

Dear Colleague,

I have no doubt that you are aware of the serious situation faced by the automotive industry as a result of the severe and prolonged downturn that is affecting the world's economies. Vehicle sales have declined sharply, revenues are reducing and automotive companies are taking urgent steps to reduce costs and conserve cash.

Cash is the lifeblood of any business and companies that run out of cash go out of business. Automotive companies, in particular, require huge amounts of cash in order to maintain their operations. Ford is not immune from the pressures this situation creates. In response, we have taken a number of measures to reduce costs and conserve cash. These include:

- Implementing downtime in manufacturing to balance production with the reduced level of market demand,
- Eliminating overtime working wherever possible,
- Reducing expenditure to minimum levels,
- Maintaining a hiring freeze,
- Reducing agency support,
- Setting tough budget tasks for 2009.

As last week's financial results demonstrate, the pressure is intensifying and it will be necessary to do more in order to protect the business and survive the downturn. There will be a need to face some difficult and unpalatable decisions. This is why I asked to meet with your Union representatives today in a special joint meeting of the NJNC and JSUNNC, and why I have taken the unusual step of writing directly to you to explain what we need to do.

Salaried Staff

In order to reduce costs further, we are proposing to restructure our salaried organisation around fewer employees. To achieve this, I advised the Unions that we are opening a voluntary separation programme for certain salaried employees. Around 300 to 350 Ford of Britain employees will be released as a result of this programme.

The separation programme will close on 14 April 2009 and employees will be required to separate by 5 May 2009.

An additional bulletin will be issued to salaried employees to outline the separation terms. Local managers will discuss the detailed arrangements with their respective union representatives in the normal way.

We will monitor the voluntary redundancy programme and, should it appear that there may be insufficient volunteers, we will consider the further measures that may be necessary to achieve the required reduction.

Southampton Plant

Declining customer demand has affected the commercial vehicle market more than the car market. As we enter January 2009, the commercial vehicle market was down by 40 – 45%. This has had a huge impact on Southampton Plant where Transit schedules have reduced by more than half and, in consequence, the Plant requires less than an average of 4 shifts per week to produce its schedule. We are not forecasting any significant improvement in customer demand in the coming months and we are faced with the prospect of continuing to lay off employees for a prolonged period. This is not affordable. I have, therefore, advised the Unions that we are opening a voluntary separation programme for salaried and hourly employees in Southampton Plant to bring manned capacity into line with customer demand. Around 400 - 500 employees are expected to be released as a result of this programme.

The separation programme will close on 14 April 2009 and employees will be required to separate by 5 May 2009.

An additional bulletin will be issued to all employees in Southampton Plant to outline the separation terms. Local management will discuss the detailed arrangements with their plant union representatives in the normal way.

New Transit

We have an excellent product range; probably the best in our history; and this provides us with a competitive advantage. It is our intention to maintain this advantage and continue to invest in new products despite the pressure on cash. We will make adjustments to our plans, where this will not compromise Ford's growing reputation in the market place.

The current Transit is a class leading vehicle that will continue to compete successfully in the commercial vehicle market. We are, therefore, deferring the timing of the launch of the new Transit. Southampton Plant will continue to produce the current model until the new model is introduced. I would also like to re-confirm that it is our plan to build Chassis Cab for the new Transit in Southampton plant.

Pay Increase

The business situation has worsened significantly since the pay negotiations were conducted in October/November and this has a severe impact on the Company's cash position. Conserving cash is the single most important task confronting the Company. In this difficult situation, I have discussed with your Union representatives the need to re-evaluate the pay offer in the light of the present and continuing business conditions.

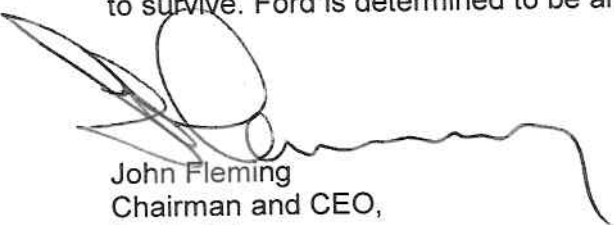
As you know, we would not normally contemplate such a serious step, but the prevailing circumstances are unprecedented and our priority must be to ensure a sustainable Ford Motor Company.

In response, your Union representatives said that they expected the November 2008 pay increase to be paid and asked me to confirm the Company's position on this increase.

I undertook to reflect on the increase, but I believe that further discussions are required given the seriousness of the situation we face.

All automotive companies are fighting for survival and the industry will face further challenges in the coming months until the world's economies eventually begin to recover.

I trust that you will understand the situation and accept the actions we will be taking. Those companies which act quickly and decisively in taking the right decisions are the more likely to survive. Ford is determined to be amongst them.



John Fleming
Chairman and CEO,
Ford of Europe.