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Business

Jaguar Land Rover to cut thousands of UK jobs after China, diesel slump

No-deal Brexit to hurt company; increase costs, disruption

LONDON: Britain's biggest carmaker Jaguar Land Rover (JLR) is set to cut thousands of jobs as the company faces lower demand in China and a slump in sales of diesel cars in Europe. The central English firm builds a higher proportion of its cars in Britain than any other major or medium-sized carmaker and has also spent millions of pounds preparing for Brexit, in case there are tariffs or customs checks. Britain's business minister Greg Clark said yesterday it is clear why a no-deal Brexit would add to the problems with further costs and disruption.

JLR lost 354 million pounds ($450 million) between April and September 2018 and had already cut around 1,000 roles in Britain, shut its Solihull plant for two weeks and announced a three-day week at its Castle Bromwich site. Its Chief Executive Ralf Speth warned in September that the wrong Brexit deal could cost tens of thousands of car jobs and posed a threat to production at the automaker.

The Tata Motors-owned company, which employs around 40,000 people in Britain and has boosted its workforce at new plants in China and Slovakia in recent years, unveiled plans to cut costs and improve cash flows by 2.5 billion pounds last year including "reducing employment costs and employment levels." Those cuts will be "substantial" and run into the thousands, the source told Reuters.

"The announcement on job losses will be substantial, affecting managerial, research, sales, design," said the source, who spoke on condition of anonymity, not affecting production-line staff "at this stage." The company declined to comment when contacted by Reuters on Thursday. Ford also said yesterday it will cut thousands of jobs in Europe, exit unprofitable markets and discontinue loss-making vehicle lines as part of a turnaround effort aimed at improving profit margins in the region.

Brexit warnings

JLR, which became Britain's biggest carmaker in 2016, had been on course to build around 1 million vehicles by the turn of the decade, reported yesterday a 4.6 percent drop in full-year sales to just under 600,000 vehicles. Demand in China, which had once been one of its strongest countries but has since been hit by a slowdown, fell by 21.6 percent, the biggest drop of any of its markets. "The economic slowdown in China along with ongoing trade tensions is continuing to influence consumer confidence," said Jaguar Land Rover Chief Commercial Officer Felix Brautigam.

Diesel accounts for 90 percent of the firm's British sales and 45 percent of global demand, the company said last year, as demand in the segment tumbles following new levies in the wake of the 2015 Volkswagen emissions cheating scandal. The firm's chief financial officer said in October that the firm's Changshu plant in China "has basically been closed for most of October in order to allow the inventory of both our vehicles and dealer inventory to start to reduce."

Like fellow automakers, the company could see its three British car factories grind to a halt in fewer than 80 days if lawmakers next week reject a deal by Prime Minister Theresa May, leading to tariffs and customs checks after a no-deal outcome. "Given the difficulties that they're going through... to add further costs and further disruption from a no-deal Brexit, it's clear why they've been so clear that this would be against their interests," said business minister Greg Clark.

BMW-owned car brand Rolls-Royce is also taking steps to prepare for a no-deal Brexit but called on the government to prevent that outcome. "We urge the government to avoid any hard Brexit," said Chief Executive Torsten Mueller-Oetvoes. —Reuters

ENGLAND: The Jaguar logo is seen on a car in Wakefield, northern England. —AFP

Amazon to invest in French firm's technology for self-driving forklifts

CALIFORNIA: Amazon could build a stake of almost a third in warehouse robotics firm Balyo in the next seven years, as part of a deal that could boost sales of the French company's technology for self-driving forklift trucks. Warehouse automation is a key element in efforts by Amazon to cut costs and speed up deliveries.

The world's biggest online retailer currently uses robots developed by Kiva Systems, a company it bought for $775 million in 2012. "This agreement ... represents an unprecedented opportunity for Balyo to grow its business and supports the soundness of our investments over the years to perfect our robotic solutions," Balyo Chief Executive Fabien Bardinet said yesterday.

Under the terms of the deal, Amazon will receive free stock warrants representing up to 29 percent of Balyo's capital which it can exercise depending on orders of the company's products. The full 29 percent would be exercised if Amazon orders up to 300 million euros of Balyo's enabled products. Balyo, whose navigation system turns forklifts into self-driving vehicles, said it expected 2018 revenue to come in at 23.3 million euros, up 40 percent on the previous year.—Reuters

VW, China spearhead $300 bn global drive to electrify cars

FRANKFURT: Global automakers are planning a $300 billion surge in spending on electric vehicle technology over the next five to 10 years, with nearly half of the money targeted at China, accelerating the industry's transition from fossil fuels and shifting power to Asian battery and electric vehicle technology suppliers. The unprecedented level of spending - much of it by Germany's Volkswagen AG - is driven in large measure by government policies adopted to cut carbon dioxide emissions, and will extend technological advances that have improved battery cost, range and charging time to make electric vehicles more appealing to consumers, according to an exclusive Reuters analysis of public data released by those companies.

China for decades played catch-up to German, Japanese and American automakers, which dominated internal combustion vehicle technology. Now, China is positioned to lead electric vehicle development, industry executives say. "The future of Volkswagen will be decided in the Chinese market," said Herbert Diess, chief executive of VW, which has decades-old joint ventures with two of China's largest automakers, SAIC Motor and FAW Car.

Speaking earlier this week to a small group of reporters in Beijing, Diess said China "will become one of the automotive powerhouses in the world." "What we find (in China) is really the right environment to develop the next generation of cars and we find the right skills, which we only partially have in Europe or other places," he said. Diess added, "We have very clear policies established here in China. Policymakers and regulators are requiring" a shift to electric vehicles.

As China and other countries place more restrictions on conventional gasoline and diesel engines, auto companies have accelerated the shift to electrification. A year ago global automakers said they planned to spend $90 billion on electric vehicle development. The $300 billion that automakers have earmarked to put electric vehicles into mass production in China, Europe and North America is greater than the economies of Egypt or Chile.

Almost one-third of the industry's EV spending total, about $91 billion, is being committed by the Volkswagen Group, which is aggressively trying to distance itself from the Dieselgate scandal, which has cost it billions in penalties and legal settlements. VW's sweeping electrification plan envisions capacity on three continents to build up to 15 million electric vehicles by 2025, including 50 pure electric and 30 hybrid electric models. Eventually, VW plans to offer electrified versions of all 300 models in its 12-brand global portfolio, which includes Audi and Porsche.

VW's staggering EV budget dwarfs that of its closest competitor, Germany's Daimler AG, which has committed $42 billion. In comparison, General Motors Co, the No 1 U.S. automaker, has said it plans to spend a combined $8 billion on electric and self-driving vehicles. Roughly 45 percent of the global industry's planned EV investment and procurement spending, more than $135 billion, will occur in China, which is heavily promoting the production and sale of electric vehicles through a system of government-mandated quotas, credits and incentives.

As a result, EV spending by major Chinese automakers from SAIC to Great Wall Motor could be matched or even exceeded by multinational joint-venture partners such VW, Daimler and GM, as they dramatically expand their electric vehicle portfolios in China and ramp up battery purchases from Chinese suppliers. Reuters analyzed investment and procurement budgets made public over the past two years by 29 of the world's top automakers, based primarily in the United States, China, Japan, Korea, India, Germany and France. The figures do not reflect planned investments and purchases that have not yet been made public. —Reuters