EU Commission calls for 'Airbus of batteries'

Europe must produce its own batteries for electric cars to avoid crashing out of the race with the United States and China, a senior member of the European Commission warned Monday.

"We have to recognise that the United States and China are moving a lot faster on electric mobility than we are," European Commission Vice-President in charge of energy Maros Sefcovic told Germany's Sueddeutsche Zeitung newspaper.

Just like in the 1970s, when aerospace firms from across Europe joined forces to face down American competitor Boeing, "we need an Airbus for batteries," he added.

European firms have yet to commit to large-scale battery production, until now judging it cheaper to import lithium-ion cells from Asia.

"This technology is too important to import it from overseas," Sefcovic said.

EU carmakers announced a slew of electric models for the coming years last week as the IAA car show opened in Frankfurt.

But sales of pure electric and hybrid vehicles have yet to take off as the public has been slow to warm to the technology and vital infrastructure like charging points remains thin on the ground.(AFP)

IPO of 'Angry Birds' owner takes flight in Helsinki

Finland's Rovio, creator of the hugely popular smartphone game "Angry Birds", launched its initial public offering (IPO) on the Helsinki stock exchange on Monday, valuing the company at almost 900 million euros ($1.1 billion).

Rovio said it was putting 37 million shares up for sale at between 10.25 and 11.50 euros apiece in the stock flotation.

The company also hopes to raise 30 million euros in a new share issue, and its main owners, including Dutch holding Trema International, will also market a portion of their shares.

The offer, which is valid until September 26, is available to private investors in Finland, Sweden and Denmark, and institutional investors in Finland and abroad.

After an overall fall in sales and the slashing down of almost one in six of its workforce in 2014, followed by a sizeable loss-making 2015, the company accelerated its diversification.

The "Angry Birds" movie from 2016, produced by Sony Entertainment, was a huge success as it grossed $350 million worldwide, which is expected to help bolster Rovio profits in 2017 and 2018. (AFP)

Rivals say regulatory framework not ready enough

Audi takes lead in automated driving, but others wary to follow

FRANKFURT, Sept 18, (RTRS): German carmaker Audi is taking a lead in bringing more automated driving to roads, but rivals seem in no rush to follow while legal and regulatory uncertainties still cloud the technology.

At the Frankfurt car show, Audi paraded the A8 which can drive itself under certain conditions, decide when to change lanes and does not require drivers to monitor the road — though they must be ready to intervene at the sound of an alarm.

On a scale where zero is a fully manual car and five a fully autonomous one, the A8 is a level three, putting it ahead of level two features offered by Tesla and General Motors (GM).

Struggling to emerge from the shadow of parent Volkswagen's diesel emissions scandal, Audi is badly in need of a new prestige model and a marketing coup.

"It's gratifying that we are able to set a positive sign for real 'Vorsprung durch Technik'," said research and development chief Peter Mertens, referring to Audi's advertising slogan meaning "advancement through technology".

But with special approval still required almost everywhere to drive such a car, and question marks over how quickly the driver has to take back control — and who is responsible during handover — some rivals are sceptical the market is ready.

"Who will accept to pay for something that they can use only in extremely limited conditions?" asked Didier Leroy, European chairman of Japanese carmaker Toyota.

"The fact that Audi is introducing this one now doesn't mean that we will rush in the coming months to say that we are able to do it too. That is not our logic," he told Reuters at the car show.

Among the A8's new features is the "traffic jam pilot", which can completely control driving at up to 60 kms (37 miles) per hour on a divided highway.

The German company expects customers will be able to use all the model's self-driving functions next year or in 2019. It is applying for approval country by country, starting with Germany, a spokesman said during the show.

Audi thus hopes to leapfrog Tesla, whose Autopilot technology suffered a major blow when a driver using it was killed in a crash, and GM, whose Super Cruise feature to be offered this autumn will allow limited hands-off driving at highway speeds on limited access roads like dual carriageways.

In the wake of the crash, Tesla said the driver was using Autopilot in conditions for which it was not intended, and US regulators said automakers should take steps to make sure semi-autonomous systems are not misused.

