

This memorandum is given you so that I can feel that I have dealt honestly and squarely with the responsibility you have given me. It hurts me to write it because I am afraid it may change your feeling for me, and that you may think me unsympathetic and lacking in confidence in your future plans.

Please, Mr Ford, understand that I realize fully that you have built up this whole business, that it has been your battle and your creation and that all of the Company's successes day after day regardless by whom personally conducted are nevertheless a direct result of your conception and will really be your personal accomplishment for many years even after your lifetime.

Any powers I may have are mostly due to the opportunities you have given me and have not created in me any exaggerated ideas about myself. You have allowed me to play with the throttle of your engine. That's all.

From things you have said you above all others recognize the need for:

- (A) An intermediate car
- (B) Greater power, smoothness, refinement of the Model T type of car
- (C) Something for European requirements

1. If we face the facts we must know that there is little chance for the production of a tried and thoroughly tested X type car within eighteen months which would not be before the summer of 1927.

Those of us who have been privileged to follow the X development look into the future and hope for great things, BUT, and this is what worries me, I feel that there should also be other development in process on a power unit along conventional lines so that we would have if necessary a power unit to maintain our position in the automobile field until the X motor is perfected -- something which will serve until you will have been given a fair chance to

produce the X motors to their final stages of development so that when once adopted they will lead all others for another twenty years like the Model T.

Such a motor can be installed in the intermediate chassis and hold this market for us against competition until such time as we would sweep all before us with your revolutionary 'X' power plant substituted when its perfection has been achieved.

2. While there is every logical engineering argument in favor of the X type, yet we have all our eggs in one basket. It might take much longer than expected to get it perfected and until it should perform greatly better than the present conventional sizes the public will hardly welcome the change.
3. I know of no one who feels more deeply than you the obligation to 180 odd thousand employees who have started to make their life-work with this company.
4. I think there will always be a field for 4000 to 5000 Model T's per day, but I do not think the Model T will continue to be a satisfactory product to maintain our position in the automobile field until the X models shall have been developed.

We have made over 100 million dollars the last two years each and will probably make 100 million next year, BUT

We have not gone ahead in the last few years, have barely held our own, whereas competition has made great strides. You have always said you either go forward or backwards, you can't stand still.

5. In the past twelve months the other manufacturers have gained tremendously. Our production and sales in 1925 were less than in 1924.

Our Ford customers, particularly the Two and Four door customers, are going to other manufacturers, and our best dealers are low in morale and not making the money they used to.

In spite of the higher prices, the public are choosing six-cylinder cars. In 1924 fourteen makers sold 30% as many sixes as we sold Fords. In 1925 these same makers sold 54% as many six-cylinder cars as we sold Fords -- and each one of these fourteen increased his sales, some 400%.

6. There may be theoretical engineering objections to a six, but in every one I have ever driven there has been a most satisfactory smoothness and power range entirely different from and far superior to 4-cylinder performance and almost as good as the Lincoln. This is not only my view, but also that of the public as demonstrated by the way they have opened their pocketbooks to buy sixes.

Practically every man in your organization to whom you have entrusted the greatest responsibility holds this same opinion.

7. This same opinion has been cautiously expressed at different times by certain Ford executives whose opinion merely as automobile purchasers has great value. These men are all in favor of the X type when completed, but feel a great danger if it is not almost immediately available.

8. We spend millions in advertising, millions in extra dividends on investment certificates, millions in additions, therefore, could we not spend 1/10 of one percent of last year's earnings to help insure our dominance in the field and that we can keep all of our employees busy, allowing the X motors the time necessary for thorough development.

9. Could we not carry out your ideas that the product must be made right as expressed in your page of the January 16th, 1926 Dearborn Independent.

Won't you permit the organization to develop a refined 6-cylinder motor without imposing in any way on the time of those working on the X motors. Such a power plant would never be used unless its performance satisfies you that it has real merit.

10. Even if such experimental motor would cost \$100,000.00 to design and work out it would show you what kind of an engineering outfit the company could produce. If nothing else, let us try it out on the English market.
11. Moreover, this idea would quickly develop a fine spirit of competition between the workmen on the straight sixes and X-8 parts and designs which would bring out the best in everybody to the undoubted best interests of the company.
12. It is fair to say that with all the difficulties of the new body designs, the dual high transmission, the Fordson truck, the Fordson bus, all Lincoln engineering, and the new front axle, steering gear, rear axle, spring suspension, body design, and transmission of the intermediate car that there is much more work ahead than the organization as at present constituted in Dearborn can handle satisfactorily.

The advantage of this memorandum is that I can write certain things that I find it difficult to say to you. It is one of the handicaps of the power of your personality which you perhaps least of all realize, but most people when with you hesitate to say what they think.

