

Ford to shift electric vehicle strategy by building new lower-cost pickups and a commercial van

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A Ford company logo on a sign at a Ford dealership in southeast Denver, Oct. 24, 2021. Credit: AP Photo/David Zalubowski, File

Facing competition from automakers with lower costs, Ford Motor Co.

is shifting its electric vehicle strategy and now will focus on making two new electric pickup trucks and a new commercial van. The company says all will cost less, have longer range and be profitable before taxes within a year of reaching showrooms.

Ford, which is losing millions on its current EVs, gave few details about the new products. But it said production of its next generation full-size electric pickup truck in Tennessee will be delayed 18 months, until 2027.

The company also says it won't build fully electric three-row SUVs due to high battery costs, but instead will focus on making those vehicles as gas-electric hybrids.

The other new pickup will be mid-sized, based on new underpinnings developed by a small team in California. It also will go on sale in 2027. Production of the unspecified van will start at an assembly plant west of Cleveland in 2026.

The changes will force Ford to write down \$400 million of its current assets for big electric SUVs, and it also expects to have additional expenses of up to \$1.5 billion.

"We're committed to creating long-term value by building a competitive and profitable business," Chief Financial Officer John Lawler said in a statement.

The company also said it will cut capital spending on EVs. It now will spend 30% of its annual capital budget to develop them rather than the current 40%.

Ford, which has long been talking about making profitable EVs, lost \$2.46 billion on them in the first half of the year, dragging down profits from its gas-powered and commercial units.

The company said in a prepared statement that the global EV market is changing rapidly, and it must evolve to compete with Chinese automakers that have lower production and engineering costs. At the same time, current buyers are more cost-conscious than early adopters, and automakers are introducing more EVs.

"These dynamics underscore the necessity of a globally competitive cost structure while being selective about customer and product segments to ensure profitable growth and capital efficiency," the company said.

Ford also said it will build more commercial and consumer vehicles off of new, more affordable EV underpinnings. More details will be released at an event in the first half of next year.

Electric vehicle sales in the U.S., Ford's most profitable market, are still growing but have slowed as more practical consumers worry about range and the ability to recharge while traveling. Market leader Tesla Inc. has cut prices, forcing others to follow.

U.S. electric vehicle sales overall rose about 7% during the first half of the year to 599,134, Motorintelligence.com reported. EVs accounted for 7.6% of the U.S. new vehicle market, about the same as it was for all of last year. Lease deals, which include federal tax credits, helped to boost sales.

Sales of gas-electric hybrids skyrocketed 35.3% from January through June to 715,768, eclipsing electric vehicle sales.

That was part of the reason Ford changed strategy to go with hybrids on the big SUVs. Hybrids, the company said, have profitability that is similar to gas vehicles, which Ford will continue building.

Shares of Ford rose 2.1% in trading Wednesday.

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