

# Carmakers brace for shocks as electrified future looms

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Electric vehicles are the stars of this year's Paris Motor Show

Auto industry executives gathering this week for the Paris Motor Show will be rubbing shoulders with unusual company: dozens of tech experts eager to tackle what many consider the ultimate connected device.

Electric vehicles are the stars of this year's show, with premium brands like Mercedes and Audi finally jumping into the fray, but the promise of self-driving cars is also on display with dozens of start-ups on hand.

"Each of these new cars requires 100 million lines of code: That's five to six times more than in a Boeing," Luc Chatel, head of the French auto industry association, told executives on Monday.

The enthusiasm for the electrified revolution is partly out of necessity, as regulators and local officials try to cut down on the smog chocking many large cities.

In Europe, carmakers are racing to comply with tough EU limits on CO<sub>2</sub> emissions that take effect by 2021, and the introduction of tougher emission testing standards in the wake of the "dieseltgate" cheating scandal.

After investing billions of dollars in new batteries despite a still-uncertain payoff, companies are also betting that electric cars will help their bottom lines.

More reliable and with fewer moving parts than [combustion engines](#), electric motors require far fewer workers to install and service.

But industry chiefs know they won't be able to develop the full potential of an electrified, always-connected future on their own.

Google, Nokia and French IT specialist Atos are among the tech groups sending staff to the Paris show with pledges to help automakers navigate their industry's seismic shift.

"Obviously every company would love to do everything by themselves," Carlos Ghosn, head of the Renault-Nissan-Mitsubishi alliance, said in a

keynote address Monday.

"There is an explosion around the services of mobility, where carmakers are going to play a role, in partnership with others," he added, predicting that "we're going to see in the Motor Show less and less car companies."

Ghosn expects his group to sell 14 million cars by the end of 2022, of which 10 percent will be all-electric.



Audi and Mercedes are to show all-electric SUVs at the Paris Motor Show

## **Steep prices, uncertain future**

But joining with tech companies means ceding part of the profit, not exactly a welcome prospect for an industry just recently back on a stronger footing after years of bailouts for many in the wake of the 2008 economic crisis.

Automakers are also grappling with lithium-ion battery costs that keep electric vehicle prices well above those of traditional cars—the new models are still loss-makers for most companies.

Mike David, an analyst with Bloomberg Intelligence, forecast that prices would not come down to competitive levels until 2025.

And with new technologies comes the chance for upstarts to jump in: Tesla's market value is greater than that of Renault and PSA combined despite production snafus and recent blunders by its flamboyant founder Elon Musk.

Adding to the headwinds are changing consumer tastes: More people now live in urban centres where alternative modes of transport from cycling to scooters are flourishing amid the zero-emission zeal.

Many no longer see the need for owning a car, electric or not.

"Single-use vehicles are wasteful," said Ian Simmons of Magna International, a parts maker specialising in "green mobility".

Car-sharing and ride-hailing services like Uber and Lyft—which are racing ahead with their own autonomous driving research—will require heavy tech investments in cars and city infrastructure, he said.

But with Audi and Mercedes showing off all-electric SUVs this week—shortly after Ferrari announced an ambitious plan for hybrids—more buyers might be convinced their performance has caught

up with combustion engines.

"Their arrival also dispels any doubts over battery or quality issues," JATO analyst Felipe Munoz wrote in a research note.

The Paris Motor Show opens to the public on Thursday and runs until October 14.

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