

Motobahn

● **INTERVIEW: HÅKAN SAMUELSSON**, President & CEO of Volvo Cars

India is a good market for electric vehicles

Since the first Volvo rolled off the production line in Gothenburg, Sweden, in 1927, the company has been creating world-changing innovations, including three-point safety seatbelt and child safety seats. Today, it's a global brand with manufacturing in Sweden, Belgium and China. This year, Volvo Cars—Volvo Cars and bus-and-truck maker Volvo Group are separate entities since 1999—will start vehicle assembly in India by making use of the latter's production facility near Bengaluru.

Håkan Samuelsson, the president & CEO of Volvo Cars, says that while Volvo Auto India, the subsidiary of Volvo Cars, has been selling cars under the CBU import route since 2007, by making in India its vehicles will become more competitive. In an interview with FE's Vikram Chaudhary at his office in Gothenburg, he talks about Volvo Cars' global strategy, the competition it faces from new-age carmakers, and the partnership it is developing with ride-sharing firms. Excerpts:

Volvo Cars and Volvo Group are different entities, why did you specifically tie up with them for making in India?

We're separate entities, but cooperate in R&D and brand-related investments. This tie-up could have been with any company, but we found a good cooperation model with them, where we rent their premises.

How many units will you start with?

Right now the number is small. We sell around 1,500 units per year, and our initial goal is to double our market share in the segment, to about 3,000 units, in 2-3 years. The first model we'll produce is the XC90 SUV, which already has a good demand.

Which all parts would Volvo be sourcing from India?

We'll start sourcing so that we fulfil the requirements of the government's 'Make in India' initiative. That's our first ambition. As we start getting higher sales volumes, we would source more and more locally.

Will the new XC40 also be made in India?

While we are starting with the XC90, we'll definitely not exclude other models. We've to work with our sales channel to see what kind of demand other models enjoy. Globally, we've three interesting crossover cars—two years ago we launched the XC90, this year the XC60, and the next would be the XC40. The latter could be of interest to India, but it's too early to talk about that.

What investments are you putting in?

Right now it's the basic equipment we need for assembly, and we've rented Volvo Group's premises, so it's not a huge investment. As we localise more, we'll invest more.

How would the Volvo customer benefit from localisation?

Our cars will become more competitive. The XC90, for example, will become more accessible to more customers. Moreover, different states in India have different rates of registration on CBU and CKD cars. In states where registration is low for, say,



CKD, customers of that state could benefit.

Will prices come down?

Being more competitive doesn't mean we'll lower prices. Prices should be set according to the value of a car.

Globally, your target for 2020 is 800,000 unit sales. Where does India stand?

Volume-wise, India is small, because of restrictive import regulations. It's impossible to grow with importation. That's why we're starting local assembly. This step also indicates that we believe in the Indian market long-term. Maybe by 2025, India would start playing a more significant role for Volvo Cars in Asia.

In 2019, Volvo Cars will start selling its first all-electric car. Do you think electric vehicles can succeed in India?

I think India is a very good market for electric vehicles. The interest in new technologies in India is rather impressive. Look at IT, Indians are rapidly adopting new technologies. That's a sign they'd adapt to higher technologies in propulsion and electric vehicles too, provided there is infrastructure for supporting that. The XC90 T8 Excellence plug-in hybrid, launched last year, saw good demand in India.

What kind of competition does Volvo face from new-age carmakers such as Tesla?

I don't think it (Volkswagen emissions row) harmed the reputation of Volvo or other European carmakers, but it probably harmed the image of diesel engine, for all of us

New-age carmakers such as Tesla have heated up the whole discussion about future propulsion. I give them credit for that. However, I wouldn't see them as competitors ... they are entering a new segment with electrification and are still rather small

I wouldn't see them primarily as competitors, because they are entering a new segment with electrification, but I think they have been a fresh wind to the business and designed very attractive cars. In a way, they have heated up the whole discussion about future propulsion. So, I could give them credit for that.

We've also taken a clear stance that we want to transfer all propulsion into electrification. It seems that the industry has a good alternative for the future, after so many discussions around gas and naphtha and all about the possible future fuel. It appears electrification is coming in and we could give credit to Tesla. But they are still rather small, so our primary competition is traditional, premium carmakers.

Recently there were reports that Volvo might phase out diesel engines...

We didn't exactly talk about phasing out diesel engines. We have a new generation of diesel and petrol engines, and in the short-term we need to reach lower carbon-dioxide levels and for that we need diesel that is better at combustion. In the long-term, however, we are committed to electrification—the first step is plug-in hybrid and the second is all-electric. Our goal is to put 1

million electric cars on the road by 2025.

At the same time, it's not likely that we'd develop an all-new range of diesel engines after the current one.

Did the Volkswagen fiasco in the US harm the image of European carmakers?

I don't think it harmed the reputation of Volvo or any other European carmaker, but it probably harmed the image of the diesel engine, for all of us. It was not just Volkswagen diesel engines, people started questioning as to how good diesel is.

There's a speculation that Volvo Cars is going for an IPO?

It comes from the fact that we have three new investors on board—three big institutions who have invested in so-called preferential shares, and those shares have an option that they could be converted into normal shares if there is listing. That is an option connected to those shares, but it's a decision for the main shareholders to take.

What kind of partnership do you have with ride-sharing companies?

We're working with Uber, supplying them cars, which they use in trials on automated cars. We provide them base cars, they add their software, which is responsible for how those cars work.

Exactly that base car we're also going to use, because after 2020 we need an XC90 that would be a Volvo with an autopilot—a self-driving car that customers can use on highways. Our concept is that when you're outside cities, you can use the autopilot—this concept would require the same car but a different software and algorithm. While they are primarily working on self-driving cars for cities, we'll have an autopilot for highways/freeways.