

IAA car show displays industry in throes of reinvention

September 12 2017, by Estelle Peard, Tangi Quemener



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Automakers meet for the biennial Frankfurt car show (IAA) Tuesday, radiating confidence even as they face tougher environmental rules, a rush of pricey new technologies and major players leaving empty seats.

On the surface there is nothing but good news at the IAA: the European

car industry can boast of five years of non-stop growth, projected to continue this year, and its 12.6 million employees on the Old Continent.

Almost 1,000 exhibitors will fan out across the 200,000-square-metre area—the size of 27 football pitches—of the German financial capital's trade show grounds.

The show will feature 50 carmakers, parts suppliers and internet giants, among others.

And Germany's VDA car industry federation promises some 228 announcements of new models during the show, many of them the urban 4x4s that sprang from nowhere to claim 30 percent of European new car sales over the past 15 years.

But away from the gleaming chassis, high-tech presentations and optimistic keynote speeches, warning lights are blinking on the dashboard of an industry that remains key to Europe's economic health.

Battle on many fronts

The [auto industry](#) has yet to atone fully for the "dieselgate" scandal, with suspicion spreading beyond Germany's Volkswagen group—the first domino to fall in 2015.



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Leaders will be closely listening to a Thursday opening speech from Chancellor Angela Merkel—who insists at election rallies that she is still "fuming" about emissions trickery.

As the industry stares down potential diesel bans in cities and compensation claims, executives have taken refuge in grand promises of an electric and hybrid future.

German titans Volkswagen, BMW and Daimler all announced far-reaching electric vehicle programmes in the run-up to the IAA, hoping to hit ambitious hybrid and all-electric car sales targets with a flood of new models by the mid-2020s.

There, too, a shadow hangs over the progress, as gung-ho US entrepreneur Elon Musk's Tesla Motors steals the spotlight from slower-moving European competitors.

Even mighty Volkswagen, the world's largest carmaker, measures the volume of batteries it will need to produce to power its electric fleets in multiples of the output of the "gigafactory"—Musk's Nevada production facility.

Along with Nissan, Peugeot, Volvo and Fiat, Tesla has shunned this year's IAA, months after the first of its keenly-awaited Model 3 cars rolled off the production line.

Ferdinand Dudenhoeffer, an auto industry analyst at the CAR research institute, called the Model 3 "unquestionably the most important car of the year" and lamented that it would not be shown at the IAA.

But carmakers are increasingly balking at the cost of exhibiting at industry shows, which can run into the millions of dollars, preferring to organise their own product launches or appear at higher-profile electronics fairs like the CES in Las Vegas.



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Rise of China

Time is running out for manufacturers to get electric, hybrid, and other alternatives to the internal combustion engine right—and to get consumers to share in the excitement.

Britain and France have already vowed they will ban the fossil fuel motors from 2040.

And in a surprise weekend announcement just before the IAA, China announced it was mooting its own ban, although officials have not named a date.

The move comes after protracted wrangling between Beijing, carmakers and western governments over plans for an electric vehicle quota in the world's largest car market—a move that would favour China's home-grown firms.

For its part, China's private sector is just as hungry to overtake the Europeans as Musk.

Among the stands will be representatives from Chinese manufacturers, while Chinese firms have also bought up a number of parts suppliers and demonstrated clear interest in Italian-American group Fiat-Chrysler.

Such manoeuvring makes Peugeot owner PSA's recent takeover of Germany's Opel appear less earth-shattering, as mergers increasingly appear the best way of bearing exorbitant research and development costs for electric and self-driving vehicles.

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