



**FORD MOTOR COMPANY OF AUSTRALIA LIMITED**

**(ABN 30 004 116 223)**

**PRELIMINARY SUBMISSION IN RESPONSE TO:**

**SENATE ECONOMICS REFERENCES COMMITTEE**

**INQUIRY INTO THE FUTURE OF AUSTRALIA'S AUTOMOTIVE  
INDUSTRY**

**ISSUED NOVEMBER 25, 2014**

**February 13, 2015**

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## **Ford Motor Company of Australia Limited**

A.B.N. 30 004 116 223 Registered Office: 1735 Sydney Road, Campbellfield, Victoria 3061

1

**This preliminary submission is made by Ford Motor Company of Australia Limited  
(ABN 30 004 116 223)**

**The Company is subsequently referred to as 'Ford Australia'.**

**In addition to this submission, Ford Australia also contributed to and is supportive of the  
submission made by the Federal Chamber of Automotive Industries (FCAI) to this Inquiry.**

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**Head Office**

Private Mail Bag 6 Campbellfield, Victoria 3061 Telephone: 03 9359 8211 Facsimile: 03 9359 8200 Internet: [www.ford.com.au](http://www.ford.com.au)



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2

February 13, 2015

### Senate Economics References Committee

PO Box 6100  
Parliament House  
Canberra ACT 2600

Submission via email to: [economics.sen@aph.gov.au](mailto:economics.sen@aph.gov.au)

### **Subject: Inquiry into the future of Australia's automotive industry – November 2014**

This preliminary submission from Ford Motor Company of Australia Limited (subsequently referred to as **Ford Australia**) is made in response to the "**Inquiry into the future of Australia's automotive industry**" released on November 25, 2014. Ford Australia appreciates the opportunity to provide input to this important inquiry and to provide the Senate Economics References Committee with insight to the characteristics of the Australian automotive market.

### **Ford Australia Overview**

Ford Australia is a subsidiary of the Ford Motor Company. Ford Motor Company was founded in 1903 and is headquartered in Dearborn, Michigan, USA. It is a global automotive industry leader with approximately 181,000 employees and around 65 manufacturing plants worldwide. It manufactures and distributes motor vehicles on six continents through its core brands of Ford and Lincoln. These automotive brands are complemented by the Company's ownership of Ford Credit, one of the world's largest automotive finance companies.

Ford Australia is also an integral part of Ford Motor Company's Asia Pacific operations. Ford Asia Pacific has regional responsibility for 20 markets and is the Company's fastest growing sales region. Ford Asia Pacific is headquartered in Shanghai, Peoples' Republic of China.

Ford Australia is a major Australian automotive manufacturer with extensive globally-linked design, engineering and manufacturing facilities in Geelong, Lara and Broadmeadows, Victoria. These world class facilities reflect an organisation with significant investment in infrastructure and technical capability. This capability is reflected by Ford Australia's role as the design and engineering "Centre of Excellence" for the Asia-Pacific region. This makes Ford Australia one of just four corporate global hubs for the design, development and testing of Ford vehicles. Ford Australia has had a manufacturing presence in Australia since 1925.

Ford Australia distributes its vehicles, replacement parts and technical / service expertise through a network of more than 200 independently owned Ford Dealerships in some 261 locations around Australia. These Ford Dealerships directly employ more than 7,000 people and many are located in rural and regional centres. In addition to selling and servicing new Ford vehicles, Ford Dealers also have significant resources and capital invested in the resale of second-hand vehicles (all makes).

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### Australian Automotive Market

The Australian automotive industry is the most open and competitive market in the world. The Australian new vehicle market is also relatively small by world measures, with an annual sales volume of approximately 1.1 million units. This compares with an annual US market of approximately 17 million sales and the Chinese market now exceeding 23 million vehicles per year.



Driven by strong consumer demand for variety, quality, value and performance plus relatively low barriers to entry facing vehicle importers, the Australian automotive market is very much a world stage.

The Australian automotive market has become increasingly fragmented and derives much of its competitive ethos from the wide diversity of brands and products. There are no dominant marques in the Australian automotive market with only one brand holding a market share greater than 10%. The diversity of brands / products in the Australian automotive market is further illustrated by the 65 different brand names and more than 400 models of vehicle currently on sale. In addition, these brands and models are sourced from more than 27 different countries ranging from the established automotive economies of Japan, Germany and the United States to relatively new producer countries like South Korea, Thailand, India and China.

