



# AD PUNCTUM

## News Review -- 3<sup>rd</sup> July to 9<sup>th</sup> July

News is arranged by company and topic. Stories that apply to more than one company or topic are duplicated.

### Company-by-company rundown

#### BMW

- Has set itself a target of saving €1 billion in indirect production costs by 2019. BMW's current indirect purchasing bill is around €20 billion. ([More...](#))
- Said that the stoppage a few weeks ago caused by a Bosch supplier had affected delivery of around 8,000 vehicles. ([More...](#))
- Will use Inrix as a provider of parking space information in 5 series vehicles. ([More...](#))
  - Implication: BMW has invested in Parkmobile and Inrix is part-owned by rival VW, BMW's choice indicates that they feel even with close partnerships, they will exploit better alternatives where they see fit.
- Will supply i3 powertrain components to electric boat propulsion company Torqueedo. ([More...](#))

#### Daimler

- Released further details of the (previously announced) JV it has formed with BAIC to produce and sell electric vehicles in China. The two partners will invest €655 million. One of the clear targets is to locally produce Mercedes-Benz badged vehicles that use Chinese battery cells. ([More...](#))
- Reported June sales figures for cars. 221,874 vehicles were sold in June, an increase of 10.1% on a year-over-year basis. Improved sales at Mercedes-Benz more than offset losses at Smart. ([More...](#))
- Has started a legal case against bearing supplier SKF because of the company's participation in a cartel. SKF is already being sued by BMW but says its actions had no effect on its customers. ([More...](#))

#### Ford

- Announced June sales figures for US and China. In the US, sales were down (5.1)% on a year-over-year basis, with increases for trucks and SUVs failing to offset a fall in fleet sales and passenger cars. ([More...](#)). Ford's Chinese JVs reported sales up 15% YoY. ([More...](#))

#### Geely (includes Volvo)

- Volvo announced that it will cease production and sale of vehicles powered only by internal combustion engines in 2019. Although the news was billed as Volvo converting to electrification, the company's near-term ambitions are more modest and the announcement is about 100% penetration of 48V mild hybrid systems / PHEV and BEV on all new products that launch after 2019. In practice, vehicles will continue to be produced with ICE-only powertrain into the 2020s until they are replaced. In separate comments, Volvo also said that a 48V gasoline engine will be around equivalent cost to a (Stage 6.2) diesel engine. ([More...](#))
  - Implication: although the substance of the announcement was not the wholesale switch to electrification that many of the headline writers seized, this move will add to existing calls for other OEMs to show that they are taking the transition to electrification seriously. In many ways, Volvo's press release shows the

goodwill that can be generated from simply being the first to state what will be a commonplace transition plan.

- Geely announced that it was buying flying car start-up Terrafugia. ([More...](#))
- Reported Volvo sales figures for the first half of the year. Sales of 277,641 vehicles was an 8.2% increase on a year-over-year basis. Increases in China more than offset share losses in the Americas. ([More...](#))

### General Motors (includes Opel / Vauxhall)

- Reported June sales figures for the USA. Total sales of 243,155 vehicles was down about (5)% on a year-over-year basis. GM tried to draw attention to areas where it was out-performing rivals: lower incentive spending and fewer sales to rental companies (memo: inventory at GM is currently far higher than domestic rivals). ([More...](#))
- Three workers were injured in an explosion at the Hamtramck assembly plant (all are expected to recover). Production was unaffected by the incident. ([More...](#))

### Honda

- Announced that has formed a joint venture with Hitachi (49% Honda/51% Hitachi) to develop and manufacture electric vehicle motors. This follows months of detailed discussions after agreeing an MoU earlier this year. ([More...](#))
- Reported US sales results for June. Total sales of 139,793 vehicles represented an increase of 0.8% on a year-over-year basis. Improvements at the Acura brand more than offset a slight decline in sales of Honda branded vehicles. ([More...](#))

### Hyundai / Kia

- Hyundai reported June sales results. 376,109 units were sold, a (15.5)% reduction on a year-over-year basis. The main cause of the reduction was weaker South Korea and Chinese sales. ([More...](#))
- Kia reported June sales results. 232,370 vehicles were sold, representing a (13.3)% decline on a year-over-year basis. Kia primarily blamed declines in the South Korean market and losses in China (memo: both Hyundai and Kia had previously said tension over US missile interceptor sites in South Korea were harming Chinese sales). ([More...](#))

