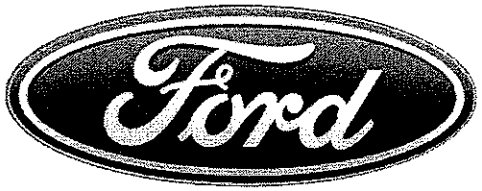
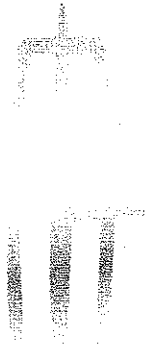




Steve Lewis
Charlie Pryde

Senate Finance Committee

April 2012

THE IMPORTANCE OF PERSONAL PROPERTY TAX REFORM TO FORD MOTOR COMPANY

Steve Lewis, Director Strategic Planning, Manufacturing
Charlie Pryde, Regional Director, Government Affairs

Goals for Today's Testimony

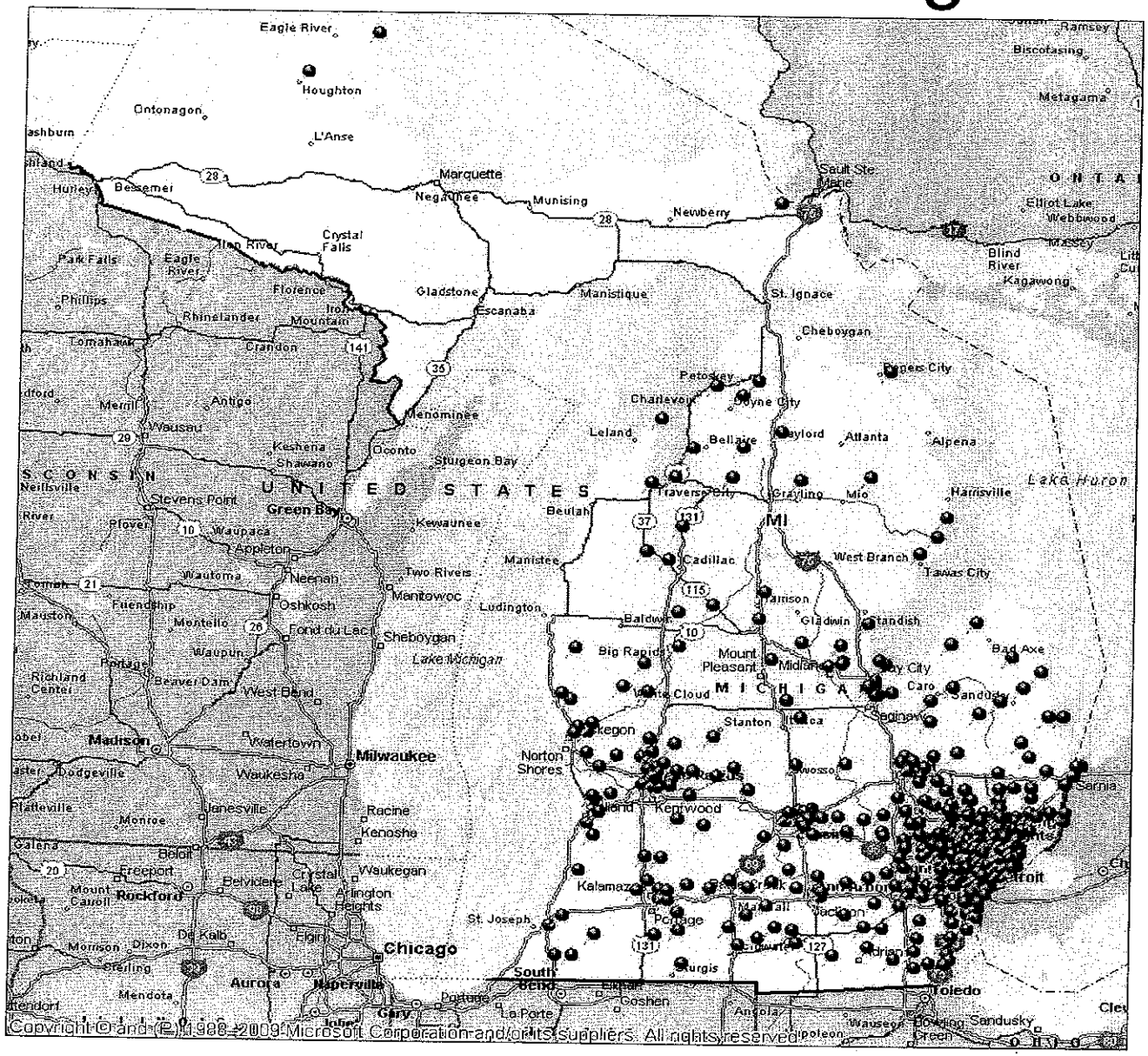
- Direct a bright light on Industrial Personal Property tax and what it really taxes
- Describe how the tax strikes at the core of manufacturing and places a burden on competitiveness