Regulatory regimes vary widely across the world and, in the United States, even from state to state, creating a headache for manufacturers. Some authorities would rather they held back.

"We're very concerned about the idea that drivers will be encouraged to pay even less attention than they already are and that manufacturers are rolling out these systems without existing federal standards," Linda Bailey, executive director of the US National Association of City Transportation Officials, told Reuters.

Florida, seen as the least restrictive state, has essentially legalised all forms of autonomous driving without the need for a permit or insurance requirements. New York, at the other end of the spectrum, has a law that demands drivers always have at least one hand on the wheel.

Michael Jellen, president of Velodyne, which develops lidar sensing technology that is used in autonomous cars, said the industry still had a long way to go.

"When they truly launch a hands-free, driver disengagement system, that's when we think (the industry) will have evolved," he said in an interview. "Today, when someone has their hands on the wheel and their foot ready to brake, I call that driving."

In Europe, Germany is the pioneer, having passed a law in May that legalises autonomous driving in principle as long as a licensed driver is behind the wheel — although approval still has to be sought for individual models.

German politicians hope to persuade the European Union to adopt common regulations to speed adoption of autonomous driving and prevent self-driving systems from having to switch themselves off or change parameters when they encounter national borders — so-called geofencing.

German Transport Minister Alexander Dobrindt hosted ministers from France and Luxembourg at the Frankfurt show on Thursday to establish a cross-border testing ground.

In an attempt to address one area of uncertainty, Audi says it will assume liability for any accidents that happen when its automated driving technology is in use.

But it will come at a price.

While Audi has not yet fixed premiums for level three technology, the base price for the A8 without optional extra technology is already 90,600 euros ($108,000).

Though level three, unlike level two, means theoretically the driver need no longer monitor the road while the car is in charge, the need to potentially jump in to take control limits the activities the driver can do when not in charge.

A risk is that drivers relax their guard too much.

"It sets an expectation to the driver that the computer is in control - that's what level three means. It means I can sit back and read a book," said Gartner analyst Mike Ramsey.

Autopilot features have long been used in aeroplanes, but the situation is very different there, where a pilot typically has plenty of time to react.

"It's very, very rare to face another plane coming just in front of you and just to react in two seconds to avoid a crash. In the car, it's possible," Toyota's Leroy said.

Even then, the hand-off from computer to pilot can be bungled, resulting in crashes such as an Asiana flight into San Francisco in 2013 that killed three people and injured scores.

Some question the worth of introducing level three at all at this stage.

German automotive supplier Continental, with 1.2 billion euros in assisted driving component sales last year, said industry experts were questioning whether the grey zone in which neither the driver nor the car was clearly in control could be overcome.

"There is a discussion going on at the moment as to whether one shouldn't skip level three after implementing level two," Chief Executive Elmar Degenhart told Reuters at the show.

Bosch, the world's biggest automotive supplier, said it was seeing great demand for level three technology.

Yet at its presentation at the show, it did not talk about autonomous driving in general, but rather only particular applications to solve particular problems, such as an automated valet parking garage it has built with Mercedes maker Daimler in Stuttgart, which should go into service next year.

"Everything we do in driver assistance has a mass-market use," Bosch mobility chief Rolf Bulander said. "We're not interested in inventing things that will become reality only in a decade."

France's PSA Group, which is developing autonomous driving technology with partners for its future Peugeot, Citroen, Opel and DS vehicles, said there was still value in technology that needed human oversight and regular intervention — with the right framework of rules.

'From grudge to nudge'

Tech companies help the insurers shift gear

LONDON, Sept 18, (RTRS): Insurers are counting on real-time technology to help them cut back payouts, from a system warning ships of nearby pirates to an app offering to buy sleepy drivers a coffee on the motorway.

The lure of products promising to save on claims in a highly competitive market has led to a leap in investment in "insurtech" in Europe to more than $400 million in the first half of 2017, from just $50 million a year ago.

