401-Ks. And like I said, Tom, we are willing to--like, if the union fields, one of those items on their sheet is more important than the other, we are not only willing, we have been having those discussions with them. But we have to set a very clear limit beyond which it starts to hurt our business and starts to hurt our future, and that is not good for anybody. It's not good for us, and obviously not good for the union membership because it hurts the success of the company in the future.

Bryce Currie

The other thing, Tom, is we've tried to address all different people at different stages of their career, if it's our people that are legacy, that are in progression at top rate, and progression in temporary, as well as retirees and tried to do everything to address all people with a very substantial and record offer that we've done.

Kumar Galhotra

Yeah, I just want to emphasize this. I've been asked, how do you describe fair? Well, this job offer, the wage offer that we've put on the table besides great health care and other benefits, puts our employees, and this is great for them. We love it. We want them to be successful, puts them in the top 25%. I'm sorry, top 25% of this country's jobs, period. All jobs, not hourly jobs, not factory jobs, top 25% of all jobs, which we think is great. And we are obviously disappointed that despite such a great offer being at the table, the union is continuing to escalate the strike which is now starting to hurt tens of thousands of families within our company and hundreds of thousands of ripple effect.

Operator

The next question comes from Mike Martinez with Automotive News. Please go ahead.

Mike Martinez

Hey, guys. Quick two-parter here. Kumar, could you say approximately how much would your most recent offer costs the company over the course of the deal? And secondly, I know there's always concern about potential damage when a plant is shut down abruptly. Sounds like it happened very quickly yesterday. Do you guys have any intel there? Was it early? Was there any damage? Can you provide any insight?

Kumar Galhotra

Hi, Mike. Good afternoon. On the first one. Again, given that we haven't reached a deal yet, it would be inappropriate for me to give a broad number of the total deal. We're still hoping to continue to work with the union and reach a deal as quickly as we can. Given the escalations that have been happening, Bryce and his team have been very diligent in making plans so that we can protect all the people in the plants, first and foremost, and bring the plants down safely and not hurt any equipment.

Bryce, you might know something different, but I think it went fairly smooth last night.

Bryce Currie

Yeah, I would compliment both the UAW and the Ford leadership on how it went to gather out and to make sure, number one, people were safe. Number two, that we took down our key equipment in a warm to a cold state and protected assets. And that's been the MO for the three assembly plants that we've taken down.

Operator

Our last question for today comes from Claire Bushey with Financial Times. Please go ahead.

Claire Bushey

Hi. I just want to go back to these battery plants that everyone else has asked about. And I'm just curious, what is the difference between GM and Ford, that GM, which also has joint venture agreements for its battery plants, how is it that they can apparently agree to add those plants to

the UAW Master Agreement, but Ford says it cannot agree to do that? I mean, is Ford operating under constraints that don't apply to GM?

Kumar Galhotra

Well, there are multiple differences. Our partners are different. GM is partnering with a different company than the company we're partnering with. I'm not familiar with the structure of their deal, so how we consolidate these joint ventures could be different between them and us. And thirdly, you use the word apparently. I don't know what the GM deal is with the UAW or isn't, so it would be very difficult for me to comment on what's different.

What I can tell you is we've taken all of our constraints and very diligently gone through all those complexities and tried to find a way forward on coming up an agreement that works for the Union, for the future of the battery plant and works for us. And we've made those proposals in great detail in writing to the Union multiple times over the last two weeks. And like I said earlier, we were having that back and forth. We provide the proposal, they mark it up, give it back to us, normal part of negotiation, especially in a situation like this, where it's got to be done in a way where it's totally legal, and protects all parties, including our joint venture. So we were progressing all that and were surprised by the escalation last night.

CONCLUSION

Mark Truby

Okay. Thank you all very much for taking the time to join us today. Hopefully that was helpful. Again, the materials will be posted for download. And there's a replay online if you missed some part of this. Our Ford communications team is standing by to help if you have further questions. You know how to reach us, call TR, Reed, or Dan Barbossa, myself, and thank you very much.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.