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News Review -- 24th July to 30th 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

- Confirmed that it would produce the electric version of the Mini in Oxford. The powertrain will come from plants in Germany. BMW said that it received no assurances from the UK Government about the impact of Brexit before making the decision. ([BMW](#))

Daimler

- Reported Q2 2017 financial results. Group EBIT of €3.7 billion was up 15% on a year-over-year basis, with revenues up 7% and unit sales up 8%. ([Daimler](#))
- Said its Finance arm would have a record second half after reported half-year earnings of more than €1 billion. Daimler said that its mobility services were now being used by 14.5 million customers and had grown 116% on a year-over-year basis (not all of it organic). ([Daimler](#))
- Participated in the Series B round of funding (\$46 million) for Chinese self-driving start-up Momenta. ([TechCrunch](#))
- Said that it was reviewing its legal structure with a view to providing clearer distinction between its different divisions. The management team said that this was not in preparation for any spin-offs. ([Reuters](#))
- News emerged suggesting that Daimler reported the alleged cartel first, ahead of VW. ([Handelsblatt](#))
 - Implication: With past precedents suggesting huge fines for cartel participants, but immunity or only light penalties for whistle-blowers, whoever reported the cartel first would expect to fare much better than any other members in any successful prosecution.
- Will reportedly cease production of the China-only R-Class in September, with deliveries continuing into 2018. Memo: the vehicle was withdrawn from other markets in 2012/13 and its produced by 3rd party AM General in Indiana, USA. ([CCFA](#))

FCA

- Received approval for the sale of 2017MY Ram and Jeep Grand Cherokees powered by diesels in US. FCA has revised software calibrations as part of the approval process. ([FCA](#))
 - Implication: This action shows that FCA may have a path to settle the action brought against it by US authorities for diesel manipulation. It also demonstrates that diesel vehicles can be saleable in the USA.
- Reported 2nd quarter financial results. Adjusted EBIT of €1,867 was 15% up on a year-over-year basis. Revenue was about flat, despite reduced vehicle sales. FCA attributed most of the profit improvement to Maserati. ([FCA](#))
- Said that half the model range would be electrified by 2022, with Maserati offering all-electric versions of its vehicles. ([Automotive News](#))
- Said that it will unveil a strategy for the period 2018 - 2022 at an investor day next year. Although not clear on any specifics, CEO Marchionne said more asset sales were a possibility. ([Reuters](#))

- Reached an agreement with unions at its JV plant in Serbia (where 500L) is made to end industrial action in return for a 9.5% pay increase. ([Automotive News](#))

Ford

- Reported 2nd quarter financial results. Pre-tax profits of \$2.5 billion were down \$(0.5) billion on a year-over-year basis. Cash flow was down \$(2.9) billion YoY. Ford also announced a change to the way that it provided earnings forecasts by switching to an adjusted EPS rather than profit measure. ([Ford](#))
 - Implication: Analysts thought they smelled a rat on the forecast methodology change, saying that on a like-for-like basis, Ford's forecast for 2017 year-end had deteriorated by around 10%. ([More...](#))
- Will recall about 117,000 vehicles in North America to fix problems with seat belts. ([Ford](#))
- Said that it will stop production (and therefore all sales) of its B-MAX vehicle in September 2017. Instead, Ford will begin production of the EcoSport SUV (currently imported from India), reportedly hiring 1,700 additional employees. ([Romania Insider](#))
- The Australian consumer watchdog said it was taking Ford to court for its conduct in dealing with customer complaints about transmission problems. ([Reuters](#))
- Saw US safety body NHTSA increase an investigation into exhaust fumes entering the passenger cabin. An additional 400,000 vehicles have been added, bringing the tally of potentially suspect vehicles to 1.3 million. ([Detroit News](#)). Many of the vehicles were Police units and Ford drew attention to the possibility of aftermarket modifications causing odour and fume leaks. It also offered to repair affected vehicles, regardless of age or reason. ([Ford](#).)
- Said that shuttle service Chariot will expand to New York. ([TechCrunch](#))
- Saw media speculation about plans to end production and sales of Fiesta (in 2018 or 2019), Taurus (in late 2018) and C-MAX (in early 2019) in North America. ([Detroit News](#))

General Motors (includes Opel / Vauxhall)

- Reported Q2 2017 financial results. Adjusted EBIT of \$3.68 billion was down from \$3.85 billion in the prior year. Part of the explanation was increased spending on "Corporate" activities which include the company's mobility efforts. Opel/Vauxhall were reported as discontinued operations so are not in the headline figures. ([GM](#))
- Researchers uncovered GM patents for self-cleaning autonomous vehicles. The ideas appear to include vehicles with integrated vacuum cleaners and steam cleaning as well as sensors to tell if the car is dirty. ([Auto Guide](#))

