

As the Automotive Industry Faces Headwinds, Alliances and Innovation Forges Ahead

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If you happen to visit the *Wall Street Journal*, *New York Times*, or *TechCrunch's* website on any given day, you wouldn't be wrong to conclude that the Automotive industry was under attack from all sides. The likes of Apple, Google, Tesla, and other unnamed startups are expected to upend the status quo and change the way of commuters around the world. [Driverless cars](#) will make car ownership obsolete, scooters and bike-shares will reduce urban congestion, parking garages and parking lots will be a thing of the past, and [even your pizza](#) will soon be delivered by robots. But manufacturers and suppliers aren't sitting idly by, watching the world around them change. Instead, many are pursuing investments, mergers, and partnerships with competitors and innovators alike.

Developing electric vehicles has been driven in part by regulatory demand. In the European Union, carmakers must achieve average fuel economy equivalent to roughly 57 miles per gallon by 2021. Furthermore, the U.K. and France plan on banning sales of new internal combustion engine vehicles by 2040. FCA has managed to strengthen its partnership portfolio, adding to their existing transit centric work with Waymo, by finalizing an investment in the autonomous vehicle company Aurora Innovations Inc. Aurora comes with the backing of other investors including Amazon and Sequoia Capital as they look to develop and deploy self-driving commercial vehicles utilizing FCA's Ram Truck platform.

On another front, Jaguar Land Rover ("JLR") and BMW announced they will be working together to design next-generation electric drive units. JLR in particular appears committed to rapidly moving towards electric, given its goal of producing battery-only or hybrid new vehicle models by 2020. By teaming up, these automakers hope to share research, reduce development costs, and accelerate bringing new electric technology to market. Although differences in culture can undermine alliances, that should not be an issue for JLR and BMW given their shared ownership from 1994-2000 and current JLR executives with BMW ties. For example, JLR CEO Ralf Speth previously worked at BMW for 20 years.

JLR has already committed to selling 20,000 units of its electric crossover utility model, the I-PACE to Waymo, which will begin using these vehicles in its commercial ride-hailing service in 2020. Waymo, owned by Google's parent company Alphabet, Inc., was created to develop autonomous vehicles. Volkswagen ("VW") and Ford are currently in negotiations for joint work on self-driving technology to better compete with Waymo and General Motor's Cruise unit. These negotiations seem close to reaching a deal given VW ending its preexisting autonomous car partnership with startup Aurora Innovation on June 11. A deal could be announced as early as July, according to people familiar with the situation. VW and Ford have worked together before; past projects include joint ventures in South America and Portugal. More recently, in January, the two companies agreed to a partnership to develop light commercial vehicles. Possible joint work on electric vehicles has also been discussed. With Ford's history of losses in Europe and VW having just 2% of the U.S. automotive market despite being the largest automotive company in the world, greater partnership on multiple fronts could help both companies grow sales globally.

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