



# AD PUNCTUM

## News Review -- 2<sup>nd</sup> October to 8<sup>th</sup> October

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

### Our latest research

With the focus for many people being Tesla's Model 3 ramp-up, we've looked a little further ahead at what steady-state volumes might be. Our assessment isn't good news for Tesla bulls... Model S and X look to have only limited growth prospects -- sales have been well below capacity for several quarters -- and Model 3 is likely to sell around 200,000 units per year. Perfectly respectable volumes, but way off the level some people are hoping for.

- [Find the analysis here \(short presentation format\)](#)

### News about the major automakers

#### BMW

- A senior executive said that BMW wants one more automaker to join it and FCA in its collaboration. Three OEMs is seen as the right level to share costs without slowing decision making too much. ([Automotive News](#))

#### FCA

- Said that it would recall 646,394 SUVs in the US for possible corrosion in the brake system. ([FCA](#))

#### Ford

- Ford held a strategy update session for analysts and investors to share the fruits of new CEO Jim Hackett's 100-day study. The presentation highlighted Ford's efforts to cut costs and improve the product. The key message was that the company is trying to move itself away from traditional low margin (and likely to be even lower margin in future) businesses such as internal combustion engines and cars. Instead, the company will invest in SUVs, mobility services and electrification with the aim of becoming the "most trusted nobility company". The presentation was light on figures and unclear on the financial outlook, for instance it said that \$7 billion was being reallocated from cars to SUVs, \$0.5 billion of spending per year would move from ICEs to electrification and on top of this \$14 billion of incremental savings were being made, yet it wasn't what impact any of this has on the bottom line. Probably the most significant news was that by 2019, 100% of US cars and 90% globally will have connectivity (although Ford declined to specify what capability this would entail) and that Ford is working on new partnerships to help improve results in South America and Europe (announcements in coming "weeks, months and years"). ([Ford](#))
  - Implication: Ford's presentation was generally poorly received, and it wasn't difficult to see why. Take out the slides on clocks, financial history and just-doing-my-job efficiency actions and you are mostly left with slogans. The best material came during the Q&A session as analysts tried valiantly to get some specifics from the team. The clearest message there was that Ford is sticking to its guns on electrification -- hybrid is an acceptable alternative to BEV and although the company has the weakest confirmed BEV portfolio of any major competitor, save FCA, Ford is comfortable that it is making the right choices.

- CEO Hackett said during a speech to students that he wasn't ready to trust a self-driving car, although he would be "very soon". ([Jalopnik](#))

### Geely (includes Volvo)

- Will increase its stake in Danish company Saxo bank from around 30 % to 51.5%. ([Reuters](#))
- Opened a start-up incubator called MobilityXLab in cooperation with Autoliv, Zenuity (a JV between Volvo and Autoliv), Volvo Trucks and Ericsson. ([Autoliv](#))
- Volvo's Q3 sales of 135,831 vehicles were up 10.6% on a year-over-year basis, with gains across regions. The highlight was 35% growth in China YoY. On a YTD basis, sales are up 9%. ([Volvo](#))

