



# AD PUNCTUM

## News Review -- 18<sup>th</sup> September to 24<sup>th</sup> September

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

- Confirmed the production location of the new 8-series (from 2018) and the autonomous iNext (from 2021) as Dingolfing, Germany. ([Economic Times of India](#))
- Rumoured to be planning an upgrade for the i3 BEV that will see a 42.5 kWh battery pack offered from late 2018 onwards -- which would give about 250km of real-world range. ([BMW Blog](#))

#### Daimler

- Said that it would invest \$1 billion to launch an EQ-branded SUV at its Alabama, USA plant and build a battery facility nearby. The move will create 600 jobs and see production start at the “beginning of the next decade”. ([Daimler](#))

#### FCA

- Said that it would recall almost 444,000 pick-up trucks for water pump faults. ([FCA](#)). The company will also recall almost 48,000 minivans with seat belt issues. ([FCA](#))
- Has reportedly changed plans for the next generation Challenger and Charger models. Instead of being built on the platform from the Alfa Romeo Giulia, the vehicles will now be on the same platform as the Maserati Ghibli. This move will delay the introduction of the all-new models to 2021 and facelifts will not be added to the cycle plan for 2019. ([Autofactil](#))
- Executives refused to be drawn on whether FCA is planning a plant in Morocco, saying only that the country was the most interesting place in the region. The company sees electric cars as unlikely to be profitable in the next ten years. ([Les Echos](#))
- Saw rumours in the South Korean press that it was a takeover target for Hyundai. ([Detroit Bureau](#))

#### Ford

- Announced a wide-ranging collaboration with Mahindra set to last for up to three years, at the end of which, further announcements could be made. The companies will set up joint groups to look at: mobility programs; connected vehicles; electrification; product development; sourcing and distribution. ([Ford](#))
- Is planning shutdowns at five plants in the US and Mexico due to a downturn in sales. Flat Rock will idle for 2 weeks; Michigan for 1; Kansas City for 2; Cuautitlan for 3; and Hermosillo for 2. ([Detroit News](#))
- The head of Ford’s smart mobility arm said that the company was working on a range of experiments to help it learn about a future state where there were fewer vehicles but more intensive use. ([Economic Times of India](#))

## Geely (includes Volvo)

- Volvo said that its new XC40 crossover will be available with a “hassle free” subscription package that includes all costs, except fuel, into a single monthly payment and provides a new car every 24 months. The scheme, called “Care by Volvo” will be available in selected markets including USA, Germany, UK, Italy and Spain. ([Volvo](#))
- Declined to comment on stories from unnamed sources that Volvo is planning to increase investment in the South Carolina plant it is still constructing. The new plan would reportedly see a second production line added and 2,500 new employees on top of the 2,000 that are currently being recruited. ([Bloomberg](#))
- Reportedly in talks with Indian company JSW Group about a \$1 billion joint venture that would produce electric vehicles. ([Money Control](#))

## General Motors

- Saw workers go on strike at its Ontario, Canada plant after the company refused to give the plant the assurances that unions has demanded. ([Detroit News](#))
- Will end the night shift at its Spring Hill, Tennessee, plant due to slower industry -- about 1,000 employees will be affected. ([Detroit News](#))

## Hyundai / Kia

- Believes that 1 in 10 cars sold in Europe by 2020 -- about two million vehicles -- will be a B-SUV. ([Faconauto](#))
- Saw rumours in the South Korean press that it was interested in a takeover of FCA. ([Detroit Bureau](#))
- Kia’s Russia chief says that against the company’s initiation expectation of 5%-7% growth this year, they now believe that the Russia market will grow by up to 12%. ([Reuters](#))

