



AD PUNCTUM

Autos & Mobility Industry Briefing -- 28th May to 3rd June 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

Daimler (history)

- Invested in ride hailing firm Taxify as part of a \$175 million round. ([TechCrunch](#))
- German ministers are said to have threatened multi-billion euro fines in face to face meetings with company executives unless Daimler can show it acted improperly. ([Handelsblatt](#))

FCA (history)

- Held a capital markets day where the company outlined a series of strategic actions to 2022.
 - Jeep hope to increase global share from just under 6% to over 8% by 2022 through a rollout of connected vehicles, incremental products (including an A/B sized Jeep) and a suite of new services under the banner of Jeep Wave. ([FCA](#))
 - Ram see themselves as having outstanding customer loyalty but low transaction fees, despite good cab mix. The brand hopes new trucks will boost transaction prices to the level of the Ford F-150 and Ford Heavy Duty trucks. FCA also forecast a continued increase in US industry volumes. ([FCA](#))
 - Maserati showed a modular spaceframe capable of accommodating PHEV and BEV and promised Tesla-shattering acceleration times. By 2022, BEV versions of all vehicles except a forthcoming D-sized SUV will be available. ([FCA](#))
 - Alfa Romeo will launch two new SUVs, above and below Stelvio, and a series of new sports cars that appear derived from the PHEV version of the new Maserati Alfieri. The brand hopes to reach its original 400,000 unit per annum target (set in 2014) in 2022. ([FCA](#))
 - FCA sees 2022 sales mix of 40% 48V and 20% PHEV / BEVs in EMEA, with only slightly lower figures for NAFTA and APAC regions.
- Agreed a deal with Waymo that will see it provide “up to” 62,000 Pacifica minivans. The two companies will also discuss an arrangement for FCA to sell Waymo-supplied autonomous features in retail vehicles. ([FCA](#))
- CEO Marchionne said “all bets are off” if the demand becomes “white box” autonomous ride hailing vehicles rather than retail customers. He said he struggles to see which US competitor brands (read: non-premium) can survive a permanent switch to commoditised designs. ([FCA](#))
- Admitted FCA got two things wrong with the Alfa Romeo revamp as planned in 2014: they underestimated the “industrial complexity” of launching a large product portfolio and underestimated the response and execution of German premium brands, in summary, CEO Marchionne said the firm’s expectations in 2014 were “totally misjudged” and that in the new plan, even by the mid-2020s Alfa’s margins would be lower than Jeep’s. ([FCA](#))
- A question on a point in time for cost parity between ICE and BEVs left FCA executives stumped and reaching for their “crystal ball”, they finally settled on not before 2025, “best case”. ([FCA](#))
- Said the retail market for autonomy will not progress beyond L3 systems for a long time and that L4/L5 systems will cost \$10,000 and, if on sale before 2023, would not be automotive grade. ([FCA](#))
- Seeking to create a captive finance company in the US, either from the ground-up or via acquisition. ([FCA](#))

Ford (history)

- Ford's strategy consultants explained the structure of the company's mobility group. ([Harvard Business Review](#))

Geely (includes Volvo) (history)

- LEVC unveiled a new van derived from the recently launched PHEV black cab. ([Autocar](#))
- Announced an electrification strategy under the banner of Geely Intelligent Power, covering 48V, PHEV, BEV, alternate fuels and fuel cells. The company will launch a fuel cell vehicle by 2025 and "several" purely electric vehicles with a 500km+ range by 2020. Geely said it was aiming for a 15% fuel economy improvement from 48V, claiming it had "dared to do the impossible" (Magna have openly said 18% should be possible). ([Geely](#))

General Motors (history)

- Announced it had sold a 19.6% stake in Cruise to SoftBank for \$2.25 billion (performance dependent), valuing Cruise at \$11.5 billion. GM will also invest a \$1.1 billion, providing Cruise with almost \$3.5 billion to prepare for the deployment of vehicles. ([GM](#))
 - Implication: Through this transaction, GM has managed to create value in a way that mimics Tesla, Uber et al and so far has been beyond the capabilities of traditional OEMs. Given the Vision Fund's ownership of stakes in a variety of ride hailing firms (including Uber, Didi, Grab and Ola), it seems likely that Cruise vehicles will be offered across networks, regardless of Cruise's own plans for a service. The scope of the deal wasn't completely clear -- GM did not disclose the perimeter of Cruise's own IP (presumably at least the AI and sensor suite, including Strobe lidar technology) versus what remains wholly owned by GM. The most likely open issue is the high definition mapping data GM has already generated via its Cadillac super cruise program.
- Extended eligibility criteria for its discount program for US military personnel to three years after discharge. ([GM](#))
 - Implication: Although billed as a patriotic move, this has the hallmarks of under-the-radar additional incentive spending in the US market.

