



SMALL, WELL-BUILT CHINESE EV CALLED THE SEAGULL POSES A BIG THREAT TO THE US AUTO INDUSTRY - ASSOCIATED PRESS

Posted on May 14, 2024 by TOM KRISHER and KEN MORITSUGU | Associated Press



Photo: A BYD Seagull electric vehicle is displayed at the Caresoft Global facility Wednesday, April 3, 2024, in Livonia, Mich.

A tiny, low-priced electric car called the Seagull has American automakers and politicians trembling.

The car, launched last year by Chinese automaker BYD, sells for around \$12,000 in China, but drives well and is put together with craftsmanship that rivals U.S.-made electric vehicles that cost three times as much. A shorter-range version costs under \$10,000.

Tariffs on imported Chinese vehicles probably will keep the Seagull away from America's shores for now, and it likely would sell for more than 12 grand if imported.

But the rapid emergence of low-priced EVs from China could shake up the global auto industry in ways not seen since Japanese makers exploded on the scene during the oil crises of the 1970s. BYD, which stands for "Build Your Dreams," could be a nightmare for the U.S. auto industry.

"Any car company that's not paying attention to them as a competitor is going to be lost when they hit their market," said Sam Fiorani, a vice president at AutoForecast Solutions near Philadelphia. "BYD's entry into the U.S. market isn't an if. It's a when."

U.S. politicians and manufacturers already see Chinese EVs as a serious threat. The Biden administration on Tuesday is expected to announce 100% tariffs on electric vehicles imported from China, saying they pose a threat to U.S. jobs and national security.

The Alliance for American Manufacturing says in a paper that government subsidized Chinese EVs "could end up being an extinction-level event for the U.S. auto sector."

Earlier this year, Tesla CEO Elon Musk told industry analysts Chinese EVs are so good that without trade barriers, "they will pretty much demolish most other car companies in the world."

Outside of China, EVs are often pricey, aimed at a higher-income niche market. But Chinese brands that are not yet global household

names are offering affordable options that will appeal to the masses — just as the U.S., European and many other governments are encouraging a shift away from gasoline-powered vehicles to fight climate change.

"The Western markets did not democratize EVs. They gentrified EVs," said Bill Russo, the founder of the Automobility Ltd. consultancy in Shanghai. "And when you gentrify, you limit the size of the market. China is all about democratizing EVs, and that's what will ultimately lead Chinese companies to be successful as they go global."

Inside a huge garage in an industrial area west of Detroit, a company called Caresoft Global tore apart a Seagull that its China office purchased and shipped to the U.S.

Company President Terry Woychowski, a former chief engineer on General Motors' big pickup trucks, said the car is a "clarion call" for the U.S. auto industry, which is years behind China in designing low-cost EVs.

After the teardown, Woychowski, who has been in the auto business for 45 years, said he was left wondering if U.S. automakers can adjust. "Things will have to change in some radical ways in order to be able to compete," he said.

There's no single miracle that explains how BYD can manufacture the Seagull for so little. Instead, Woychowski said the entire car, which can go 252 miles (405 kilometers) per charge, is "an exercise in efficiency."

Higher U.S. labor costs are a part of the equation. BYD can keep costs down because of its expertise in making batteries — largely for consumer products — that use lithium iron phosphate chemistry. They cost less but have lower range than most current lithium-ion batteries.

Americans are still learning how to make cheaper batteries, Woychowski said. Ford is building a lithium iron phosphate battery factory, using technology from China's CATL.

BYD makes many of its own parts, including electric motors, dashboards, bodies and even headlights. It also has the advantage of its huge scale — 3 million vehicles sold worldwide last year.

"By having that all in-house and vertically integrated, there's an incredible advantage that they have," Woychowski said.

BYD designs all aspects of its vehicles with cost and efficiency in mind. For instance, the Seagull has only one windshield wiper, eliminating one motor and one arm, saving on weight, cost and labor to install.

