



AD PUNCTUM

Autos & Mobility Industry Briefing -- 2nd April to 8th April 2018

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

News about the major automakers

BMW (history)

- Announced pricing for the monthly subscription scheme it is piloting in the USA. Prices start at \$2,000 per month for lower end vehicles, with \$3,700 for the highest performance derivatives. ([Bloomberg](#))
 - Implication: BMW isn't alone in failing to display imagination in a monthly subscription product. Rather than offering flexibility, OEMs are simply pricing schemes as though customers will walk shortly after joining and loading in all the classic costs into payments so high that they can only appeal to people who want a car for very short durations. This area seems ripe for an alternative approach that more intelligently matches customers and inventory, perhaps with less of a focus on the new car being brand new.

Daimler (history)

- Daimler's CEO believes that customers are "still showing confidence" in diesel and that recent commentary about the technology's decline is overblown. ([Autocar](#))
- Exploring potential collaborations with new shareholder Geely. ([Market Watch](#))

FCA (history)

- Announced the separation of electronics subsidiary Magneti Marelli from the rest of the group, as expected. Following Ferrari's example, FCA will issue shares in the separate firm to existing FCA stockholders rather than have a separate flotation. Magneti Marelli will also take responsibility for some of the group's debt. ([FCA](#))

Ford (history)

- Received approval for German banking licence, meaning that it can provide financing to customers in Europe unimpeded by Brexit -- Ford is the OEM most exposed to the loss of passporting rights. ([Reuters](#))
- Ford executives said that it would not be worth producing electric cars with annual volumes below 40,000. ([Reuters](#))

Geely (includes Volvo)

- Daimler is exploring potential collaborations with new shareholder Geely. ([Market Watch](#))
- Volvo sold 147,407 cars in Q1 2018, a 14% increase on a year-over-year basis. ([Volvo](#))

General Motors (history)

- Didn't specifically deny rumours of plans to cease production of Chevrolet Sonic and Impala but said it would retain a presence in US car segments, citing the size of the sales volume. ([Detroit News](#))
- Moving to quarterly, rather than monthly, US sales reporting to avoid having to explain seasonal effects. ([GM](#))
- Reportedly proposed to end a shift at one of its South Korean plants, a move unions say they will oppose. ([Reuters](#))

Honda (history)

- Reportedly idling US production of the Accord due to slow sales. ([Auto Evolution](#))
- Waymo's CEO said talks with Honda were likely to yield a collaboration focused on delivery vehicles. ([Bloomberg](#))

Hyundai / Kia

- Elliott Management, an activist investor with a history of taking on Korean chaebols, announced that it had built stakes in Hyundai, Kia and an affiliate, raising speculation about their motives. ([Yonhap](#))

PSA (includes Opel/Vauxhall) (history)

- Announced it would invest in a capacity increase at the Vauxhall Luton, UK factory to enable production of up to 100,000 medium commercial vehicles annually. The plant will make the successor to the Vauxhall Vivaro, in addition to sister Peugeot and Citroën products. ([PSA](#))
 - Implication: As the UK's only high volume commercial vehicle factory, although the announcement does nothing to deal with Opel / Vauxhall's legacy footprint inefficiency, it is a good hedge against Brexit uncertainty. In the event of tariff barriers, the vans produced at the plant would likely find themselves with a near-10% price advantage over all other competition in a notoriously close-fought, yet profitable, segment.
- CEO Tavares said that European CO₂ regulations are "going to create a Chinese trojan horse in Europe" because they could (in his opinion will) bring at least one carmaker to their knees, creating the opportunity for a Chinese company to buy them up on the cheap. ([Reuters](#))
 - Implication: The analysis seems flawed to us -- primarily justifying scare tactics in ACEA's lobbying. Firstly, Tavares dismisses that a European-only merger option would be viable on anti-trust grounds, even though PSA has just accomplished such a deal with Opel. Secondly the assumption seems to rest on a Chinese carmaker using its electric vehicle technology to easily meet the targets, begging the question: if the Chinese can do it, why not the Europeans? Thirdly, the theoretical Chinese suitor would have to pay EU fines until the portfolio met targets, presumably requiring deep pockets if the OEM had been brought to bankruptcy? Finally, it isn't really necessary for carmakers to have loads of BEVs or PHEVs to meet 2021 targets, some already appear on course to meet targets (including... PSA!)

Tata (includes JLR)

- Tata Motor's Indian market sales in the financial year ended 31st March 2018 totalled 586,639 units, a rise of 23% over the prior year. ([Tata](#))

Tesla (history)

- Released Q1 production numbers, saying it had built 34,494 vehicles, with the much-watched Model 3 weekly figure rising to 2,020 cars in the final week of the quarter (totally unrepresentative of the three-month average). ([Tesla](#))
 - Implication: Model 3 launch continues to disappoint, and although the company says it is taking the problem seriously, hyperbole about Q1 Model 3 numbers versus Q4 seems out of place given that both are a massive disappointment. Keep an eye on Model S and Model X: Although Tesla says orders are "at an all time high", deliveries are some way off their peak. In Model X's case, transfer of labour to Model 3 is a plausible explanation; it's more difficult to make the same argument for Model S.
 - [Check out our chart of deliveries by quarter.](#)
- People trying to recreate last month's fatal Autopilot accident said that they had found the system may become dangerously confused when confronted with replacement road markings. ([Business Insider](#))
 - Implication: Whatever their motives, amateurs trying to recreate the circumstances that led to an accident is a worrying development. It could lead to a rash of unintended accidents as people unnecessarily investigate collisions that professionals are already working on. Furthermore, it raises the spectre of criminals exploiting known blind spots to cause accidents and claim on insurance. If the findings of these driver assistance sleuths is correct and Tesla doesn't react quickly enough, is there a case for negligence?
- Said it does not need any cash from debt or new stock "this year", leaving the door open for potential fund raising once it has demonstrated a decent run rate on Model 3. ([Reuters](#))