13. It is unique in the commercial history of the world that one man should run away with the field as you have done in the motor industry. We have had a wonderful head start because your first designs of a car were 20 years ahead of the world, as well as your methods of production and marketing.

But we are losing our position because the world has learned from you and with its combined efforts each learning from the other it has now developed a product that is alarmingly absorbing the public's purchasing power.

14. The best evidence that conditions are not right is in the fact that with most of the bigger men in the organization there is a growing uneasiness because things are not right -- they feel our position weakening and our grip slipping. We are no longer sure that when we plan increased facilities that they will be used. The buoyant spirit of confident expansion is lacking. And we know we have been defeated and licked in England. And we are being caught up in the United States. With every additional car our competitors sell they get stronger and we get weaker.

Even on the basis of equal design value we could still out-distance all competition because of our "from mine to finished car" ability to produce, and unified ownership. But with our competitors' volume increasing they are rapidly approaching our formerly unique powers of producing at lowest cost. Inwardly we are alarmed to see our advantage ebbing away, knowing that the counter-measures to prevent it are not immediately at hand. We all realize that an epoch making motor such as we expect the X lines to be cannot be the product of an immediate future.

This feeling exists not outwardly, but I will stake my reputation it exists in every important man in the Company. I, personally, have helped to stamp this feeling down wherever it has tried to break through.

The writing of this has not been pleasing, Mr Ford, but I have always tried to tell you what I see and feel.

These thoughts have been uppermost in my mind the last year and I cannot keep from expressing them any longer.

Sincerely,

S U M M A R Y

1. New product necessary. Doubtful whether X motor with its new problems can be gotten ready as fast as we need it.
2. All eggs in one basket.
3. Responsibility to our employees.
4. Model T will not carry us until X lines are ready.
5. Competition rapidly coming closer to us because absorbing customers whom we have developed.
6. We can build a six cheaper than all competitors' costs and is what public wants.
7. Our whole organization in favor of it.
8. Designing costs not an item.
9. Will not interfere with X development.
10. Will develop Engineering personnel.
11. Competition among workmen will speed up motors
12. Give time to develop the X model to outstanding leadership
13. Present Engineering organization very inadequate to keep pace with Tractor, Fordson truck, Fordson bus, Lincoln chassis and bodies, and intermediate chassis and body departments plus cutting corners on present design to reduce costs on all above.
14. Former unique position being lost.

|                               | (10 Months)<br>Mar to Dec<br>1923 | 1924             | 1925              |                                |
|-------------------------------|-----------------------------------|------------------|-------------------|--------------------------------|
| Ajax                          |                                   |                  | 10,487            |                                |
| Buick                         | 184,119                           | 166,537          | 208,566           |                                |
| Chandler                      | 12,568                            | 11,198           | 12,083            |                                |
| Chrysler                      | -                                 | 31,316 (11 mo)   | 107,456           |                                |
| X Chevrolet                   | 389,026                           | 279,824          | 470,323           |                                |
| Cleveland                     | 10,128                            | 9,768            | 17,061            |                                |
| X Dodge                       | 124,051                           | 193,878          | 209,255           |                                |
| Essex                         | 36,101                            | 74,114           | 159,634           |                                |
| Flint                         | 2,357 (4 Mo)                      | 20,173           | 15,469            |                                |
| Franklin                      | 8,281                             | 6,042            | 9,138             |                                |
| Hudson                        | 44,479                            | 59,427           | 109,840           |                                |
| Hupp                          | 31,469                            | 30,766           | 37,286            |                                |
| Jewett                        | 25,843                            | 27,852           | 35,278            |                                |
| Jordan                        | 7,089                             | 6,873            | 8,316             |                                |
| Nash                          | 42,389                            | 53,420           | 85,471            |                                |
| Oakland                       | 29,873                            | 36,437           | 45,188            |                                |
| Oldsmobile                    | 25,293                            | 45,425           | 52,035            |                                |
| X Overland                    | 174,837                           | 175,973          | 214,912           |                                |
| X Star                        | 111,275                           | 88,332           | 105,084           |                                |
| Total                         | 459,989<br>25%                    | 579,248<br>31%   | 913,308<br>54%    | All 'Sixes'<br>Percent of Ford |
| Total with<br>X Marking       | 799,189                           | 738,007          | 999,574           |                                |
| Grand Total                   | 1,259,178<br>70%                  | 1,317,255<br>70% | 1,912,882<br>114% | Percent of Ford.-              |
| Ford Retail<br>Sales Domestic | 1,785,845                         | 1,870,207        | 1,675,182         |                                |