FORD IN MICHIGAN

- Ford employs about 40,000 people in Michigan
- 16 major manufacturing facilities
- Facilities produce the F-150, Mustang, the new Focus, and soon the all new Fusion
  - In addition, this center of economic growth produces engines, transmissions, and powertrain components for a full-range of Ford and Lincoln products
- In 2011, Ford purchased almost $16 Bils. worth of goods and services from more than 2500 Michigan-based suppliers
  - In 2009, Ford purchased $12.6 Bils. worth of goods and services

Ford Supplier Locations in Michigan

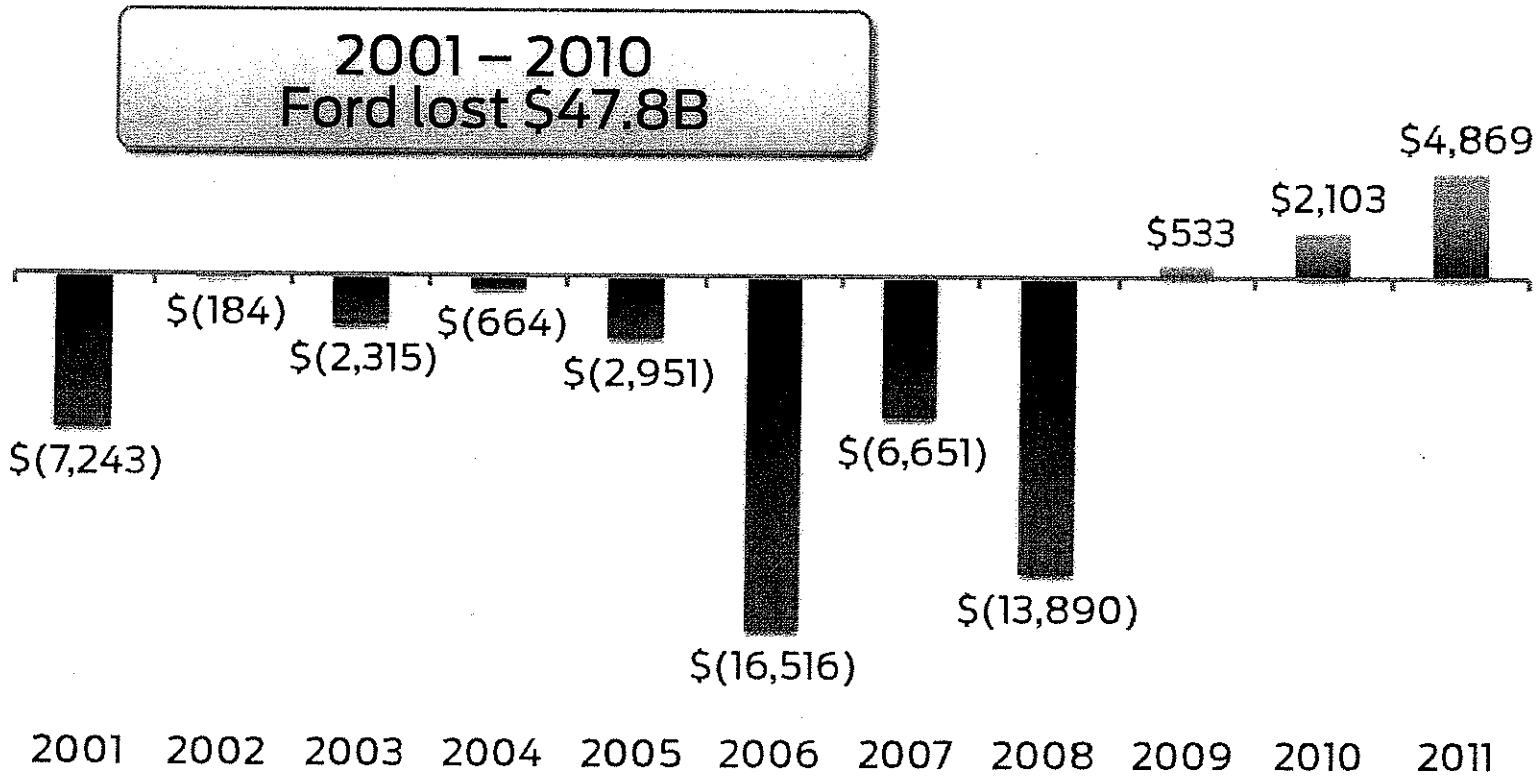
Ford purchased almost $16 Bils. worth of goods and services from more than 2500 Michigan-based suppliers in 2011.



