



AD PUNCTUM

News Review -- 17th July to 23rd 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

- Was allegedly part of a cartel of German car makers under investigation by the EU for possible collusion on technical regulations and component sourcing for items such as retractable roofs and emission control systems. The other participants were Daimler and VW Group (Audi, Porsche and VW). According to media reports, Daimler and VW may have partial immunity or relief from fines after coming forward as whistle-blowers. BMW appears more exposed. ([More...](#))
 - Implication: Fines for anti-competitive activity can be huge, up to 10% of group revenues, although fines have typically been lower even where clear financial harm to the consumer can be demonstrated. From media reports so far, it isn't clear whether the alleged activities were to commoditise areas that were not differentiating (not okay, but with an impact limited to theoretical returns of suppliers) or can be linked to consumer effects, such as higher exhaust emissions (which discussions over the size of urea tanks could have led to). The clear impacts here are a further loss of reputation and a sense that the German media has turned against their national champions.
- BMW took part in a \$38 million funding round for online used car sales company Shift. ([More...](#))
- Took part in the \$159 million series C financing of autonomous vehicle technology company Nauto, alongside GM and Toyota. BMW was already an investor. ([More...](#))
- Saw media speculation that BMW would prefer to build the electric Mini in its Oxford, UK plant but are seeking government assurances around tariff levels and relief treatment before committing. ([More...](#))
- Announced that the head of sales (Ian Robertson) would be retiring with Pieter Nota taking on his responsibilities. ([More...](#))
 - Implication: Pieter Nota is being hired from Philips where he is chief marketing officer. It isn't a knee-jerk action since the move is effective 1st January 2018, some way into the future. BMW highlighted Nota's experience in innovation and transformation and the growing importance of connected mobility in its press release.

Daimler

- Was allegedly part of a cartel of German car makers under investigation by the EU for possible collusion on technical regulations and component sourcing for items such as retractable roofs and emission control systems. The other participants were BMW and VW Group (Audi, Porsche and VW). According to media reports, Daimler may have partial immunity or relief from fines after coming forward as whistle-blowers. ([More...](#))
 - Implication: See BMW comments on the same topic.
- Offered a voluntary recall of 3 million vehicles, expanding an existing campaign covering about 300,000 cars. In Daimler's words, nearly all EU5 and EU6 vehicles will have updated software to reduce NOx emissions. The cost will be around €220 million. Daimler said that there would be a significant contribution to reducing NOx emissions from diesel vehicles in cities. ([More...](#))

- Saw CEO Zetsche heavily criticised in the press after the recall was announced with comments he previously made around VW's conduct being used as a suggestion of hypocrisy. ([More...](#))
 - Implication: At the same time, German publications, in particular Handelsblatt, have been championing Ola Källenius as ready to become CEO (seemingly aligned to the company's succession planning). If the diesel crisis creates too much pressure, a leadership change could take place more quickly than expected.

FCA

- Saw US media focus on the quality of its leasing program amid allegations of a subprime lending boom. ([More...](#))

Ford

- Was reportedly approached by Lucid Motors to explore whether Ford was interested in buying the electric car start-up. Ford was said to be consumed by a 100-day review of its activities. ([More...](#))
- Ford announced its first dealer in Kuwait. ([More...](#))
 - Implication: Given Ford's earlier announcements about market withdrawals from Japan and Indonesia on the basis of efficient capital deployment, the rationale for opening dealerships in Kuwait is unclear. Albeit at little cost, this could be a worrying indicator of a lack of discipline in allocating capital.
- Ford showed off the road-going GT, boasting that it contained more lines of software programming than an F-35 fighter jet (10 million to 8 million). ([More...](#))
 - Implication: although this sounds cool at the surface, it raises questions about the programming expertise of OEMs. Controlling a fighter aircraft like the F-35, along with a series of systems to track targets and launch expensive weapons simply cannot be a less difficult prospect than driving a high performance sports car. Ford treating its inefficient programming is a worry, especially given that rogue code is often a source of weakness exploited by hackers.

