

Business

In electrification race, VW bets billions at Frankfurt car show

ID.3 touted to catch up the shortfall in electric mobility

FRANKFURT: With a new electric car and range sporting a spruced-up logo, German car giant Volkswagen enters the Frankfurt IAA car show hoping bets worth tens of billions of euros will pay off. The new model, known as ID.3, is the highest-profile response from Germany to strict new European carbon emission limits and to battery-powered competition from the US and China. In an interview yesterday, chief executive Herbert Diess told AFP that VW is "very sure that it will work".

"It's the first electric car coming to customers that has characteristics that will make it very hard to turn down," he added, namechecking a roomy interior, fast charging and an "attractive" price at 29,900 euros (\$33,000) for the base model. Alongside the ID.3 is a new, more streamlined logo set for rollout across Europe and then the world, in VW's first brand update since 2012.

"The car for the new era is here," Diess said at the unveiling late Monday. With ID.3 and its attendant range, "they can catch up the shortfall in electric mobility," said industry expert Stefan Bratzel of the Center of Automotive Management—adding that "it has to be a success".

The moves mark a new stage in the Wolfsburg-based behemoth's efforts to regain respectability after years of scandal. In 2015, VW's admission to installing software to cheat regulatory emissions tests in 11 million vehicles worldwide inflicted massive reputational damage. It was the biggest industrial debacle in post-war German history.

Future platform

But while "dieselgate" has so far cost VW more than 30 billion euros (\$33 billion), it has also become a "catalyst for electric mobility" at the firm, Bratzel said. A slew of future cars will be based on the battery-powered platform known as "MEB" that underpins the ID.3.

VW is introducing the technology just as tougher European emissions regulations enter into force.

From 2020, manufacturers' fleets must produce on average less than 95 grams of carbon dioxide (CO2) per kilometer. Breaching the limit means fines of 95 euros per excess gram, multiplied by the number of cars sold in the European Union. VW hopes to sell one million so-called



FRANKFURT AM: The logo of German carmaker Volkswagen (VW) is seen on the company's new electric ID3 model at the International Auto Show (IAA) in Frankfurt am Main. — AFP

"zero emission" vehicles per year by 2025. More than 30,000 people have already pre-ordered a more expensive first edition of the ID.3.

But the broader German market is less encouraging. Battery-powered vehicles make up just two percent of sales, while only 16 percent of Germans planning a car purchase would choose an electric car, according to a poll for energy firm E.ON. "The years 2020 and 2021 will be an especially significant challenge" to meet emissions requirements, the chief executive of Mercedes-Benz parent Daimler Ola Kallenius told journalists at the IAA yesterday.

SUVs cover costs

For now, electric cars are more expensive to build, as numbers aren't yet large enough to achieve economies of scale. "In the medium term, there isn't any money to be made in electric cars," said Ferdinand Dudenhofer of the Center Automotive Research (CAR).

"By 2023-24, battery production capacity will be available in Europe and prices will fall," he predicted.

Kallenius said Daimler was "building battery factories



FRANKFURT AM: The Swedish CEO of Daimler AG Ola Kallenius (5th from left) poses with Mercedes workers next to a Mercedes Vision EQS car during a media presentation at the company's booth at the Frankfurt motor show IAA 2019, in Frankfurt am Main. — AFP

on all continents". And VW aims to scale up as quickly as possible by agreeing to license its MEB technology to Ford. Meanwhile many manufacturers are going through belt-tightening programs including job cuts to lift profitability.

And car sales are running out of steam, especially in the vital Chinese market. Those factors combined rule out stopping production and sales of large, popular SUV

models—highly profitable but also high on the hit list of environmentalists and city planners looking to slash space accorded to cars. VW has launched an "SUV offensive" that will bring its offer in the class to 30 models by 2025, from 11 at present—some of them battery-powered. "The money we'll earn from SUVs will allow us to face up to the future," Volkswagen brand chief Ralf Brandstatter forecast. — AFP



SAN FRANCISCO: A sign at the British Airways ticket counter shows two cancelled flights in the International terminal at San Francisco International Airport on Monday in San Francisco. — AFP

British Airways pilots' strike enters 2nd day

LONDON: A landmark strike by British Airways pilots entered its second day yesterday with more travel chaos—and no end in sight to the long-running dispute over pay. BA has decided to cancel almost all its flights for the second day in a row, it announced in a statement identical to the one issued Monday.