Hyundai / Kia (history)

- Considering creating a joint venture with one of South Korea's municipal governments to make Hyundai models under contract and loosen demand on its own plants (and provide a hedge to labour disputes). ([Yonhap](#))

Nissan (includes Mitsubishi) (history)

- Reportedly planning to cut production of Nissan vehicles by up to 20% in North America due to falling profitability. The cuts should have been fully implemented by the end of the year, without no redundancies forecast. ([Reuters](#))

PSA (includes Opel/Vauxhall) (history)

- Reached a deal with German Opel unions that will see jobs guaranteed at three sites until 2023 and the sourcing of the Grandland X to Eisenach on a two-shift pattern from 2019. Unions have agreed that 3,700 staff can leave on a voluntary redundancy program (most have already signed up) and that wages will be frozen until at least 2020. Although forced redundancies are out of the question, the unspecified measures to improve competitiveness may not preclude more voluntary redundancy. ([Opel](#))
- Will shed 500 temporary staff in Mulhouse after consolidating all production on a single line. ([Usine Nouvelle](#))
- Faced allegations of price fixing for spare parts in cooperation with Renault. According to the claims, the two companies used Accenture as an intermediary, with the consulting company identifying areas where both companies could raise prices. PSA and Renault both denied wrongdoing. ([Manager Magazin](#))
- Reportedly investing to increase petrol engine machining capacity at Douvrin. ([Les Echos](#))

Renault (history)

- Will eliminate the third shift at two Spanish plants, Palencia and Valladolid, due to softening sales of Megane, Captur and Kadjar. 1,400 temporary workers will lose their jobs. ([Europa Press](#))
- Started selling the battery for the Master and Kangoo electric commercial vehicles on a standalone basis. The 33kWh pack can be obtained for €7,400 (that's €224 per kWh for a retail customer). ([Renault](#))

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Tesla (history)

- A Model 3 teardown assessed the material costs of the Model 3 at \$18,000, with a further \$10,000 in production costs, indicating that gross profit margins in the 20%+ range are possible with efficient production. ([Golem](#))

Toyota (history)

- Announced discussions with Denso that could result in all of Toyota's production and manufacturing engineering activities for electronics being transferred to Denso. Toyota would continue with research and development of electronic components. ([Toyota](#))
- Restructured its sales and marketing operations in Africa. Effective 1st January, affiliate Toyota Tsusho will take over responsibility for all African markets (but not production assets in South Africa). ([Toyota](#))

VW Group (history)

- The majority shareholder in Russian JV partner GAZ may sell some of their stake. ([Bloomberg](#))
- Confirmed the Audi eTron will have video cameras instead of wing mirrors, with the output displayed on cabins in the vehicle. Although the brand pointed to the aerodynamic advantages, owners might bear in mind criticism of the VW XL1, where a similar configuration was said to be unintuitive. Happily, on the eTron, its just an option. ([Audi](#))
- VW's US dealers will start assisting service technicians on tricky jobs using a pair of glasses with a camera and an earpiece. A deskbound super expert can tell the technician what to do, and even project images onto a small screen in the technician's eyeline. For a clearer understanding, watch the movie "Spy". ([Faconauto](#))
- Released a £118,688 Škoda Superb estate that is blast resistant. ([Autocar](#))

Other

- **NIO** has reportedly filed documents with the SEC ahead of an IPO. ([Bloomberg](#))
- **StreetScooter** opened its second factory saying it now has production capacity of 20,000 units per annum. ([DHL](#))
- **Mahindra** opened a pick-up assembly facility in South Africa, aiming for 40% local content. ([Mahindra](#))

News about other companies and trends ...

