

The background of the slide is a dark scene of a racetrack at night, with long-exposure light trails from cars in shades of orange, red, and white. Overlaid on this are several green data visualization elements: a line graph with multiple peaks and troughs, a bar chart with vertical bars of varying heights, and a donut chart with a single segment highlighted. The text 'Forecast', 'Market', 'Growth', and 'Production' is scattered across the top of the data charts.

Alert

Ford & VW Alliance

22 January 2019



The Alliance

Ford and VW announce a new alliance which is aimed at reducing costs and ultimately sharing risk of developing new technologies.

Key Features of Alliance:

- *Deliver Medium Pickup Trucks for Europe, South America and Africa*
- *Deliver Commercial Vans for Europe*
- *Commitment to exploring potential collaboration on EVs, autonomous vehicles and mobility services*
- *No cross-share ownership*

Alliance Vehicles:

- **'Mid-Size Pickup'**, launched in 2022, will provide the replacement for both the Ranger and VW Amarok. Ford will be the lead developer.
- **'City Van'** is reported to replace the VW Caddy as well as Ford's Transit Connect from 2023. Although not explicit in the Ford/VW announcement, the Ford Courier small van may also be replaced by this model.
- **'Larger Van'** will be developed by Ford and underpin the next generation Ford Transit and VW Transporter. Versions of this Alliance model could also replace VW's Crafter.

Brand	Current Model	Approx. 2018 Global Volume	New 'Alliance Model'	Target Launch Timing	Developer
Ford	Ranger	300	Mid-Sized Pickup	2022	Ford
VW	Amarok	80			
Ford	Transit Connect/Courier	180	City Van	2023	VW
VW	VW Caddy	190			
Ford	Transit L/H	350	Larger Van	2023	Ford
VW	Transporter/Crafter	280			

Footprint Impacts:

- **‘Mid-Size Pickup’** (Ford lead)

The Alliance intends to market both Ford and VW versions of this model in Africa, Europe and South America. The Ford version will be the only one available in the US initially but a VW version could be added as part of further negotiations.

Brand	Current Model	Production Plants*	Plant Utilisation (2018)	Key Markets Supported	Potential Alliance Impact
Ford	Ranger	Silverton, S Africa	91%	Europe, Africa	Production of both VW and Ford Pick-up versions for Europe could be consolidated in Ford's S African plant. Would require capacity expansion.
		Rayong (Ford), Thailand	44%	Asia	Expected to continue supporting Ford versions in Asia. Asian VW version uncertain (except Australasia).
		Michigan Assy., USA	25%	N America	Production expected to be exclusively for N American market.
		Pacheco (Ford), Argentina	29%	S America	Could build both VW and Ford versions. Potential plant closure: production shifted to underutilised facilities in Brazil.
VW	Amarok	Hannover, Germany	83%	Europe, Australasia	Ford facility is expected to build VW's Amarok replacement. Volume could be localised in Ford's S African facility (expansion required).
		Pacheco (VW), Argentina	43%	S America	Plant under threat. VW volume to be consolidated at Ford Plant either in Argentina or Brazil.

*Key facilities, wholly owned

Footprint Impacts:

- **'City Van' (VW Lead)**
The Alliance replacement for both VW Caddy and Ford Connect (and possibly Courier) is contained within Europe. The European footprint is thus affected.

Brand	Current Model	Production Plants	Plant Utilisation (2018)	Potential Alliance Impact
VW	Caddy	Poznan, Poland	100%	Plant would require capacity expansion to support volume of both Ford and VW versions of City Van. Poznan's VW Transporter volumes could be shifted to Ford (Turkey).
Ford	Transit Connect	Valencia	92%	Ford and VW signalled the low-cost attractiveness of Poland as an assembly location, however, both VW's Polish sites would require significant capacity expansion: almost a doubling at Poznan and a three-fold increase at the Group's newest site, Wrzesnia, to accommodate all versions of the new Alliance 'City Van'. This could spark plant rationalisation at Ford of Europe: without the Ford version of the 'City Van', Valencia could potentially support both the Ford Focus and Kuga volumes. This consolidation would jeopardise the future of Ford's Saarlouis facility in Germany.
Ford	Transit Courier	Kocaeli	89%	The smaller Transit Courier could be replaced by a smaller version of the Alliance 'City Van'. However, it is equally likely that this specific model will not be directly replaced and absorbed into the 'City Van' range. Production would thus end at Kocaeli (Turkey).

Footprint Impacts:

- **‘Larger Van’** (Ford Lead)

The Alliance replacement for both the Ford Transit and VW’s Transporter Van (and possibly Crafter) is contained within Europe. The European footprint is thus affected.

Alliance Model (Ford & VW)	Production Plant	Current Capacity (000s)	Capacity (000s) Scenario 1:	Capacity (000s) Scenario 2:
Large Van: Europe	Ford Kocaeli, Turkey	440	650	550

- **Scenario 1**

Consolidating all Alliance Larger Van production for Europe would require an additional capacity expansion at Kocaeli of approximately 200K/year. This would account for all additional European VW Transporter and Crafter volume but also assumes the loss of the Transit Courier small van from the Turkish plant. Expansion of capacity towards 700K/yr has been previously rumoured for Kocaeli.

- **Scenario 2**

As above, except the VW ‘Passenger’ Van versions would remain in Hannover. This would help support volume at the German plant.

Further Developments

- While most of the available detail regarding the Ford & VW alliance has been focused on the Commercial Vans and the Mid-Size Pick-up, this initial ‘toe-in-the water’ approach by the two companies is set to develop into a deeper partnership.
- As the pressure grows upon OEMs to meet stringent emissions targets, the drive towards electrification, particularly in Europe, increases. As yet, developing this market remains both costly and unproven.
- To mitigate this risk, further collaboration is likely to emerge with an initial focus on electrification. Development costs are significant in the embryonic stages of mainstream electrification. Since VW is further down the development path, the group will need to decide if the scale benefits of sharing its MEB electric architecture with Ford will outweigh the competitive risks in doing so.
- Ford and VW may find that it is the next stage of their partnership concerning electrification and autonomous vehicles that not only defines their own operations but sets another marker for increasing consolidation throughout the industry.

A world map in shades of green and blue, overlaid with various data visualization elements. The word 'Production' is at the top, 'Forecasts' and 'Markets' are on the left, and 'Growth' is at the bottom left. A bar chart with multiple bars in shades of green and blue is positioned over the European continent.

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Thank you