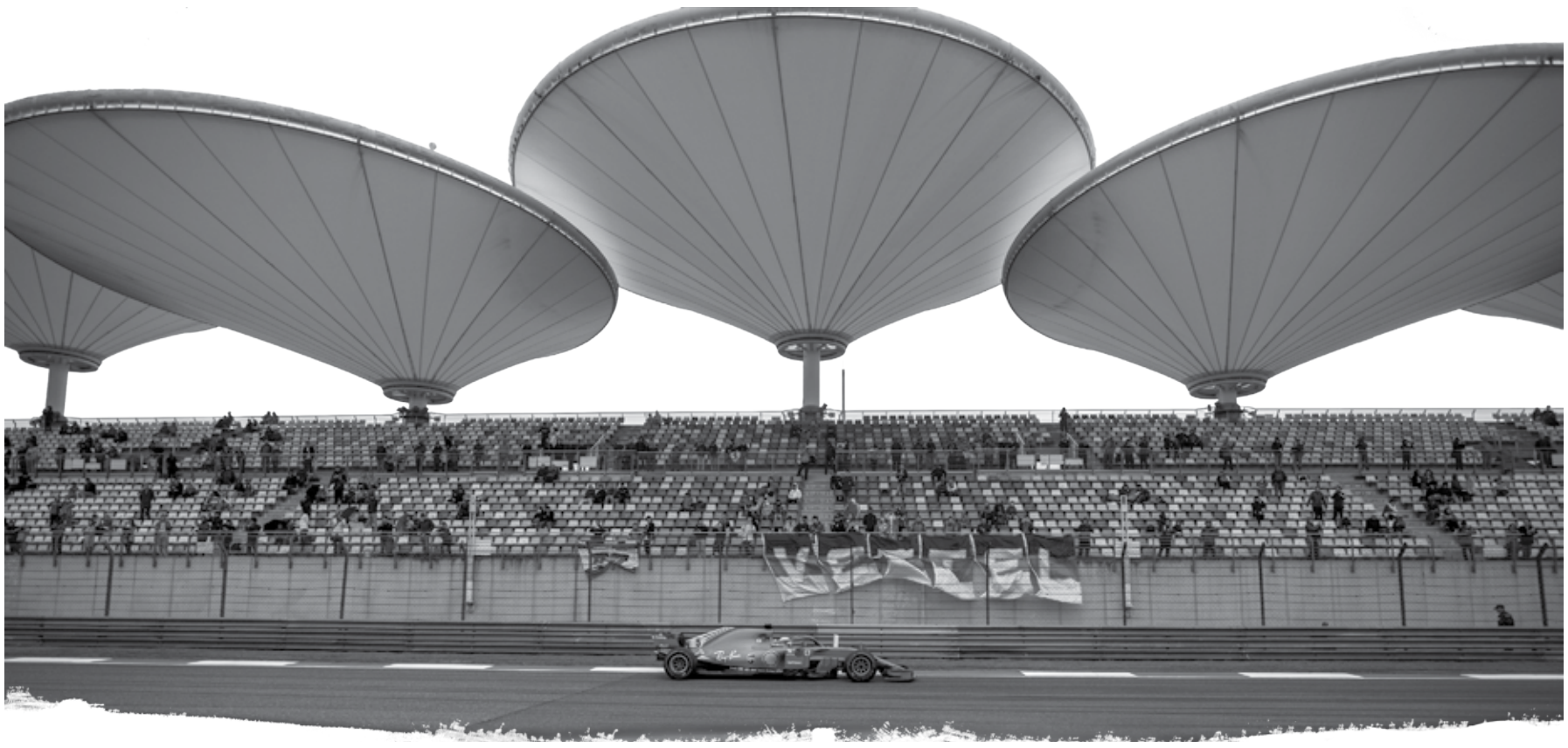
Car makers face bumpy road as China hosts auto show



Ferrari's German driver Sebastian Vettel driving on the straight during a practice session for the Formula One Chinese Grand Prix in Shanghai. Formula One will stage its 1,000th world championship race at the Chinese Grand Prix in Shanghai

AFP | Shanghai, China

Global car makers flock to the Shanghai Auto Show this week with the world's largest vehicle market facing an unfamiliar sales slump just as China veers toward an ultra-competitive electric future.

