

VW, Ford team up to make autonomous, electric vehicles

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Ford CEO Jim Hackett, right, and Volkswagen CEO Herbert Diess participate in a news conference in New York, Friday, July 12, 2019. Volkswagen will sink \$2.6 billion into a Pittsburgh autonomous vehicle company that's mostly owned by Ford as part of a broader partnership on electric and self-driving vehicles, the companies confirmed Friday. (AP Photo/Seth Wenig)

Volkswagen will invest \$2.6 billion into a Pittsburgh autonomous vehicle company that's mostly owned by Ford as the automakers who were once rivals deepen their partnership to develop driverless and electric vehicles in an ultra-competitive landscape.

The two automakers will become equal owners of Argo AI, and they plan to put autonomous vehicles on the roads in the U.S. and Europe as early as 2021, the companies said Friday.

The deal also includes a plan for Ford to use VW's electric vehicle platform to build zero-emissions cars for the European market starting in 2023.

Auto companies have been teaming up with each other as well as with big technology firms over the past few years to try to spread out the enormous costs of developing self-driving and electric vehicles. Ford CEO Jim Hackett expects the large crowd of players to be narrowed down.

"The stakes are high here," Hackett said at a news conference Friday. "There's only going to be a few winners who create the leading platforms for the future. We cannot be late, Ford can't be late, and we have to be great."

The decision to team up helps Ford and Volkswagen share the steep costs—and risks—of developing technology for driverless vehicles, and gives Argo AI more cash to attract talented engineers, crucial to success. It also will help the automakers pivot from cars that compete on engine performance to those where the unique characteristics of the driver experience will be driven by software.



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"The auto industry, in the past we've been criticized for a lack of interest in working together, and what you're seeing with Volkswagen and Ford is a commitment to doing that on a number of projects," said Joe Hinrichs, president of automotive for Ford.

What it comes down to for both the auto and technology companies is time and money. Driverless cars may not become commercially viable or generate revenue for years. There are also enormous up-front costs to

change plants to produce electric vehicles.

Among the combinations announced in recent years:

— In May, a group of investors poured \$1.15 billion into GM Cruise LLC, the autonomous vehicle unit of Ford's main competitor, General Motors. Cruise already had attracted investments from Honda and Japan's SoftBank and is valued by the companies at around \$19 billion.

— Ride-hailing company Uber joined with Toyota to build autonomous vehicles last year.

— Chip maker Intel bought Israeli self-driving technology firm Mobileye for about \$15 billion in 2017.

— In April, Ford said it would invest \$500 million in electric vehicle startup Rivian to build a Ford vehicle on Rivian's underpinnings.

Auto and tech industry experts say partnerships like Ford and VW will become more common.



In this Jan. 14, 2019, file photo Ford Motor Co. President and CEO, Jim Hackett, left, meets with Dr. Herbert Diess, CEO of Volkswagen AG, at the North American International Auto Show in Detroit. Ford and Volkswagen are planning to unveil details about their budding alliance to build mobility services and autonomous and electric vehicles. Executives from both companies are planning to reveal details Friday, July 12. (AP Photo/Carlos Osorio, File)

"One company cannot bankroll the development alone," said Akshay Anand, executive analyst for Kelley Blue Book. "Partnerships will continue to ramp up in coming years, crossing boundaries most would not have envisioned even 10 years ago."

With electric vehicles, manufacturers are under pressure to release zero-emission cars in markets such as China and Europe to meet tougher pollution limits. Ford already has its own platform which it will continue

to use for the majority of its electric vehicles, but the relationship with Volkswagen will help Ford to develop smaller electric vehicles that are desired in the European market.

Ford hopes to sell 600,000 vehicles in Europe using VW's technology over six years starting in 2023. VW, the world's largest automaker measured by sales, already has invested \$7 billion in its new platform, which it plans to use to build 15 million electric vehicles worldwide in the next decade.

"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, executive director industry insights for Edmunds.com. Edmunds provides content for The Associated Press.



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As for Ford and Volkswagen, Hackett and VW CEO Herbert Diess left the door open to more collaboration between the companies, but they did not say whether there were specific additional partnerships in the works.

The Ford-VW alliance vaults Argo into one of the highest-valued autonomous vehicle development companies in the world.

The VW investment includes \$1 billion in cash and the \$1.6 billion value of VW's 200-person autonomous intelligent driving company. Ford already has committed to putting \$1 billion into Argo, which the companies now value at \$7 billion.

The two companies announced plans in January to collaborate on developing commercial vans and medium-sized pickup trucks while exploring electric and autonomous vehicles together. They said Ford would develop larger vans and pickups while Volkswagen would develop a smaller van for crowded cities.

Shares of Ford rose 2.6 percent in afternoon trading Friday.

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