



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 26<sup>th</sup> November to 2<sup>nd</sup> December 2018

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

### Our Latest Research

Last week, Evercore ISI published a report that was written in collaboration with Ad Punctum. It exposed OEM future spending forecasts as highly unrealistic. At the same time as OEMs are seeking to invest in electrification, mobility and autonomous vehicles, they are promising to cut spending and boost profits. The maths doesn't add up. Concentrating on powertrain, we recommend two actions vehicle makers can take to address the gaps and improve their resilience to external shocks:

- Commoditise the internal combustion engine. Really. This needs to be a multi-lateral venture that helps the participating companies truly exit the business of developing conventional powertrain. There are upfront costs involved, but these are quickly recovered by the savings in variable cost and investment. Would there be job losses? Yes. Lots. But our argument is that this is an inevitability anyway, a managed exit from combustion engines is preferable to a chaotic one from the perspective of both the human costs and the cold hard cash.
- Re-think the way electric vehicles are being designed. At present, car companies are finding that when they make an existing internal combustion engine vehicle fit an electric powertrain, the result is a vehicle with too many compromises. As a result, most are choosing to develop purpose-built EVs. So far so good, but this quickly leads to duplication of the kind we are already seeing with large SUVs (e.g. Mercedes GLE and EQC). We think the problem needs to be approached the other way around: develop the electric vehicle first, then fit an internal combustion engine with a fuel tank as an alternative to a larger (and more expensive) battery. Doing things this way means the transmission can be deleted, the savings from which help pay for the electric drivetrain.

It was a very interesting project and we expect to be met with a frosty reception from those with too much invested in the old way of doing things.

### News about the major automakers

#### **BMW** (history)

- Considering building an engine plant in the US. ([Greenville News](#))
- Might order connected BMW cars to use electric-only mode in polluted city centres, potentially putting the wishes of regulators above those of owners. ([Reuters](#))
- Showed off several in-house factory automation projects that BMW says are helping make considerable productivity improvements. For instance, automated trailer shunting robots could carry out over 1,000 manoeuvres daily at the busiest plants. ([BMW](#))

#### **FCA** (history)

- Fitch upgraded FCA's credit rating to BB (from BBB-) with a stable outlook. ([FCA](#))

- Reportedly believes it could realise €1.5 billion to €2 billion from a sale of robotics unit Comau and could begin a sale process in early 2019. ([Bloomberg](#))
- Announced to Italian unions that it will build the forthcoming Fiat 500 BEV in Italy and is increasing engine production in Termoli. FCA plans to spend €5 billion in Italy between 2019 - 2021. ([FCA](#))

#### Ford (history)

- Ford's European boss said a no-deal Brexit would spell "catastrophe". The company is considering whether to import more vehicles end of the March deadline to help ride out teething problems with the new customs arrangements -- given that any affected vehicles would need to be quickly added to the production plan, it isn't clear how much time Ford has left before it needs to make a firm decision. ([Reuters](#))
- Re-assigning workers in Kentucky and Michigan to other factories nearby that have higher demand. As part of the measures, Flat Rock will go down to a single shift. ([CNBC](#))
- Issued a press release in response to GM's restructuring plans reiterating the announcements Ford had made about its recovery plan, and highlighting the lack of detail provided to investors so far. ([Ford](#))
- Ford has no plans for "anything like" plant closures in Canada. ([Reuters](#))
- Ford sold three of its UK dealers to Pentagon. ([Motor Trader](#))
- Published a series of insights gathered from a fleet of 160 connected commercial vehicles in London. Ford said it showed the power of big data and enabled hidden accident blackspots to be revealed for the first time. ([Ford](#))
  - Significance: Since the test fleet was only 160 vehicles, was Ford saying the real insight was not many connected vehicles were required to unlock a world of possibilities -- in which case, why not begin a rollout to all major cities now since the cost is clearly minimal? Or was Ford over-hyping the findings?