Fuelled by rising incomes and government sales incentives, China has been the golden goose upon which the global automotive industry has staked its future.

But after years of strong growth, car sales fell last year for the first time since the 1990s, hit by a slowing economy, US trade tension, and a Chinese crackdown on shady credit practices that has crimped car-financing channels.

Sales dipped 2.8 per cent in 2018 to 28.1 million units, according to that China Association of Automobile Manufacturers (CAAM), a pace that has accelerated in recent months.

"This is the first time since the takeoff of the Chinese market that there has been such a long and sharp decline in sales," said Laurent Petizon, an auto analyst at Alix Partners.

"We are starting to worry a little bit. It's a new phenomenon."

The decline is magnified by a prior buying rush as consumers moved to beat the government's recent removal of tax rebates for small car purchases.

Cut-throat

Major carmakers still see solid potential, particularly in bright spots such as SUVs and electric vehicles, which will account for many of the new models on display in Shanghai.

But cut-throat competition is expected to intensify even in EVs with Beijing moving to phase out policies that encourage the purchase of "green" vehicles.

This mixed picture -- optimism combined with worrying new realities -- is reflected in the plans of carmakers like Ford.

The US manufacturer this month announced plans to launch 30 new models in China within three years, a dozen electric.

But it also unveiled a strategy to cater more directly to the evolving needs of Chinese car buyers.

This includes incorporating the artificial intelligence technology of China's Baidu into Ford vehicles, giving Ford's Chinese joint ventures more freedom on design choices, and other steps.

Although China is the world's largest "new energy" vehicle market and sales soared 62pc last year, they remain a drop in the China bucket with 1.3 million units sold, thanks in part to purchasing incentives.

But they represent the future for China, especially with the government planning to impose quotes requiring carmakers maintain a certain percentage of new energy vehicles in their Chinese production.

This has given rise to a number of Chinese EV start-ups seeking to stake out territory that will have to face off against the likes of Tesla.

Tesla ups ante

The California automaker, widely seen as the EV standard-setter, is putting more eggs in China's basket.

Tesla chief Elon Musk broke ground in January on a factory in Shanghai -- the company's biggest overseas move yet.

The new plant will eventually have an annual production capacity of 500,000 vehicles, dramatically increasing Tesla's output.

Foreshadowing further competition, Beijing has vowed to open its market, removing a requirement that foreign manufacturers form manufacturing joint ventures with Chinese partners.

Tesla's planned factory is believed to be the first to take advantage of this.

Regardless of short-term jockeying for position, China will remain a crucial market, particularly in electrics, said Ferdinand Dudenhoeffer, director of the Germany-based Center of Automotive Research.

"The situation will slowly improve. Next year, the market will recover little by little and in three to four years, will have resumed its earlier growth," he said.

Tesla Model 3

Daimler faces probe over 'new cheating software'

According to the Bild report, around 60,000 vehicles of the Mercedes-Benz GLK 220 CDI models produced between 2012 and 2015 were affected

Berlin, Germany

Daimler confirmed Sunday it was facing a regulatory probe after a report said German authorities have uncovered a previously unknown type of pollution trickery software allegedly installed by the car giant in some of its vehicles.

The Federal Motor Transport Authority (KBA) has initiated a formal hearing procedure, Bild am Sonntag newspaper reported.

The Stuttgart-based carmaker confirmed the hearing procedure.

"We fully cooperate with the Federal Motor Transport Authority and are reviewing the facts," said Daimler in a statement.

"In the course of the hearing proceedings, we will present our view to KBA."

According to the Bild report, around 60,000 vehicles of the Mercedes-Benz GLK 220 CDI models produced between 2012 and 2015 were affected.

The software allegedly reduced emissions of nitrogen oxide during test conditions. On the road however, the affected vehicles were spewing out amounts of the harmful gas that were above regulatory limits.

The KBA last year had already ordered Daimler to recall 700,000 vehicles worldwide, including 280,000 in Germany, over illegal software -- a ruling the carmaker is appealing.

Daimler is also potentially facing a big fine over the diesel scam as German prosecutors said in February they had opened a "fine procedure" against it.

Diesel investigations have been running in Germany since 2015.

