

The German car industry's costly bet on electric cars could backfire as cities fight cars of any description

[By Eric Reguly, columnist, *Globe and Mail*, Dec 7, 2019](#)

Germany's automakers are spending hundreds of billions of euros for the transition to electric propulsion. It is the country's biggest industrial gamble since the Second World War – and it may not work.

The auto industry is going against the wishes of consumers, who do not want electric cars, according to polls, and cannot afford them. It's fighting unions, who suspect the phase-out of regular cars is a ruse to fire them or pay them less. And it will soon be at odds with cities, which of course prefer electric cars to emission-spewing ones but would rather have no cars at all, because their streets are clogged to the point of paralysis.

Volkswagen alone expects to spend €60-billion (\$88-billion) on electric, hybrid and digital technology in the next five years, the equivalent of almost 70 per cent of its stock-market value. The company intends to have eight MEB – modular electric drive – plants humming away on three continents by 2022. It calls its strategy an “electric offensive,” as if it's going to war against its own fleet of traditional cars.

Good luck, Volkswagen, Daimler (owner of Mercedes-Benz) and BMW. The electric bet is a lot riskier than it appears.

Let's start with demand. In Germany, Europe's top car market, a mere 16 per cent of drivers are thinking about buying an electric car, according to a September poll commissioned by electric utility E.ON. But even in the countries that most like the idea – Italy and Romania – only a bit more than a third of drivers would consider going electric.

No wonder so few electric cars are rolling out of showrooms. In Germany, just 420,000 of the country's private fleet of 47 million cars were electric or hybrids at the end of 2018, according to Bloomberg. Their market-penetration rate is similar elsewhere. Ontario has about 12 million vehicles, but only 41,000 of them are electric. The provincial government's environment plan assumes that number will rise to 1.3 million by 2030 – a fantasy figure, all the more so since Premier Doug Ford ended the hefty purchase incentives for zero-emission cars last year.

Range anxiety has a lot to do with buyers' hesitation, as do the lengthy recharging times and the dearth of charging points on highways and in cities. While the range of some electric models is now competitive with that of gas- or diesel-powered cars, their prices are still outrageous. An electric Volkswagen Golf starts at €32,900 in Italy (where I live), before government incentives; the entry-level Golf with a gas engine costs €22,250. To be sure, the price of electric cars will come down, broadening their appeal somewhat, even if regular cars will always be cheaper.

Here's the problem – and it's a biggie: Electric cars make the most sense in cities, not in rural areas, because their regenerative braking systems make their urban ranges better than their highway ranges. But cities everywhere are trying to repel cars, not attract them.

Today, about 55 per cent of the world's population lives in cities. By 2050, the proportion will rise to two-thirds, the United Nations says. Since most of these cities, from London to Beijing, suffer from terrible air pollution, it's in their best interests to develop environmentally clean transportation. But that does not necessarily mean opening the city gates to electric or autonomous cars, which will be mostly electric.

There's no room for more cars of any description. To ban or restrict diesel cars, which some cities are doing, makes sense for air quality, but it makes no sense if they're simply replaced by electric cars that keep traffic at a standstill.

The point is that electric cars have the pollution advantage in precisely the areas – cities – where there should be no cars at all. If the sales projections of German automakers assume saturation market share for electric cars among urban buyers over the next decades, they may be horribly wrong. Cities will buy electric and hybrid buses and electric trams. The biggest municipalities will expand their subway systems. If cities want to be livable, there is no alternative.

In 2020, Luxembourg will become the first country to make all public transportation – trains, trams and buses – free. The country has the most cars per capita in the European Union, and its traffic congestion is horrendous. It doesn't want commuters to use any cars, even electric ones. Some of the big cities in Europe are bound to follow its example.

Have the German car companies overestimated the potential popularity of electric cars? The tiny market share of such vehicles suggests they have, and the inevitable launch of anti-car campaigns could keep their sales from soaring. Still, they plan to spend fortunes developing zero-emission cars. Here's a guess: The German government, which already hands out lavish purchase incentives for electric cars, will have to come to their rescue in a few years as these products sit in showrooms.