Geely (includes Volvo)

- Volvo announced first half 2017 financial results. Operating profit of about \$800 million was up 21% on a year-over-year basis whilst revenue of about \$12 billion was up 17% YoY. ([More...](#))
- Geely, Volvo and Lynk & Co (all parts of Geely) agreed to collaborate on vehicle architecture and engine technologies. Although billed as a way of bringing electrified vehicles to market, the sharing seems far broader in scope. It was also announced that Volvo will become a shareholder in Lynk & Co. ([More...](#))

General Motors (includes Opel / Vauxhall)

- Announced shutdowns at plants including Orion Assembly where the Bolt BEV and Sonic C car are built. The move was already expected as GM had said they would reduce inventories in Q3. Comments by workers on social media indicated that part of the downtime would be spent increasing Bolt production. ([More...](#)) Media reporting disagreed on whether or not this was correct with some indicating Bolt was suffering over-supply. ([More...](#))
 - Implication: if Bolt production is being increased then this points to two interesting conclusions. Firstly, demand is pleasingly robust -- given that Bolt from a technical and cost point of view (slightly awkward styling notwithstanding) seems a competitive prospect. The second is that Bolt is either more profitable than expected or GM has a higher appetite for absorbing losses on this product.
- Took part in the \$159 million series C financing of autonomous vehicle technology company Nauto, alongside BMW and Toyota. GM was already an investor. ([More...](#))
- Is reviewing its line-up in North America to reflect changes in powertrain and model mix. The UAW said that it was in talks with the company on how to address under-utilised plants and media reports speculated that six passenger cars could be dropped, including the Chevrolet Volt PHEV (which might stay as a nameplate but become an SUV) and Sonic (build alongside Bolt BEV). ([More...](#))

Honda

- Will recall about 1.2 million vehicles to repair battery sensor problems that can lead to fires. (should have been reported last week). ([More...](#))

Hyundai / Kia

- Said that it will bring forward its timeline for a Level 2 self-driving system. The HDA2 (highway driving assist) feature had been targeted for roll-out between 2019 and 2022 but will now begin to appear in 2018. Hyundai suggested that this feature set provided a pathway to fully autonomous vehicles by 2022. ([More...](#))
- Reportedly in the final stages of design for an 8 speed dual clutch transmission to be used in passenger cars from 2018 onwards. ([More...](#))

Nissan (includes Mitsubishi)

- Will face a vote for union recognition at its Mississippi plant in early August with the UAW accusing the company of intimidation tactics. ([More...](#))
- Said that the new Leaf will have an e-pedal -- a device that will allow almost complete control of braking and acceleration with a single pedal. ([More...](#))
 - Implication: This move by Nissan shows that companies with significant electrification experience (R-N and Tesla) may have insights into consumer operation that allows them to better tailor electric cars to fully present the best customer experience, and thus gain an advantage over companies still in their first generation of mass-market offerings. Execution will be key though -- if customers find the operation too difficult, they may be put off.

PSA (excludes Opel/Vauxhall)

- Expanded its European online offering so that consumers can now purchase new PSA vehicles in France entirely online (final delivery will still be via a dealer). ([More...](#))
- Faurecia reported first half results and raised full year 2017 guidance. ([More...](#))
- Faurecia said that it was taking a majority stake in Chinese supplier Jiangxi Coagent Electronics by investing €193 million and together they would develop “the cockpit of the future”. ([More...](#))

Renault

- Renault published sales figures for the first half. The 1.88 million units sold represented a 10.4% increase on a year-over-year basis, with sales in emerging markets growing particularly strongly. ([More...](#))

Tata (includes JLR)

- Announced the opening of JLR’s first non-UK engine plant in China, part of a JV with Chery. This is not quite as historic as it might seem as JLR have only been manufacturing their own engines for a couple of years (pre-Ford days notwithstanding). The press release was careful to mention the “exactly 28 robots” working in the plant. ([More...](#))