<b><u>AUSTRALIAN NEW VEHICLE MARKET</u></b>
<b>65 different brands</b>
<b>&gt;400 different models</b>
<b>&gt;27 source countries</b>
<b>1.1 million annual sales</b>

[Source: VFACTS Full Year 2014]

In addition to the fragmentation resulting from the entry of new brands and models to the Australian automotive market, there has also been a significant change in the types of vehicles being purchased and a consequential deterioration in the industry's traditional base of large rear wheel drive passenger cars. New market segments that were until recently unknown in Australia have suddenly emerged and grown rapidly (e.g. Small SUV). With the size of the Australian market remaining relatively stagnant at just over one million sales, market fragmentation has placed downwards pressure on average model volumes. Average model volumes in many segments are now well less than 10,000 units and contracting.

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### Low Tariffs

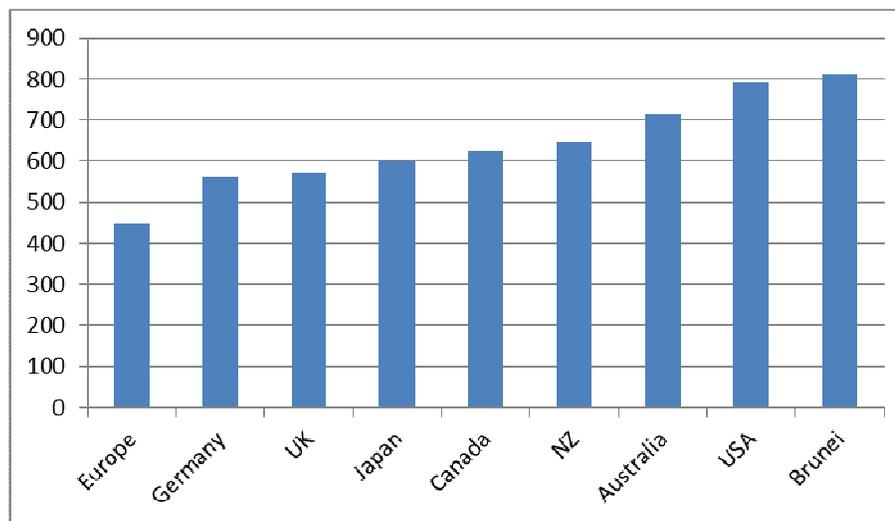
Australia's automotive import tariff at 5.0% is already one of the lowest rates in the world but when new and existing Free Trade Agreements (FTAs) with automotive producing economies are taken into account, the effective tariff rate is closer to 2.6%. This effective rate will fall even lower once the FTA with China – and possibly the Trans Pacific Partnership – Enters into Force during 2015.

The combined effect of market fragmentation and low import tariffs is to make Australia one of the most open automotive trading economies in the world. As documented above, this will continue to drive market competition which in turn will ensure Australian consumers benefit from access to world-class vehicles with the very latest features and safety-related technologies and offered at very attainable pricing levels.

### Vehicle Ownership

The chart below shows vehicle ownership among a selection of countries and demonstrates that Australia has one of the highest ownership levels with a concentration of 713 vehicles per 1,000 inhabitants. In comparison, the USA has ownership levels of 791 vehicles per 1,000 head of population, New Zealand is at 646, Canada is 624 while Japan, UK and Germany are all below 600 vehicles per 1,000 head of population.

**Vehicle Ownership per 1,000 Inhabitants**



Source: Organisation Internationale des Constructeurs automobiles (OICA) - Total World Vehicles In Use

This indicates that the Australian automotive market is effective in providing a wide range of consumer choice and providing access to vehicles that have resulted in some of the highest vehicle ownership levels in the world.

### New Vehicle Affordability

The independent CommSec Car Affordability Index has found that new cars in Australia are at their most affordable levels since records began in 1976. Specifically, it has noted that over the last 10 years average weekly wages have increased by 55% while new car prices have fallen. In contrast, the affordability of both petrol and housing has decreased over this same period.