U.S. automakers don't often design vehicles this way and incur excess engineering costs, Woychowski said. Hoses, for instance, have to meet longstanding requirements in combustion engines for strength and ability to carry fluid under high pressure, many of which aren't needed for electric vehicles, he added.

The weight savings add up, allowing the Seagull to travel farther per charge on a smaller battery. For example, the Seagull that Caresoft tested weighs 2,734 pounds (1,240 kilograms), about 900 pounds less than a Chevrolet Bolt, a slightly larger electric vehicle made by GM.

So Detroit needs to quickly re-learn a lot of design and engineering to keep up while shedding practices from a century of building vehicles. The trick will be determining which procedures to keep for safety and quality, and which to jettison because they aren't needed, he said.

"You're going to have to come and be extremely serious about this, and you better park your paradigms at the door," Woychowski said. "Because you're going to have to do things differently."

Even with its minimalist design, the Seagull still has a quality feel. The doors close solidly. The gray synthetic leather seats have stitching

that matches the bright green body color, a feature usually found in more expensive cars. The Seagull "Flying Edition" tested by Caresoft has six air bags, rear disc brakes and electronic stability control.



A brief drive through some connected parking lots by a reporter showed that it runs quietly and handles curves and bumps as well as more costly electric vehicles.

While the acceleration isn't head-snapping like other EVs, the Seagull is peppy and would have no problems entering a freeway in heavy traffic. Woychowski says its top speed is limited to 81 mph, (130 kilometers per hour).

BYD would have to modify its cars to meet U.S. safety standards, which are more stringent than in China. Woychowski says Caresoft hasn't done crash tests, but he estimated that would add a couple thousand dollars to the cost.

BYD sells the Seagull, rebranded as the Dolphin Mini in some overseas markets, in four Latin American countries for about \$21,000, twice what it costs at home. The higher price includes transportation costs, but also reflects the higher profits possible in less cutthroat markets than China.

In Europe, BYD offers larger models such as the Seal, which starts at 46,990 euros (\$50,000), in France. The Chinese maker's top two overseas markets were Thailand and Brazil in the first two months of this year, according to the China Passenger Car Association.

BYD builds electric buses in California and told The Associated Press last year that it is "still in the process" of deciding whether to sell autos in the U.S. It is weighing sites for a factory in Mexico, but that would be for the Mexican market, two company executives said in media interviews earlier this year.

The company's CEO said at a conference in May that it has no plans to sell EVs in the U.S.

BYD EVs aren't being sold in the U.S. now largely because of 27.5% tariffs on the sale price of Chinese vehicles when they arrive at ports. Donald Trump slapped on the bulk of the tariff, 25%, when he was president, and it was kept in place under Joe Biden. Trump contends that the rise of EVs backed by Biden will cost U.S. factory jobs, sending the work to China.

The Biden administration has backed legislation and policies to build a U.S. EV manufacturing base. The administration also is investigating cars made in China that can gather sensitive information.

Some members of Congress are urging Biden to ban imports of Chinese vehicles, while others have proposed even steeper tariffs. This includes vehicles made in Mexico by Chinese companies that now would come in largely without tariffs.

Ford CEO Jim Farley has seen Caresoft's work on the Seagull and observed BYD's rapid growth across the globe, especially in Europe, where he used to run Ford's operations. He's moving to change his company. A small "skunkworks" team is designing a new, small EV from the ground up to keep costs down and quality high, he told analysts earlier this year.

Chinese makers, Farley said, sold almost no EVs in Europe two years ago, but now they have 10% of the electric vehicle market. It's likely they'll export around the globe and possibly sell in the U.S.

Ford is preparing to counter that. "Don't take anything for granted," Farley said. "This CEO doesn't."

Associated Press writers Paul Wiseman and Didi Tang in Washington contributed to this report. Moritsugu reported from Beijing.