What Bill Ford Said, And EIR's Analysis

We excerpt here the remarks made Nov. 22, 2005 by Ford Motor Co. chairman and CEO Bill Ford at the National Press Club in Washington, D.C. Interspersed with Ford's remarks (printed here as prepared for delivery) are comments by the staff of EIR*, which appear in italics.*


Ford Motor Co.

Ford: . . .As you may know, Business Roundtable focusses on issues that affect the economic well-being of the nation. Today, I'm here to talk about the energy challenges facing our country and how we must rise to those and other manufacturing challenges through American innovation.

It's difficult to conceive of any issue that touches more of our lives than energy. It drives our mobility, our appliances, and our choices about how far we can live from our jobs. It affects our environment, our national security, and our household budgets. . . .

When I became CEO, I decided to invest in new products that were more fuel efficient. I believed back then that the days of cheap gasoline were numbered. That led to the creation of the world's first hybrid-electric SUV, the Ford Escape, and inspired our decision to build up to 250,000 hybrids a year by 2010. . . .

I believe that as an American company, we have the responsibility to the nation to take these steps. Not just because they will help our bottom line, although they ultimately will, but because it's where our future lies. And if we want to succeed as a company and as an industry we must drive innovation into everything we do: into technology, into safety, into design, and into real-world solutions for environmental issues, like the impact of energy usage on our world.

This is not a new prescription for success, but the urgency couldn't be any greater. Innovation is always what's made American manufacturing the envy of the world, the engine of ideas, the means by which our nation protects its freedom.

Consider my own company's history. Innovation is what made Ford a leader—from the Model T, to the assembly line, the $5-a-day wage, flathead V-8, seatbelts and passenger-side air bags. Innovation is what created the great Lincoln Continentals, the '49 Ford, the T-Bird, the Mustang, and the best-selling trucks the world has ever seen. It's also what helped us play a vital role in Detroit's Arsenal of Democracy. As you may know, Ford applied its manufacturing prowess to the construction of the B-24 Liberator Bomber at our Willow Run facility.

The rapid conversion of the automobile industry to airplane production, at and beyond the frontiers of existing technology, during Roosevelt's war mobilization, sheds light on what is the only practicable solution to the industry's problems today, as Lyndon LaRouche presents it in his accompanying open letter to Chairman Ford and supporting memoranda.

While we need not suspend civilian passenger-car production today as we did during World War II, yet we must recognize that such production will not continue at sufficient levels to employ even the existing, stripped-down automotive labor-force and plant. Yet auto (with aerospace) constitutes the heart of our vital machine-tool design capability. Losing it would consign us to virtual Third World status, as LaRouche has often noted.

But at the same time, we urgently need large-scale maglev (magnetic levitation) and high-speed rail systems for freight and passenger transport, upgraded water-management and water-borne transport systems, and vast arrays of power-generation systems. After Hurricane Katrina, beyond simply rebuilding destroyed housing and other buildings, the water-transport, water-management, and port infrastructure which connected the North American heartland with world commerce through the Mississippi River and the Gulf ports, must be rebuilt, and in part replaced. As with the planes and tanks of World War II, an upgraded U.S. automotive industry has an absolutely irreplaceable role in the production of these high-technology systems of the immediate future, and beyond.—EIR

Ford: Beyond the auto industry, going back to our nation's founding, innovation has been the driver behind America's leadership. For nearly a hundred years, from 1850 to World War II, innovation was largely driven by entrepreneurs sensing needs and proposing solutions. The Cold War era ushered in a new dynamic to American innovation: the collaboration between government and business. Look at all that partnership has spurred: the polio vaccine, the Internet, GPS systems, cell phones. The list goes on.

Now, more than ever, with the competitive pressures of globalization, America needs to respond to the economic challenges of our time. This is not the moment to stop investing and concede our competitive edge in vital parts of the economy. Just the opposite—we must take the lead and show the world that there is only one, true innovative manufacturing giant. And it has three distinct initials: U.S.A.

As I said, that's a mandate that we must heed in the domestic auto industry. It's at the core of my decision-making. If we don't get in front on the challenge, if we don't adapt to a

Courtesy of Ford

The vast Ford River Rouge complex in Dearborn, Michigan, played a vital role in the World War II mobilization, and could be retooled today for producing transporation and power infrastructure, or whatever is needed.

changing market and shifts in consumer demand, then, like any business, we deserve to suffer the consequences. However, if we innovate and take the necessary steps, we will succeed as we always have, with the might of America behind us. That's what we've done throughout American history, through the ups and downs of war and tough economic cycles. Our government must view the challenges of this era through the same lens and stand by American workers, and American industry, as it always has. . . .

