

VW Launches Lighter, More Fuel-Efficient Golf

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FRANKFURT, Germany (AP) — Volkswagen is rolling out the latest version of its mainstay Golf hatchback in a key test of its ability to widen its lead over other mass market carmakers in Europe, lower manufacturing costs and overtake Toyota as the world's biggest carmaker.

The new Golf looks much like the old one, but the key differences are on the inside. The car has been completely redesigned, based on a new common mechanical structure for the chassis, engine and other basic parts.

The new Golf is "the acid test" of VW's effort to ramp up mass production of the new common platform and achieve lower costs while maintaining quality standards, according to Marc-Rene Tonn, analyst at Warburg Research. The car is the company's mass-market flagship, having sold 29 million since it was introduced in 1974.

The common structure will underpin not just the Golf, but other Volkswagen vehicles. Savings from sharing parts should make the company's cars cheaper to build, analysts say. Those savings in turn will help VW add on more environmental, safety and energy-saving features that will boost the car's perceived value to consumers. And that, in turn, should let Volkswagen charge more and reap higher profit margins.

The common structure — with the jawbreaker name of modular transversal toolkit, or MBQ from its German abbreviation — will eventually underpin the Polo, Golf and Passat models as well as some Skoda, Audi and SEAT models. It actually debuted with the Audi A3 in June, but the Golf represents much bigger manufacturing volume.

The company said Wednesday that the new Golf will go on sale Nov. 10 in Germany, and orders are being taken now. The basic model starts at €16,975 (\$21,353) — same as the old one. A model with a 150-horsepower engine runs €27,100. The company is not saying when the new version will make it to the other markets such as the United States.

The MBQ common structure will mean that 40 percent to 50 percent of parts could be shared based on value. Volkswagen is telling analysts it will mean 20 percent savings in manufacturing costs and similar savings on the heavy fixed costs of developing new versions. By 2018, vehicles using the platform may represent two-thirds of VW's global output.

That platform system will also mean VW can tailor models to individual markets, as parts can be swapped in and out of the design.

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"The flexibility with regard to design of the vehicles at substantial economies of scale...should enable VW to step into new markets and niches faster and more easily than before," analyst Tonn wrote in a note to investors. "With the new toolkit being rolled out, VW will substantially improve its comparative position within the volume car manufacturing industry."

Volkswagen has been making money based on stronger volume and better pricing, while other mass-market carmakers such as GM's Opel, Fiat, Ford, Renault and PSA Peugeot Citroen have struggled with weak sales as they try to reduce manufacturing capacity.

The new car is slightly longer but is about 100 kilograms, or 220 pounds, lighter. That means better mileage, helped by technology that can take cylinders out of use at low engine loads, and by a stop-start system that shuts off the engine in traffic jams and at stop lights. The diesel version gets up to 3.8 liters per 100 kilometers, or 62 miles per gallon.

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