

VW, Ford announce alliance to build commercial vans, pickups

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VW and Ford said they will work towards cooperation in new technologies for cars of the future

Volkswagen and Ford announced a new alliance on Tuesday to jointly develop commercial vans and pickups starting in 2022, a bid to reduce costs in the increasingly competitive auto market.

The American and German auto giants have been talking for more than

six months about an alliance, including potential cooperation on autonomous and electrification technologies for cars of the future.

But the two sides were able to hash out an agreement only on commercial vehicles in time for an announcement during the Detroit auto show.

Initially scheduled as an appearance on the show's biggest stage, the announcement was scaled back Monday night to a phone conference with reporters and investment analysts.

The American and German giants will join forces to develop commercial vans and medium-sized pickups as early as 2022. But the deal does not involve cross-ownership, the companies said in a statement.

They also will "investigate collaboration on autonomous vehicles, mobility services and electric vehicles and have started to explore those opportunities.

VW CEO Herbert Diess said the alliance "will be a cornerstone for our drive to improve competitiveness."

Collaborations growing

Under the alliance, to be governed by a joint committee headed by the chief executives of the two companies, Ford will engineer and build medium-sized commercial pickups for both firms. Ford also will build large commercial vans for European customers and VW will develop a city van.



Ford and VW were scheduled to hold a press conference to unveil their new alliance but abruptly called it off and issue a statement instead

The city van would be designed for the European market, while the medium-sized pickup truck would be specific to South America, Africa and Europe, Ford said.

The alliance follows in the footsteps of others formed in the auto industry, which is facing rising costs amid the drive to develop new technologies, as well as changing consumer preferences.

Honda in October invested \$2.5 billion in Cruise, GM's proprietary technology subsidiary, in exchange for a 5.7 percent stake. And Toyota

and Mazda plan to open a joint factory in the southern US city of Huntsville, Alabama in 2021.

"The industry likely will see more kinds of collaboration like the one announced today by Ford and VW," said analyst Michelle Krebs of Autotrader.

But Edmunds analyst Jessica Caldwell cautioned that VW and Ford would have to forge a deeper partnership if they were to realize the full benefits of an alliance.

"Cutting costs by sharing vehicle architectures and manufacturing facilities is just table stakes in this new world and is a nice place to start," Caldwell said.

"However, the key to success will be if Ford and VW can help each other fend off the upstarts and become leading forces in electric and autonomous vehicle technology."



A 1964 VW Beetle is on display at the North American International Auto Show in Detroit, is a remnant of a simpler time for automakers who now are joining forces to compete

Talks ongoing

The chief executives of VW and Ford said they were determined to continue talks on expanding their collaboration further to include new technologies and additional vehicle programs.

"How, where and when this might happen, this is what we are currently negotiating with our colleagues at Ford," Diess said in prepared remarks.

Among the discussions, was a potential collaboration in China on electric

drivetrains.

It was the second major announcement for Volkswagen, which on Monday unveiled an \$800 million investment to expand its plant in Chattanooga, Tennessee to build electric vehicles.

VW said it would create 1,000 new manufacturing jobs.

That move won praise from US President Donald Trump, who tweeted Tuesday morning: "Congratulations to Chattanooga and Tennessee on a job well done. A big win!"

Trump, who campaigned on a promise to increase US manufacturing jobs, has regularly commented on production decisions by automakers.

In November, he blasted General Motors's decision to idle several plants and cut 14,000 jobs as part of a major restructuring, calling it "unacceptable" and "nasty."

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