



Roger Kemp

# Ta-ta to Ford

**G**iven the months of informed speculation that preceded the announcement that Ford was to sell both Jaguar and Land Rover to the Indian company Tata, it was no surprise when, on 26th March 2008, it was announced that the deal had finally been concluded. In exchange for about £1.15 billion Tata has become the owner of two of the most prestigious car companies still based in the UK.

It is not apparent that Ford's relationship with Jaguar has ever been a happy one - having bought the company for £1.6 billion in 1989 and then invested a further £2 billion on the development of new models and bringing production lines up to 21st century standards, it has never seen a return on its money. Sales that peaked at around 130,000 cars in 2002 had dropped to about 60,000 in 2007. As much as Land Rover has been profitable in recent years Jaguar has mostly operated at a loss under Ford's ownership. Last year the company reported a loss of £274 million. Of course, blame for low sales cannot be laid wholly at Jaguar's door as the poor exchange rate of Sterling against the American dollar has made Jaguars very expensive in what had formally been their prime overseas market. Some consolation can be drawn from the fact that, as the value of the Euro has also strengthened against the dollar, Jaguar's main European rivals (Audi, BMW, and Mercedes) have suffered similar sales challenges.

Although Tata is not the biggest international motor manufacturer it is a huge organisation with a diverse range of interests. On its website it claims to be India's largest private company encompassing 98 separate organisations with a total capital valuation of about £30 billion. It is well known that Tata's acquisitions include Corus (formerly British Steel) and Tetley's Tea - it also owns hotels and has interests in the chemical industry and communications in the UK. The company has had a presence in the UK for many years. Indeed, Tata Ltd was registered in London as long ago as 1907 and, even before the acquisition of Jaguar and Land Rover, it employed around 4,000 people in the UK. The takeover will add around 16,000 further staff to its UK workforce. The financial markets have not been particularly positive about the takeover - Tata has borrowed the money from a number of International banks to buy Jaguar and Land Rover. Uncertainty about the wisdom of what Tata Motors is doing has seen its share price reduce by 25% since October 2007.

It is interesting that since Ford announced its plans to sell Jaguar and Land Rover, Tata has been the only serious bidder. Ignoring the private equity firms who sniffed around the sale, one has to wonder why none of the major European or Japanese car manufacturers showed any great enthusiasm to take over these companies. Similarly, given that Land Rover is already profitable and, with the introduction of the XF, it is likely that Jaguar's fortunes will improve in the coming year, one must wonder why Ford has chosen to divest itself of these two companies now. It would also be interesting to understand why Ford has, with the sale of Aston Martin last year, now sold three parts of its Premier Automotive Group (PAG) but has decided to retain Volvo.

Tata is not a big player in the world's automotive industry and its Indian plants produce a range of cheap and unsophisticated small saloon cars and four-by-fours, largely for its domestic market. It also manufactures a range of buses and lorries with a strong Asian market enhanced

**So it's goodbye from Ford  
and hello from Tata  
The cowboys are going, can the  
Indians do any better?**

# ... hello to TATA

since it took over Daewoo's commercial vehicle production in 2004. Within the last few months it has announced that it will be making the world's cheapest car, the Nano, which is priced at 100,000 rupees (approximately £1,250).

Tata's main focus is mass-market production. It is not currently engaged in building luxury cars for the high-end markets of Europe and America. Of course, with the acquisition of Jaguar, Tata does gain access to some very advanced automotive technology developed under Ford's ownership at Whitley. Jaguar and Land Rover are acknowledged to have some of the best designers and engineers in the car making industry.

Does the future bode well for our favourite car company? A positive observation is that the workforce at Jaguar



seem to be very happy about the takeover. That may only reflect a view that anyone buying the company lock, stock and barrel would guarantee ongoing employment for most of the workforce. Tata has a good reputation for treating its staff well but it would be naïve for Jaguar and Land Rover employees to ignore the fact that the only reason Tata can produce cars so cheaply in India is because the labour rates are significantly lower than those in the UK.

Tata has committed to respecting Jaguar's current operating plans. In the short-term, that means production will continue at Halewood and Castle Bromwich and that plans already in train for future models will be fulfilled. It seems that the X-Type will cease production in 2010 with no replacement planned, but we will see a new XJ next year and a mid range sports car the year after. These new models will require significant investment and whereas Ford was not prepared to sink any further funding into Jaguar, Tata has indicated that it intends to put around £1 billion into the company over the next five years. Ford is, from necessity, committed to the ongoing supply of many essential parts to Jaguar and Land Rover which will maintain a continuity of its involvement for many years to come.