Under our system, the American System of political economy, only the Federal government bears the ultimate responsibility for the development of all *of the people and* all *of the land area. A core competence of the Federal government is therefore to ensure the creation and expansion of essential national infrastructure, regardless of which parts of that infrastructure are to be owned by regulated private utilities, and which owned by units of local, state, or Federal government.*

Throughout our history, great projects of national infrastructure have been funded, directly or in effect, by low-cost credit issued and directed by the Federal government to that purpose. We must return to that tradition now, under a Federally reorganized financial system which will make it possible to do so.—EIR

Ford: The fact that American auto-making has been a powerful engine for jobs, research, and economic development has not been lost on other nations. They see the great potential. That's why they are investing collaboratively with their domestic auto companies to expand into markets such as ours. Take Japan, for example, where the social costs of labor, such as health care and pensions, are spread across the entire population. The government there has actively helped fund advanced technologies that would offer their businesses a competitive advantage in the future. The hybrid batteries are an example of that. Nearly a decade ago, the government offered subsidies to their domestic auto suppliers to build hybrid batteries, which are one of the most expensive components of today's hybrid vehicles. That gave them a headstart. Today these batteries are in high demand and in short supply. We need to develop the capabilities to build these batteries here in the U.S.—or we will find ourselves increasingly hostage to foreign components. . . .

Like all new inventions, the first few years of any new product are the most cost-intensive and the least profitable. It takes time to roll out your products in sufficient volume to recover your costs. And it becomes harder and harder to make those long-term investments alone. Just as other countries have found manufacturing important enough to make a priority, this country should as well. It ultimately means more jobs, more tax revenue, and a position of strength and leadership in the world. Japan recognizes what's at stake. So does South Korea. And China. And others are getting in line. They're obviously onto something.

There are some who shrug their shoulders at all this. They say American manufacturing is yesterday's news and that we should rely squarely on the service sector. They say it's okay to be a consumer society and to leave the production to other parts of the world. They say that the only thing that matters is that we get our goods as cheaply as possible; that we shouldn't worry about the collateral damage.

Well, I'm not convinced.

Precisely. Indeed, it is past time to admit that the "post-industrial services economy" has been a cruel hoax. Every so-called "reform" in economic and related policy for the past 30 years, has been purely for the worse. It is long past time to abandon that failed experiment at last, and return to American System policies like those of Franklin Roosevelt, under which we recovered from the Depression of the 1930s, led in defeating world fascism, and then inaugurated the greatest sustained period of growth in the history of the participating nations, led by the United States.—EIR

Ford: I believe that with the right investments, America and the American manufacturing sector can win. It can maintain its leadership stature in the world. And we can reduce our dependence on foreign oil. All at the same time. But we can't

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A Ford Mustang assembly line. Tens of thousands of auto workers are being thrown out of work, due to the foolish "post-industrial" shift into the service sector.

get there alone.

Today, I want to talk about several measures America can take in the short run that I believe will bear fruit for years to come.

First and foremost, we all know that research and development is the lifeblood of manufacturing. But as I said, it's costly and the payoffs are longer-term. That's why I urge Congress to invest in America and dramatically increase the R&D tax credit to more directly support companies working on advanced vehicles, components, and fuel technologies. Technologies like hybrids, ethanol, hydrogen, and clean diesel. This investment would help build a supply base right here in America for critically needed energy saving fuels.

Second, I'm sure you've read about the turmoil that global competitors have thrust upon domestic auto suppliers. Part of the problem, as you know, is the simple fact that there are too many plants with old technology that's becoming more obsolete with each passing day. That's especially true in light of advanced technologies that are created outside our borders.

I believe there is an opportunity here to convert some of our industry's existing plants so we can build advanced technological vehicles and components. I urge Congress to consider tax incentives to help American manufacturers convert existing—but outmoded—plants into high-tech facilities.

Absolutely right. LaRouche addresses the forms in which this high-technology reconversion is practicable, in the accompanying letter and memoranda.—EIR

Ford: Third, converting facilities is only part of the equation. We also need to invest in the American workers who build the products with training programs and incentives to upgrade worker skills. That will help us move into the future while preserving American jobs.