#### Geely (includes Volvo) (history)

- Volvo's CEO called plans by rivals to make money from selling customer and vehicle data the "wrong approach". The firm instead plans to make money from the cars themselves. ([Bloomberg](#))
- Volvo is not currently looking at an IPO for Polestar and sees the future relationship between the two as affiliates rather than fully arm's length. ([Bloomberg](#))
- Malaysia's prime minister called for Proton to make cars for export saying Malaysians would not believe the vehicles were any good until they saw them being sold on international markets. ([Malay Mail](#))
- Issued a press release about Volvo's collaboration with lidar developer Luminar in which Luminar's CEO said the company's lidar units repeatably demonstrated 250m range, allowing highway speeds. ([Volvo](#))
- Geely signed a cooperation agreement with China Telecom to work on future mobility projects. ([Geely](#))
- Volvo will use Ericsson's connected vehicle services for the next five years. ([Fleet Europe](#))

#### General Motors (history)

- Announced GM President Ammann would leave the car business and become CEO of the Cruise self-driving unit. The current CEO (and founder) will become the CTO. GM will eliminate his role. ([GM](#))
- Donald Trump was unimpressed by GM's restructuring plans and suggested that they cease making vehicles in China or alternatively put cars that are selling well into the factories slated for closure. ([Reuters](#))
- Tried to soften the blow of its restructuring announcement by saying "many" of the workers at the factories that will close would have the "opportunity" to work in other locations. GM also thanked the current US government and summarised the number of plants in Ohio that would remain open. ([GM](#))
- Showed off some of the data insights it has gained from customers using the Marketplace app. GM knows that owners mostly order takeaways on Wednesday night and go to the petrol station after 3pm on a Thursday. Less clear was whether this information has any revenue-raising potential. ([Detroit Free Press](#))

#### Hyundai / Kia (history)

- Unveiled the new Kia Soul EV with a 64 kWh battery pack. ([KIA](#))

#### Mazda

- Unveiled the new Mazda 3 in both saloon and hatchback forms. ([Mazda](#))

- Mazda's European design boss said some competitor electric vehicles looked like "fridges" and the company would do far better with its own effort, due in 2020. ([Autocar](#))

#### **Nissan (includes Mitsubishi)** (history)

- There was a joint Renault-Nissan-Mitsubishi press release saying that the boards of the three companies "emphatically" reiterated the importance of the alliance between them. The press release was only necessary because executives from Nissan and Mitsubishi had openly questioned the sustainability of the present arrangement. ([Renault](#))
- Nissan's CEO reportedly told staff that the alliance with Renault was unequal and needed to be reviewed. ([Reuters](#))
- Illustrated how Nissan's various pilot projects about an electrification ecosystem link together and should ultimately result in a broad customer offering. ([Nissan](#))

#### **PSA (includes Opel/Vauxhall)** (history)

- Purchased a stake in Chinese aftermarket supplier UAP. ([PSA](#))
- Confirmed the already-leaked plan to sell its share in the Kolin, Czech Republic plant to Toyota. ([PSA](#))

#### **Renault** (history)

- There was a joint Renault-Nissan-Mitsubishi press release saying that the boards of the three companies "emphatically" reiterated the importance of the alliance between them. The press release was only necessary because executives from Nissan and Mitsubishi had openly questioned the sustainability of the present arrangement. ([Renault](#))
- French president Macron and Japanese prime minister Abe discussed the importance of preserving the Renault-Nissan-Mitsubishi alliance during a G20 meeting. ([Reuters](#))
- Will stop building the Nissan Rogue at the Renault Samsung factory in Busan during 2019. ([Chosun](#))
- Commissioned two wind powered cargo ships for transatlantic routes to be in operation by 2020. ([Renault](#))

#### **Tata (includes JLR)** (history)

- JLR's InMotion VC fund invested in WeTrip, a travel agent aimed at group "adventures". ([JLR](#))
- Slowing production at the i54 engine plant by stopping one shift per week until Christmas. At Solihull, 200 jobs will be lost through a combination of fewer agency staff and a voluntary redundancy scheme. ([Express and Star](#))