When I spoke with Bibiana Boerio at the back end of last year, she said that she thought Jaguar's ongoing success was dependent on the company pursuing its own individual direction rather than trying to mimic its rivals. It would seem that Tata is prepared for the time being at least to let Jaguar do just that.

India is currently enjoying huge economic growth and, whether or not Tata eventually moves any part of Jaguar production to its home country, it must provide a major potential market place for its prestige products. It is not beyond the realms of possibility that Jaguar sales in India, now that it is a wholly owned Indian company, could blossom

to compensate for the declining sales in the USA.

One further dimension to the takeover that has been noted by several commentators is that Tata is in partnership with Fiat in several ventures in India. It has been suggested that, via this relationship, Fiat would like to use the Jaguar chassis platform to underpin its next generation of Alfa Romeos. Under the terms of the takeover, it seems that Tata is prohibited from passing Ford technology to any other party.

A major issue is going to be around the public perception of prestige cars built by a company that is based in India and whose current models can hardly be described as prestigious. For many years, I have been chided by colleagues that my S-Type is nothing special but in fact is only a Ford with a Jaguar badge on it. Although the comments are mostly made in jest there is an underlying opinion that the quality and exclusivity of Jaguar has in some way been devalued by Ford's ownership. Although the truth is that the quality of Jaguar has improved tremendously under Ford's stewardship. It is highly likely that Tata is going to have to work extremely hard to overcome any prejudices generated by the fact that its current products are about as far away in the automotive food chain as they could possibly be from the aspirations of Jaguar.

The future is not going to be easy.

As supporters of the Jaguar marque who are proud of the company's products and achievements over many years I am sure we desperately want to see them survive and prosper. A number of motor industry pundits have suggested that Jaguar should align itself more with a company like Porsche rather than try for the high volume markets of, for example, Mercedes. The view is that where Ford went wrong was directing Jaguar towards production of two or three hundred thousand cars per year when a ceiling of one hundred thousand was probably the right niche. The proposed answer is lower volumes sold at higher margins to devotees who come back to the brand time and time again.

Further challenges will come from the environmentalists



**RATAN TATA - Background.** Mr Tata received a Bachelor of Science degree in architecture from Cornell University in 1962. He worked briefly with Jones and Emmons in Los Angeles, California, before returning to India in late 1962. He completed the Advanced Management Program at Harvard Business School in 1975.

The Government of India honoured Mr Tata with one of its highest civilian awards, the Padma Bhushan, on Republic Day, Jan 26, 2000. He has also been conferred an honorary doctorate in business administration by the Ohio State University, an honorary doctorate in technology by the Asian Institute of Technology, Bangkok, and an honorary doctorate in science by the University of Warwick.

**Opposite: The TATA Nano costs just £1,250 in India.**

**Below: Ratan Tata at the launch.**





**Above:**  
**Bombay House, TATA's headquarters.**

**Below:**  
**X-Type axed in 2010?**



who are influencing opinions and seeking to introduce legislation throughout the world aimed at penalising vehicles with big engines and high carbon emissions. Both Jaguar and Land Rover fall foul of these "crimes" and will be stretched to maintain the acceptability of their current products whilst at the same time moving towards the production of more environmentally friendly

vehicles.

Ford approached Jaguar with a degree of corporate arrogance justified by its success in meeting the needs of millions of customers for low to mid-range vehicles. Much as it brought expertise to bear in the implementation of high production standards it is not apparent that Ford properly understood the Jaguar customer base. Hopefully, Tata will demonstrate respect for all that Jaguar stands

for, and with the Ford experience to learn from, will be hungry to make a success of the new venture.

All in all, Mr Tata has taken on some fascinating problems. We must wish Tata well and be grateful that for the time being at least Jaguar appears to be in safe hands. Whatever happens, the next year or so will be extremely interesting to watch.