### General Motors

- Said that it will launch 20 all-electric vehicles by 2023, with the next two due within 18 months. GM implied that this number may include fuel cell powered electric vehicles in addition to BEVs. ([GM](#))
- GM's head of product development said that future generations of all-electric vehicles "will be profitable". ([Faconauto](#))
- Displayed an autonomous fuel cell platform called SURUS for heavy commercial and potentially military applications. The company said that it is evaluating applications for the product which is a scaled-up version of the 2002 [AUTOonomy concept \(click for details\)](#). ([GM](#))
  - Implication: As a proud supporter of the original AUTOonomy concept for the past 15 years, the further development of the idea to something near production ready is an exciting development. Although the current platform makes much of its fuel cell underpinnings, a battery could just as easily be used. Memo: our base hypothesis for on-demand travel is that a running chassis which can easily swap bodies is one of the most promising ways of increasing vehicle utilisation (because you can run a top hat optimised for freight or passenger travel rather than having to compromise on package to accommodate both).
- Deutsche Bank analyst Rod Lache caused a stir by saying that management wouldn't rule out spin-off of the mobility business (which he values at around \$30 billion) in discussions he held with them and that he had been left with the impression that GM's AVs would be ready for commercial operation much sooner than most were expecting. ([Bloomberg](#))
- GM's director of autonomous vehicle integration reportedly said that Tesla CEO Elon Musk's promises of autonomous driving were "full of crap". His criticism centred on Tesla's technology choices because Tesla appear determined not to fit lidar, which GM view as absolutely necessary. ([Business Insider](#))
- The CEO of Cruise said that GM was making "rapid progress" on self-driving cars but wouldn't commit to a timescale for deployment. ([Reuters](#))
- Announced that it would consolidate its management structure to have only three regions -- North America, China and International. ([GM](#))

### Honda

- Announced changes to its manufacturing operations in Japan, citing weak domestic demand as a cause of overcapacity. Honda's plant in Yorii will become a centre of excellence and absorb the activities of the Sayama plant (with employees either transferring or leaving) by the end of Q1 2022. Honda is also in talks to take over the automotive activities of Yachiyo (which makes Kei cars and small trucks for Honda). ([Honda](#))

### Hyundai / Kia

- Said that the Hyundai Verna's launch in India was going very well with 15,000 orders in the first 40 days of the product being on sale. ([Times of India](#))

### Nissan (includes Mitsubishi)

- Following on from Nissan's delivery suspension notification, the issue turned out to be improper certification of final inspection personnel. The Japanese transport ministry launched a series of spot checks on Nissan plants. ([Reuters](#))
- Held an event called Nissan Futures 3.0 where it unveiled a longer range version (280km) of the e-NV200 light commercial vehicle; said it would increase its charging network from 4,600 to 5,600 points within the next 18 months;

showed off new charger and home storage products (developed with 3<sup>rd</sup> parties); and said it was working on vehicle to grid charging offers with electricity companies across Europe with the aim of providing sufficient revenue from the services to pay for the electricity needs of customer vehicles. ([Nissan](#))

- Said that all-electric cars could capture an 8% share in Spain within the next three years through a combination of infrastructure development and suitable government incentives. ([Faconauto](#))
- Said that customers would now be able to use Amazon's Alexa service to carry out remote commands for such features as locking the vehicle or flashing the lights. For those worried about unauthorised use, Nissan has created the option of a four digit pin, which is spoken out loud (so that should stay a secret then). ([Nissan](#))

### PSA (includes Opel/Vauxhall)

- Will reportedly close its all-electric Multicity Berlin car sharing scheme in the face of competition from Car2Go and DriveNow (owned by Daimler and BMW respectively). ([Auto Rental International](#))
- Announced the US launch of its Free2Move service. The brand has started operations in Seattle where it offers a range of car and bike sharing services on its platform. ([PSA](#))
- PSA's head of development appeared to indicate that the company was trying to phase out GM-designed engines from Opel vehicles as quickly as it could. He said that Opel vehicles would start using PSA engines and that the company wanted end "payments for licencing fees as quickly as possible". ([In Auto News](#))
  - Implication: Ad Punctum's analysis of the overlapping manufacturing footprints of PSA and Opel at the time of sale, engine production at both Kaiserslautern and Aspern looks at risk in the long term, especially since Opel could keep both sites open. ([Find our analysis here](#))

### Renault

- Held a capital markets day where it set out its strategy up to 2022. Renault intends to gather further synergies from cost sharing with Nissan and Mitsubishi and has set ambitious growth targets for its business outside Europe (it wants to double sales and triple profits). The company will add 21 new models and expand to 13 new countries. Renault highlighted electric vehicles and commercial vehicles as areas where it believes that it can win share, saying that by 2022 it will have 8 BEVs and that it expects LCV volumes to increase by around 40%. Renault's presentation also confirmed existing R-N Alliance strategy to have level 4 AVs by 2022 and to operate robo taxi services. ([Renault](#))
  - Implication: The overall product, sharing and cost saving targets had been largely previewed by the September announcement of the Renault-Nissan-Mitsubishi 2022 alliance goals. The most interesting detail was Renault's continued push to grow in non-European markets and the implied expansion of the value portfolio.

