

# Navistar hits the gas on electric trucks: The company's new German parent backs its push to phase out traditional engines by 2040, but truck buyers aren't sold yet

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## FULL TEXT

Truck maker Navistar expects a tenfold increase in sales of electric trucks and buses this year as it pushes for half of its sales to be zero emission by 2030 and a complete conversion to EVs by 2040.

Navistar has 200 electric trucks and school buses on the road and expects to deliver 2,000 electric vehicles this year, CEO Mathias Carlbaum said in a recent interview at the company's Lisle headquarters.

"Last year, the operators were saying, 'Let's get a handful to try.' Now they're saying, 'Let's move into trials of hundreds,'" Carlbaum says. Current technology is well suited for the company's medium-duty trucks and school buses that travel 100 miles to 120 miles in a day and can recharge overnight. But electric long-distance trucks aren't expected to catch on until a nationwide infrastructure for faster charging is in place.

Electric batteries power less than 1% of medium- and heavy-duty trucks on the road, analysts say. Although fleet operators are testing new models, it's not clear that truck buyers share Carlbaum's enthusiasm for vehicles that cost three times as much as conventional models. Prices on a new electric cab and chassis can run \$260,000 to \$300,000, compared with an average of \$90,000 for diesel, according to Navistar. Federal and state incentives can help close the gap.

Carlbaum took the helm of Navistar in September 2021, following its acquisition by Germany's Traton Group, the commercial truck division of Volkswagen that manufactures several truck brands. Previously, he was executive vice president of commercial operations at Swedish truck manufacturer Scania, also part of Traton.

Along with pushing electrification, Carlbaum is seeking a new partner for driverless technology following the company's divorce from beleaguered developer TuSimple Holdings late last year.

While the possibility of autonomous vehicles generated industry buzz two years ago, excitement faded as the freight market weakened and more drivers became available. The downturn in venture-capital funding for tech startups also has dampened prospects.

"Electric is closer in time than we thought two years ago, and autonomous is further away," Carlbaum says.

Sales of 2,000 electric trucks and buses is a fraction of the 81,900 vehicles Navistar sold last year. But Carlbaum is focused on the transition. And parent Traton last year boosted the EV research and development budget for its truck brands to \$2.8 billion (U.S.) through 2026, up from \$1.7 billion (U.S.) through 2025.

The company in August introduced what it says will be its last internal combustion engine meant to fill the gap until EVs are fully adopted. Navistar's manufacturing operations generated revenue of \$11 billion (U.S.) last year as it reported its first results under its new parent. Its fourth-quarter 2022 revenue jumped 53% from the year-earlier quarter and operating profit of \$183 million (U.S.) reversed a loss in the final three months of 2021.

Navistar manufactures buses in Tulsa, Okla., and electric trucks are produced in Escobedo, Mexico.

As part of its EV push, Navistar is seeking partnerships with battery suppliers, Carlbaum says. The company has had talks but declined to identify candidates, he added.

While electric automobiles have surpassed a critical tipping point of 5% new car sales, fleet operators face more

obstacles. Medium-duty truck batteries have a range of about 135 miles, which isn't always sufficient for regional operators.

"The 130-mile capability isn't close to what we need to get to some of our outlying areas," says James Kuha, operations supervisor at Central Hudson Gas & Electric, an upstate New York utility that purchased two Navistar International trucks last year.

UPS has 13,500 trucks operating on various alternative fuels, says Luke Wake, vice president of fleet maintenance and engineering for the shipping and logistics company. He says it's likely that EVs will account for a large volume of fleet vehicles in the future, but manufacturers currently lack the capacity to supply UPS at the scale needed.

#### ZERO-EMISSIONS COMMITMENT

Momentum for electric trucks is largely driven by European regulators' push for zero emissions, says Avery Vise, vice president at freight research firm FTR Transportation Intelligence. Three of the four big truck makers Navistar, Volvo and Daimler are European. But there's not much consensus among customers, Vise says.

Carlbaum says the U.S. commitment to zero emissions is rising quickly, noting that trucks produced by four big original equipment manufacturers Paccar, Volvo, Daimler and Navistar account for 8% of the U.S. carbon footprint. The conversion to electric "will be a huge contribution to the decrease of emissions in the U.S.," he says.

Carlbaum expects electric trucks will reach cost parity with diesel between 2024 and 2027. Once that tipping point is reached, adoption will accelerate rapidly, he predicts.

Still, the commercial truck industry may not get halfway to zero emissions until 2040, and full conversion may not come until 2050, says Ann Rundle, vice president of electrification and autonomy at Act Research.

Navistar ranks as the No. 4 manufacturer of medium-duty Class 4 through 7 trucks, with a 13.5% share, and the No. 4 maker of the largest Class 8 rigs, with a 12.6% share, according to American Truck Dealers, a division of the National Automobile Dealers Association, and Wards Intelligence. For medium-duty Class 6 and 7 trucks, Navistar has a 19.2% share, according to IHS Markit. Traton says Navistar's IC Bus leads the North American market, with a 37% share.

Carlbaum expects 70% to 80% of school buses to be electric by 2030. That compares to half of medium-duty trucks by that date and only 15% to 20% of long-haul vehicles.

Battery technology needs to evolve to offer better range for long-haul trucks, Carlbaum says. He expects megawatt charging to become available around 2025, allowing tractor-trailer batteries to go from 20% to 80% charged in 30 to 40 minutes fast enough to recharge during driver breaks. "We need to get that efficiency, otherwise there's too much downtime," he says.

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