## Mazda

- Recalling 60,000 Mazda 6 vehicles in the USA and Canada because of wiring problems that affect steering and airbags. ([International Business Times](#))
- The CEO of Mazda Europe gave an interview where he explained the company’s emphasis on fossil fuel vehicles over electrification. In particular, he made repeated references to well-to-wheel assessments of electric vehicle efficiency and environmental benefits compared with ICEs -- pointing out that where electricity is generated with extensive use of coal (e.g. Germany once the nuclear plants are closed), all that has happened is a shift of emissions from the tailpipe to the power plant. ([Manager Magazin](#))
  - Implication: Intellectual merits of the well-to-wheel debate notwithstanding, we believe that the battle has been comprehensively lost: in the eyes of the consumers, media and politicians, emissions that are out of sight are out of mind. The reality for Mazda is that other carmakers are ensuring that they have electric vehicles in their range because they know that an ICE-only portfolio is exposed to a move against tailpipe emissions. It remains to be seen whether Mazda has the last laugh by letting others take the technology risk and only following once costs have fallen (although in the same interview, Mazda denied having a fast follower strategy).

## Nissan (includes Mitsubishi)

- Infiniti executives said that the brand will launch an all-electric vehicle -- likely to be a sports car -- in 2019. The car will use Leaf technology but will have its own platform. ([Autocar](#))
- Mitsubishi is to add a vehicle to its Kaluga, Russia plant. The company will employ 440 people on 2 shifts to make the Pajero Sport. ([Mitsubishi](#))
- Following an in-depth research project, Nissan has found that 86% of people are driving the wrong colour of car for their personality. Apparently, more than half of participants claiming that they chose their favourite colour -- so the implications are, of course, enormous (from a philosophical standpoint). ([Nissan](#))

## PSA (includes Opel/Vauxhall)

- Held a Capital Markets Day on 20<sup>th</sup> September that covered Peugeot, Citroën and DS brands (Opel to follow later in the year). PSA highlighted their electrification strategy, product plan and the expected positive mix effects. (No online materials currently)
- The head of aramisauto.com, the used car sales platform PSA acquired, gave an interview about the operations of the subsidiary. In particular he said that he thought PSA was not at risk of cannibalisation by launching multiple used vehicle channels (it has another call cardays.fr) and set the Group target of 800,000 used car sales by 2021 in context -- in 2016, aramisauto sold 32,000 units. ([Journal Auto](#))
- There was speculation in the German press that a lack of supply of Opel Ampera-e BEVs, blamed in part on Opel's desire to direct stock towards the Norwegian market, might actually be because Opel intends to withdraw the car from sale due to its lack of profitability. ([Golem](#))
- Will reportedly launch a next generation Citroën C5 in 2020, following on from a new Peugeot 508 and DS DS5 in 2018. ([Autofactil](#))

## Renault

- Unveiled the Indian-market Captur B-sized SUV and said that, as with the Russia market version, it would be built on the low cost B0 platform ([Renault](#))

## Tata (includes JLR)

- Tata Sons was reportedly behind an anonymous acquisition of about 1.7% of Tata Motors stock. This week also saw speculation that changes to voting rights for preference shares in Tata Sons could see the power of the Mistry family substantially reduced.. ([Economic Times of India](#))

## Tesla

- Ending sales of the entry-level Model S 75. Unless things change, Model S and Model X will only come in AWD in the future. The move also sets the new entry level price of a Model S at \$74,500. ([The Verge](#))
- Reportedly working with AMD to create a chipset for autonomous driving incorporating its own proprietary technology, which could allow the company to reduce its reliance on Nvidia. ([CNBC](#))
  - Implication: This action by Tesla, if true, may not be for the reasons posited in various press articles -- to help Tesla become more vertically integrated. A possible alternative explanation is for redundancy, which is to say that future Tesla autonomous vehicles could have both an Nvidia and a Tesla/AMD chipset (one of which would be, in effect, a backseat driving AI). True safety critical systems have multiple layers of redundancy. At present, the popular press is using different sensor sets as a byword for redundancy but if we were in a nuclear power plant (and it's for regulators to say whether that is an apt analogy, depending on their risk profile), that simply wouldn't be sufficient. You need redundancy in the processing algorithm and chipset too. If Tesla is working on this basis then it shows a maturity of thinking; that autonomy may not be a zero-sum game for suppliers; and that Tesla could potentially sell such a system to other manufacturers. Then again, this could be a complete misreading of the company's intentions.