Tesla

- Said that the Model 3 will not contain a solar roof to augment charging, saying that there was not enough surface area for current technologies to generate significant charge. ([More...](#))
 - Implication: with several other start-ups working on vehicles that place solar charging at the heart of the concept, either this may cause them to have a re-think or (if they are right) could be an area where Tesla are later shown to have lacked vision -- given the acquisition of Solar City, Tesla will argue that they know plenty about solar panel technology.
- Said that the second of the Rive brothers (cousins of Elon Musk and co-founders of Solar City) had left the company. ([More...](#))
- Has appointed two new independent directors, fulfilling an earlier promise to shareholders. Both have multi-national and media experience but appear new to technology and capital-intensive manufacturing. ([More...](#))

Toyota

- Took part in the \$159 million series C financing of autonomous vehicle technology company Nauto, alongside GM and BMW. Toyota was already an investor. ([More...](#))
- Reportedly plans to begin large-scale BEV production in China in 2019, with a crossover as the launch vehicle. ([More...](#))

VW Group

- Was allegedly part of a cartel of German car makers under investigation by the EU for possible collusion on technical regulations and component sourcing for items such as retractable roofs and emission control systems. The other participants were BMW and Daimler. According to media reports, VW may have partial immunity or relief from fines after coming forward as whistle-blowers. ([More...](#))
 - Implication: See BMW comments on the same topic.
- Porsche said that it would decide on whether or not to create a new diesel architecture by the end of the decade. ([More...](#))
- Audi will recall 850,000 EU5 and EU6 diesel vehicles worldwide (mainly in Europe) to offer updated emissions software. Audi said that this would improve emissions beyond legal requirements. ([More...](#))
- According to media reports, Volkswagen is thinking of selling MAN's stake in heavy truck transmission supplier Renk. Works Council representatives are strongly opposed. ([More...](#))
 - Implication: similar to Volvo's sale of a stake in an engine manufacturer, truck companies may be wise to divests whilst the business appears healthy to avoid a political maelstrom further down the road when traditional powertrain business drops.
- Announced group sales for the first half of 5.2 million units, this represents an increase of 0.8% on a year-over-year basis. Sales are down for the Audi brand and China market. ([More...](#))
- German media outlets speculated that several members of Audi's board will have to leave in relation to their involvement with the diesel scandal. The HR chief, head of production, CFO and head of sales were all mentioned as being at risk. ([More...](#))
- News about the sale of Ducati continued to leak, with the Benetton family emerging as possible suitors and a price tag of \$1.4 billion being mentioned. ([More...](#))

Other

- A study commissioned by the **German** automakers' association reported that 600,000 jobs could be lost from combustion engine decline. The figure is an assessment of people working in both engine and transmission development and manufacture. ([More...](#))
 - Implication: Although positioned as a reason that city bans should be avoided, the study really highlights the cost of the inevitable changeover from ICE to pure electric vehicles. Even if a significant share for ICEs remains, hundreds of thousands of jobs will be at risk in Germany and other countries. Overall, batteries and electric motors require fewer production hours. OEMs will be under increasing pressure to spell out how they intend to handle this transition (Daimler's trouble of the last few weeks on steroids).
- The **German** government will convene a summit, scheduled for August 2nd between OEMs (**BMW, Daimler, VW Group, Opel and Ford**), national and local government in a bid to create an aligned plan to improve emissions in a credible manner without having to resort to city bans. ([More...](#))
- The **UAW** is reportedly planning a "Buy American" campaign to be run around the Labor Day holiday (4th September) that will try to inform consumers about where different vehicles are built. ([More...](#))

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

Economic / Political News

- **UK** government minister Michael Gove said that the cabinet was united in wanting a transition period for full implementation of **Brexit** measures after the end of March 2019. Reporting on the length of the transition varied with about two years being the most common estimate. This will be a measure of relief to automotive groups as it would (if agreed) push the impacts of Brexit further into the business cycle. ([More...](#))