Fourth, building advanced fuel vehicles is essential. But getting Americans into them is equally important. We need to reduce our dependence on foreign oil. Hybrids and ethanol vehicles are the most practical ways to do that right now—not in the distant future. But hybrids are still more expensive to make than pure gasoline-powered cars. The 2005 Energy Act provides up to $3,600 in tax credits for Americans who buy hybrids. For example, beginning January 1st, our Ford Escape and Mercury Mariner hybrids will be eligible for those consumer tax credits. By encouraging consumer support for a promising new technology, our government is supporting innovation and investing in our nation's future. We should look for other ways to encourage Americans to buy fuel-saving vehicles. . . .

Fifth, I spoke earlier about our ethanol program. The 2005 Energy Act encourages the use of ethanol, in particular the higher-content E-85 fuel. It's a great, innovative first step, but it's only a first step.

The U.S. auto industry has produced more than 5 million flexible fuel vehicles—but there are only 500 such fuel pumps in America . So while we're building vehicles that can handle ethanol, Americans have few places to go and fill up their tank. If we're serious about reducing our dependence on foreign oil, we need to get serious about making ethanol available to customers. . . .

Sixth and finally, in September I wrote President Bush a letter suggesting he convene a group of automakers, suppliers, fuel providers and government agencies to address America's energy challenges. Later today, I'm meeting with members of his Administration to discuss this idea further. Because now, more than ever, I believe we must take action. If we put our heads together, and keep in mind our shared interest in America's future, I'm confident that we can innovate our way toward the right solutions.

This would seem to complement Sen. Hillary Clinton's (D-N.Y.) proposal to President Bush that he convene a national "automotive summit," which EIR *supports.—EIR*

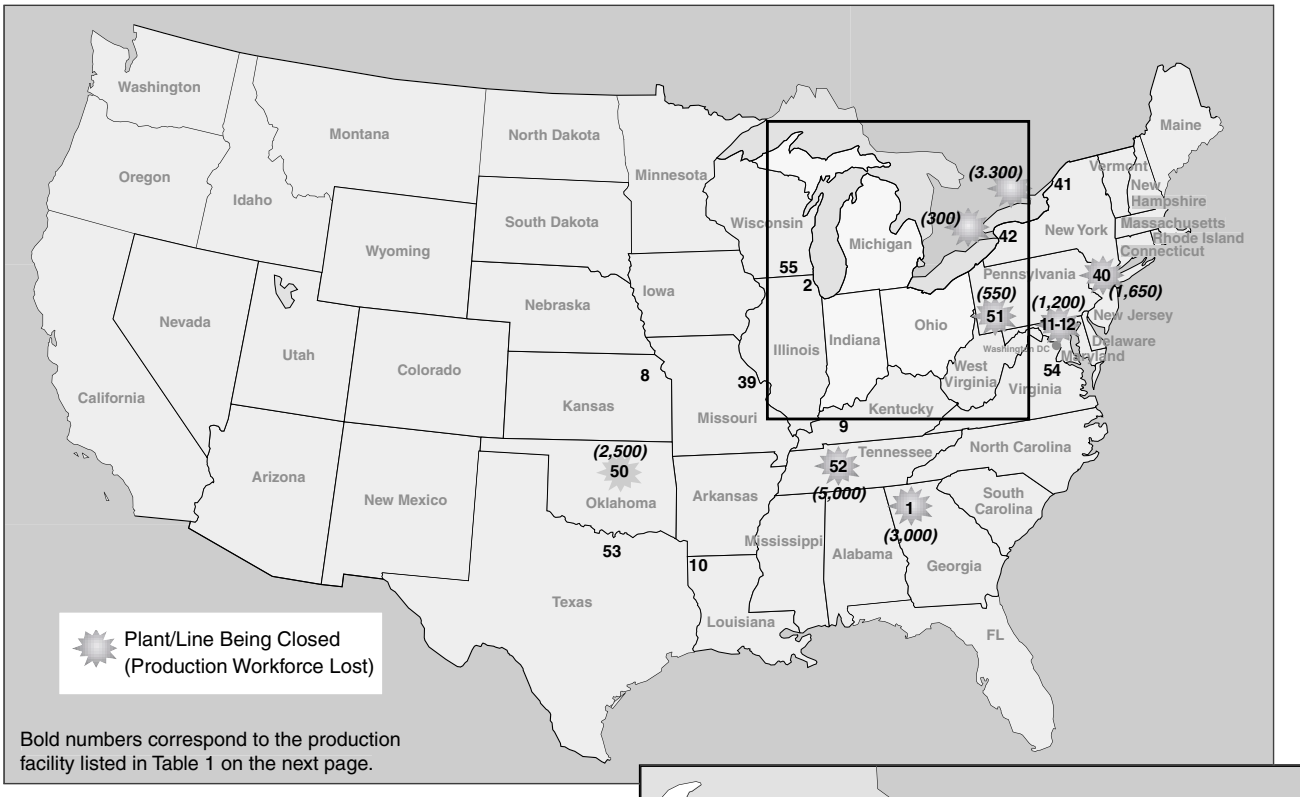
Ford: Let me conclude by saying this: Nothing I spoke about today is a partisan issue. It's not Democratic or Republican, red state or blue state. If we make the right investments today, in the right innovations, our country will benefit for generations to come.

