Ford disbands Argo AI autonomous vehicle unit, posts loss

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A Ford logo is seen on signage at Country Ford in Graham, N.C., on July 27, 2021. Ford is pulling out of its investment in Argo AI, an autonomous vehicle company that it jointly owns mainly with Volkswagen. The company said Wednesday, Oct. 26, 2022, in its third-quarter earnings materials that it is switching investment priorities from fully autonomous vehicles to advanced driver assist systems. Credit: AP Photo/Gerry Broome, File

Ford said Wednesday that it is disbanding Argo AI, an autonomous vehicle company that it co-owns with Volkswagen.

Executives said they don't see a path to profitability on fully autonomous vehicles, and will now focus on partially automated driver-assist systems, which need to be monitored by humans.

"We've looked at this every way that you can," Chief Financial Officer John Lawler told reporters Wednesday. "We just see the profitability, given the investment that's going to be required, a long way out."

It would take billions of dollars for Ford to put self-driving robotaxis on the streets, Lawler said, yet it wasn't clear when that would happen "in a way that would allow us to have a profitable return on that investment."

The move by Ford and VW suggests how difficult and costly it is to make self-driving cars a reality, said Guidehouse Research mobility analyst Sam Abuelsamid. The business, he said, has required big investments for years with few results, and investor appetite to sink in more money has waned.

He expects consolidation in the industry, possibly to five or six major players. "More companies are going to go under," he said. "They're just going to run out of cash runway or in some cases perhaps get absorbed by one of the bigger players."

Yet crosstown rival General Motors sees revenue gains coming for its Cruise autonomous vehicle unit, which is running driverless robotaxis in San Francisco and is expanding to Phoenix and Austin, Texas. GM expects Cruise to generate $1 billion in revenue in 2025.

Ford took a $2.7 billion accounting charge to reduce the value of its investment in Pittsburgh-based Argo, and it's writing off a cash investment of about $500 million. Due largely to the charge, Ford reported a net loss of $827 million from July through September.

Ford said it and Volkswagen would hire many of Argo's 2,000 employees and some of its offices would remain open.

The Dearborn, Michigan-based automaker said customer enthusiasm for driver-assist systems warranted additional investment. Ford also said Argo, which it took a stake in five years ago, had been unable to attract more investors.

Doug Field, Ford's chief technology officer, said a breakthrough will be needed to make self-driving cars work, and then further advances would be required before the vehicles could be deployed widely. High-tech laser and radar sensors on autonomous vehicles can't be scaled to high volumes or affordable price points, Field said.

"There's a lot of work to not only just crack the technical problem, but then turn that into a high-volume reliable vehicle," Field said.

Excluding one-time items, Ford said it made a profit of 30 cents per share during the quarter. That beat Wall Street estimates of 27 cents, according to FactSet. Revenue of $39.4 billion also beat estimates of $37.46 billion.

The company said it had strong cash flow in the quarter, ending it with $32 billion in cash and $49 billion in total liquidity.

Ford said it expects full year pretax earnings to be around $11.5 billion, at the low end of previous guidance.

Lawler attributed the change to factories slowed by parts suppliers that are struggling with labor shortages, and currency declines in the United

Kingdom, a big market for Ford.

Economic issues may also be starting to weigh on consumers, and a U.S. recession is possible, Lawler said. Near-record vehicle prices are starting to decline. And demand for midrange vehicles is outpacing more profitable ones loaded with options, he said.

"We still have a strong order bank, and we're still seeing significant demand," he said. "You're starting to see that the macroeconomic environment, the interest rates, are starting to have some impact on the industry."

Lawler said Ford is preparing for a mild or moderate U.S. recession next year, but it's in a better position to handle it than past downturns because it has lower inventory and a more profitable model lineup.

Ford built 40,000 vehicles without one part or another during the quarter, Lawler said, and it expects to ship the completed vehicles to dealers by the end of the year. Like other automakers, Ford has been hit hard by parts shortages including a global shortage of computer chips.

GM said earlier this week that its production is improving, and dealers are getting more vehicles.

Shares of Ford fell just over 1% in extended trading Wednesday.

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