Suppliers

- **Continental** unveiled its own driverless pod called CUBE which it will use as a demonstration and test vehicle. Memo: Continental is already a member of a number of non-exclusive driverless projects including BMW/Intel and Baidu's Project Apollo. ([More...](#))
- **Continental** is reportedly in talks to take an 8% to 10% stake in mapping company **HERE**. ([More...](#))
- **Valeo** reported Q2 financial results. Operating margin and net income were up but the company maintained its full year guidance as it expects raw material and exchange headwinds in the remainder of the year. ([More...](#))
- **Schaeffler** held a capital markets day where they announced a new E-Mobility division and an Industry 4.0 unit. As part of the moves, Schaeffler will also open an electrification centre in China. By 2020 the company intends average sales growth of 4% to 6% and EBIT margin of 12% to 13%. ([More...](#))
- Within the detailed **Schaeffler** presentation material itself, the company forecast a 15% worldwide share for BEV in 2025 and 30% by 2030 (with EMEA and China above this and other regions lagging). They also presented cost (to OEM) forecasts for componentry. ([More...](#))
- **Amtek** (a UK aluminium casting business) has been bought out of administration by **Liberty House**, who have been acquiring a number of UK metal-working businesses over the past few years. ([More...](#))
- **Faurecia** reported first half results and raised full year 2017 guidance. ([More...](#))
- **Faurecia** said that it was taking a majority stake in Chinese supplier **Jiangxi Coagent Electronics** by investing €193 million and together they would develop "the cockpit of the future". ([More...](#))

Ride-Hailing, Car Sharing & Rental

- **Lyft** said that it had partnered with **Deem** to include its service in the latter's multi-modal travel for business applications. ([More...](#))
 - Implications: hot on the heels of Lyft's tie up with a number of business receipt processing companies, this represents part of a concerted push by Lyft to be appealing and easy to use for business travel.
- **Lyft** has created its own autonomous vehicle lab called "Level 5" (a reference to the SAE designation of full autonomy). Saying that it wants to be "active" in the development of self-driving vehicles. Given Lyft's existing relationships with a range of self-driving providers including **Waymo**, **nuTonomy** and **GM/Cruise**, the rationale for and scope of the exercise isn't clear. ([More...](#))
- **Careem** has bought a stake in Egyptian start-up **Swyvl** an operator of a multi-modal service that directs users to the most appropriate private bus service for their trip. ([More...](#))

Driverless / Autonomy

- German vehicle testing firm **Dekra** has purchased a racing circuit at Lausitz in preparation for a surge in testing miles for autonomous vehicles. ([More...](#))
- Self-driving truck start-up **Embark** announced that it had raised \$15 million and was working on adaptations of **Peterbilt** trucks. The company is planning a Level 3/4 system that will navigate highways autonomously whilst using a driver for city routes. ([More...](#))
- Several media outlets wrote profiles about **Lvl5** a mapping start-up that uses camera and GPS data to build high definition maps. It is paying drivers (many of whom are Uber and Lyft drivers) to send it data from their trips in order to build its database of features. ([More...](#))

Electrification

- **Fisker** confirmed that they will be using battery cells from LG Chem. CEO Henrik Fisker said that the cells would be "highest energy density" but didn't provide any details about what this means. ([More...](#))
- The **South Korean** government has changed the terms of its incentive program for cars, removing a restriction that prevented owners of vehicles with large batteries receiving grants. ([More...](#))
- **Lucid Motors** denied that it had offered to sell itself to **Ford** and said that its latest funding round was going well. ([More...](#))

Other

- Connected car start-up **Cubic Telecom** has reportedly raised a further \$40 million, valuing the company at \$200 million. **Audi** is amongst Cubic's investors. ([More...](#))
- Artificial intelligence company **Brain Corp** raised \$114 million from investors including **Qualcomm**. Brain Corp makes software that helps robots learn their environment. Although aimed at internal spaces at the moment the technology could have applications in vehicles. ([More...](#))
- **Calsonic** and **Quarkslab** announced that they had created a joint venture called **White Motion** to work on automotive cybersecurity. ([More...](#))