



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 7<sup>th</sup> May to 13<sup>th</sup> May 2018

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** (history)

- The Rolls-Royce Cullinan SUV was revealed. The monster SUV features luxurious interiors, recycled TE Lawrence quotes, a hefty price tag and optional “activity modules”. ([Rolls Royce](#))
- Rolls-Royce’s CEO said the new architecture underpinning Cullinan, but to be shared with other future models, is “ready for electrification and other changes as well”. ([Autocar](#))
- Working on an electrification strategy that will involve three sizes of pack: 30e (60 kWh), 40e (90 kWh) and 50e (120 kWh) and two sizes of cell (one for cars and a taller one for SUVs). ([Automotive News](#))
- Car sharing subsidiary ReachNow will end its free-floating service in Brooklyn, New York, citing high maintenance and damage costs. The company will continue the business model elsewhere, indicating ReachNow views the problems as location-specific. ([GeekWire](#))
- Extended an existing recall in the UK after journalists revealed the problems were more prevalent than BMW had said. The number of affected vehicles rose from 36,410 to 312,000. ([BBC](#))

#### **Daimler** (history)

- Became an investor in SoftBank’s Vision Fund. ([Deal Street Asia](#))
- Released pictures of test mules for the EQC all-electric SUV, saying that it had around 200 vehicles under test ahead of the 2019 launch date. ([Daimler](#))

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

- Announced a recall of almost 240,000 SUVs to replace lower control arms. ([FCA](#))
- CEO Marchionne met President Trump asking for an outcome that will “preserve a national program that drives continuous improvement” (i.e. stop California and others creating their own rules) that also “allows us to build vehicles customers want, at prices they can afford” (i.e. regulations that aren’t tough so we don’t have to pass on costs to consumers -- or more likely -- absorb them ourselves). ([FCA](#))
- CEO Marchionne said proposed revisions to NAFTA local content rules would require the company to redirect some of the supply from its Mexican plants, but production would still go ahead. ([Economic Times of India](#))

#### **Ford** (history)

- Had to shut three truck plants following a fire at Meridian Magnesium, a supplier of critical F-Series components. The company will reportedly have resourced the parts by the end of the week commencing 14<sup>th</sup> May and said that full year earnings would not be affected, but remained tight-lipped on near term impacts, indicating a Q2 hit that will be recovered later in the year. ([Ford](#))
- Chairman Bill Ford said the company is looking to make “fairly large” changes that “could” affect regions and/or functions. He also proclaimed himself “really pleased” with CEO Hackett’s learning curve. ([News 18](#))

## Geely (includes Volvo) (history)

- Geely has reportedly selected three investment banks to advise on an IPO for Volvo with a target valuation of \$16 billion to \$30 billion. ([Bloomberg](#))
  - Implication: What does this mean for Geely's stake in Daimler and Volvo Trucks? Is the Volvo sale to fund the acquisitions? Are these stakes meant to boost Volvo's potential future value and then be sold off again later? Eight years after Geely purchased Volvo from Ford, the two companies seem less integrated than, for instance, Renault and Nissan.
- German financial regulators decided that Geely's acquisition of a near-10% stake in Daimler did not meet disclosure rules. Although penalties for breach can be severe, Geely appeared to regard the regulator's findings as a retrospective technicality, that in any case mean the stake should only have been disclosed a day earlier. ([Reuters](#))
- Lotus's CEO said that the company could continue using Toyota-sourced powertrains in vehicles under development, but implied Volvo will be the engine supplier for SUVs and crossovers and could take over as Lotus embraces electrification, although "there are some years left for combustion engines". ([Autocar](#))
- Having previously announced Google's Android would underpin the next-generation Sensus infotainment system, Volvo confirmed that Google apps will be embedded by design and provide the same level of functionality as vehicles equipped with Android Auto, but not requiring an Android-equipped phone. ([Volvo](#))
- Volvo cars will have data links with Volvo trucks (in Scandinavian countries) and share details of hazards and alerts encountered with the aim of improving emergency response and avoiding accidents. ([Volvo](#))

