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Autos & Mobility Industry Briefing -- 13th August to 19th August 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)

- South Korean regulators told owners of around 20,000 BMWs to stop driving them until the company had completed a recall action on them to address the risk of engine fires. ([Reuters](#))

Daimler (history)

- Trademarked “AMY” branding in relation to autonomous driving technology. ([The Drive](#))

FCA (history)

- Confirmed early 2019 as the timing for the end of Alfa Romeo MiTO production. ([Autocar](#))
- Insourcing production of power electronics modules for forthcoming PHEVs to the Toledo machining plant. ([FCA](#))
 - Implication: This action indicates that FCA may see PHEVs as an opportunity to increase workload in its own plants and partially offset the losses from lower traditional transmission take-up. The reality is that the labour associated with these parts is not very high and since OEM plants have traditionally been uncompetitive in making parts such as fuel systems, camshafts and conn rods, this move looks more political than economic.

Ford (history)

- The CFO said calls for the dividend to be reduced on weaker profits were “baseless”. ([Detroit News](#))
- Published a document outlining its vision for autonomous vehicles, reiterating the company’s intent to bring a vehicle to market in 2021 that is capable of driving without human assistance “within a specific geographic area and during appropriate weather conditions” but clarified that the cars “won’t initially be sold to customers”. In some cases the geofenced area (called the operational design domain, or ODD by Ford) might resemble a series of protected routes more than entire map grid squares as the cars avoid “complex” road layouts. ([Ford](#))
 - Implication: The document doesn’t reveal any proprietary advantage Ford believes it may have in autonomous vehicles but does confirm the company recognises and implements best practice in a number of areas. The text doesn’t make for skim reading; in one section Ford talks of “post crash ads behavior” but rather than explaining an exciting strategy to bombard occupants with commercials for no-fault lawyers following an accident, it refers to how the automated system will shut down in a safe manner (yawn). Ford also downplays the value of fleet deployments by competitors saying it has “millions of miles available for training sets” in virtual environments and “novel data” is what matters.
- A report suggested CEO Hackett’s communication style was harming the company’s ability to implement strategic changes, saying some executives had to rely on his chief of staff (a former visual sensemaker) to understand his intent even after holding meetings on the subject. ([Wall Street Journal](#))
- Said that the development of new premises in downtown Detroit, centred on the former train station, will cost up to \$740 million, which Ford expects to be partly subsidised by \$240 million of tax breaks. ([Detroit News](#))

- Ford's Autonomic unit signed a collaboration with Alibaba to develop a connected car platform for the Chinese market that would run on Alibaba's servers. ([Ford](#))
- Said it will take "whatever action is needed" to ensure business profitability in the face of Brexit. ([The Independent](#))
 - Implication: Despite the consistent interpretation of these comments as a threat to Ford's UK base, the reality is Ford already has too small a footprint in the UK compared with its sales and is suffering from the lack of a natural hedge, which it had at a corporate level until the sale of JLR in 2008. Unless Ford is contemplating mass withdrawal from segments in a market that is the company's joint third largest globally (behind USA and China and tied with Canada), the obvious implication of Brexit is that the company needs to do more in the UK, rather than less.

Geely (includes Volvo) (history)

- Geely and Proton signed a new strategic agreement that will likely lead to Proton-badged cars being built and sold in China. Proton are also hoping to access Geely's electrification technology. The new agreement was signed with Malaysia's prime minister -- who has recently suggested that Geely's involvement in Proton could require a new Malaysian national champion to be founded -- looking on. ([Geely](#))
- Said its latest small crossover would be called Bin Yue in China and launched a competition to decide the name for international markets. ([Geely](#))
 - Implication: Unfortunately, wags appear thin on the ground with respondents to Geely's Facebook page offering mundane or faux-profound monikers with no wordplay on bin/been and only one "Geely McGeelyface". It was unclear whether there would be any trademark issues with "Geely LaGeely".
- Investors have reportedly indicated favourable support for a Volvo IPO that would value the brand at \$30 billion, in line with Geely's aspirations but higher than previously indicated. ([Business Insider](#))
 - Implication: At \$30 billion, Volvo's value would stand at more than 75% of former parent Ford, and a hefty mark-up on Geely's acquisition price. It also implies a fantastic growth outlook at a time when most other western OEMs are being valued (with some justification) on an assumption of the cycle being at its peak.