Disney throws down gauntlet in war on Netflix

Washington, United States

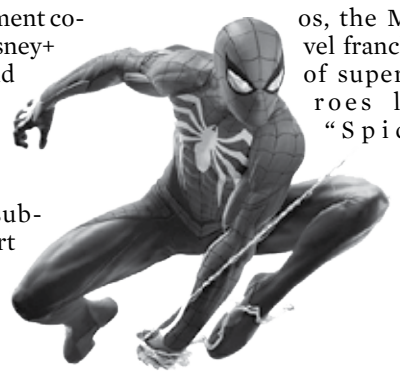
The battle is on. Walt Disney Co. is bringing its biggest weapons to a new streaming service, including "Star Wars" and Marvel superheroes, in what is expected to be bruising war with Netflix and others for television dominance.

The media-entertainment colossus announced its Disney+ streaming service would launch in November in the United States and gradually expand internationally.

The new service's subscriptions are due to start at $6.99 per month -- less than streaming leader Netflix's most basic $8.99 plan.

Disney+ will be packed with blockbuster movies and TV shows from the Disney library, including its recently acquired assets from 21st Century Fox.

That includes shows and films from Pixar animation studios, the Marvel franchise of superheroes like "Spider Man" and "Captain America," National Geographic documentaries and of course the "Star Wars" series.



Disney said it would include all 30 seasons of "The Simpsons," family-friendly titles like "The Sound of Music,"and "Malcolm in the Middle" and its forthcoming "space opera"series "The Mandalorian."

Analysts says Disney's announcement shows it is giving no quarter as it battles Netflix, Amazon Prime Video, Hulu and an upcoming service from Apple.

"The biggest surprise was the price -- $6.99 per month, which was much lower than many people were expecting," said Alan Wolk, co-founder of the TVREV consulting firm.

"It's also ad-free, which was unexpected, as the conventional wisdom was that they would go to a hybrid Hulu-style model, with both ad-supported and ad-free options."

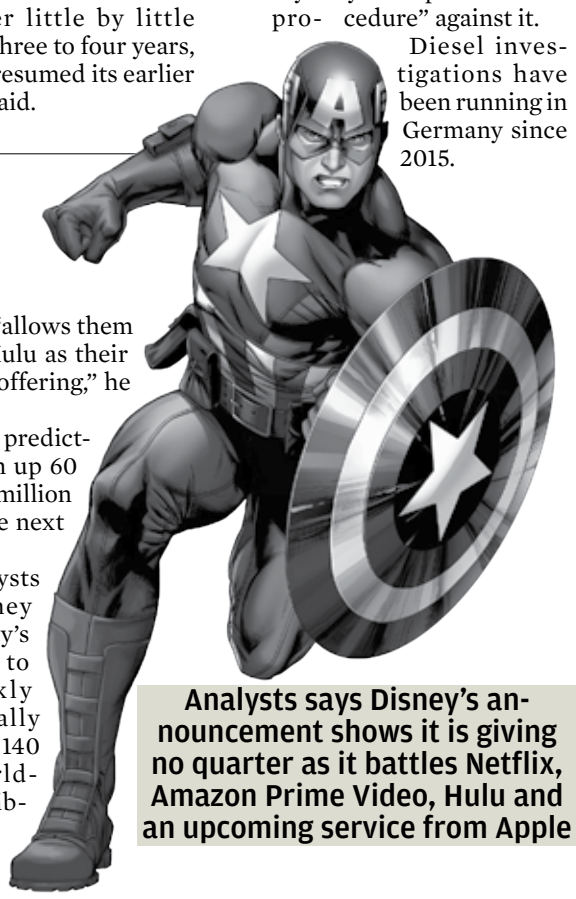
Wolk said the programming "is exactly what you'd expect from Disney and will appeal to families with children."

Wolk said the content will mean the new service won't compete head-on with Hulu, which is 60 percent owned by Disney.

The move "allows them to position Hulu as their edgier, adult offering," he said.

Disney has predicted it will sign up 60 million to 90 million users over the next five years.

Some analysts have said they expect Disney's new service to grow quickly and eventually top Netflix's 140 million worldwide subscribers.



Analysts says Disney's announcement shows it is giving no quarter as it battles Netflix, Amazon Prime Video, Hulu and an upcoming service from Apple