

Tata is Right for Jaguar and Land Rover

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'Ford's imminent announcement of a sale of Jaguar and Land Rover to Tata is welcome news and comes as no surprise', says David Bailey of the Birmingham Business School.

He continues, 'Tata is a huge Indian conglomerate with a turnover getting on for \$22 billion. Its deep pockets have allowed it to outbid rivals constrained by the recent credit crunch.

'Ford are flogging off some prize assets after a record \$12 billion loss in 2006 and a downward spiral of sales of gas guzzling SUVs and pick-up trucks in the US prompted by the high price of oil.

'Indeed, Ford's US sales were down by some 12% last year and Toyota has just replaced it as the number 2 producer in the US for the first time.

'To its credit, Ford has invested heavily in both Jaguar and Land Rover. Yet it lost lots of money. Partly this is down to exchange rates, with sterling at a twenty five year high against the dollar of over \$2. This has made selling to the key US market very difficult and has impacted badly on Jaguar sales there.

'This wasn't helped by Ford's inability to understand the European luxury car market.

'Witness its unwillingness to put diesel engines in Jaguars until very recently. This was nothing less than a commercial disaster and whilst Jaguar stalled, other prestige producers like BMW and Saab cashed in.

'Ford belatedly got it right and did finally get diesels into Jags a couple of years ago. But fussy, old-fashioned styling still dampened sales. Add in some too obvious links with the Ford platforms underpinning recent Jags, like the disappointing Mondeo-based x-type, and things simply weren't going in the right direction.

'This has finally changed with the stunning XK sports car which is selling well, and the dramatic new XF. The latter replaces the dull and conservative S type.

'The pipeline of future models, including a new XJ, looks very promising indeed. And Jaguar's losses are coming down and profits are finally within reach.

'Meanwhile Land Rover is hitting record sales with a range of popular and profitable new models, although quality still needs to improve further.

'Overall, then, Tata is coming in as owner at just the right time. But what will it do?

'It is will probably continue the recent strategy of selling fewer, more exclusive Jaguars at a higher premium, and to extend Land Rover's successful model range, for example with a new compact and trendy Land Rover.

'Given this, Tata probably offers the best hope for British workers. Given the heavy investment needs for new model development, a long-term perspective is required, and a private equity purchase of Jaguar/Land Rover could well have lead to the closure of one plant in Britain and significant job losses.

'In contrast, a long-term perspective from Tata could allow new models to be developed which could offer the prospect of keeping open the three UK plants. Tata's extensive links with Fiat may also open the way for a joint venture to develop new models based on shared platforms with Alfa Romeo.

'It won't all be good news for British workers though. There is likely to be more sourcing of components from abroad, including India, and assembly in the US (perhaps even in conjunction with Fiat and Alfa) is a genuine possibility given the weakness of the dollar which is set to continue.

'A few US dealers have been less than positive about an Indian firm buying such prestigious brands as Jaguar and Land Rover. This is an out-dated view of the world and fails to understand how Tata and indeed the Indian economy generally have developed over recent years. Anyone sharing this view would do well to stay at a Tata-owned Taj hotel. Tata can clearly manage luxury brands, and it has plenty of car industry experience to back this up.

'Overall, a Tata purchase of Jaguar and Land Rover makes sense on a number of levels. It would enable Ford to withdraw and hand over the firms in good shape and to a responsible owner committed to car production.

'And whilst there are no guarantees about production remaining in the UK, a Tata takeover is probably the most positive outcome any of us could have hoped for.'

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Notes to Editors

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