General Motors (history)

- Announced US customers will be able to purchase fuel from Shell stations using the in-dash Marketplace app. ([Shell](#))
- Will begin production of the Chevrolet Tracker at its joint venture in Uzbekistan this year. ([Wards Auto](#))

Hyundai / Kia (history)

- Made a strategic investment in Revv, an Indian car sharing firm. ([Hyundai](#))
- Unions will hold partial strikes of between 4 - 6 hours per day at Kia's South Korean plants after failing to reach agreement on wage rises. ([Korea JoongAng](#))

Tata (includes JLR) (history)

- Reportedly plans to start production at its new plant in Slovakia in September. ([Slovak Spectator](#))

Tesla (history)

- CEO Musk gave an interview where he talked about the mental and physical pressures of working constantly, and but said the board had full confidence in him and there was no need for a COO, although if someone better than him were found they could "have the reigns right now". ([New York Times](#))
- CEO Musk explained the background to his infamous "funding secured" tweet by saying it came following conversations with a Saudi sovereign wealth fund where he was left with the impression that the fund would provide him with whatever financing was necessary to take the company private. ([Tesla](#))
- A trip to Tesla's factory left analysts confident the company was achieving benchmark levels of productivity and that an increase in line rate to 8,000 vehicles per week can be achieved with relatively low additional spending. ([CNBC](#))
- A Model 3 teardown report speculated that base model vehicles may be lossmaking (by up to \$6,000 per unit) due to the technology cost, and that the design cost lead over GM was lower than expected. ([Economic Times of India](#))

- CEO Musk said the company could “maybe” make a car with a price of \$25,000 “in about three years”. Musk also said the company was still learning to develop two products concurrently. ([CNBC](#))
 - Implication: Almost silently, Tesla is implicitly challenging industry norms in terms of replacement cycle. With no successors on the horizon, the Model S and X could conceivably be over 10 years old when their replacements arrive. The possible counterpoint to this (based on no disclosure by Tesla) is that vehicles will be quickly scalable from common parts in the same way as the mid-2000s Nokia range. The company risks rapid fall-off in sales as competitive product (finally) arrives and its vehicles look stale by comparison.

Toyota (history)

- Chinese government websites suggested Toyota has been granted approval for incremental annual production capacity of 10,000 BEVs and 110,000 PHEVs in Tianjin. Company sources suggest an additional 120,000 units of annual capacity could be installed at Guangzhou. ([Reuters](#))

VW Group (history)

- Unsealed court documents suggested CEO Diess knew about the diesel scandal for a couple of months before the company’s revelation of the problems, however the company defended this saying it was normal for executives to have discussed the matter before public disclosure and that at the time, executives hadn’t realised the extent of the problem. ([Reuters](#))
- Bentley’s boss implied that his medium-term volume goal is 15,000 units annually. ([Autocar](#))
- Works council boss Bernd Osterloh said that German plants should be fully utilised before new capacity is built in the VW network, and is focused on finding new work for Emden. He also called the views of those saying there is no need for German battery production “ignorant” because “40% of the value of the car will be the battery”. ([WAZ](#))
- Said that it had improved the company’s process for whistle-blowers and there were now around 70 to 80 reports made each month, of which “a relatively small number” turn out to be suspicious conduct. ([VW](#))
- Agreed a two year pay deal for workers in Mexico; 5.5% now and inflation plus 2% in 2019. ([Reuters](#))
- VW’s UK sales operation was hampered by a protest of environmental activists and health workers that blockaded the entrance to the building. ([The Guardian](#))
- VW’s German workers are outraged by a change in the tomato ketchup in staff canteens. The new recipe apparently has less fat and sugar but more tomato; the impact on productivity has not been publicly revealed. ([WAZ](#))

Other

- **NIO** filed documents saying it intends to raise up to \$1.8 billion through an IPO in New York. ([NIO](#))
- **Lucid** is reportedly in talks to with PIF, the Saudi Arabian sovereign wealth fund that Elon Musk says may fund his bid to take Tesla private. The deal would see PIF invest \$1 billion for a majority stake. ([Reuters](#))
- **Aston Martin** will build 28 new DB5s in a specification matching the James Bond movie Goldfinger. The cars will retail for £2.75 million plus tax. ([Autocar](#))

News about other companies and trends ...