## Toyota

- Said that it has no plans to launch fully electric vehicles in India and will wait for the infrastructure to be developed before it looks to launch any vehicles. ([Economic Times of India](#))
- Toyota's president said that it would continue to make a variety of powertrain options available to customers; spanning ICEs, hybrids, BEVs and fuel cell vehicles because Toyota believes that customers rather than manufacturers should make the technological choices. He also said that the company had been "a bit late to the game" on BEVs. ([Reuters](#))
- Said that it was launching a Japan only sub-brand called GR (Gazoo Racing) for sporty versions of its products. The range could be sold outside Japan eventually. ([Auto Express](#))

## VW Group

- Confirmed that Bentley will offer a Level 3 capable vehicle from 2019 onwards, starting with either the Continental or the next generation of the Flying Spur. The technology suite will be a variant of that launched on the Audi A8. ([More](#))
- Suffered production disruption at Audi and VW plants, including cancelled shifts, as a result of the earthquake in Mexico. ([Manager Magazin](#))
- Said in an in-house magazine article that it was intending to build functionality into the MEB platform that would enable cars to be upgraded after the first ownership cycle. The company intends to apply the same thinking to MQB-based products “gradually”. ([VW](#))

## Other

- **Mahindra** unveiled the e2oPlus compact electric car. The vehicle has a claimed top speed of 85 kmh, range of 140km and a price tag of 7.46 lakh INR (about \$11,500). ([Economic Times of India](#))
- **Aston Martin's** CEO said that the prospect of tariff barriers post-Brexit wasn't “keeping [him] awake at night” because he expects any tariff increase to be more than offset by a decline in the value of Sterling. He is more concerned about non-tariff barriers because it could hold up movement of inventory. ([Interview on Bloomberg](#)). He also said that an IPO would probably not take place in 2018, if at all. ([Bloomberg](#))
  - Implication: We don't really agree on the impact of non-tariff barriers as a cost comparable to tariffs and Sterling decline (although of course it is a problem for companies to resolve and deal with as best possible). Border controls will quite likely lead to increased inventory, but of the order of single digit days (i.e. about 1% of all working days = 1% one-time increase in inventory) -- which is in line with **BMW's** assessment of a 12 to 24 hour delay at the ports -- and increased man hours processing documentation. This compares to ongoing impacts of several % of revenue due to tariffs. Trapped cash considerations should encompass increased inventory but also timing of tax rebates. Brexit may affect the exact rules governing EU-UK trade but all countries already have customs controls in place for non-EU goods and post-Brexit this is the worst-case template that companies should follow. The end result is an increased value of goods flowing through these customs processes, not a Wild West end state where anything goes and we can only guess at the implications. Look at Mazda, Subaru et al. They are already working to these border processes today. Where Andy Palmer is certainly correct to be concerned is that non-tariff barriers are likely to be a permanent post-Brexit feature whereas tariffs may only be in place for a few years. ([See our Brexit paper here](#))
- British firm **Ineos** launched a website calling for partners in its project to create a spiritual successor to the Land Rover Defender. ([Autocar](#))

## [News about other companies and trends ...](#)

### Economic / Political News

- Sky News said that it had obtained internal automotive industry memos on discussions with the **UK** government about Brexit planning in which various companies expressed their displeasure at the lack of detailed planning. ([Sky News](#))
- **France's** environment minister said that the country will introduce a range of new incentives to encourage people to use more environmentally friendly vehicles, including grants on nearly-new cars. It will also increase taxes on petrol and diesel. ([Economic Times of India](#))

### Suppliers

- **Delphi** announced that the autonomous driving system it was developing (for BMW amongst others) would run on **Blackberry's** QNX platform in order to provide stability and security. ([Delphi](#))
- French supplier **Mecaplast** has decided to change its name to **Novares**. ([Les Echos](#))
- **Plastic Omnium** said that it was planning to sell its environmental division to allow it to fully concentrate on the automotive market. ([Plastic Omnium](#))