- Received a telling off from US safety authorities for releasing unauthorised crash data. ([The Guardian](#))

Toyota (history)

- Recalling around 6,000 vehicles in the USA to correct potential braking problems. ([Toyota](#))

VW Group (history)

- Porsche invested in Anagog, a company that makes in-app data analysis tools so users do not have to send personal data to the cloud. ([Porsche](#))
- Not planning to replace the VW Beetle at the end of the current product cycle saying a “new new new Beetle” would be too much of a stretch. ([Forbes](#))
- Terminated all contracts with Prevent Group, who are now threatening legal action. Prevent were the source of substantial misery for VW when they unilaterally stopped shipments of several critical components. ([Handelsblatt](#))
- Škoda employees have negotiated a 12% pay increase in their latest 1 year contract. ([Handelsblatt](#))

Other

- **Aston Martin** is reportedly aiming for a £4 billion valuation in its forthcoming IPO. ([Sky](#))
- **Aston Martin's** CEO said the new DBX SUV will not feature BEV or PHEV powertrains. ([Motoring](#))
- **Mahindra** announced a (35% / 65%) joint venture with **Ideal Motors** to assemble vehicles in Sri Lanka. ([Mahindra](#))

News about other companies and trends ...

Economic / Political News

- **China** published a list of retaliatory tariffs in response to action announced by the **US** government. Vehicles imported from the US could face additional tariffs of up to 25%. ([Detroit News](#))
- The **US Government** said that they would issue less “stringent” fuel economy targets for 2022-2025. Automotive industry lobbying groups cheered the move whilst the companies themselves (somewhat unconvincingly) declared themselves to have been in favour of the original targets. ([EPA](#))
- **US** light vehicle industry SAAR in March was 17.4 million, a year-over-year improvement that about offset the YoY declines seen in January and February. ([Wards](#))
- **German** passenger car sales for March were 261,749 units, a year-over-year increase of 7.4%. ([KBA](#))
- **UK** March passenger car registrations of 474,069 units were down (15.7)% on a year earlier, pullahead of sales in 2017 to avoid a tax increase were partly blamed but on a YTD basis sales are still down (12.4)% YoY. ([SMMT](#))
- **French** registrations of 231,110 passenger cars in March represented a 2.2% increase on March 2017. ([CCFA](#))
- **Italy** saw 213,731 passenger cars registered in March, down (5.75)% on the same month a year earlier. ([UNRAE](#))
- **Spanish** registrations for March were 128,715 cars, a 2.1% increase on a year-over-year basis. ([Europa Press](#))

Suppliers

- **Continental** and **Osram** announced the finalisation of talks on a 50/50 lighting JV. ([Continental](#))
- **Motherson Sumi Systems** said it had agreed to acquire interior components supplier **Reydel** from its private equity owners for \$201 million. ([Autocar](#))
- **Magna** said it was forming a JV in China with **Guangzhou** to produce composite liftgates. ([Magna](#))
- **American Axle** announced a JV with a **Guangxi Automobile** subsidiary for driveline manufacturing. ([AAM](#))
- **FCA** announced the separation of electronics subsidiary **Magneti Marelli** from the rest of the group, as expected. Following Ferrari's example, FCA will issue shares in the separate firm to existing FCA stockholders rather than have a separate flotation. Magneti Marelli will also take responsibility for some of the group's debt. ([FCA](#))

Dealers

- US start-up **Mobiliti** launched an all-inclusive \$549 per month car subscription offer, sourcing stock from dealers and using financing provided by **Ally**. ([Mobiliti](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Alibaba** is reportedly considering an investment in **Grab**. ([TechCrunch](#))
- **Grab's** CEO gave an interview containing some commentary on the merger with Uber's ASEAN operations. Pressed on the impact for customers and drivers, he answered that some drivers would be better off and so would some customers (but the reverse would be true), failing to answer the central anti-competitive challenge: that Grab would be better off. ([CNBC](#))

Driverless / Autonomy (history)

- **Waymo's** CEO indicated during an interview that **Honda** would shortly be announced as a partner, with a focus on delivery vehicles. **Ford** and **Hyundai** were also mentioned as partners (as part of the Waymo / Uber trial it was disclosed that Ford and Waymo came close to a deal in 2015/16). ([Bloomberg](#))
- Three Chinese companies -- **GLP**, **G7** and **NIO Capital** -- formed a JV to develop smart trucks. ([Deal Street Asia](#))
- **Visteon** launched a machine learning and data processing platform, called DriveCore. ([Visteon](#))

Electrification (history)

- **Deutsche Post** is reportedly looking at an IPO for its electric van producing **Street Scooter** division. ([Bloomberg](#))
- **Ford** executives said that it would not be worth producing electric cars with annual volumes below 40,000. ([Reuters](#))

Other

- Bicycle sharing giant **Mobike** was acquired by **Meituan-Dianping** for \$2.7 billion. ([Economic Times of India](#))
- Brazilian bike sharing company **Yellow**, founded by veterans of **99Taxis** raised \$9 million. ([TechCrunch](#))