The carrier, which is owned by London-listed International Airlines Group, said it has cancelled nearly 100 percent of its 850 daily flights, affecting the travel plans of more than 100,000 passengers.

However, the pilots' trade union stood firm in its demands for greater salary and benefits. The industrial action by pilots, which is the first in BA's 100-year history, has seen flights axed for approximately 200,000 travellers, mostly from London

Gatwick and Heathrow airports. In advance of the strike, BA offered full refunds, or bookings on alternative dates or flights with a different airline. The walkout over pay by members of the British Airline Pilots Association (BALPA) trade union follows around nine months of failed talks.

With no talks scheduled, pilots will also stage another one-day strike on September 27.

"Pilots are standing firm and have shown just how resolute they are," BALPA boss Brian Strutton said in a brief statement. "British Airways needs to start listening to its pilots and actually come up with ways of resolving this dispute."

BA has offered a salary increase of 11.5 percent over three years, which it argues would boost the annual pay of some captains to £200,000 (\$246,000 or 220,000 euros).

However, the union has rejected the proposal that was made in July, arguing that its members want a bigger share of the company's profits. BALPA estimates that the 48-hour strike is costing the airline a total of £80 million but BA has yet to give an estimate. — AFP

"Boris Johnson clearly believes that removing the threat of no-deal significantly weakens his negotiating position."

Equities struggle

Europe's main stock markets meanwhile struggled as investors mulled speculation that the European Central Bank could deliver economy-boosting measures tomorrow.

Asian equities also wobbled after last week's rally, with hopes building that the ECB could push eurozone interest rates deeper into negative territory. "Traders are playing the wait and see game in relation to the ECB meeting," noted CMC Markets analyst David Madden. "To a certain extent, some form of monetary easing from the ECB has been priced in."

The ECB announcement comes a week before the Federal Reserve's next meeting, where it is also tipped to announce a further reduction in borrowing costs. Oil prices meanwhile rose after Saudi Arabia's new energy minister, Prince Abdulaziz bin Salman, said output cuts would benefit all exporting nations. The remarks suggested he would support reductions to address an oversupplied market and sagging prices. — AFP



LONDON: In this file photo, a trader passes a customer their change in the form of a five pound sterling note and one and two pound coins at Whitechapel Market in east London. — AFP

Germany clings to no-debt policy in 2020 budget

BERLIN: German Finance Minister Olaf Scholz yesterday presented a 2020 budget that sticks to the country's longstanding no-new-debts "black zero" policy, defying speculation on financial markets that Berlin might borrow to fund investments.

"It's an expansionary budget" of around 350 billion euros (\$397.5 billion), Scholz told members of the Bundestag (lower house of parliament). For years, international organizations and partner nations have urged Germany to boost domestic spending, in part to balance out its massive trade surplus.

At home, where Scholz is running for co-leadership of the center-left Social Democratic Party (SPD), many economists and his party colleagues have pressed government to rejuvenate crumbling infrastructure and outdated schools with borrowed cash. "Germany will do what's needed without new debts," Scholz insisted to MPs.

At the height of the financial crisis in 2009, lawmakers changed Germany's constitution to strictly limit how much the government could borrow, with some allowances in case of weaker economic performance. But under Scholz and his conservative predecessor Wolfgang Schauble, Berlin has stuck voluntarily to a still stricter no-deficit policy known as the "black zero" since 2014.

"At present, we are not in a crisis" that would justify abandoning it, Scholz said. But he called on Washington and Beijing to settle "urgently" the United States-China trade conflict that has slowed the world economy and especially harmed export-oriented Germany. Weighed down by protectionism, weaker emerging markets and the threat of Brexit, Germany's economy shrank 0.1 percent in the second quarter and may enter a recession in the third.

Scholz told an audience of bankers in Frankfurt last week that the federal government is "very ambitious" regarding investments, budgeting 40 billion euros per year. But critics on the left note that as the economy grows, that sum will represent an ever-smaller share of GDP with each passing year. Meanwhile items like a housing benefit for families are counted towards the total, a far cry from spending on school buildings, bridges or railways. — AFP

Pound runs out of steam amid UK parliament shutdown

LONDON: The pound faltered yesterday as dealers mulled Britain's parliamentary suspension and the outlook for a Brexit deal. Sterling, which had won ground this week on the fading prospect of a no-deal Brexit, retraced some of those gains versus the euro and dollar.