## Ride-Hailing, Car Sharing & Rental

- **Uber** was told by **London's** transport regulator that it would not have its licence renewed when it expires at the end of September. The company is appealing the decision (it can continue to operate until the appeals process is exhausted) and is calling for regulators to open a dialogue on what it can do to improve. ([BBC](#))
  - Since London has been generally receptive to new models of ride-hailing introduced by various companies, it seems likely that the licence suspension is genuinely motivated by grievances specifically aimed at Uber, rather than an attempt to shut down competition. Given Uber's often heavy-handed approach to city regulators, it remains to be seen whether the company will be allowed to make changes that satisfy the regulator or whether it has effectively used up all its lives and is being kicked out of the market (in which case it could presumably simply take over an existing operator and use their processes instead of the ones it currently has).
- **Uber** is facing a Californian lawsuit from drivers complaining about its pricing model. Uber appears to have been calculating driver revenue based on the shortest route to the passenger's destination at the time of pick-up (i.e. at which time it becomes fixed). The Passenger is then charged for the actual trip (invariably longer) and Uber keeps the difference. ([Ars Technica](#))
- **Citymapper** and **Gett** announced a trial in London where they will run taxis on a fixed route during commuter hours. The fare will be fixed and the taxis will be shared, with users able to get in and disembark at any point on the route. ([Citymapper on Medium](#)).

## Driverless / Autonomy

- Self-driving start-up **JingChi** raised \$30 million and is reportedly already working on a \$100 million Series A. ([Deal Street Asia](#))
- **Baidu** launched a \$1.5 billion fund called "Apollo Fund" to spend on driverless car projects over the next three years. ([BBC](#))
- Information from the Uber/Waymo case showed that Waymo was seeking \$2.6 billion in damages for one of the nine trade secrets it claims has been stolen. Given that Waymo's entire spending on the project has been disclosed at just over \$1 billion, it isn't clear how this figure has been calculated. ([TechCrunch](#))
- Self-driving trucking company **Embark** showed off its new headquarters and released a video showing two hours uninterrupted autonomous driving (it didn't reveal at what point beyond the two hours the driver had to take over, or why). ([TechCrunch](#))
- **Google's Waymo** and **Intel** said that they were collaborating on self-driving car technology. Note that Intel is also a partner in **BMW's** self-driving consortium as well as being a member of **Baidu's** Project Apollo. ([Intel](#))
- **Tencent** said that it will work on a strategic partnership with **Guangzhou Automobile Group** to investigate opportunities in e-commerce, insurance and electric vehicles. ([China Money Network](#))

## Electrification

- Electric scooter company **Gogoro** raised \$300 million in a Series C round. The company has so far sold over 34,000 electric scooters. ([TechCrunch](#))
- **China** is reportedly considering changing ownership rules to allow foreign carmakers to have majority in EV companies that are based in free trade zones. ([Bloomberg](#))
- A group of ten large companies launched a project called **EV100** to encourage carmakers to offer a wider range of electric vehicles. Several of the members, including **Ikea** and **LeasePlan**, have set a 2030 deadline to switch to all-electric fleets but the rest don't yet feel that brave, ([Inside Climate News](#))
- **Mahindra** unveiled the e2oPlus compact electric car. The vehicle has a claimed top speed of 85 kmh, range of 140km and a price tag of 7.46 lakh INR (about \$11,500). ([Economic Times of India](#))
- **Rimac** said that it will create a new high performance electric sports car, to cost around £1 million, with an intended production run of 100 units starting in 2018. ([Autocar](#))
- **Proterra** announced that they had created a bus with a range of over 1,100 miles. It wasn't totally clear how the test advanced the electric cause however since the journey was reportedly at a speed of 15mph -- to the visible disgust of **Keanu Reeves** (probably). ([Green Car](#))

## Connectivity

- A Bloomberg story about vehicle-to-vehicle deployment put the price for a secure system at \$350 per vehicle, the source of the estimate was seemingly either **Ford** or **Delphi**. ([Bloomberg](#))

## Other

- Mapping company **Ushr** raised \$10 million from companies including **GM** Ventures. ([Autonomes Fahren](#))
- The founder of flying car start-up **Kitty Hawk** said that, “three years from now flying cars will be very hot”. ([Business Insider](#))