### Nissan (includes Mitsubishi)

- Reported sales results for US and Europe. US sales of 143,328 were up 2% on a year-over-year basis. European sales of 70,757 units were up 4.4% YoY. ([More...](#))
- Said that in 2016, the Renault-Nissan alliance had delivered €5 billion in annual synergies, a 16% increase over the figure for the previous year. With the addition of Mitsubishi and further application of CMF-based vehicles, R-N expect this saving to reach at least €5.5 billion by 2018. ([More...](#))

### PSA (excludes Opel/Vauxhall)

- The European Union announced that it had approved the sale of Opel and Vauxhall to PSA. The EU statement noted that in Estonia and Portugal the combined entity would have a 40% market share in small commercial vehicles but took no action. ([More...](#))
- Faurecia announced that it will create a joint venture with (PSA's part-owner) Dongfeng to provide clean mobility technologies to Dongfeng-affiliated OEMs. ([More...](#)). It also announced a new JV with Wuling to produce seating. ([More...](#))
- Is in conflict with one of the smaller unions at the Vigo plant. The union is complaining about the line rate increases PSA has imposed and is threatening strike action. PSA has refused to negotiate saying that the union represents less than 20% of workers at the plant. ([More...](#))
- Created a research partnership with Moroccan and US universities called OpenLab to look at sustainable mobility in Africa. ([More...](#))
  - Implication: PSA is recognising the precedent set by development of the mobile phone industry in Africa (examples include M-Pesa) and is looking for Africa-centric solutions
- PSA's site at Sept-Fons was blockaded by the workers of GM&S, unhappy at the progress being made to avoid a liquidation of the company. PSA had to take emergency measures including the use of helicopters to retrieve parts and the blockade was lifted after a few days. ([More...](#))

- France's finance minister announced that the government would put €10 billion towards innovation, with the money coming from the sale of various company stakes owned by the government. He declined to name the potential sales - PSA was an inevitable target of speculation. ([More...](#))
  - Implication: a sale by the French state could change the balance of power within PSA since the current ownership stake is designed to be inline with the shareholdings of the Peugeot family and Dongfeng.

## Renault

- Announced a new joint venture in China with Brilliance Automotive (in addition to its JV with Dongfeng). Renault will have 49% of the JV which will be for commercial vehicles. The JV was formed through the re-capitalisation of Brilliance Automotive's existing subsidiary Shenyang Brilliance Jinbei. ([More...](#))
  - Implication: although relatively late to China, Renault now has two JVs (which seems the de rigeur number for most companies) and is very experienced in the kind of battery electric vehicles that the Chinese government is encouraging.
- Has invested in a joint venture with driving simulation company Oktal. Renault has taken a 35% stake in the new entity, to be called Autonomous Vehicle Simulation (AVS), which will include Renault's in-house simulation software SCANeR.
- Said that in 2016, the Renault-Nissan alliance had delivered €5 billion in annual synergies, a 16% increase over the figure for the previous year. With the addition of Mitsubishi and further application of CMF-based vehicles, R-N expect this saving to reach at least €5.5 billion by 2018. ([More...](#))
- France's finance minister announced that the government would put €10 billion towards innovation, with the money coming from the sale of various company stakes owned by the government. He declined to name the potential sales - Renault was an inevitable target of speculation. ([More...](#))
  - Implication: a sale by the French state could change the balance of power within Renault and possibly even changes in the capital structure of the Renault-Nissan alliance.

## Tata (includes JLR)

- Reported June sales figures for Jaguar Land Rover. Sales of 51,591 vehicles were up 11% on a year-over-year basis. For April to June 2017, sales of 137,463 units was an increase of 3.5% but within this figure Land Rover sales were down (4.7)% -- attributed by JLR to weakness in emerging markets other than China. ([More...](#))