Hyundai / Kia

- Hyundai Motor reported financial results for Q2 2017. Operating profit of 1.34 trillion won was up 7.5% on a year-over-year basis whilst revenues were up 4%. Net profit of 913 billion won was down 35% YoY. Hyundai attributed much of the profit drop to lower sales in China and said it was delivering 6 electric vehicles by 2020 to regain momentum in the market. ([Hyundai](#))
- A senior Hyundai executive said that the company believes the viability of solid state batteries as a power source for EVs will be proven in the 2020 to 2025 timeframe and that if the technology succeeds, EV market share could be 90% by 2025. ([Inside EVs](#))

Mazda

- Reported production and sales results for June. Global production of 132,661 units was up 6.5% year-over-year. ([Mazda](#))

Nissan (includes Mitsubishi)

- Reported Quarterly financial results (Nissan reports this as Q1 of its 2017 financial year). Operating profit of 153.3 billion yen was down (12.8)% year-over-year whilst revenues were up 4%. Nissan explained the profit reduction as primarily due to raw materials, exchange and the removal of Calsonic Kansei from reported figures. ([Nissan](#))
- Reported production and sales figures for June. Global sales of 502,878 vehicles was up 6.7% on a year-over-year basis. Sales in Japan were up 46.1% YoY and rest of the world was up 3.5%. ([Nissan](#))
- Said that it had started a second shift at its Resende, Brazil, plant due to high demand for the Nissan Kicks in the region. ([Nissan](#))

- Said that combined sales of Renault, Nissan and Mitsubishi vehicles meant that on a year to date basis the alliance was the largest seller of vehicles at 5,268,079 units. ([Renault](#))

PSA (excludes Opel/Vauxhall)

- Announced first half 2017 financial results. Automotive operating income of €1.44 billion was up 10.7% on a year-over-year basis and gave an operating margin of 7.3%. Automotive revenue was up 3.6% YoY. ([PSA](#))

Renault

- Reported first half 2017 financial results. Although operating profit of €1.8 billion was up slightly versus the prior year, the result was lower than expectations. ([Renault](#))
- Said that combined sales of Renault, Nissan and Mitsubishi vehicles meant that on a year to date basis the alliance was the largest seller of vehicles at 5,268,079 units. ([Renault](#))
- Said that Karhoo was on track to be relaunched in late 2017 with a new strategy. ([Auto Finance News](#))

Tesla

- Held the launch event for the Model 3 where the first 30 cars were handed over. A few new details were confirmed, including: range of 220 miles (expanded to 310 miles for \$9k); self-driving autopilot will be an \$8k option (same as on Model S/X). During his video presentation, Elon Musk compared Model 3 crash test performance with the Volvo S60, calling the S60 “safe, by Volvo’s standards”. Musk also expressed concern over the “production hell” of the ramp-up. ([Mercury News](#))
- Security researchers at Tencent demonstrated that they could remotely take control of a Model X and activate systems such as brakes and doors. Both the hackers and Tesla were keen to stress that they regarded the Model X as no less secure than other vehicles. ([International Business Times](#))
- Consumer Reports announced that it had restored the top safety rating for the Model S following revisions to the automated safety systems in the vehicle. ([Futurism](#))
- Media reports speculated that Tesla was looking into the application of a larger cylindrical battery in its vehicles despite having only recently unveiled a new battery type for the Model 3. ([Inside EVs](#))

Toyota

- Reported June sales and production figures. June production of 912,387 vehicles was (1.2)% down on a year-over-year basis, with a (3.1)% drop in the Toyota and Lexus brands. On a year to date basis, sales of 5.13 million vehicles was down (2.7)% YoY. ([Toyota](#))
- Is reportedly working on an electric car that will go into production in 2022 and be powered with solid-state batteries. ([Reuters](#))

VW Group

- Reported second quarter financial results, Operating profit including special items was €4.549 billion, an increase of 3.7% on a year-over-year basis. Cash flow was substantially reduced: operating activities contributed €1.2 billion in Q2 2017 versus €7.3 billion in the same period last year. ([VW](#))
- Said in response to cartel allegations that it was “quite common for car manufacturers all over the world to engage in an exchange on technical issues”. ([VW](#))
- Porsche recalled about 21,500 Cayenne vehicles after discovering “irregularities” in the engine control software (and because it was ordered to by the authorities). Porsche’s press release repeatedly referred to the extent of (German regulator) the KBA’s involvement. ([Porsche](#))
- VW Group CEO Müller said that the head of Porsche’s Works Council was being unhelpful after the latter blamed Audi’s management for emissions problems in Porsche vehicles and called for executives to be replaced. ([Handelsblatt](#))
- Porsche announced that it would join the Formula E racing series for open-wheeled electric cars from 2019, alongside existing OEM entrants Renault, BMW, Mahindra, PSA (DS brand), Jaguar, Audi and Mercedes (as of 2019) as well as start-ups Faraday Future and NextEV. ([Golem](#))

- Implication: expect Formula E to become the go-to marketing tool for OEMs to try and boost their electrification credentials whilst they lack a real product portfolio.
- VW Group CEO Müller said that the company would add an additional 1.5 million vehicles (to bring the total to 4 million) to its diesel recall and upgrade program in Europe following discussions with Germany's environment minister. ([RP Online](#))

Other

- **Subaru** reported production results for June. Global production of 98,600 units was up 12.3% on a year-over-year basis, with demand for Impreza and XV cited as key drivers. ([Subaru](#))
- **Suzuki** reported production data for June. Global production of 245,285 was up 18% on a year-over-year basis, with both Japanese and overseas sales responsible for the increase. ([Suzuki](#))
- **Gordon Murray Designs** said that it was preparing to test its Ox vehicle in Africa, with a crowdfunding effort nearing sufficient funds to undertake the test program. ([Autocar](#))

And now for the other news...

