

These electric cars want to learn from Apple's hits and Tesla's misses

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The newest electric car start-up vows it will learn from Tesla's mistakes by echoing Apple's iPhone moves and designing—but not building—its vehicles, with its sights set more on the economy market.

EVelozcity, a company based in Los Angeles founded by veterans of BMW and electric car start-up Faraday Future, revealed Tuesday it had secured \$1 billion in funding from an unnamed group of U.S., European and Chinese backers.

The company plans to design and engineer an electric car and leverage third-party contractors for everything from self-driving car software to manufacturing. The idea is to have a branded car available by 2021, according to CEO Stefan Krause.

"Our main ambition is not to build a large luxury car," Krause tells USA TODAY, referencing Tesla's \$100,000 Model S and X. "We want to build affordable electric vehicles for people in the city for three use cases, a personal car, a last mile delivery car and a ride hailing car."

Beyond Tesla, which has succeeded in selling cars but still doesn't make a profit, there is a growing list of companies, often backed by Chinese money, vowing to produce shiny new electric vehicles but failing to deliver on those often wildly hyped promises.

Companies such as Faraday Future, NIO and Lucid Motors have hosted hip media events at tech confabs such as CES and SXSW to show off

futuristic prototypes that never made it to the factory or driveway.

Tesla has run into its own, steep challenges getting its sought-after cars into buyers' hands, providing an opening to rival all-electric cars. What CEO Elon Musk has termed "production hell" in producing its more affordably priced Tesla Model 3's has choked output, causing it to miss its own estimates for deliveries.

EVelozcity hopes to avoid Tesla's production woes by contracting with auto companies, suppliers and contract manufacturers to build its small electric cars.

"What young EV industry learned out of Tesla is you can test and design a great prototype, but building a supplier network and manufacturing is tricky," he says. "That's why we'll go with experienced people to assemble the car, just the way companies like Apple go to others to build their phones."

The cars will initially have steering wheels and pedals and eventually feature self-driving software as that technology and related regulations develop. Krause said the company is designing a "skateboard" platform that will house the battery, engine and other tech, with different configuration shells popped on top to suit a particular need.

EVelozcity's strategy stands in contrast to that of automotive tech start-ups Cruise and Argo.ai, both of which focus primarily on self-driving technology and have since been folded into General Motors and Ford, respectively.

Auto analyst Karl Brauer applauds EVelozcity's approach, but strikes a cautionary note when gauging its chances of success.

"The bad news for any new companies is that Tesla has been around 15

years and never made a profit and continues to struggle greatly on many fronts," says Brauer, executive publisher of Cox Automotive. "The good news is there are plenty of lessons to be gleaned. Maybe EVELOZCITY can come along and say, we know what not to do."

Gartner auto analyst Michael Ramsey says EVELOZCITY's modular concept could explain how the company "has been able to raise so much money in relative silence." But he adds that despite the billion-dollar haul, executives would be wise to spend carefully.

"(Automaker) Fisker raised a similar amount ahead of its launch and quickly stumbled into bankruptcy" before its name was purchased by investors who revived the brand, says Ramsey. "(EVELOZCITY) will need to manage their cash expertly and get some breaks to make it past the development phase."

Big ties to BMW

Krause and his team no doubt were able to land big funding due in part to their industry track records.

Krause, who was with BMW for 20 years before joining Deutsche Bank, was brought on board L.A.-based Faraday Future as CFO last year to raise \$1 billion after its main source of funding, Chinese billionaire Jia Yueting, began facing increasing financial scrutiny at home.

A few months later, Krause and more than a dozen Faraday Future employees left the start-up, including EVELOZCITY technology chief Ulrich Kranz and design chief Richard Kim.

In January, Faraday Future sued Krause and Kranz, charging that they stole intellectual property in order to start a competing venture. The [company](#) told Business Insider at the time that "we do not have, nor do

we need, any technology from Faraday Future."

Ultimately, analyst Brauer thinks a big shakeout is inevitable as just a few players ultimately dominate the coming age of self-driving, [electric cars](#) and trucks.

"It's like the automotive industry in 1927, where you had hundreds of car manufacturers and it took the Depression to weed things down to just a few players," he says. "The same will happen here. Just remains to be seen who'll be left."

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