### Tata (includes JLR)

- JLR reported Q3 sales of 149,690 units, an increase of 5.1% on a year-over-year basis. For 2017 YTD, JLR sales are up 7.5%. ([JLR](#))
- Reportedly planning to follow-up the Jaguar I-Pace with Land Rover's first BEV, a large SUV, in 2019. ([Autocar](#))

### Tesla

- Delayed the reveal of its Semi truck to 16<sup>th</sup> November, choosing to divert resources to "fix Model 3 bottlenecks". It isn't entirely clear what resources are used for both staging media events and solving manufacturing and supply chain problems -- apart from Elon Musk's brain. ([Business Insider](#))
- Announced Q3 deliveries of 26,150 vehicles, including 220 Model 3s, a 4.5% increase on a year-over-year basis. Although the company slightly upped its forecast for full year sales, the small number of Model 3 sales were generally considered to be a disappointment. ([Tesla](#))

### Toyota

- Said that it would use Hitachi's internet of things platform, Lumada, to increase productivity in its factories. Toyota believes that big data can augment existing problem solving methods (referred to in Toyota literature as PDCA -- the Plan, Do Check, Act Deming cycle). ([Toyota](#))

## VW Group

- Škoda unions threatened to work to rule by foregoing overtime over concerns that German unions and managers were trying to source work to German plants and damage the competitiveness of the brand. ([Reuters](#))
  - Implication: What is going on at VAG? German unions trying to undermine workers in the Czech Republic... Porsche demanding reparations from Audi over the diesel scandal... and all of it being fought in public. Looks like leadership needs to exert itself more.
- SEAT suffered production losses due to protests in Catalonia. ([Reuters](#))
- Spy shots of the Porsche Mission E emerged as company executives hypothesised how they might develop their own range of over the air updates, similar to Tesla's offering, with power upgrades among the options being considered. ([Autocar](#))
- Reportedly looking to partner with Chinese battery maker CATL for BEVs in the Chinese market. ([Green Car Reports](#))

## Other

- Prize for coolest factory stoppage of the year goes to **Suzuki's** powertrain plant in Manesar, India. Production was stopped and 2,000 employees evacuated after a leopard entered the plant. ([Economic Times of India](#))
- **Chery** is planning to enter the European market around the end of 2019. As has become de rigeur, every model will be "electrified" (48V qualifies in Chery's eyes) and seemingly without a diesel. The company is currently searching for a site for its European technical centre -- which will be somewhere in Germany. ([Autocar](#))
- **Subaru** announced that it had ceased production of general-purpose engines (e.g. for snow mobiles) and generators as of the end of September in order to concentrate on the core automotive business. ([Subaru](#))

## News about other companies and trends ...

### Economic / Political News

- **US** light vehicle registrations of 1.52 million units (18.47 million SAAR) was substantially above forecast. ([Wards](#))
- **UK** passenger car sales of 426,696 units in September were down (9.3)% on a year-over-year basis. ([SMMT](#)). Sales of light commercial vehicles were also down with registrations of vans under 3.5 tonnes (4.2)% lower than September 2016. ([SMMT](#))
- **Italian** registrations of passenger cars for September of 166,956, up 8.1% on a year-over-year basis. ([UNRAE](#))
- **Spanish** registrations of 83,291 passenger cars in September were up 4.6% on a year-over-year basis. ([Facon Auto](#))
- **London's** mayor wrote to VW, BMW and Daimler, accusing them of double standards after they have pledged money to clear air projects in the US and Germany but not the UK, singling out VW's UK managing director for particular criticism. ([Autocar](#))

