

Ford, Volkswagen join forces on the new frontier of electric autos

July 12 2019, by Luc Olinga



Ford chief Jim Hackett (R), and VW CEO Herbert Diess are joining forces on the future of the auto industry

Volkswagen and Ford are teaming up on a massive \$7 billion project to attack the new frontier in the global auto market: electric and self-driving vehicles, the companies announced Friday.

The German and US auto giants announced they were expanding their alliance, accelerating cooperation among otherwise competing global automakers as they face enormous costs in developing new technologies.

"It just makes sense for us. It makes both companies stronger," VW chief executive Herbert Diess told reporters. "It makes a lot of sense to combine forces."

Volkswagen will invest \$2.6 billion in capital and assets in Ford's self-driving unit Argo AI to market new-technology vehicles in the United States and Europe.

VW's investment values Argo at more than \$7 billion and will allow Ford to use VW technology to market "at least one" high-volume fully electric vehicle to European consumers starting in 2023.

But this is not a merger or traditional corporate tie-up.

Ford chief Jim Hackett said that while the automakers "remain independent and fiercely competitive in the marketplace, teaming up and working with Argo AI on this important technology allows us to deliver unmatched capability, scale and geographic reach."



A Volkswagen ID 3 electric car is seen in a glass cage during a press conference in Berlin on May 8, 2019

He told reporters that Ford will take advantage of motors, batteries and other components VW developed to build a new electric model called ID.3 which is due next year with a starting price of 30,000 euros (\$33,800).

The news sent Ford's share price up 2.9 percent, while VW also posted a solid gain on the Frankfurt stock market.

Drive down costs

Diess said this could be just the start of greater cooperation between the two manufacturers.

"Our global alliance is beginning to demonstrate even greater promise and we are continuing to look at other areas on which we might collaborate," he said.

Automakers worldwide have been forced to transform quickly in the race to dominate new technologies.

Ferdinand Dudenhoeffer, an analyst in Germany with the Center for Automotive Research, told AFP that prior to the alliance Ford had no electric models in development for the European market and going it alone was not possible.



Ford (L) and Volkswagen (VW, R) are teaming up to develop self-driving cars and related technology

"One has to invest today to see the first returns maybe in 2030 and there are major new competitors in this space, the tech companies Waymo and Apple, Amazon and Uber, Chinese companies."

VW and Ford said their alliance would let them roll out self-driving technology in more markets than other companies.

The US automaker will use VW's electric vehicle architecture —the "Modular Electric Toolkit"—to deliver more than 600,000 vehicles over six years starting in 2023 with a new Ford model for European customers, while VW expects to produce 15 million cars over the next decade.

Diess said the alliance would help his company drive down its costs in developing zero-emissions electric vehicles.

The company is working to turn the page three years after it was rocked by revelations it had installed emissions-cheating technology on millions of diesel vehicles sold worldwide, which spewed out higher-than-permitted levels of harmful pollutants.

"Ford has taken flack for years for not having a robust EV strategy and VW has had its own fair share of challenges, but this can help both companies reinvent themselves as innovative technology leaders," said Jessica Caldwell, an auto analyst at Edmunds.

"Convincing car shoppers to go electric en masse is not an easy code to crack, but having two companies the size of VW and Ford working together to solve the puzzle could speed up the process."

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