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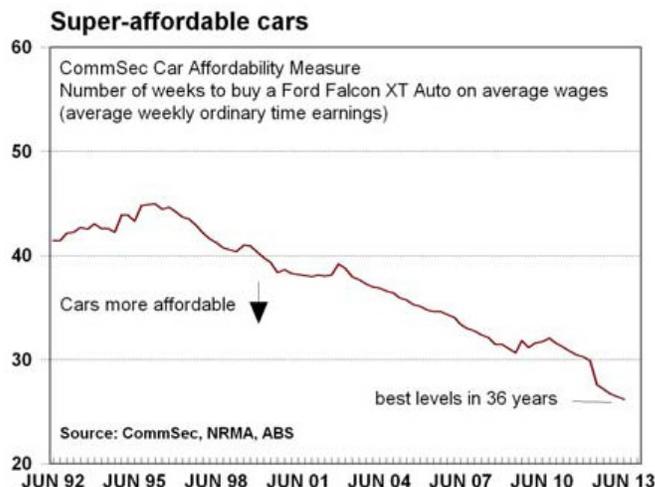
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It currently takes around 26 weeks on an average weekly wage to purchase a mainstream new model like a Ford Falcon.

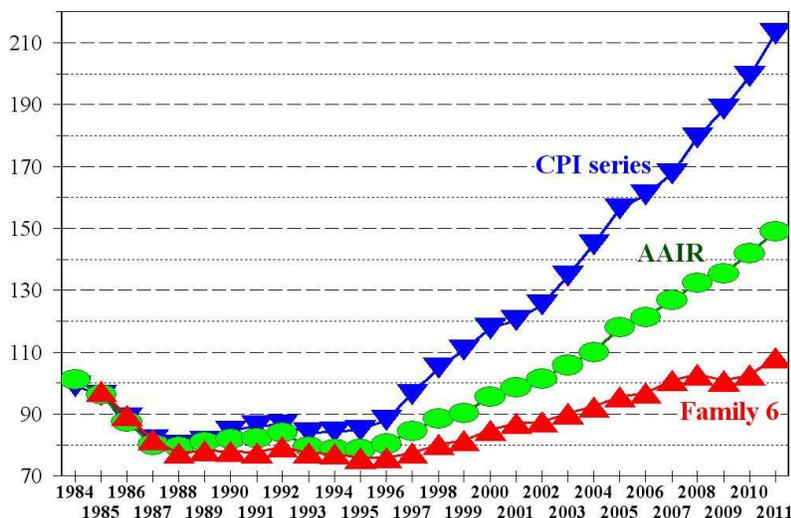


Source: CommSec Economic Insights, Car affordability at best levels in 37 years, 16 October 2013

The CommSec report also found that premium brands are also more affordable in Australia. For example, in 2013 it took 41.2 weeks (of the average weekly wage) to purchase a BMW 320i sedan versus 57.5 weeks in 2003.

It has become much easier to afford a new car since the mid-1990s, as earnings growth has exceeded the movements in motor vehicles prices. The chart below shows the affordability of new passenger cars on three separate indices: CPI motor vehicle index, Australian Automotive Intelligence Report index and an index based on a 'Family 6' car.

## Car Affordability Indexes



Source: Johns R, 2012, Australian Automotive intelligence 2012 Yearbook

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6

### **Ford Australia's input regarding manufacturing and supply chain transition:**

In May 2013, Ford Australia announced its decision to discontinue the local manufacture and assembly of vehicles effective from October 2016. The extraordinary lengthy lead time was intended to provide the Australian automotive industry with adequate time to adapt and transition to an operating environment devoid of Ford Australia's production volumes.

Ford Australia simultaneously announced its Transformation Plan. This Plan includes a series of structured measures across the 3+ years transition period, designed to assist all stakeholders affected by Ford Australia's structural changes. Stakeholders include Ford employees, suppliers, Dealers, customers, local communities and other OEMs.

Ford Australia is on track to deliver its Transformation Plan and remains committed to transforming its business to become a full-line importer while also helping stakeholders transition to new states in a post manufacturing environment.