The aim is to move insurance from a "grudge" purchase, when the only interaction with customers is after something has gone wrong, to a "nudge" product, encouraging safer behaviour.

While the idea is not entirely new, the technology is making it more prevalent, prompting warnings from regulators about the risk of discrimination.

Insurers say they can navigate those hazards as they explore blockchain — tamper-proof databases shared and updated across a network — "big data", analysing reams of information for trends, as well as the artificial intelligence technology behind driverless cars, drones and voice-recognition software.

"The new technologies have the potential to change the game (from compensation to risk mitigation)," said Simon Tottman, head of insurance research, UK & Ireland, for consultants Accenture.

The biggest surge of insurtech investment was in Britain, where, despite the vote to leave the European Union, it hit $279 million in the six months to end-June from $9 million a year earlier, analysis by Accenture of data from CB Insights showed.

In the rest of Europe, investment jumped to $134 million from $37 million and some insurers are also forming partnerships with insurtech firms.

A focus in Britain on analysis of social media to assess the probability of claims has fuelled concerns about data security. British motor insurer Admiral had to abandon plans last year to take data from Facebook to set insurance premiums following objections by the social media firm.

The Federation of German Consumer Organisations (VZBV) sees risks from big data in personal insurance outweighing benefits, fearing it will shift insurance from spreading risk collectively to being an arbiter of social norms.

New European Union data protection legislation coming into force in 2018 should strengthen consumer rights, according to a discussion paper published by European supervisory authorities in Dec 2016, which warned financial institutions to consider the legal dimensions of processing social media data.

European regulators also worry about social exclusion, and are checking whether data is being used in a way that makes insurance too expensive for those regarded as a higher risk.

Andrew Brem, chief digital officer at UK insurer Aviva , which is aiming to invest 100 million pounds ($136 million) over the next few years in insurtech startups, says the aim is only to promote less risky behaviour.

"In our sector, technology can be very powerful in helping people make smarter choices," said Brem, whose company has an insurtech-focused office in a converted garage in London's so-called Silicon Roundabout area in the east of the city.

Health app Tictrac, due to start working with Aviva later this year, tracks exercise, sleep patterns and the weight of employees in corporate healthcare, offering tips and setting challenges to help prevent the onset of costly conditions.

"Companies don't get any access to their employees' data," said Martin Blinder, Tictrac CEO. "They're able to see aggregated, anonymised utilisation trends."

The largest UK investment this year was in the domestically focused insurer Gryphon, which is awaiting regulatory approval to offer tailored life, critical illness and income protection insurance via financial advisers using cloud-based technology.

Telematics — black boxes in cars which enable insurers to check customers' driving and reward safer habits — have been in use for a while.

Anton Ossip, CEO of Discovery Insure, owned by Johannesburg-based financial services firm Discovery Ltd, said accident claims had dropped more than 11 percent since it began using customers' driving information in pricing in 2011.

Kenny Leitch, global connected insurance director at UK insurer RSA said it had paid nearly 2 million pounds in cash rewards to young drivers for safe driving using telematics.

Insurtech firms are now looking at how to use telematics in real time to prevent accidents. For example, said Tottman, an app may suggest a coffee at a service station at the insurer's expense if it detects tiredness in a driver's voice.

Consultancy EY, data security firm Guardtime, Microsoft and ship operator Maersk are building the first blockchain-based marine insurance platform.

"The shared ledger can alert a ship in Somali waters that it's approaching an area where pirates have just hijacked another ship," said Shaun Crawford, global insurance leader at EY.

AXA also has a strategic fund investing in insurtech startups and investments by Allianz's 430 million euro ($513 million) fund include US firm Lemonade, a digital peer-to-peer insurer that uses artificial intelligence and behavioural economics.

The US pulled in $4.4 billion in insurtech investment between 2010 and 2016, compared with $1.3 billion in the Asia-Pacific region and $300 million in Europe, according to Accenture's analysis of CB Insights data.

More than half the 100-plus insurers surveyed by consultants Capgemini said they wanted to partner with insurtech firms, according to its annual World Insurance Report published last week with trade body Efma.