Economic / Political News

- Following France's intention to ban new sales of petrol and diesel-powered cars (not yet law), the **UK** Government announced that it would bring forward its earlier timing of 2050 for the same sales ban to 2040. ([The Guardian](#))
- **European industry** for commercial vehicles was up 2.5% in June with light commercial vehicles (under 3.5 tonnes) seeing June sales of 193,444 units, an increase of 3.2% on a year-over-year basis. ([ACEA](#))
- **UK** trade body the SMMT called on the UK government to provide more clarity around Brexit as it switched from attributing falls in production output to consumer reluctance rather than fewer sales days. ([Sky News](#))
- **US** Department of Transportation is reviewing fuel efficiency requirements. It is contemplating bringing forward a new fuel economy regime (to 2021 from 2022) but then adopting lower limits through to 2025, rather than requiring improvements each year. ([Reuters](#))
 - Implication: whilst they will continue to be cautious with their language to avoid accusations of an anti-environmental stance, OEMs are likely to be pleased with any moves that relax pressure on them to implement additional technologies that reduce vehicle profitability.

Suppliers

- Media reports suggested that **Bosch** has been implicated in the same cartel as Daimler, BMW and VW. Bosch denies participating in any illegal activity. ([Europa Press](#))

Ride-Hailing, Car Sharing & Rental

- **Softbank** reportedly has expressed an interest in making an investment of several billion dollars in **Uber**. It isn't clear whether this interest is in purchase of existing shares, newly created equity or both. ([TechCrunch](#))
- **Ford** said that shuttle service Chariot will expand to New York. ([TechCrunch](#))
- **Renault** said that Karhoo was on track to be relaunched in late 2017 with a new strategy. ([Auto Finance News](#))
- **Uber** reportedly hopes to have a new CEO in place by September but one of the rumoured candidates, Meg Whitman, has already ruled herself out. ([Bloomberg](#))
- **Capital One** said that it was changing the way it structured lending for taxi licences as commercial pressures from ride hailing companies have reduced their value. ([Auto Finance News](#))

Driverless / Autonomy

- **Daimler** participated in the Series B round of funding (\$46 million) for Chinese self-driving start-up **Momenta**. ([TechCrunch](#))
- Researchers uncovered **GM** patents for self-cleaning autonomous vehicles. The ideas appear to include vehicles with integrated vacuum cleaners and steam cleaning as well as sensors to tell if the car is dirty. ([Auto Guide](#))

- The **Indian** minister of road transport said that he did not support the use of autonomous cars in India as “each car gives a job to a driver. Driverless cars will take away those jobs, I am certain on this issue”. His comments were not supported by other government sources, who said that the Government’s position was undecided. ([International Business Times](#))
 - Implication: As discussed in our [research paper into the growth prospects for autonomous cars](#), some countries will be hostile towards development, with saving jobs (and ignoring wider benefits of reducing the cost of transportation) likely to be a regular reason.
- **US** unions raised concerns around the light touch regulations that lawmakers are considering with one union leader saying autonomous vehicles “are likely to cause massive job dislocation and impact worker safety”. ([Bloomberg](#))

Electrification

- German consumer body **ADAC** recommended that drivers assume the battery capacity of their cars was one third lower than reported figures. This was based in part on long term tests of a Nissan Leaf, which lost 11% of its capacity over a five year test period. The measured degradation is actually better than guaranteed by Nissan in the vehicle warranty. ([Golem](#))
- A senior **Hyundai** executive said that the company believes the viability of solid state batteries as a power source for EVs will be proven in the 2020 to 2025 timeframe and that if the technology succeeds, EV market share could be 90% by 2025. ([Inside EVs](#))
- **Toyota** is reportedly working on an electric car that will go into production in 2022 and be powered with solid-state batteries. ([Reuters](#))
- **Fisker** CEO Henrik Fisker said in an interview that the EMotion vehicle his company plans to launch will have a 145 kWh battery pack that is rated at 800 volts. This is larger than other battery packs announced so far and will be able to benefit from higher charging rates. ([Detroit Bureau](#))
 - Implication: Since Fisker’s supplier is LG Chem, it is unlikely that this technology is exclusive to the EMotion. Memo: Porsche Mission E is also planning on an 800V system. We may start to see lots of Duracell Bunny style adverts featuring Teslas running out of range whilst their competitors carry on over the horizon.

Other

- **Mobike** began trial services in Florence and Milan. ([China Money Network](#))