## General Motors (history)

- Announced the restructuring plan for its South Korean unit, which GM hopes will return to profit by 2019. Two new vehicles (an SUV and a crossover) and an I3 engine will be developed and manufactured there. ([GM](#))
- South Korean government agencies were less bullish on GM's turnaround plan for the country, saying a third party assessment forecast the unit would not be profitable until 2022. Even so, the government appeared happy enough to provide \$750 million in funding for GM's investment because it gains a 10 year veto over asset sales. ([Reuters](#))
- GM's strategy chief says that personalised autonomous cars will be "big business", particularly for customers in rural areas where the company believes ride hailing will take a long time to propagate. May partner with "one company, several companies or no companies" for autonomous ride hailing, particularly influenced by the network effects the company has observed -- GM believes that unless there is sufficient fleet density to deliver an on-demand ride within 5 minutes, customers will look elsewhere. GM is also looking at how to join up trips starting in a geo-fenced AV area but ending outside it. GM says it will take around 6 months to enter a new market with AVs. ([GM](#))
  - Implication: GM's strategy may turn out to be right, for the wrong reasons. Firstly, if rural customers cannot afford lavish customisation now, why will they be able to in the future? As yet, there isn't any evidence these consumers will have the means to pay extravagant amounts for either autonomous vehicles or further embellishments. Secondly, "rural" areas are often nowhere near as sparsely populated as many imagine -- only 9.5% of Americans (about 30 million people) live in areas with fewer than 50 people per square mile. A ride hailing vehicle placed in the theoretical centre of each square mile can still find plenty of business, and quickly respond to a ride request (only 0.7 miles from anywhere in the square -- admittedly as the crow flies).

## Hyundai / Kia (history)

- Reportedly having problems fulfilling orders for the Hyundai Ioniq in North America due to shortage of the outgoing battery pack. ([Green Car Reports](#))

## Mazda

- Announced a series of management changes, including naming Akira Marumoto as incoming-CEO. ([Mazda](#))

## Nissan (includes Mitsubishi) (history)

- Mitsubishi reported 2017/18 fiscal year financial results. Revenue of 2.2 trillion yen (~\$20 billion) rose 15% on a year earlier whilst operating profit of 98 billion yen (~\$900 million) was almost 20 times the prior year. ([Mitsubishi](#))
- Plans to "discontinue diesel gradually from passenger cars at the time of each vehicle renewal". ([Reuters](#))

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

- Opel's works council agreed to allow workers already signed up for early separation to leave, subject to a cut-off date at the end of May, but younger workers will no longer be able to apply for the program. Opel's CEO claims fixed costs have already been reduced by 17% from when PSA acquired the company. ([Handelsblatt](#))
- Faurecia invested in wireless charging start-up Powersphyr. ([Faurecia](#))
- Selected Punch Powertrain, suppliers of an integrated dual clutch transmissions and 48V motor, to provide electrified drivetrains, with a view to potentially in-sourcing production to a PSA plant. ([PSA](#))
  - Implication: Choosing a solution where the 48V system is mounted on the transmission rather than the engine may be an elegant approach that saves PSA having to redesign the engine installation of all its vehicles (providing the new transmission fits in nicely)
- Opel will use a PSA-supplied connectivity package and phase out GM OnStar (only launched in vehicles recently) at the end of 2020. ([Opel](#))
- Vauxhall and Opel are reportedly planning a hybrid-only sports hatchback "VXR" trim level. ([Auto Express](#))
- Hopes to sell 90,000 508s each year (70% diesel mix), once the refreshed version comes out. ([Les Echos](#))