STEVE LEWIS
DIRECTOR STRATEGIC PLANNING

FORD AND MANUFACTURING EQUIPMENT TAXES

FORD U.S. AUTOMOTIVE PROFIT BEFORE INCOME TAXES
IN MILLIONS



* Amounts include special items.

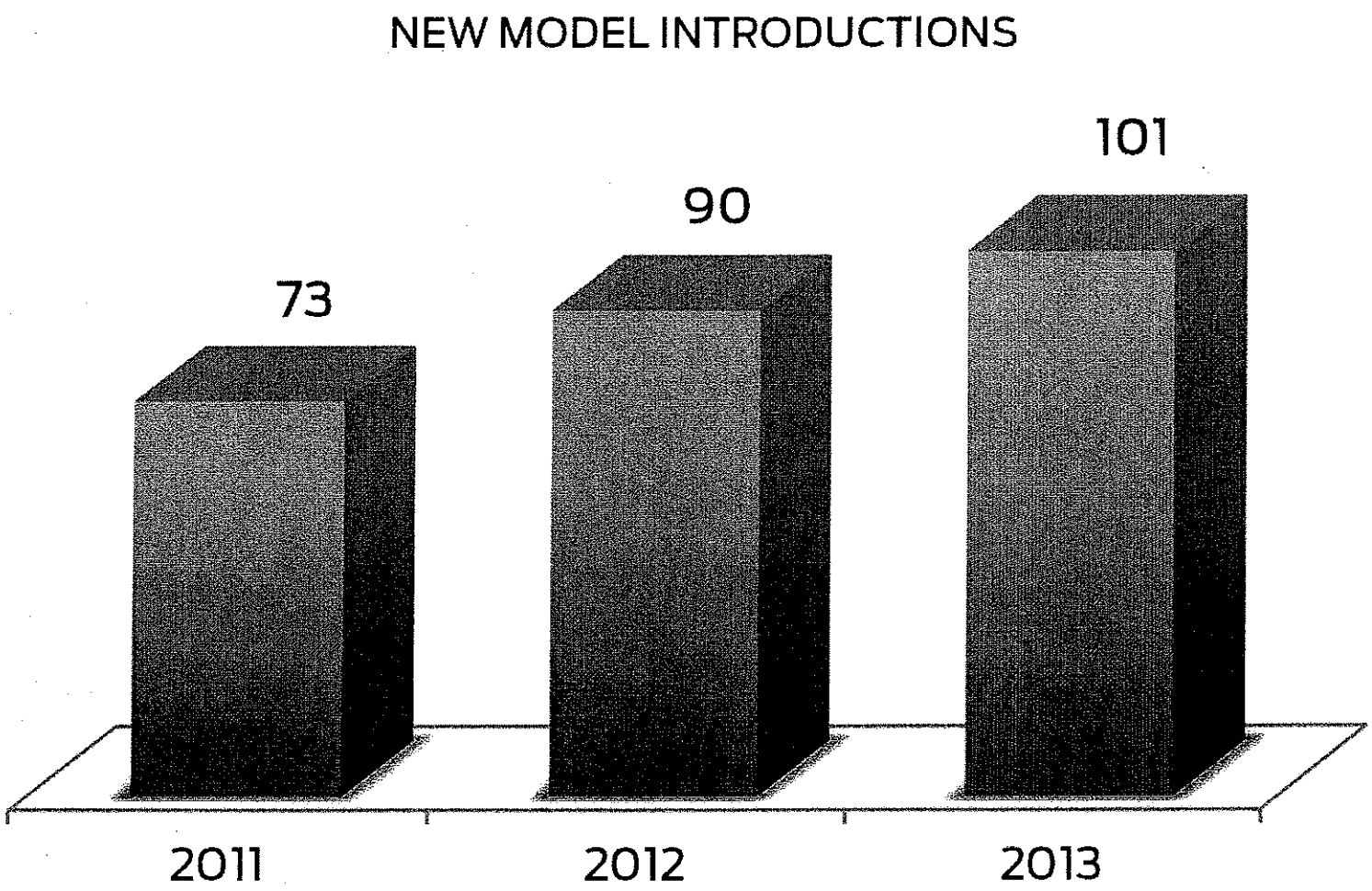
FACING COMPETITIVE REALITIES IS CRITICAL FOR SURVIVAL IN TODAY'S GLOBALLY COMPETITIVE MARKET