#### **Tesla** (history)

- CEO Musk said Tesla was "single digit weeks" from bankruptcy earlier in 2018. Since there were no concerns raised about the firm's ability to continue as a going concern in SEC filings over the same period, investors are left to speculate whether this was hyperbole or there is a problem with Tesla's reporting standards. ([Business Insider](#))
- Announced that Tesla owners have now driven a cumulative 1 billion miles with Autopilot driver assistance systems active in the vehicle. ([Detroit Free Press](#))
- Disputed reports that October sales in China plummeted (70)%. ([CNBC](#))

#### **Toyota** (history)

- Confirmed the already-leaked plan to buy out PSA's share in the Kolin, Czech Republic plant. ([PSA](#))
- Announced a series of executive changes to take effect from January 2019, including the elimination of some lower level executive grade bands. Toyota will also adopt a less functional approach to development of senior leaders to give them a more rounded experience. ([Toyota](#))

#### **VW Group** (history)

- Audi released pictures of the electric drone concept is has been developing with Airbus. The drone carries a passenger pod which can be installed onto a car base so that passengers can take a trip that involves flying and driving without having to get out of the vehicle. At present the companies are testing a 1:4 scale model. ([Audi](#))
- VW's head of HR said the brand expected electric cars to require 20% to 25% less productive labour and that there would not be a second "future pact" German labour agreement beyond 2025. ([Handelsblatt](#))

- Executives said VW was “100% deep in the process” of choosing a site in North America to build all-electric vehicles, although they might just end up selecting their existing Tennessee plant. ([Reuters](#))
- Setting up a charging scheme in the UK in partnership with supermarket group Tesco. The plan is to provide around 2,500 chargers in 600 locations. There will be a free 7 kW service and a pricier 50 kW offering. ([BBC](#))
- Said that via a reorganisation of media agencies it will improve “marketing efficiency” by 30% without increasing the budget and increase the share of spending on digital media to 50% of the total by 2020, up from 25% in 2015. ([VW](#))
- VW’s head of compliance said 2019 would be the most difficult for the carmaker’s legal team to manage because of the number of ongoing court cases and complexity. ([FT](#))
- Signed an agreement with JAC to form a joint venture that will produce and market SEAT cars in China. ([VW](#))
- Unveiled the Audi e-tron GT concept, previewing an A5-type vehicle that will be presented in 2020. ([VW](#))

## Other

- **Rivian** showed off a pick-up and SUV that will form the initial line-up. There will be three different battery packs on offer, including a whopping 180 kWh unit (with an accompanying claimed 400+ mile range). The vehicles will also have a lidar fitted. Despite the high specification, Rivian says pricing will start at around \$60,000 (including US tax credits) for vehicles with the “base” 105 kWh battery pack. ([Rivian](#))
- **Faraday Future** lost a court case against its primary investor, prompting questions about whether it can now survive bankruptcy. ([The Verge](#))
- **TVR’s** chairman said it was “virtually impossible” to give delivery dates for the first cars from its new factory as the company does not know when the site will be handed over. ([Autocar](#))
- **Byton** showed the K-Byte concept, previewing a sedan it hopes to launch in 2020. ([Byton](#))

## News about other companies and trends ...

### Economic / Political News

- **Qatar** is leaving **OPEC** in January 2019 because it wants to concentrate on natural gas rather than oil. ([Reuters](#))
- **China** and the **US** have agreed to pause implementation of new trade tariffs for 90 days. ([Reuters](#))
- A survey by the **UK** automotive trade body of its members found that more businesses were planning to invest in and expand UK facilities than intend to withdraw or relocate from the UK. ([SMMT](#))

### Suppliers

- **Schaeffler** acquired **Elmotec Statomat**, a supplier of production machinery to make electric motors. Schaeffler seems to have been particularly attached to the technology for winding ([Schaeffler](#))
- **Hella** and **Faurecia** formed a strategic partnership that will see Hella’s interior lighting integrated into the Faurecia cockpit of the future offering. ([Faurecia](#))