This Thanksgiving weekend, as you're driving to visit family and friends, think about the mobility we all take for granted. We all depend on an energy supply that is increasingly scarce and expensive and a world beyond our borders that is filled with unrest. We should all pause and think about what we need to do as a nation to face and overcome these challenges—and to be thankful for all the blessings that we enjoy.

Thank you, happy Thanksgiving, and I'm glad to take a few questions.

FIGURE1

Critical Auto Capacity To Be Saved: GM Capacity Shutdowns 2005-2008



'Third World' Economy?

The map of North America shows the prospect resulting from just one company's auto-cannibalization—unless the industry is saved by the kind of emergency action LaRouche outlines in his open letter and memo.

If the announced shutdowns are carried out, GM will have eliminated one-third of its North American capacity since 2000, when it produced 6.2 million vehicles. It will have eliminated 30% of its production workforce of 2000, and 85% of its 520,000-strong production workforce of 1978! As for its white-collar employees, it will have fired 40% of them since 2000.

Of the 30,000 production workers GM's CEO Rick Wagoner announced on Nov. 14 he will fire, 26,400 are in the United States, the rest in Canada. **Table 1**, *page 20, lists GM facilities by state.*

In an even shorter time-frame, GM's former subsidiary and major parts maker, Delphi Automotive, threatens to fire 12,500-24,000 (or 35-70%) of its production workforce of 35,000, and to close at least 10 of its 23 U.S. production plants. And Ford Motor was scheduled, before William Ford's Nov. 22 speech, to make a January 2006 announcement of a similar drastic cannibalization.