RESTRUCTURING OUR BUSINESS

- Ford has reduced structural costs by more than $10 billion in the past 6 years
- Dramatically reduced our over-capacity
- Reduced salaried, hourly headcount by over 40%
- Reduced automotive debt from $34 Billion in 2009 to $13 Billion by 2011 year-end
- Improved our manufacturing competitiveness – particularly by working with the UAW
- Reduced product engineering and tooling costs
- Consolidated our Dealer Networks

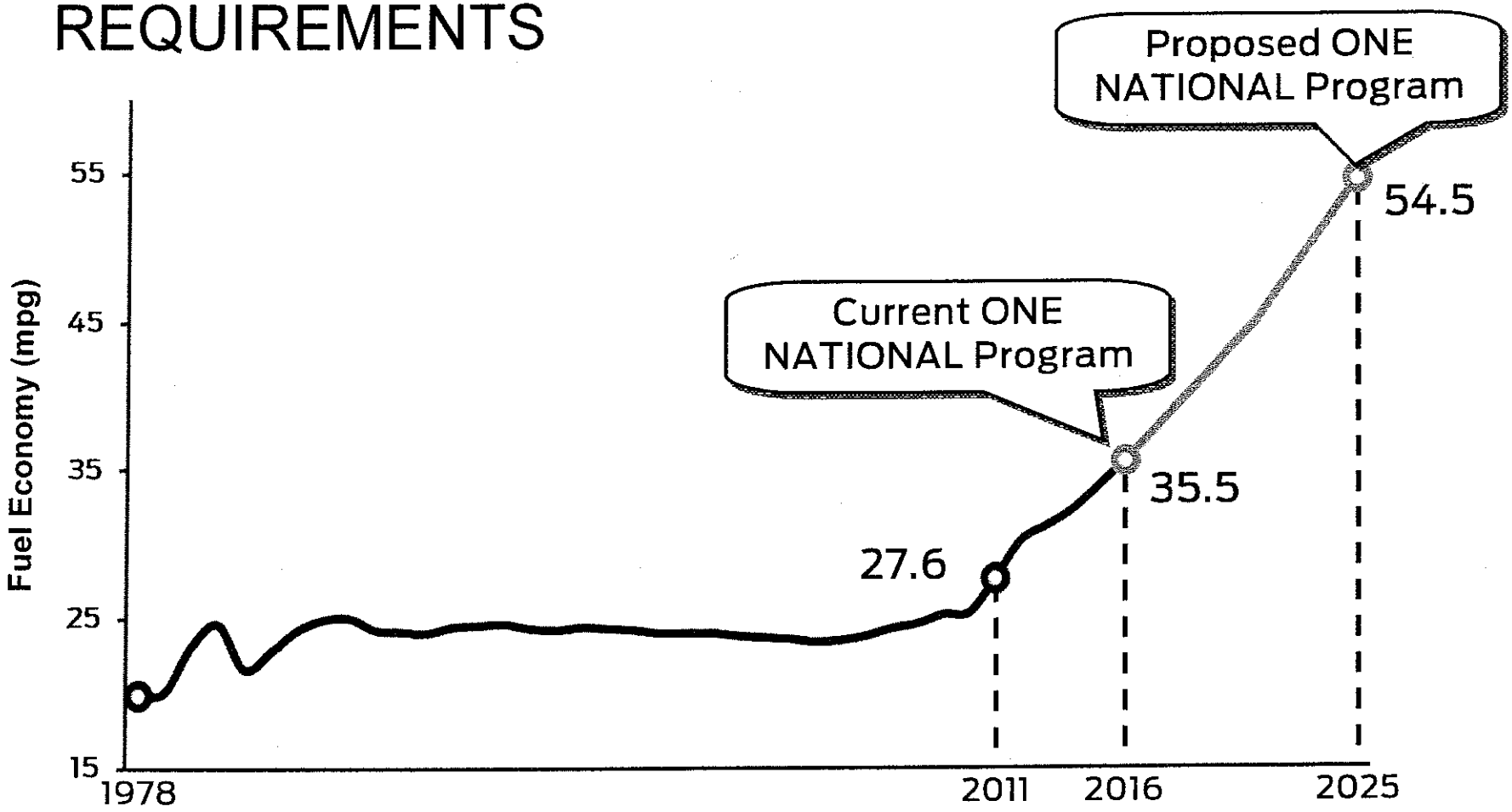
REDUCED STRUCTURAL COSTS SIGNIFICANTLY; LOWERED BREAKEVEN VOLUME

VEHICLE LAUNCH ACTIVITY



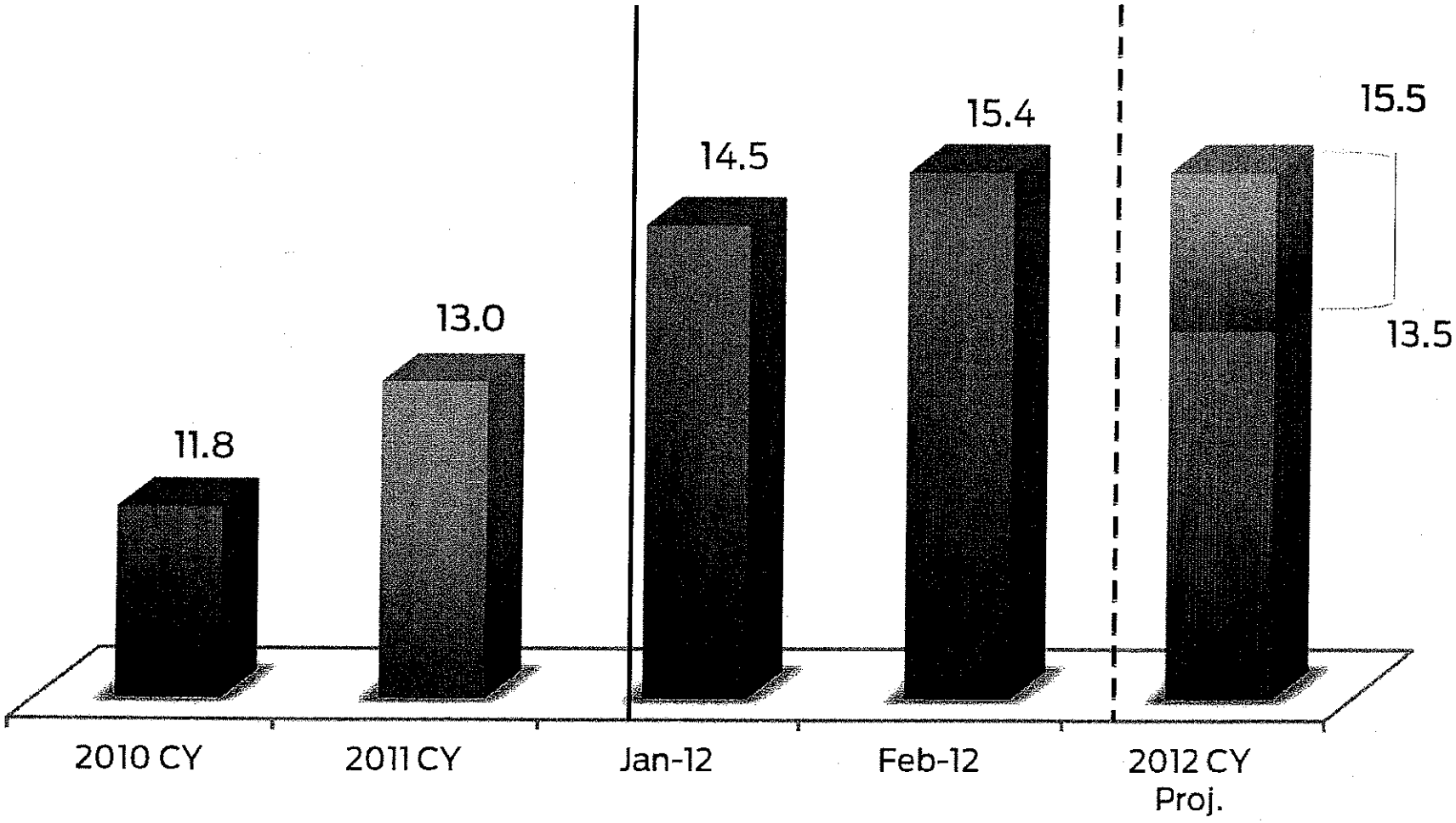
Source: Polk SAA – State of the Industry February, 2012