### Suppliers

- Slovenian government ministers said that they had agreed a deal with **Magna** for a car factory that could create 6,000 jobs (including Magna's suppliers) and have an annual capacity of between 100,000 and 200,000 units. Magna remained tight-lipped on the matter, saying it was only committing to an initial stage that would employ 400 people. ([Reuters](#))
- **Denso** said it will expand its factory Tennessee, USA to build electric vehicle parts. The \$1 billion investment will ultimately create 1,000 jobs. ([Detroit Free Press](#))
- Indian supplier **Jai Barat Maruti** had a number of offices raided by the Indian income tax department. ([Economic Times of India](#))

### Dealers

- **UK** dealerships saw a drop in profits, according to an anonymous survey. Margins are being supported by used vehicle sales, although inventories are increasing. ([Motor Trader](#))

## Ride-Hailing, Car Sharing & Rental

- Various media sources speculated that **Waymo** could launch ride hailing services using autonomous vehicles without safety drivers in Phoenix, Arizona within the next few months. ([ArsTechnica](#))
- An analysis of the four largest providers of car sharing in Italy (**Car2Go**, **DriveNow**, **Share'n Go** and **Enjoy**) put the average loss per car at €(4,700) in 2016. ([Journal Auto](#))
- French ride hailing company **Heetch** has raised \$12 million to fund expansion beyond its current operations in France, Belgium, Sweden and Italy ([TechCrunch](#))
- Estonian ride hailing company **Taxify**, recently shut down in London over licencing issues, said it would launch in Paris. ([Journal Auto](#))

## Driverless / Autonomy

- **Fisker's** CEO said that the EMotion would be equipped with five solid state lidar units in order to enable fully autonomous driving. ([Auto Evolution](#))
- Various media sources speculated that **Waymo** could launch ride hailing services using autonomous vehicles without safety drivers in Phoenix, Arizona within the next few months. ([ArsTechnica](#))
- The **US autonomous driving bill** passed unanimously in Senate committee hearings -- seen as a good sign for the bill once it reaches the overall voting stage. The bill has already passed in the House of Representatives. ([Futurism](#))
- The Karlsruhe Institute of Technology (KIT) is leading a project to build an **automated bus depot**. The concept includes automation of light maintenance activities in addition to internal and external cleaning. ([Autonomes Fahren](#))
- **Ford's** CEO said during a speech to students that he wasn't ready to trust a self-driving car, although he would be "very soon". ([Jalopnik](#))

## Electrification

- **GM** said that it will launch 20 all-electric vehicles by 2023, with the next two due within 18 months. GM implied that this number may include fuel cell powered electric vehicles in addition to BEVs. ([GM](#))
- **ABB** showed off their modular high power charging solution. A single unit can charge a car at 150 kW (slightly higher than Tesla superchargers) whilst two units linked can charge two vehicles, at rates of up to 350 kW. ([ABB](#))
- UK electricity supplier **Ovo** is offering free electricity to buyers of the new **Nissan Leaf** that sign up to its new vehicle to grid charging scheme. The company believes that it can save between £350 and £400 in electricity trading fees per vehicle per year and this will pay for the electricity the vehicle uses on the road. ([The Guardian](#))
- Electric vehicle start-up **Faraday Future** is reportedly suffering from the resignation of a number of key employees. ([The Verge](#))

## Connectivity

- **Ford** said that by 2019, 100% of US cars and 90% globally will have connectivity (although Ford declined to specify what capability this would entail). ([Ford](#))
- **Renault** said that 100% of new vehicles sold in "key markets" would be connected by 2022. ([Renault](#))

## Other

- **Boeing** is buying flying taxi developer **Aurora Flight Sciences**, one of the companies that Uber has worked with on its flying car project. ([Business Insider](#))
- **Airbus** said that it was on track to carry out initial flight tests on its CityAirbus flying taxi by the end of 2018. ([Airbus](#))