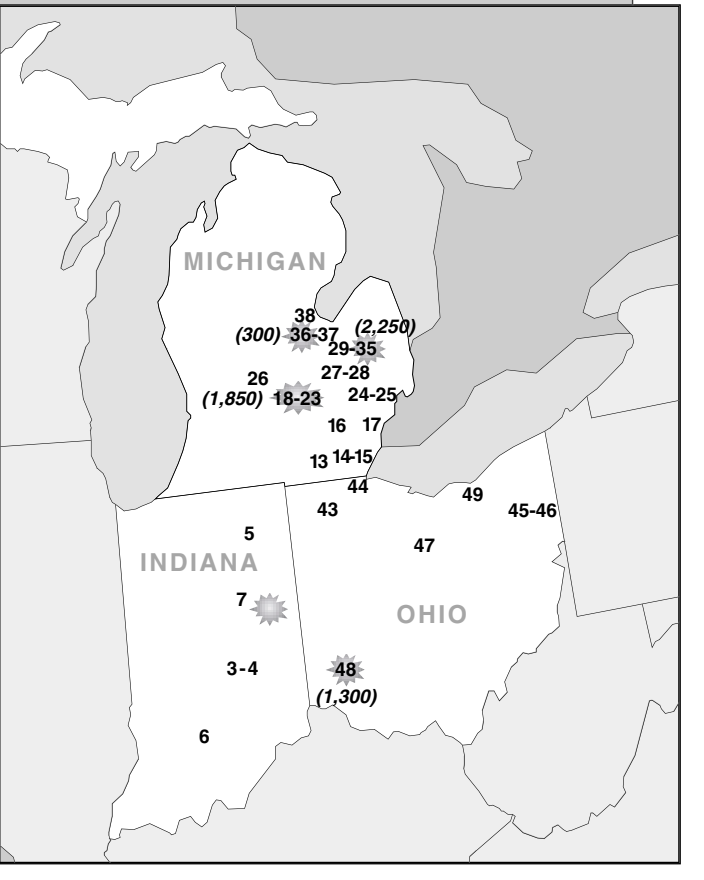


TABLE 1
GM Production Facilities, 2005

No.	State	City	Type of Facility	Hourly Workers	Salaried Workers	Plant Square Feet (Millions)
1	**Georgia**	Doraville	Assembly	2,856	220	3.6
2	**Illinois**	LaGrange	Electro-Motive	823	769	1.3
3	**Indiana**	Indianapolis	Transmission	2,500	1,300	3.5
4		Indianapolis	Metal Center	1,473	159	2.1
5		Fort Wayne	Assembly	2,716	184	2.5
6		Bedford	Foundry (PT)**	747	133	0.9
7		Marion	Metal Center	1,442	172	2.1
8	**Kansas**	Fairfax	Assembly	2,650	200	2.5
9	**Kentucky**	Bowling Green	Assembly	1,014	116	1.0
10	**Louisiana**	Shreveport	Assembly	3,000	200	3.1
11	**Maryland**	Baltimore *	Assembly	883	120	3.0
12		Baltimore	Transmission (PT)	376	68	0.4
13	**Michigan**	Ypsilanti—Willow Run	Transmission(PT)	3,419	338	4.8
14		Romulus	Engine (PT)	1,800	225	2.1
15		Romulus	Transmission (PT)	390	30	0.4
16		Livonia	Engine (PT)	344	88	1.0
17		Detroit/Hamtramck	Assembly	2,500	220	3.5
18		Lansing	Car Assembly—Body	2,170	349	2.6
19		Lansing	Car Assembly—Chassis	2,442	0	4.1
20		Lansing	Assembly	336	62	1.0
21		Lansing—Delta Twnshp	Assembly	130	16	0.6
22		Lansing—Grand River	Assembly	1,303	185	2.0
23		Lansing	Metal Center	1,514	144	1.7
24		Warren	Technical Center—Engineering	2,400	16,000	10.0
25		Warren	Transmission (PT)	1,200	200	2.1
26		Grand Rapids	Metal Center	2,199	245	2.0
27		Pontiac	Assembly	5,200	257	2.9
28		Pontiac	Metal Center	1,945	228	3.7
29		Orion	Assembly	2,078	179	4.0
30		Grand Blanc	Metal Center	1,330	80	1.7
31		Flint	Metal Center	2,000	215	1.9
32		Flint	Tool & Die Metal Fabricating	334	31	0.3
33		Flint	Truck Assembly	3,320	294	3.7
34		Flint—South	Engine (PT)	608	93	0.7
35		Flint—North	Power Train	2,262	360	n/a
36		Saginaw	Malleable Iron (PT)	292	41	0.3
37		Saginaw	Metal Casting (PT)	1,728	227	1.9
38		Bay City	Power Train	837	120	1.0
39	**Missouri**	Wentzville	Assembly	2,101	188	3.7
40	**New Jersey**	Linden	Assembly	1,654	88	2.6
41	**New York**	Massena	Power Train	462	91	0.9
42		Tonawanda	Engine	2,415	343	3.1
43	**Ohio**	Defiance	Foundry (PT)	2,174	296	2.0
44		Toledo	Transmission (PT)	3,185	273	1.8
45		Lordstown	Assembly	3,408	273	3.6
46		Lordstown	Metal Center	1,661	191	2.2
47		Mansfield	Metal Center	2,300	230	2.1
48		Moraine	Assembly	3,821	344	4.1
49		Parma	Metal Center	2,130	222	2.3
50	**Oklahoma**	Oklahoma City	Assembly	2,534	200	3.9
51	**Pennsylvania**	Pittsburgh	Metal Fabricating	541	72	0.8
52	**Tennessee**	Spring Hill	Assembly	5,067	709	5.2
53	**Texas**	Arlington	Assembly	2,634	195	3.8
54	**Virginia**	Fredericksburg	Power Train	219	29	0.3
55	**Wisconsin**	Janesville	Assembly	3,600	300	4.8

*This Baltimore facility was closed as of April 2005. **Power Train
Sources: General Motors, Inc. data; *EIR.*