### Dealers

- Used car auction company **KAR** acquired **CarsOnTheWeb** in a deal worth around €155 million. ([KAR](#))
- **Ford** sold three of its UK dealers to **Pentagon**. ([Motor Trader](#))

### Ride-Hailing, Car Sharing & Rental (history)

- **Sixt** denied that it was in talks to buy US rival **Hertz**. ([Bloomberg](#))
- **China’s** ministry of transport severely criticised **Didi’s** safety and driver recruitment processes. ([Reuters](#))
- The **Lyft**-owned bicycle rental scheme in New York will expand to 40,000 bikes, a significant portion of which will be electric models. ([Fortune](#))
- **Uber’s** rumoured takeover bid for **Deliveroo** appears to have hit a snag; Uber wants to pay \$2 billion but Deliveroo believe they are worth double that. ([FT](#))
- **Uber** reportedly wants to expand its electric scooter offering by buying either **Bird** or **Lime**. ([Telegraph](#))
- **Uber has** stopped offering car rentals to its drivers in San Francisco but didn’t rule out the return of a similar scheme in future. ([Quartz](#))

- Following in the footsteps of its rivals, **Via** is planning to launch scooter services. ([TechCrunch](#))
- Indian short-term scooter, motorbike and car rental firm **Drivezy** raised \$20 million from investors including **Yamaha**. Drivezy will use the money to increase the car rental fleet. ([TechCrunch](#))

### Driverless / Autonomy (history)

- The CTO of **Starsky Robotics** claimed in a blog post that “many” of the lidar markets currently on the market fall apart in less than six months and that cameras and radar alone (backed up with on-demand remote human operators) were enough for the kind of highway only driving the company intends to carry out. ([IEEE Spectrum](#))
- **Volvo** issued a press release about a collaboration with lidar developer **Luminar** in which Luminar’s CEO said the company’s lidar units repeatedly demonstrated 250m range, allowing highway speeds. ([Volvo](#))

### Electrification (history)

- Charging network **ChargePoint** raised \$240 million from investors including **Daimler** and **BMW**. ([TechCrunch](#))
- Chinese battery developer **Qing Tao (Kushan)** announced the start of a solid-state battery production line. The company claims 0.1 GWh capacity and to have spent \$144 million on the technology. It says that by 2020, when some big production contracts start, it will have 0.7 GWh of capacity. ([Xinhua](#))

### Connectivity

- **Volvo’s** CEO called plans by rivals to make money from selling customer and vehicle data the “wrong approach”. The firm instead plans to make money from the cars themselves. ([Bloomberg](#))
- **Phiar** raised \$3 million to develop augmented reality navigation software. ([TechCrunch](#))
- **Didi** said it collects 100 terabytes of data about user vehicles daily, or about 30MB per trip. ([CNBC](#))
- The amount of data **China** collects about individual vehicles, and the acquiescence of Western OEMs in handing it over were scrutinised in a news article. ([AP](#))
  - Significance: Whilst the OEMs defend themselves on the basis that data sharing is a government-mandated scheme, the inconsistency with statements made by several CEOs about not releasing data without the customer’s permission is clear (none of whom ever clarify that the remarks are aimed at a regional rather than global audience).
- **Volvo** will use **Ericsson’s** connected vehicle services for the next five years. ([Fleet Europe](#))

### Other

- Electric vehicle developer **Workhorse** has received an order from a company that hopes to launch air taxi services in Los Angeles. ([Workhorse](#))
- Scooter rental firm **Bird** started a new scheme called Bird Platform where individuals can buy their own fleet of Bird-branded scooters and place them on the Bird app for a cut of the fees. ([TechCrunch](#))
  - Significance: Since a major selling point of the scooter business (allegedly) is the crazily high return on investment, with payback periods of only a few weeks being mentioned, shouldn’t this be a business that would always favour debt as a route to growth rather than allowing others to muscle in?