Approximately halfway through the Transformation Plan period, Ford Australia has already achieved the following transitional actions:

### **FORD EMPLOYEES**

#### **Automotive Skills Australia**

- Automotive Skills Australia (ASA) was appointed by the Federal Government in mid-2013 to assist Ford Australia and Ford manufacturing employees with employment related transitional arrangements, including the co-ordination of State and Federal Government funded retraining activities. During the last 18 months, Ford Australia and ASA have worked in close co-operation to develop and implement the Ford Transition Program (FTP). This includes individual assessments of each employee's existing skills, future career interests and corresponding training needs. ASA also operates on-site Action Centres at Broadmeadows and Geelong to supply Ford employees with career, training and financial planning advice and provide Ford employees with a resources repository.

#### **Ford Jobs Fairs**

- Ford Australia conducted Jobs Fairs for its manufacturing employees at Geelong and Broadmeadows during April 2014. Over 30 prospective employers, Government agencies and Jobs Skills Agencies (JSA) were in attendance (e.g. Shell; Woolworths; Target; Fonterra; Powercor; Aldi; Department of Justice; Barwon Health). The events also included employee information sessions on superannuation, resume preparation, interview skills, financial planning and labour market trends. Very positive feedback was received from the 800+ participating employees – who are now taking greater responsibility for their future career plans including resume preparation and retraining needs.

#### **Manufacturing Closure Social Plan**

- In May 2014, Ford Australia concluded negotiations with the Federation of Vehicle Industry Unions (FVIU) regarding the details of its Manufacturing Closure Social Plan. The Social Plan defines comprehensive employment, redundancy and training arrangements for Ford employees impacted by the decision to cease local manufacturing.

#### **Ford Australia Enterprise Agreements**

- In October 2014, Ford Australia concluded negotiations with the Federation of Vehicle Industry Unions (FVIU) regarding the details of the Ford Australia Enterprise Agreements

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7

effective for the period August 2015 to July 2017. The finalization of the Agreements provides Ford Australia employees with certainty in the period leading up to manufacturing closure.

### Employee Early Release

- Ford Australia is facilitating the early voluntary release of manufacturing employees (allowing for operational needs) to allow employees to transition to new career opportunities as they arise. To date, 78 employees have left the Company on a voluntary basis with 36 going to non-automotive industries, 13 retiring, 1 pursuing further study and 28 intentions unknown (64 hourly; 14 salary).

### Employee Redeployment

- Ford Australia has redeployed a total of 49 manufacturing employees (28 manufacturing salary employees and 21 manufacturing hourly employees) into non-manufacturing areas to provide them with ongoing employment.

### Certificate III Training

- Ford Australia is facilitating and encouraging manufacturing hourly employees to complete remaining training units for a 'Certificate III - Warehousing Operations' or 'Certificate III - Competitive Systems and Practices'. The completion of these courses will enhance the job readiness of employees with upgraded qualifications for new career opportunities from late 2016.

### Ford Graduate Program

- Ford Australia has reintroduced its Graduate Program from 2015 and hired 24 new university graduates across a range of disciplines (Product Development; Marketing & Sales; Finance; Information Technology). The Company received 1,390 applications indicating that there remains great interest in automotive careers in Australia.

### Ongoing Employment Capacity

- From 2018, Ford Australia will be the largest automotive employer in Australia with more than 1,500 highly skilled employees and specialist contractors.

## SUPPLY CHAIN

### Ford Supplier Trade Fair

- Ford Australia, in conjunction with the Victorian Government, conducted a Ford Supplier Trade Fair at Geelong on March 12-13, 2014. The purpose of the Ford Supplier Trade Fair was to allow Australian component suppliers to meet face-to-face with senior Ford Purchasing, Product Development and supplier representatives from across the Asia Pacific Region and provide Australian suppliers with information on potential opportunities within Ford's global supply chain. The event was a huge success with many suppliers establishing good overseas business contacts that may eventually lead to global supply contracts.

### Supplier Trade Missions

- During September 2014, Ford hosted the Chongqing leg of the Victorian Government's Supplier Trade Mission to China. This event was designed as a follow-up to reinforce the business relationships established during the earlier Ford Supplier Trade Fair held in Geelong. The Supplier Trade Mission included meetings with key China-based Ford personnel plus tours of Ford manufacturing facilities, JV facilities and key domestic suppliers.

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8

- Ford Australia hosted two legs of the Victorian Government's Supplier Trade Mission to the USA during November 2014. The focus of the Trade Mission was the potential supply of vehicle accessories to the North American market. The Supplier Trade Mission included Ford briefings at the Speciality Equipment Market Association Show (SEMA) and visits to Ford Customer Service Division and Modification Centres in Detroit.