## QUOTES FROM THE CORRESPONDENTS

“Seems to me that Tata has come further in a couple of decades than most manufacturers have managed in the past 50 years. As long as the principles of Tata are allied to the values of Jaguar, we should still see some amazing cars - and maybe a return to the low-prices (relative to Jaguar's competitors) of the William Lyons' era. Whether manufacture is kept in Britain is less an issue for me than whether the marque survives and prospers. Seeing as Audi TTs are made in Hungary, and Porsche have (off and on) been made in Finland, the possibility of Indian Jaguars fits the 21st century model of global production for global markets.” **Dr Dave Richards**

“We are delighted with the new ownership and trust that the company will be skilfully managed and financially resourced to enable Jaguar to lead the industry as it did with models such as the E Type. We look forward to a continuation of our club's excellent relations with Jaguar Cars Ltd.” **The XK Register**

“Yes, but surely 'Tata Ford' must be ok?” **Nic Drukker**

“I am expecting Tata to make a much better job of running Jaguar than Ford. I think Tata will allow Jaguar to be itself and not just another Ford. Tata will be proud of Jaguar.” **Norman Watkins**

“Ford have bequeathed Tata the best Jaguar model line-up the company has had for years. Let's hope they rise effectively to the challenge of creating the next generation of even better cars - that remain unmistakably Jaguar.” **Ian Cooling**

## OFFICIAL PRESS RELEASE

**DEARBORN, Mich., March 26, 2008. Ford Motor Company announced today that it has entered into a definitive agreement to sell its Jaguar Land Rover operations to Tata Motors.**

The transaction is the culmination of Ford's decision last August to explore strategic options for the Jaguar Land Rover business, as the company accelerates its focus on its core Ford brand and One Ford global transformation.

The sale is expected to close by the end of the next quarter and is subject to customary closing conditions, including receipt of applicable regulatory approvals.

The total amount to be paid in cash by Tata Motors for Jaguar Land Rover upon closing will be approximately US \$2.3 billion. At closing, Ford will then contribute up to approximately US \$600 million to the Jaguar Land Rover pension plans.

“Jaguar and Land Rover are terrific brands,” said Alan Mulally, president and CEO, Ford Motor Company. “We are confident that they are leaving our fold with the products, plan and team to continue to thrive under Tata's stewardship. Now, it is time for Ford to concentrate on integrating the Ford brand globally, as we implement our plan to create a strong Ford Motor Company that delivers profitable growth for all.”

“This is a good agreement. It provides the Jaguar Land Rover management team and employees with the assurances needed to maintain their focus on delivering the best results

for the business,” said Lewis Booth, executive Vice-President, Ford Motor Company, who has responsibility for Ford of Europe, Volvo and Jaguar Land Rover. “I am confident that, under its new owner, Jaguar Land Rover will continue to build upon the significant improvements and product successes it has achieved in recent years.”

As part of the transaction, Ford will continue to supply Jaguar Land Rover for differing periods with powertrains, stampings and other vehicle components, in addition to a variety of technologies, such as environmental and platform technologies. Ford also has committed to provide engineering support, including research and development, plus information technology, accounting and other services.

In addition, Ford Motor Credit Company will provide financing for Jaguar and Land Rover dealers and customers during a transitional period, which can vary by market, of up to 12 months.

The parties believe these arrangements will support Jaguar Land Rover's current product plans, while providing Jaguar Land Rover freedom to develop its own stand-alone capabilities in the future that will best serve its premium manufacturer requirements.

The parties do not anticipate any significant changes to Jaguar Land Rover employees' terms of employment on completion.

Speaking about today's agreement, Mr Ratan N. Tata, Chairman of Tata Sons and Tata Motors,

commented: “We are very pleased at the prospect of Jaguar and Land Rover being a significant part of our automotive business. We have enormous respect for the two brands and will endeavour to preserve and build on their heritage and competitiveness, keeping their identities intact.

We aim to support their growth, while holding true to our principles of allowing the management and employees to bring their experience and expertise to bear on the growth of the business.”

Jaguar Land Rover's employees, trade unions and the UK Government have been kept informed of developments as the sale process progressed and have indicated their support for the agreement.

Speaking on behalf of Jaguar Land Rover, Geoff Polites, chief executive officer, said: “Jaguar Land Rover's management team is very pleased that Ford and Tata Motors have come to an agreement today. Our team has been consulted extensively on the deal content and feels confident that it provides for the business needs of both our brands going forward.

“We have also had the opportunity to meet senior executives from Tata Motors and the Tata group,” Polites continued. “They have expressed confidence in the team that has delivered significant improvements in Jaguar Land Rover's business performance. We feel confident that we can forge a strong working relationship with our new parent company, and we look forward to a bright and successful future for Jaguar Land Rover.”