

Wave of worries takes shine off Paris Motor Show

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The stuff of dreams on display at the Paris show

Cutting-edge concept cars and promises of self-driving "lounges" painted the picture of a bright future as the Paris Motor Show got under way Tuesday, but that's not the message being sent by industry chiefs.

From Brexit and transatlantic trade tensions to the challenges posed by China and [electric vehicles](#), executives see plenty of reasons to worry.

"Making forecasts is becoming more and more difficult," BMW's chief Harald Kruger told journalists. "Profitability is obviously under pressure."

It was enough to keep plenty of key players at home: Ford, Fiat-Chrysler, Nissan, VW and Mazda were among the notable absences at this year's show.

Faced with the reluctance of some industry giants to spend millions of euros on marketing, organisers responded by cutting back the show's length to 11 days from 16.

And in a bid to attract crowds who can just as easily compare models on the internet, they set up test tracks where visitors can take electric scooters and bikes for a spin.

The show also teamed up with CES Las Vegas, the huge consumer electronics fair, to host dozens of tech start-ups eager to turn cars into the internet-connected "mobility solutions" of tomorrow.

But some analysts say such changes aren't enough, citing a similar absence of major carmakers at the industry's other top shows in Detroit, Geneva or Frankfurt in recent years.

"The concept needs to be redone from scratch—up to now these shows were just for putting cars next to young girls," said Ferdinand Dudenhoffer of Germany's Centre for Automotive Research.



Brexit is putting the brakes on the car industry's outlook

'Frozen'

Such marketing costs have also become harder to justify as carmakers invest billions in autonomous driving and electric motors, even as the outlook for sales darkens.

Dudenhoffer is expecting global sales to fall 1.4 percent next year, with declines of 4 percent in the US and China.

But the more immediate worry for European manufacturers is Brexit and the possibility of new duties between Britain and the continent.

"Today we're in a situation where everybody's frozen, we're all waiting to see what's going to happen," said Carlos Ghosn, head of the Renault-Nissan-Mitsubishi alliance.

"I don't think that there's any carmaker who's not prepared for the worst. We don't like it but we're prepared," he added.

BMW's Kruger said Brexit's effects were already being felt. "The market is shrinking, and we're selling fewer cars," he said, adding that he too was bracing for a "difficult situation".

Yet executives still hope a last-minute breakthrough will avoid a "hard Brexit", similar to the deal reached over a revised Nafta following US President Donald Trump's threat to scrap the trade pact.

"Frankly, we're very happy that we have an agreement. I can tell you that no agreement would have been much more devastating for the development of our operations in North America," Ghosn said.



Renault's aiming the K-ZE at the Chinese market

'Stress tests'

The threats haven't stopped carmakers from investing: BMW "will spend more money than ever, seven billion euros (\$8.1 billion) on research and development this year," mainly on electric and digital technologies, Kruger said.

Both BMW and its German rival Daimler have trimmed profit forecasts for this year, not least because of charges associated with the "dieselgate" emissions cheating scandal.

Strict EU limits on CO2 emissions from 2020 have contributed to plunging diesel sales, as has the prospect that many cities could start banning their use to combat smog.

That has accelerated the shift to electric, along with the prospect of supplying the huge Chinese market, where officials are strongly encouraging the use of zero-emission vehicles.

Renault announced this week a low-cost SUV, the K-ZE, specifically for the Chinese market.

But in developed markets electric cars are still a loss-making proposition.

"The amount of technology onboard is going to get bigger and bigger, and the costs higher and higher," said PSA Group chief Carlos Tavares.

He suggested that developing car-sharing systems could be a way of making them more accessible.

For Maxime Lemerle, an auto specialist at the risk insurance group Euler Hermes, the wave of challenges has carmakers facing "stress tests" like those applied to banks after the 2008 financial crisis.

"The question is whether they will be able to adapt to the deep changes in the automotive world," he said.

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