### Supplier Forums

- Ford Australia continues to host quarterly Supplier Forums to keep members of the supply chain aware of industry developments and new diversification opportunities. Each session include presentations by relevant external speakers.

## LOCAL COMMUNITIES

### Melbourne's North Innovation & Investment Fund

- In conjunction with the Federal and Victorian Governments, Ford Australia established the community-based Melbourne's North Innovation & Investment Fund (MNIIF), designed to generate economic activity and create sustainable jobs in the region affected by Ford's Broadmeadows Assembly Plant closure announcement. Ford Australia contributed \$5M, the Federal Government \$15M and Victorian Government \$4.5M to create the MNIIF with \$24.5M available to stimulate local economic growth. To date, 16 grants to the total value of \$18.8M have generated \$98M of private investment that will create over 446 new jobs.

### Geelong Region Innovation & Investment Fund

- In conjunction with the Federal and Victorian Governments, Ford Australia established the community-based Geelong Region Innovation & Investment Fund (GRIIF), designed to generate economic activity and create sustainable jobs in the region affected by Ford's Geelong Manufacturing and Casting Plant closure announcement. Ford Australia contributed \$5M, the Federal Government \$15M and Victorian Government \$4.5M to create the GRIIF with \$24.5M available to stimulate local economic growth. Ford Australia also supported a request from Alcoa to become a GRIIF partner and contribute a further \$5M. To date, 10 grants to the total value of \$18.4M have generated \$108M of private investment that will create over 722 new jobs.

### Supporting the Community

#### National Breast Cancer Foundation (NBCF)

- "PINK IS THE NEW BLUE" – in support of the NBCF's breast cancer research, Ford Australia auctioned via eBay two iconic Ford Performance Vehicles GT F 351 sedans (#001 & #500) during 2014. The combination sold for nearly \$400,000 with the majority of proceeds going to NBCF.

#### Juvenile Diabetes Research Fund (JDRF)

- Ford Australia donated in excess of \$60,000 to JDRF from the proceeds of another Ford Performance Vehicles GT F 351 sedan (#014) sold in late in 2014.
- In October 2014, Ford Australia launched the new FG X Falcon at the "Outside the Oval" event held at the 1000 Pound Gallery in Melbourne. Proceeds from the sale of artwork displayed at the gallery event were donated to JDRF.
- Ford Australia also continues to hold its annual "Hot Dogs & Hot Rods" fundraiser event for JDRF at its Campbellfield campus.

#### Give Where You Live

- Ford Australia provided a Ford EcoSport that was raffled during 2014 in support of the 60<sup>th</sup> Anniversary of Give Where You Live, a Geelong based not-for-profit organisation.

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## **PRODUCT DEVELOPMENT**

### **Product Development**

- Ford is maintaining its Product Development activities in Australia as one of four global hubs that will design and engineer vehicles for Asia-Pacific and other markets. This includes Ford Australia's Product Development facilities at Broadmeadows, Geelong and the Lara Proving Ground. Ford Australia recently upgraded its Virtual Reality Centre with a state-of-the-art Ford Immersive Vehicle Environment (FiVE) laboratory. This makes Ford Australia's Design Centre at Broadmeadows one of only two such Ford facilities globally (the other being in Detroit). Ford Australia expects to continue deploying >1,000 engineers, designers and specialist contractors to work on global products.
- As part of the VACC's Automotive Design Awards, Ford Australia is providing internships for two Secondary students to gain hands-on work experience within Ford's Design Centre.

### **Universities Collaboration**

- Ford Australia is increasing its involvement in collaborative research projects with Australian Universities through the Australian Alliance Framework (AAF). AAF agreements are now in place with Melbourne University, Deakin University, Australian National University, RMIT University and Swinburne University of Technology. Sixteen collaborative University Research Projects (URPs) have been approved by Ford Australia under the AAF.
- Ford is also sponsoring STEM / FIRST student development programs in Australia.

### **Ford Smart Mobility Plan**

- At the 2015 Consumer Electronics Show (CES) recently held in Las Vegas, Ford Motor Company announced its 'Ford Smart Mobility Plan' and 25 global experiments designed to test new ideas and address growing or increasing transportation challenges. The list of experiments includes an Australian project to develop a new accessory or app designed to assist drivers travelling over rugged terrain in remote areas of Australia. See Attachments for Ford's media releases.

