

German automakers take on Tesla in electric cars

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Germany's mighty auto industry is stepping on the accelerator so it won't be left behind by a US upstart racing ahead in the market for luxury electric cars.

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Jaumain, auto expert at PwC.

Tesla sells the Model S four-door sedan, but is scheduled to release a long-awaited and heavily pre-sold Model X, a new gull-wing-door, all-electric SUV, at the end of the month.

Sought after by celebrities and other wealthy individuals, the two models are priced between \$70,000 and \$140,000 (61,000 and 124,000 euros).

But Tesla wants to broaden its appeal and founder Elon Musk has promised a cheaper "Model 3", costing around \$35,000 in two years' time.

Electric cars are still very much a niche market, both in the United States and Europe, where they accounted for barely one percent of sales in the first six months of 2015.

But with double- and even triple-digit growth seen in some countries, German carmakers are gunning for a piece of the action and are not going to give in to being beaten by Tesla.

'Tesla killer'

At the IAA motor show in Frankfurt this week, Audi, the luxury brand belonging to Volkswagen, is scheduled to unveil its new "e-tron quattro" concept car, an urban 4x4 that could go into production in 2018 under the name Q6.

Porsche, also part of the Volkswagen Group, will also show off an electric concept car, the "Mission E".

It has the look of a 911 sports car, can accelerate from zero to 100 kilometres per hour in 3.5 seconds, has top speed of 250 kilometres per

hour, a 600 horse-power engine and a range of 500 kilometres on a single charge.

Porsche says Mission E can be 80-percent charged in just 15 minutes.

Volkswagen boss Martin Winterkorn said Monday the group's commitment to electric mobility is "clear".

Already known as the "Tesla killer" in the specialised press, the Audi model is expected to have a range of around 500 kilometres (300 miles).



Tesla Motors CEO Elon Musk, pictured on April 30, 2015, has promised a cheaper "Model 3", costing around \$35,000 in two years' time

Audi "clearly wants to show that they're not going to let Tesla trample all

over them," said Jaumain at PwC.

In fact, Audi will unveil its model just before Tesla launches a new crossover Model X, which will not be on display in Frankfurt.

After a roadster in 2008 and Model S in 2012, the Model X is Tesla's third car. Last week a high-performance version of the Model S, the P85D, earned the best marks ever given a car by the independent Consumer Reports group.

The US firm is convinced that demand for its future more affordable Model 3 will be sustainable and is building a new multi-billion-dollar "Gigafactory" in Nevada to produce the batteries for it.

CEO Musk said the company will be in a position to build 500,000 cars per year by 2020, 10 times as many as it hopes to sell this year.

Ambushed by BMW, Mercedes

Musk also predicted that Tesla would start turning a profit in five years, after burning through \$1.0 billion in the first half.

Tesla shares are investor darlings on Wall Street and its share price has soared eightfold since the start of 2013, currently valuing the company at more than \$30 billion.

But there are also sceptical voices.

"Tesla is as insanely overvalued as any Internet stock in the late 1990s," before the bubble burst, warned Joe Nocera in a New York Times op-ed at the end of August.

"It's a start-up. A start-up's valuation is its business model," said Yann

Lacroix, automobile sector analyst at Euler Hermes.



The Audi Quattro electric drive is presented at the Fraport arena prior to the 66th IAA auto show in Frankfurt am Main, western Germany on September 14, 2015

"Without subsidy and without constraints, as long as the product isn't competitive, I don't see the market exploding," Lacroix added about its growth prospects.

Luca De Meo, head of global sales at Audi, predicted that electric powertrain technology and battery-charging infrastructure would have advanced so much by 2018 and 2019 that customers would no longer have to compromise when choosing between an electric car and traditional engines.

Without referring to Tesla directly, he said the new players were

"helping to stimulate the sector" and speed things along. "That's good," De Meo said.

Daimler's Mercedes brand is also prepared to throw down the gauntlet to Tesla.

Its R&D chief Thomas Weber recently told the specialist magazine Auto Motor und Sport that Mercedes was working "on an intelligent concept for an extremely attractive electric car, with a range of 400-500 kilometres".



Visitors look at a Tesla car during the 16th Shanghai International Automobile Industry Exhibition in Shanghai on April 24, 2015

And rival BMW also seems to want to expand its electric models after

the i8 and i3.

So, is Tesla's heyday already over?

"It's the big players' bonus," said Flavien Neuvy, auto expert at Observatoire Cetelem.

Tesla's "rivals have production capacity that allows them to build cars at more competitive costs".

Audi could "have an electric Q6 alongside a hybrid Q6 and a diesel Q6. All parts would be amortised across the whole line, aside from the powertrain," said Laurent Petizon at AlixPartners.

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