ONE NATIONAL PROGRAM
U.S. CORPORATE AVERAGE FUEL ECONOMY REQUIREMENTS



FUEL ECONOMY IS DEFINED BY WHAT CONSUMERS PURCHASE, RATHER THAN WHAT MANUFACTURERS PRODUCE. CUSTOMER AFFORDABILITY IS CRITICAL FOR SUCCESS.

U.S. AUTO INDUSTRY VOLUMES



Michigan Tax Impact on Ford

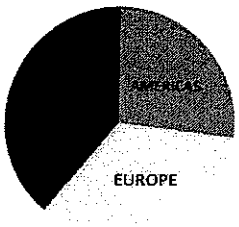
- 80% of Ford's Property Taxes in North America are paid in Michigan – only 50% of Ford's property is in Michigan
  - This tax on manufacturing equipment is the biggest driver of this disparity – about 90% of Ford's industrial personal property tax is paid in Michigan
- Michigan taxes Ford's manufacturing equipment including: stamping presses, robots, compressors, cranes, paint booths, wind tunnels, drilling and welding equipment, casting equipment – all largely exempt in neighboring states and provinces
- Elimination of tax credits for research activities and industrial personal property taxes have increased Ford's cost of business in Michigan – Ford's Michigan taxes today are higher – not lower than they were in 2011
- Taxes penalize capital investment in Michigan
  - Property tax abatements – if approved by local communities – have to be negotiated on a community by community basis, are not guaranteed and are not a 100% exemption.

Ford and Michigan

- Michigan is the hub of Ford's global manufacturing operations
  - Virtually every Ford vehicle you see on the road today has a connection to Michigan
- Michigan is critical to Ford – Reform of industrial personal property taxes is critical to Ford and manufacturing
- Ford recently announced plans to invest more than $2 billion on new capital investment in Michigan. This investment will help create about 4,000 new jobs -- and retain jobs
  - The decisions to make these investments were made considering incentive tools and tax credits that no longer exist.
- Ford places high value on the communities where we work and live and we believe it important that communities thrive.
- As the proposals move through the legislature we are hopeful that working together we can reach a positive long-term solution which balances the communities' needs for stable funding.

ONE FORD PLAN

1. Aggressively restructure to operate profitable at the current demand and changing model mix
2. Accelerate development of new products our customers want and value
3. Finance our plan and improve our balance sheet
4. Work together effectively as one team – leveraging our global assets



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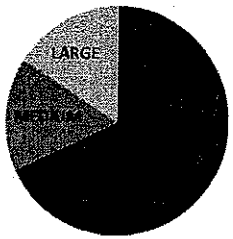

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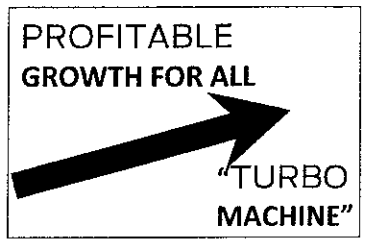
ONE FORD
ONE TEAM • ONE PLAN • ONE GOAL

= PROFITS & CASH