## Tesla

- Reported Q2 production and delivery figures. 22,000 vehicles were delivered, of which around 12,000 were Model S. Although up on a year-over-year basis, the figure was short of market expectations. Tesla reported that a production shortfall of 100 kWh battery packs had constrained supply of vehicles to around 60% of demand during April and May. Tesla issued a follow-up following negative feedback that it had an additional 3,500 vehicles in transit that were not declared as deliveries, but it was unclear whether this number had been in any way inflated by the production hold-up. ([More...](#))
- Saw concern from investors and media following the Model S failing to achieve the top safety rating in every test set by the IIHS (a US insurance industry testing initiative). The Model S recorded the top rating in all but one test, in which it recorded the 2<sup>nd</sup> highest rating. Tesla called the test "subjective". ([More...](#))
  - Implication: The pressure on Tesla to execute in every area in a better way than other automakers seems to be increasing. This is an expectation that the company will find it difficult to fully satisfy.
- Said that the first production-standard Model 3 had left the factory ([More...](#))
- Announced that lower-end Model S and Model X vehicles will receive upgrades to improve their acceleration times. ([More...](#))
- Saw concerns arise over drops in registrations in California and Hong Kong. The local registration reporting lags Tesla's own sales figures. ([More...](#))
- Elon Musk showed that Donald Trump isn't the only one who can do massive deals via Twitter. Tesla has agreed to deliver 100 MW of battery capacity to an Australian utility. If Tesla doesn't deliver within 100 days, the batteries will be free, showing Tesla is prepared to learn from the takeaway pizza industry. The offer was originally made via a tweet in April ([More...](#))

## VW Group

- Said that the recall of vehicles to fix problems with the brakes had risen from 385,000 last week to 766,000 cars. ([More...](#))
- Reported to be the front-runner for the contract to be official sponsor of the German national team. The sponsorship is said to cost €25 to €30 million per year. Mercedes are the current sponsor. ([More...](#))
- Seats's president said that the Spanish government should do more to encourage sales of electric vehicles in order to attract production of electric cars, noting that currently only electric commercial vehicles are produced in the country. He also noted that he was expecting a new generation of batteries to arrive in 2025 that would give a significant cost advantage. ([More...](#))
- Said that it will return to Iran with the VW brand. The company will partner with privately-held Mummut Khodro. At present, all vehicles will be imported. ([More...](#))
- Claims emerged in the German press that VW's management had been informed of the likely costs of the diesel scandal over a month before any public announcements were made, calling into question whether the executive team acted in a suitably timely manner. ([More...](#))
- Will work with Third Space Auto on applications for artificial intelligence within the vehicle such as voice recognition and smartphone integration. (should have been in last week's review). ([More...](#))
- VW Group held a mobility technology day where it outlined many of the projects it is working on around electrification and mobility. As well as the usual work on better drivetrain and sensors, VW highlighted work on infrastructure such as charging stations that automatically plug in to the car. ([More...](#))
- VW will partner with robotics supplier Kuka on applications that can help electric and autonomous vehicles, particularly around supporting services and infrastructure. ([More...](#))
  - Implication: The advent of the robo-taxi will see costs of driving reduced but needs infrastructure innovations such as automated cleaning and re-charging to provide a low overall cost. VW's partnership with Kuka will enable it to explore what it takes to deliver these type of services.
- Porsche is said to be working on autonomous vehicle software designed for on-track application. The company has apparently retained the services of ex-Formula 1 driver Mark Webber to help them record circuit data that can then be downloaded to other cars and teach the owners how to drive faster. ([More...](#))
  - Implication: as autonomous driving threatens to change the car ownership model, it holds some possibilities for brands to provide a more tailored experience than can be economically offered today.

## Other

- **Chery's Qoros** brand said that it would create a sub-brand of its own called **Model Young** that will sell cheaper vehicles using the platforms that Qoros has developed. ([More...](#))
- **Volvo AB** (the truckmaker, not the car company) said that it would sell its 25% stake in **Deutz**, a German maker of large diesels. Deutz will remain a supplier.
- **McLaren** is reportedly looking to raise £525 million by issuing a bond. The proceeds will largely be used to pay for the share purchase from former CEO Ron Dennis. ([More...](#))
- **SAIC** will take on GM's former site in Gujarat, India for production of MG cars, scheduled to begin in 2019. The site reportedly has a production capacity of around 130,000 units per annum. ([More...](#))

## [And now for the other news...](#)

### Economic / Political News

- The **EU** parliament's environment commission recommended a target of between 68g and 78 g of CO<sub>2</sub> per km for passenger car fleet averages in 2025 (95g is the 2021 target) and between 105g and 120g for commercial vehicles. This recommendation does not guarantee that these will be the new regulatory levels but the opinion of the MEPs influences the process. ([More...](#))