"The pound has pulled back a little... after the currency experienced a strong bounce in the past week due to fears of a no-deal Brexit receding as parliament successfully passed a bill intended to prohibit it," noted XTB analyst David Cheetham. "With no more parliamentary sessions due for five weeks the focus now turns to the prospects of a new deal being negotiated between the UK and the EU."

Dealers nevertheless digested upbeat official data showing that the UK's unemployment rate fell to a 45-year low of 3.8 percent in July.

Westminster chaos

British Prime Minister Boris Johnson failed again late on Monday to get MPs to back a snap election, handing a brief boost to sterling. The latest defeat on calling an election saw the pound briefly rally more than one percent against the dollar from as low as \$1.2234 to as much as \$1.2385, its highest level since the end of July. "Despite an encouraging UK jobs report, the pound is slipping away from earlier highs," said City Index analyst Fiona Cincotta added yesterday.

"The reality of the chaos at Westminster hits home," she added. "With no resolution to Brexit or any sense of control returning to UK politics the pound could struggle to keep its head above water in the coming sessions."

Just before Westminster lawmakers broke up for five weeks, lawmakers inflicted yet another defeat on the new premier, who has been thwarted in his attempts to call an early poll as he looks to win a majority in parliament and push through a no-deal Brexit. MPs had earlier also voted to demand the government publish confidential documents about Britain's readiness to leave the European Union on October 31 without a divorce deal.

Johnson insists he will not ask for a delay to the Brexit date. "With no more parliamentary sessions due for five weeks the focus now turns to the prospects of a new deal being negotiated between the UK and the EU," Cheetham added.

Nissan seeks clean slate with CEO exit

TOKYO: Crisis-hit Japanese automaker Nissan hopes the resignation of its embattled chief executive will help turn the page on the tumult unleashed by the arrest of former chief Carlos Ghosn.

But the firm still faces plenty of challenges, from naming a successor to Hiroto Saikawa and repairing its alliance with partner Renault, to turning around the firm's finances after a disastrous year.

The succession headache

Nissan CEO Saikawa announced Monday he would be stepping down, after an internal audit launched in the wake of the Ghosn scandal found he benefitted inappropriately from a bonus scheme. The firm's current chief operating officer Yasuhiro Yamauchi will serve as interim CEO while Nissan searches for a permanent replacement. They hope to name someone by the end of October.

Masakazu Toyoda, head of the firm's nomination committee, said they were looking for someone who could inspire employees at Nissan, which has been buffeted by scandal since Ghosn's shock arrest in November. The firm also wants a candidate with auto industry experience and a "deep understanding" of alliances, a necessary trait for a CEO who will have to navigate Nissan's tricky relationship with French partner Renault. Nissan says it has narrowed the field to 10 candidates, among them non-Japanese citizens and unusually for Japan's male boardrooms—women, but it is believed to favour hiring a Japanese citizen.

"There's not an obvious replacement," a source with knowledge of the matter told AFP. Yamauchi, 63, is not considered the "new blood" the firm needs and is not believed to be keen on keeping the post.

House-cleaning

Saikawa described his resignation as the result in part of the "milestone" of completing the firm's internal audit. The audit's conclusions focus largely on Ghosn and his former right-hand man Greg Kelly, accusing them of costing the firm at least 35 billion yen (\$326 million) — a figure that includes deferred payments that were never actually made.

Ghosn denies any wrongdoing and a statement from his lawyers Monday accused Nissan of an "inconsistent, contradictory and incoherent" position. In addition to Ghosn, Kelly and Saikawa, six other senior Nissan officials—some still working at the firm—were found to have improperly received bonuses. Their names have not been made public. Nissan says the scheme that Saikawa and the other unnamed officials participated in was not illegal, and that the issue is different from what it calls intentional misconduct by Ghosn and Kelly.

And it says Saikawa and the other executives will return the money involved.

It is unclear whether the audit would continue, with sources saying some board members want further investigation. A source told AFP that the American lawyer who led the probe, Christina Murray, opted to resign in frustration that the audit's conclusions focused only on directors at the firm.

Alliances to rebuild

The next CEO of Nissan faces the unenviable task of returning the firm to financial health after it reported its worst first-quarter results since the global financial crisis. The automaker has cited a global slowdown in the auto sector, but it is also suffering from a lack of innovation on its production line and reputational damage from the Ghosn scandal. Whoever succeeds Saikawa will inherit the harsh cost-cutting measures he proposed as a way out of the wilderness, including reducing dealer incentives and promotions but also cutting global production by 10 percent to 2023, a measure that means the loss of 12,500 jobs. — AFP