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10

### Other matters affecting manufacturing and supply chain transition:

#### **AUTOMOTIVE TRANSFORMATION SCHEME (ATS)**

Please refer to Ford Australia's October 27, 2014 submission to the Senate Economics Legislation Committee's "Inquiry into Automotive Transformation Scheme Amendment Bill 2014" (Submission #8).

Ford Australia is also supportive of the statements made by the Federal Chamber of Automotive Industries (FCAI) regarding the Automotive Transformation Scheme in its submission to this Inquiry.

#### **INNOVATION (Automotive Product Development)**

Please refer to Ford Australia's July 30, 2014 submission to the Senate Economics References Committee's "Inquiry into Australia's Innovation System" (Submission #42).

Ford Australia continues to strongly advocate for automotive R&D co-investment parameters which recognise, support and facilitate investment in research and product development activities undertaken by local automotive companies. The retention and nurturing of this high value, complex and sophisticated design and engineering work will create a significant technical skills base in Australia with demonstrated spill-over effects and related benefits across other key industry sectors.

### Conclusion

Ford Australia believes the issues raised above are important and relevant to the **"Inquiry into the future of Australia's automotive industry"** and trusts that these matters will be considered during the development of the Committee's final report and recommendations to the Federal Government.

Any queries regarding this paper should be forwarded to the attention of:

**Government Affairs Director**  
Ford Motor Company of Australia Limited

Attachments:

Ford Motor Company Media Releases:

- 'Ford at CES Announces Smart Mobility Plan and 25 Global Experiments Designed to Change the Way the World Moves' – January 6, 2015
- 'Innovate Mobility Challenge: Accessory Challenge, Australia' – January 6, 2015

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11

### Attachments

Jan 6, 2015 | LAS VEGAS

# Ford at CES Announces Smart Mobility Plan and 25 Global Experiments Designed to Change the Way the World Moves

- Ford at CES announces Ford Smart Mobility plan to use innovation to take company to next level in connectivity, mobility, autonomous vehicles, the customer experience and big data
- 25 global mobility experiments launched this year to test new ideas and address growing or increasing transportation challenges; insights gained will shape Ford's future investments
- Ford showcases SYNC® 3, its most advanced vehicle connectivity system, and highlights semi-autonomous vehicles on the road today and fully autonomous vehicles in development

Ford at the 2015 Consumer Electronics Show is highlighting how it is using innovation not only to create advanced new vehicles but also to help change the way the world moves by solving today's growing global transportation challenges.

The company announced its Ford Smart Mobility plan to use innovation to take it to the next level in connectivity, mobility, autonomous vehicles, the customer experience and big data. Ford also announced 25 mobility experiments around the world this year to test breakthrough transportation ideas to create better customer experiences, more flexible user-ship models and social collaboration that can reward customers.

"Even as we showcase connected cars and share our plans for autonomous vehicles, we are here at CES with a higher purpose," said Ford President and CEO Mark Fields. "We are driving innovation in every part of our business to be both a product and mobility company – and, ultimately, to change the way the world moves just as our founder Henry Ford did 111 years ago."

Also at CES, Ford is demonstrating SYNC® 3, its most advanced vehicle connectivity system, while highlighting semi-autonomous vehicles the company has on the road today and fully autonomous vehicles now in development.

### 25 global mobility experiments

The first steps for Ford Smart Mobility are 25 experiments – eight in North America, nine in Europe and Africa, seven in Asia and one in South America. Each experiment is designed to anticipate what customers will want and need in tomorrow's transportation ecosystem.

"We see a world where vehicles talk to one another, drivers and vehicles communicate with the city infrastructure to relieve congestion, and people routinely share vehicles or multiple forms of transportation for their daily commute," Fields said. "The experiments we're undertaking today will lead to an all-new model of transportation and mobility within the next 10 years and beyond."

The 25 experiments address four global megatrends – explosive population growth, an expanding middle class, air quality and public health concerns, and changing customer attitudes

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12

and priorities – challenging today's transportation model and limiting personal mobility, especially in urban areas.

