

# GM, Ford outdo each other with electric vehicle investments

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This image provided by General Motors shows the GM Logo. General Motors will raise spending on electric and autonomous vehicles and add two U.S. battery factories as it gambles that consumers will eagerly switch from gasoline to the new technology. The announcements, Wednesday, June 16, 2021 came as crosstown rival Ford said its entire Lincoln luxury brand lineup would be electric or gas-electric hybrid by 2030, including four fully electric vehicles. . Credit: General Motors via AP

General Motors will raise spending on electric and autonomous vehicles and add two U.S. battery factories as it gambles that consumers will eagerly switch from gasoline to the new technology.

The announcements Wednesday came as crosstown rival Ford said its entire Lincoln luxury brand lineup would be electric or gas-electric hybrid by 2030, including four fully electric vehicles.

For months, the automakers have been one-upping each other with electric vehicle announcements, which have fueled stock price increases for both companies.

GM wouldn't give details about where it will build the new plants, but Chief Financial Officer Paul Jacobson said they would be similar in size to two factories now under construction in Lordstown, Ohio, and Spring Hill, Tennessee. Those factories each will employ more than 1,000 workers and cost about \$2.3 billion.

The new plants were to come later in the decade, but now are expected to be in operation around 2025. They are part of GM's plan to spend \$35 billion on electric and autonomous vehicles from 2020 to 2025. The company also said it will switch more U.S. assembly plant capacity to electric vehicles, but gave no details Wednesday.

GM has previously said it would spend \$27 billion on electric and autonomous vehicle development by 2025 as it rolled out 30 new electric vehicles worldwide. Jacobson said the company would increase the number of electric vehicles but gave no details. GM has set a goal of selling only electric passenger vehicles by 2035.

Electric vehicles accounted for less than 2% of U.S. vehicle sales last year, largely in luxury brands. But industry analysts are predicting big growth later in the decade as EVs move beyond early adopters.

Jacobson said GM is seeing success with a new version of its Chevrolet Bolt hatchback and new Bolt small SUV, giving it confidence that EV adoption is reaching an inflection point. "This is really no-regrets capital. We know that we will need those battery plants as we further our goals."

Wedbush analyst Daniel Ives said GM and Ford are continually trying to outdo each other with electric vehicle announcements. "This is an EV arms race going on in Detroit with Ford and GM competing for market and mind share in this green tidal wave," Ives said in an email.

Both automakers, he said, are competing for what's expected to be a \$5 trillion market during the next decade. GM came out earlier than Ford, which is trying to "catch up and not be viewed as the little brother," he said.

Also Wednesday, GM raised its first-half pretax earnings guidance from \$5.5 billion to between \$8.5 billion and \$9.5 billion, with net income of \$6.2 billion to \$7 billion.

Jacobson said the increase comes as GM continues to see strong demand for its vehicles, and because it has been able to mitigate production losses due to a global shortage of computer chips. He said GM probably won't be able to build up its depleted inventory until mid-to-late next

year.

GM, Jacobson said, was able to pull some chip deliveries ahead from the third quarter. He sees \$2 billion to \$3 billion worth of added costs in the second half of the year. For instance, chip and raw material prices are starting to rise due to a coronavirus outbreak in Malaysia.

Because of chip-related factory shutdowns and continued high demand, many dealers running out of vehicles, Jacobson said. "We continue to see the chip issues, while they're declining, still being there into '22," he said.

GM also announced more deals to sell its battery and hydrogen technology to other companies. GM said it will build two electric vehicles for EV and hydrogen partner Honda, and it will supply hydrogen fuel cells for Liebherr Aerospace.

Also on Wednesday, Ford said the Lincoln brand's first fully electric vehicle will go on sale next year, but gave no details. The company said that by mid-decade it expects half of Lincoln's global sales will be zero emissions vehicles.

Shares of GM rose 1.3% to \$61.58 in Wednesday afternoon trading, near a record high. Ford shares fell slightly to \$14.97.

GM also said that CEO Mary Barra is in Washington to meet with legislators and the administration of President Joe Biden on federal pollution and fuel economy standards.

Biden is in the process of reversing former President Donald Trump's rollback of pollution limits and plans to announce stricter standards in July.

On CNBC Wednesday, Barra said she's optimistic that legislators will expand tax credits to jump-start purchases of electric vehicles. Currently there's a \$7,500 federal credit for EV purchasers, and there are proposals to expand it to as much as \$12,500. But once a manufacturer sells 200,000 electric vehicles, the tax credit is phased out. GM and Tesla have hit the cap and can't offer the credit anymore.

"We really think being a first mover shouldn't be something that's penalized as we look at EV adoption," Barra said. "We're going forward with a full portfolio, but we think to level the playing field, having everybody have that same opportunity is going to be important."

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