- Implication: In order to meet these emission targets, lightweight technologies and near 100% usage of 48V as well as a substantial increase in PHEV and BEV would be required with implications for OEM R&D spend and future profit outlook, suppliers and raw materials purchasing.
- **France's** energy minister said that the country intends to stop the sale of all non-zero emission vehicles by 2040. This aspiration is not yet backed by draft legislation. The government will also launch a scrappage scheme for older gasoline and diesel vehicles. ([More...](#))
  - Implication: this was seized upon by mainstream media as an example of action, with calls for other countries to follow France's lead. Lost in this was the existing commitment by a group of countries including Germany, the UK and the Netherlands to halt the sale of all non-emission vehicles by 2050. Whilst this timeline is later, most seemed to not even realise it existed. These commitments by governments also give clearer planning horizons for automakers and users.
- The **European Union** and **Japan** announced that they had reached political agreement on a free trade agreement. Final agreement may take another few years but was confirmed to include the imports of car parts and vehicles with zero tariff conditions being phased in over an unspecified amount of time ([More...](#))
  - Implication: this agreement will increase competitive pressure in Europe and also provides an alternative for Japanese manufacturers heavily exposed to Brexit due to their manufacturing footprints (Nissan, Toyota and Honda). Given their low sales in the UK, they may in time prefer to close UK plants and import into the EU from other locations if the UK fails to agree zero tariff trade with the EU.
- **US** sales figures for May showed an industry SAAR for the month of 16.41 million units. ([More...](#)). The US auto dealers trade body said that it forecasts industry at 17.1 million units for full year 2017 ([More...](#)).
- **German** car registrations for June of 327,800 units were down (3)% on a year-over-year basis, the trade association attributed this to two fewer selling days. ([More...](#))
- **UK** car registrations of 243,454 units were down (4.8)% on a year-over-year basis. Within this, diesel fell by (14.7)% and is down almost (10)% on a YTD basis. ([More...](#)) Commercial vehicle sales of 37,349 units was up 1.8% in June, although the market is still down (3.7)% on a YTD basis. ([More...](#))
- **French** registrations for passenger cars and commercial vehicles in June were up 1.6% and 1.9% respectively. Adjusting for selling days, the growth was much stronger: 6.4% for cars and 6.7% for CVs. ([More...](#))
- **Spanish** registrations for passenger cars and commercial vehicles in June were up 6.5% and 8.7% respectively. ([More...](#))
- **Brazilian** automotive sales rose 13.5% on a year-over-year basis. Some press reporting concentrated on a month-over-month slowdown -- sales dropped 0.3% on that basis). ([More...](#))

## Suppliers

- **Continental** said that it had taken a stake in French autonomous bus company **EasyMile**. ([More...](#))
- **Autoliv** has entered into an agreement with **Velodyne** with the intent of commercialising the latter's LIDAR technology (should have been reported last week). ([More...](#))
- **Faurecia** announced that it will create a joint venture with (PSA's part-owner) **Dongfeng** to provide clean mobility technologies to Dongfeng-affiliated OEMs. ([More...](#)). It also announced a new JV with **Wuling** to produce seating. ([More...](#))
- The US NHTSA is reportedly looking at the safety of fuel tank components made by **Continental**. If the agency decided that a recall was necessary, millions of vehicles could be affected. ([More...](#))
- **Continental** has acquired Singaporean company Quantum Technologies -- a navigation and telematics specialist. ([More...](#))

## Dealers

- There was a flurry of UK dealer acquisitions: **Super Group** purchased six Ford and three Suzuki dealerships ([More...](#)). **Group 1** acquired Beadles Group. ([More...](#)). **Sytner** bought a BMW dealership ([More...](#)) and **Motorline** took on a Hyundai dealership. ([More...](#))
  - Implication: despite Brexit and sluggish industry figures, dealer acquisitions continue. It isn't clear if this consolidation reflects a pressure to reduce overhead or is due to continuing optimism about the prospects

for the UK market. As a point of note, both Super Group and Group 1 are based outside the UK and have made multiple acquisitions recently.

- Indian online car sales portal **Droom** announced it had raised \$20 million to further expand the business. ([More...](#))
  - Implication: Online sales is an area where developing countries have the potential to leapfrog existing automotive practices, so Droom could provide useful lessons for companies such as Amazon (memo: in the process of hiring a team to begin online sales).