Fourteen of the 25 experiments are Ford-led research projects, and 11 are part of the company's Innovate Mobility Challenge Series. The experiments include:

- Big Data Drive: Dearborn, Michigan
- Fleet Insights: United States
- Data Driven Insurance: London
- Remote Repositioning: Atlanta
- City Driving On-Demand: London
- Dynamic Social Shuttle: New York, London
- Car Swap: Dearborn, Michigan
- Ford Carsharing: Germany
- Share-Car: Bangalore, India
- Rapid Recharge & Share: Dearborn, Michigan
- Data Driven Healthcare: The Gambia, West Africa
- Parking Spotter: Atlanta
- Info Cycle: Palo Alto, California
- Painless Parking: London

With the Innovate Mobility Challenge Series, Ford invited innovators and developers around the world to create solutions for specific mobility challenges in North America and South America, Portugal, Africa, India, China, England and Australia.

Challenges included finding technology solutions to identify open parking spaces in urban areas, better ways to navigate crowded cities and the use of navigation and other tools to help people gain access to medical care in remote areas.

### SYNC 3

Also at CES, Ford highlighted SYNC3, the company's new communications and entertainment system that is faster, more intuitive and easier to use with enhanced response to driver commands.

SYNC 3's more conversational speech recognition technology, a more smartphone-like touch screen and easy-to-read graphics will help millions of drivers connect with their lives and control their smartphone while on the road.

The next-generation system builds on the capability of SYNC technology already in more than 10 million vehicles on the road globally. SYNC 3 begins arriving on new vehicles this year.

"Ford is delivering an easier way for customers to stay connected," said Raj Nair, Ford chief technical officer and group vice president, Global Product Development. "SYNC 3 is another step forward in delivering connectivity features customers most want, and they tell us this kind of technology is an important part of their decision to buy our vehicles."

### Ford autonomous vehicles

Ford also highlighted the semi-autonomous vehicles it has on the road today and fully autonomous vehicles now in development for the future.

"We're already manufacturing and selling semi-autonomous vehicles that use software and sensors to steer into both parallel and perpendicular parking spaces, adjust speed based on traffic flow or apply the brakes in an emergency," Nair said. "There will be a Ford autonomous vehicle in the future, and we take putting one on the road very seriously."

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13

Ford's semi-autonomous vehicle features available today include lane-keeping assist, adaptive cruise control, Pre-Collision Assist with Pedestrian Detection and active park assist – with Traffic Jam Assist coming.

A fully autonomous Ford Fusion Hybrid research vehicle is undergoing road testing. The vehicle uses the same semiautonomous technology in Ford vehicles today, while adding four LiDAR sensors to generate a real-time 3D map of the surrounding environment.

The vehicle can sense objects around it using the LiDAR sensors, and uses advanced algorithms to help it learn to predict where vehicles and pedestrians might move.

“Our priority is not in making marketing claims or being in a race for the first autonomous car on the road,” Fields said. “Our priority is in making the first Ford autonomous vehicle accessible to the masses and truly enhancing customers’ lives.

“Henry Ford taught us long ago that a good business makes excellent products and earns a healthy return,” Fields added. “A great business does all that while creating a better world. That is what continues to drive us each day.”

### About Ford Motor Company

Ford Motor Company, a global automotive industry leader based in Dearborn, Michigan, manufactures or distributes automobiles across six continents. With about 189,000 employees and 65 plants worldwide, the company's automotive brands include Ford and Lincoln. The company provides financial services through Ford Motor Credit Company. For more information regarding Ford and its products worldwide, please visit [corporate.ford.com](http://corporate.ford.com).

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14

Jan 6, 2015 | Australia

# Innovate Mobility Challenge: Accessory Challenge, Australia

Ford Motor Company is defining a challenge in Australia, the country with the third-lowest population density in the world.

Drivers traveling in remote areas over rugged terrain must be prepared for emergency situations and conditions. Having limited access to help and resources is one of the challenges they face during their journey. A long drive in a desolate location may also lead to driver distraction and inattention.

Ford is asking innovators to invent a novel accessory or app that increases driver awareness in remote regions or over rugged terrain. The main goal is to enhance driver self-sufficiency in difficult situations, like electrical failure, hazardous weather and dangerous road conditions.

A grand prize winner has yet to be named.

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