Crisis over, Portugal's investment grade comeback cuts bond yields

Yield gap with Germany tightest since Jan 2016

LONDON, Sept 18, (RTRS): Portugal's 10-year bond yield hit its lowest level since January 2016 on Monday, driven by the country regaining an investment grade credit rating after 5-1/2 years, effectively drawing a line under its debt crisis.

Standard & Poor's on Friday became the first of the big three credit rating agencies to lift Portugal back to investment grade, citing its improving economy and public finances.

Portugal lost the investment grade rating, which widens the investor base for a country's bonds, at the height of its debt crisis in January 2012.

Standard & Poor's, which had rated the country at BB+ with a stable outlook, shifted its position by one notch to BBB-, the lowest investment grade mark, again with a stable outlook.

With the exception of Greece, which is still in a bailout programme, and Cyprus, all eurozone member states are rated investment grade by at least one of the big three rating firms.

Since ratings agencies often change the outlook on a country before they change the ratings, S&P's move took markets by surprise. Investors reacted by pushing shares and bond prices — which move in the opposite direction to the yield — up sharply.

"The ratings upgrade is a move we agree with — it is clear that the economy has recovered significantly and progress made by policy makers has been beneficial to the recovery," said Peter Chatwell, head of euro rates strategy, at Mizuho.

Portugal's 10-year bond yield slid over 25 basis points to 2.51 percent, its lowest level since January 2016.

The yield was on track for its biggest one-day fall since February 2016 and was by far the biggest outperformer in eurozone bond markets.

Spanish and Italian yields fell 3-4 basis points each, dragged down by Portugal, while most other yields were flat to a touch lower.

The sharp drop in Portuguese yields left the gap over top-rated German Bund yields at around 209 basis points, its tightest level since January 2016.

Portuguese stocks also outperfomed their peers with the PSI 20 up 1.5 percent. Financials provided the biggest lift to the index, with Bank BCP Millenium up 6 percent.

The upgrade is likely to attract more portfolio investment and has sparked speculation about Portugal's inclusion in major investment grade bond indices.

"Now the markets are looking at a formal entry into bond market indices and some of these need two investment grade ratings," said Patrick O'Donnell, an investment manager at Aberdeen Asset Management.

"At this stage, we're getting close to pricing that reflects a return to these indices."

Portuguese government bonds have been among the eurozone's best performing markets this year, marking a turnaround from jitters about Portugal's rating outlook at the end of last year.

An economic recovery and efforts to lower the country's budget deficit have boosted sentiment — just as the positive impact of the European Central Bank's asset-buying programme is subsiding.

Lisbon last year chalked up its smallest budget shortfall since 1975, and in June the European Council ended a disciplinary process against Portugal, which only emerged from a three-year international bailout in 2014, over its excessive deficit.

"There are investors who simply could not buy Portuguese debt before (the upgrade) due to investment rules, even when it behaved strongly in terms of returns," Portuguese Finance Minister Mario Centeno told Reuters.

"And now they will be able to buy it, which is very good as it is will be a decisive help toward the ongoing government effort of diversifying the investor base."

Return to an upward path towards eurozone target seen later in the year

Inflation slump to hit in early 2018: ECB

FRANKFURT AM MAIN, Sept 18, (AFP): Inflation in the eurozone will slump in early 2018, the European Central Bank forecast Monday, but return to an upward path towards its target later in the year.

Price growth could fall as low as 0.9 percent in the first quarter, the ECB said in its regular economic bulletin, far short of governors' target of just below 2.0 percent.

Prices in the 19-nation single currency area rose rapidly in early 2017, driven by sharp changes in the cost of food and oil, it said.

That means inflation in early 2018 will be much lower, as forecasts suggest prices will have grown more slowly in a year-on-year comparison with the first quarter of this year.

The ECB analysts said that inflation should be back on course towards its target by the second half of 2018, barring unexpected price developments.

In quarterly forecasts released earlier in September, the central bank said it expected inflation to average 1.5 percent in 2017 and 1.2 percent in 2018 – a slight downgrade for next year compared with earlier predictions.