Economic / Political News

- **US** light vehicle SAAR for May 2018 of 16.81 million units was an increase of 1.4% on a year earlier. ([Wards](#))
- **Spanish** passenger car registrations of 135,522 vehicles in May rose 7.2% year-over-year. ([ANFAC](#))
- The **EU's** industry commissioner said diesel cars "are finished" and will "completely disappear" soon. ([Bloomberg](#))

Suppliers

- **Michelin** set itself a target of creating tyres that are fully recyclable by 2050, incorporating 80% sourcing of sustainable materials. ([Europa Press](#))
- **Metair** is looking to acquire Slovenian low voltage car battery producer **TAB** for €300 million. ([Business Day](#))
- **Prevent** has reportedly increased prices of components from its recently acquired Neue Halberg Guss foundry tenfold. Unions worry that the move could backfire and result in customers withdrawing business. ([Der Spiegel](#))
- Affiliates of **Ningbo Jifeng Auto** are hoping to acquire **Grammer** for around €750 million. ([Deal Street Asia](#))
- Electric driver maker **Protean Electric** raised \$40 million for international growth. ([Deal Street Asia](#))
- **CATL** will reportedly seek a valuation of around \$8.5 billion in its forthcoming IPO. ([Bloomberg](#))
- **Liberty House** received court approval for its takeover of wheel manufacturer **AR Industries**. ([Usine Nouvelle](#))
- **Autoliv** and **Veoneer** held a pre-spin-off investment day. ([Autoliv](#))

- **Michelin** held demonstrations to show that tyres with legal minimum tread depth had better braking performance than brand new, inferior quality, new tyres. The company argues that current rules around replacement do not always encourage safety. ([Les Echos](#))
 - Implication: Although it may be difficult to ever move beyond minimum tread depth as a method of gauging safety for retail vehicles, there is a possibility that autonomous vehicles could operate to a self-certified performance basis (e.g. daily or weekly heavy braking tests) and then continue to run the same tyre so long as brake performance was upheld. This might give premium manufacturers a more compelling cost of ownership argument and help them improve share.
- **Toyota** announced discussions with **Denso** that could result in all of Toyota's production and manufacturing engineering activities for electronics being transferred to Denso. Toyota would continue with research and development of electronic components. ([Toyota](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Lyft** is reportedly in talks to acquire **Motivate**, an operator of several high-profile bicycle rental schemes such as New York and San Francisco, the deal could cost \$250 million. ([The Information](#))
- Car rental firm **Athlon** unveiled a car sharing scheme called Car2Use and a flexible ownership scheme for employer-funded cars. ([Journal Auto](#))
- At a rally shortly before an election, **Turkey's** president declared **Uber** "finished" in the country after lobbying by traditional taxi drivers. ([Engadget](#))
- **Sixt's** founder said car sharing is "nothing but renting" and totally flexible rental where a car can be parked anywhere and left represents on a "very small segment", suitable in only a few large cities. ([Manager Magazin](#))
- The **Bolloré**-run Autolib car sharing scheme in Paris is reportedly forecasting losses of almost €300 million on a cumulative basis between 2018 and 2023. ([Usine Nouvelle](#))
- **Daimler** and **Didi Chuxing** invested in ride hailing firm **Taxify** as part of a \$175 million round. ([TechCrunch](#))
- Car rental company **DriveMe** offered a new service to ferry cars across Europe. Companies can choose from either a professional driver or a private driver (who benefits from a reduced rate car rental). ([Europa Press](#))
- **ComfortDelGro** called off its acquisition of **Uber's** Singaporean car rental firm. ([Straits Times](#))

Driverless / Autonomy (history)

- **FCA** executives said the retail market for autonomy will not progress beyond L3 systems for a long time and that L4/L5 systems will cost \$10,000 and, if on sale before 2023, would not be automotive grade. ([FCA](#))

Electrification (history)

- **Panasonic** say they are working on a cobalt-free battery chemistry. ([Inside EVs](#))
- **Johnson Matthey** said it would start production of a new low cobalt battery material called enhanced lithium nickel oxide from around 2021. ([Reuters](#))
- **Voltaiq**, a maker of battery management software, raised \$6.6 million. ([Press release](#))
- **Renault** started selling the battery for the Master and Kangoo electric commercial vehicles on a standalone basis. The 33kWh pack can be obtained for €7,400 (that's €224 per kWh for a retail customer). ([Renault](#))
- A question on a point in time for cost parity between ICE and BEVs left **FCA** executives stumped and reaching for their "crystal ball", they finally settled on not before 2025, "best case". ([FCA](#))

Connectivity

- **MapBox** and **MobilEye** are jointly developing a way to use the former's location data to call off the latter's high resolution road map as required, thus reducing data load for autonomous vehicles. ([MapBox](#))

Other

- Electric scooter rental company **Bird** is reportedly raising \$150 million in a round that will give the company a valuation of \$1 billion. ([TechCrunch](#))
- Bicycle sharing operator **Hellobike** raised \$321 million, with substantial investment from **Alibaba**. ([Deal Street Asia](#))
- Electric scooter rental firm **Scoot** is expanding to Spain and will offer electric bikes too. ([Engadget](#))