Suppliers

- **Nexteer** reported first half revenue of \$2.05 billion and net profit of \$200 million. ([Nexteer](#))
- **Lear** opened a new seating plant in Michigan, USA which will ultimately employ 600 people. ([Lear](#))

Dealers

- **Swap Motors**, a US peer-to-peer car marketplace announced the opening of its first physical site to help address key transactional pain points. ([Swap Motors](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Uber's** Q2 2018 financials showed net revenue of \$2.7 billion on gross bookings of \$12 billion. Adjusted losses came to \$(891) million. ([Reuters](#))
- **Uber** is reportedly under pressure from investors to abandon its self-driving program after rumours that it is spending almost \$(200) million per quarter on development. ([Reuters](#))
- **Didi's** services unit, Xiaoju Automotive Services, acquired car maintenance business Hiservice. ([TechCrunch](#))
- **Hyundai** made a strategic investment in **Revv**, an Indian car sharing firm. ([Hyundai](#))

Driverless / Autonomy (history)

- **Waymo** researchers said the company has 25,000 vehicles in its virtual test fleet driving eight million simulated miles each day -- an average of 320 miles per day -- indicating that the simulated world, dubbed Carcraft, is processed at around real world pace (13 mph would be respectable in an urban area). ([Business Insider](#))
- **FiveAI** said it will start operating an autonomous test fleet in London suburbs in late 2019, following several months off data gathering by five manually-drive, sensor-laden vehicles starting soon. The company's ultimate aspiration is to run ride hailing services with its own vehicles. ([TechCrunch](#))
 - Implication: Based on real world experience from the likes of Waymo and Cruise, the size of the FiveAI fleet suggests that the company will initially experience very high numbers of manual interventions per mile, unless the company's development team has discovered a far more efficient testing regime.
- US supermarket **Kroger** announced details for a self-driving delivery pilot using **Nuro** vehicles. The shop involved is not Kroger-branded and there will be a \$5.95 delivery fee for all orders. ([Kroger](#))
 - Implication: The use of a non-Kroger branded store may indicate the company perceives a reputational risk from the pilot, in addition, the service charge is in line with current manually-delivered orders so the pilot is likely to reveal little in terms of price elasticity and potential incremental sales from low cost delivery services enabled by AVs.
- Lidar maker **Quanergy** has reportedly seen its funding plan disturbed by **Daimler's** recent sourcing of sensors from **Velodyne** and rumours of quality problems. The company appears to have put a planned IPO on hold but insists it is one of the "finalists" for a Daimler supply agreement. ([Bloomberg](#))

Electrification (history)

- Vietnamese company **Vinfast**, which intends to produce a new range of vehicles, signed an agreement to make electric buses using **Siemens** technology in a possible precursor to building the systems into cars. ([Reuters](#))
- **NIO** filed documents saying it intends to raise up to \$1.8 billion through an IPO in New York. ([NIO](#))
- **Lucid** is reportedly in talks to with **PIF**, the Saudi Arabian sovereign wealth fund that Elon Musk says may fund his bid to take **Tesla** private. The deal would see PIF invest \$1 billion for a majority stake. ([Reuters](#))
- CEO Musk said **Tesla** could "maybe" make a car with a price of \$25,000 "in about three years". ([CNBC](#))
- **Bollinger** asked about access to **Tesla's** charging network, but since the question was via Twitter, it seemed like it could be tongue-in-cheek. ([InsideEVs](#))
- Chinese solar equipment maker **GCL** is investigating car manufacturing on a new campus it is building near Nanjing. From the reports it wasn't clear whether the intention would be to leverage solar power for cheap energy or to use solar as a power source for the vehicle itself. ([Reuters](#))

Connectivity

- **Ford's** Autonomic unit signed a collaboration with **Alibaba** to develop a connected car platform for the Chinese market that would run on Alibaba's servers. ([Ford](#))

Other

- Indian scooter rental firm **Vogo** raised around \$7 million. ([Deal Street Asia](#))