## Ride-Hailing, Car Sharing & Rental

- **Uber** said that it would partially suspend services in Finland. The UberBlack service (professional drivers) will continue but UberPop (unlicensed drivers) will be stopped until new regulations are put in place. ([More...](#))
- Spanish car sharing start-up **Amovens** announced that it had raised €5 million to enter the French market. ([More...](#))
- Russia's **Bakulin Motors Group** announced that it would begin trials of driverless buses on a university campus. ([More...](#))
- **Lyft** said that it was now completing 1 million rides per day (memo: Uber is currently carrying out upwards of 6 million rides per day in more markets). ([More...](#))
- **Zipcar** said that it would withdraw from the Austrian market. ([More...](#))

## Driverless / Autonomy

- **Baidu** announced that its Project Apollo initiative, launched earlier this year, now has over 50 partner companies. These include several Chinese OEMs, Ford and Daimler. ([More...](#))
- US Start-up **Torc** emerged from stealth mode saying that it was producing self-driving hardware for retro-fit to existing vehicles. It currently has 1,000 miles of autonomous driving. ([More...](#))
- **Continental** said that it had taken a stake in French autonomous bus company **EasyMile**. ([More...](#))
- **Autoliv** has entered into an agreement with **Velodyne** with the intent of commercialising the latter's LIDAR technology (should have been reported last week). ([More...](#))
- As part of the ongoing **Uber-Waymo** litigation, a judge ordered Waymo to turn over documents relating to its communications with **Lyft**. Uber seems particularly interested in the nature of M&A discussions between the two. At the same time, Waymo has dropped three of the four patent claims it made, seemingly due to the inability to get the engineer at the centre of the case to testify as he wants to avoid self-incrimination. ([More...](#))
- **Comma.ai** launched its first product, called Panda. The device plugs into existing car hardware and collects information about how the vehicle drives. The intent is that later on this information can be used to create self-driving programs. ([More...](#))
- Dutch start-up **Amber** is claiming that it will have self-driving cars on the streets by mid-2018. ([More...](#))
- Swedish start-up **Einride** unveiled its driverless delivery vehicle concept. There is no cabin so the vehicle must either operate in autonomous mode or be driven by a remote operator. ([More...](#))
- **Porsche** is said to be working on autonomous vehicle software designed for on-track application. The company has apparently retained the services of ex-Formula 1 driver Mark Webber to help them record circuit data that can then be downloaded to other cars and teach the owners how to drive faster. ([More...](#))
  - Implication: as autonomous driving threatens to change the car ownership model, it holds some possibilities for brands to provide a more tailored experience than can be economically offered today.

## Electrification

- Bloomberg New Energy Finance (BNEF) published an updated assessment of electrification growth. Their latest forecast is for cost parity by 2025 and for one third of the vehicle fleet to have a plug (doesn't preclude PHEVs) by 2040. BNEF set the cost-parity point at \$109/kWh for a battery -- higher than many other forecasts (which cluster around \$70/kWh). ([More...](#))
  - Implication: if the analysis is correct then there will be a surge in demand for the type of materials that go into electric vehicle batteries (assuming no new technology emerges) and manufacturers with only one or two volume BEV models in their portfolio will be unable to transition effectively in the event of a sudden (within three years) increase in electrified mix.

- Charging provider **NewMotion** announced that it had become a partner on the **Gireve** platform. This will allow wholesale access to other physical charging points that partner with Gireve, such as the **BeLib** stations in Paris. ([More...](#))
- **Seats's** president said that the Spanish government should do more to encourage sales of electric vehicles in order to attract production of electric cars, noting that currently only electric commercial vehicles are produced in the country. He also noted that he was expecting a new generation of batteries to arrive in 2025 that would give a significant cost advantage. ([More...](#))
- UK start-up **Charge Automotive** said that it had signed a lease for a factory where it will assemble its range of 3.5 to 26 tonne electric trucks. ([More...](#))
- **Lohr Group** unveiled its electric minibus called Cristal. The vehicle is intended to feature autonomous technologies and will have a selling price of €90,000, with battery rental on top. ([More...](#))
- The founder of **LeEco** is reported to have sold his share of **Lucid Motors**. ([More...](#))

## Other

- **Geely** announced that it was buying flying car start-up **Terrafugia**. ([More...](#))
- Slovakian flying car start-up **Aeromobil** announced it had raised further funds to support the next stage of product development. ([More...](#))