Observers are keenly awaiting bank governors' announcement that they will wind down mass bond-buying.

Such "quantitative easing" is designed to infuse cash into the economy and drive inflation in the eurozone towards the 2.0-percent target, believed to be most favourable to growth.

ECB President Mario Draghi has said policymakers will likely make a move in October.

But interest rates, the central bank's other lever for managing inflation, are expected to remain low long after its 60-billion-euro ($71.6 billion) per month purchases of government and corporate debt have ended.

Norwegian Air says has hired more than 140 Irish airline pilots

Ryanair counts cost of flight cancellations mess

DUBLIN, Sept 18, (RTRS): Ryanair admitted on Monday it had messed up after the Irish budget airline disrupted the plans of hundreds of thousands of travellers by cancelling flights to cope with pilot shortages and improve its punctuality record.

The airline said that it was preparing for up to 20 million euros ($23.9 million) in compensation claims after the cancellations, but analysts estimated that the total cost could be higher.

Ryanair blamed a number of factors for the sudden cancellations including a backlog of staff leave, which must be taken by the end of the year. Europe's largest airline by passenger numbers also said air traffic control strikes and weather disruption were affecting its performance.

Rival Norwegian Air said on Monday that it had recruited more than 140 pilots from Ryanair this year, adding to the squeeze on staffing.

"It is clearly a mess but in the context of an operation where we operate more than 2,500 flights every day, it is reasonably small but that doesn't take away the inconvenience we've caused to people," Ryanair Chief Executive Michael O'Leary told Sky News.

He said the problems were not the result of pilots quitting but was "because we're giving pilots lots of holidays over the next four months." Every passenger who is entitled to compensation will receive it in full, he added.

Seeking to halt a decline in performance figures, Ryanair has taken the unusual step of announcing plans to cancel between 40 and 50 flights per day until the end of October.

Ryanair said the cancellations were designed "to improve its system-wide punctuality which has fallen below 80 percent in the first two weeks of September."

While it currently calculates crew leave from April to March, the Irish Aviation Authority is forcing it to calculate it from January to December from the start of 2018, it added.

Ryanair sent emails to the first affected passengers last Friday, giving them the choice of a refund or an alternative flight. It has issued cancellation notices up until Wednesday.

The move brought bad publicity for an airline which has worked hard over the past few years to improve a reputation for treating passengers badly.

News bulletins in Ireland ran interviews with disgruntled customers while newspapers asked readers to share their stories, including a wedding party who told the Irish Times they had been left stranded in France.

Analysts at Dublin-based Goodbody Stockbrokers estimated that the cancellations would cost the airline around 34.5 million euros ($41.2 million) — comprising 23.5 million euros in compensation, 6.3 million euros in lost fees, and 4.7 million euros in subsistence such as meals, drinks and accommodation.

Goodbody said that would shave 2.3 percent off its full year forecast of 1.479 billion euros in profit after tax.

In July, Ryanair reiterated its 1.4 to 1.45 billion euro forecast for the financial year ending March 31, 2018.

Barring exceptional circumstances, airlines must under EU rules provide at least two weeks' notice to avoid paying compensation of 250 euros per passenger for flights of 1,500 km or less or 400 euros for longer flights within the bloc.

The fall in Ryanair's punctuality below 80 percent compared to an average of 89 percent in the three months to the end of June. O'Leary said at the time he was not happy with that figure, seeking a mark of over 90 percent.

The Irish Independent reported on Monday that Ryanair has been offering pilots a 10,000 euro ($11,925) "signing-on bonus" in response to recruitment problems.

Ryanair employed 4,058 pilots at the end of March, according to its annual report, up from 3,424 a year earlier to keep up with a rapid growth in passenger numbers.

Training company CAE Inc warned recently that the worldwide commercial aviation industry will need an extra 255,000 pilots by 2027 to sustain its rapid growth and is not moving fast enough to fill the positions.

Shares in Ryanair, which fell by more than 3 percent in early trading, were 1.85 percent lower at 1430 GMT.