## Renault (history)

- CEO Ghosn said customers no longer suffer from range anxiety in electric cars "as long as you guarantee more than 300 km". ([Clean Technica](#))
- Simplified its line-up in the UK so that there are only three trim levels on major products (from lowest to highest): Play, Iconic and GT Line. ([Autocar](#))

## Tesla (history)

- Tesla's top safety executive defected to Waymo and the head of engineering took a leave of absence. ([Bloomberg](#))
- Initiated a company-wide ban on every individual third party contractor without "a Tesla employee putting their reputation on the line for them". ([Electrek](#))
  - Implication: As a statement of intent, these moves have a powerful impact. As a management tool, they will quickly become less than satisfactory -- how will it be possible for Tesla to take on any individuals who lack a work history with Tesla employees? What may initially sound like a fantastic approach to productivity quality control can quickly tailspin into nepotism.
- Supplier orders indicate that Tesla has confidence in 5,000 per week Model 3 goal; a Chinese supplier of displays is reportedly preparing to ship 58,000 units in Q3. ([Bloomberg](#))
  - Implication: Whilst potentially confirming that Tesla are on track, beware reading too much into long-lead items which Tesla has a high confidence in using anyway and needs to order to ensure supply, regardless of whether or not it can be certain of the near-term production schedule.

## Toyota (history)

- Reported financial results for the 2017/18 fiscal year. Net revenue of 29.4 trillion yen (~\$270 billion) was 6% better than the prior year, despite a small decline in wholesales. Operating income of 2.4 trillion yen (~\$22 billion) was up 20% on 2016/17. Toyota said exchange was a big part of explaining both increases. ([Toyota](#))

## VW Group (history)

- Audi is targeting €1 billion in operating profit annually from digital services by 2025. The brand also expects the refreshed A7 and A8, along with Q8 and eTron SUVs to increase large car sales by 50% by 2022. ([Audi](#))
- Recalling 2018 model year Polo small cars to correct problems with rear seat belts. ([VW](#)). The same problem also affects SEAT Ibiza and Arona models. ([SEAT](#))
- Audi announced "irregularities" in the engine management software of V6 diesel engines. The company has halted sales of new vehicles and the circa 60,000 cars in private hands will receive an as-yet-undetermined upgrade. ([Audi](#))
- The head of the Porsche SE board said in an interview that the VW Works Council should have a say in issues about employees but should not claim to co-manage the business. ([Stern](#))

- New VW Group CEO Diess reportedly met with US diesel scandal investigators shortly before the indictment of former CEO Martin Winterkorn was issued, leading to speculation that he could have provided evidence that implicated Winterkorn. ([Reuters](#))

## Other

- **Subaru** reported 2017/18 financial year results. Revenue of 3.4 trillion yen (~\$31 billion) was up 2.4% on a year earlier, operating income of 379 billion yen (~\$3.5 billion) fell (7.6)%. ([Subaru](#))
- **Borgward** launched two new models, the BX6 SUV and the all-electric BXi7 SUV. ([Borgward](#))
- The CEO of **Elio Motors** said the company has 65,000 pre-orders for its intended 3 wheeled vehicle but requires significant capital (over \$375 million) to bring the vehicle to market. ([KSLA](#))

## News about other companies and trends ...

### Economic / Political News

- **Chinese** customs officials have reportedly been conducting “extra technical checks” on imported vehicles from the likes of **Ford**, **BMW** and **Daimler** in recent weeks. ([Reuters](#))

### Suppliers

- **Meridian Magnesium Products** suffered a plant fire, affecting production for several OEMs including **Ford**, **FCA**, **GM**, **Audi** and **Mercedes**. ([Lansing State Journal](#))
- **Magna** announced financial results for Q1 2018. Revenue of \$10.79 billion increased 21% on a year-over-year basis, adjusted EBIT of \$875 million was up 7% YoY. ([Magna](#))
- **Delphi** reported Q1 2018 revenue of \$1.3 billion and operating income of \$138 million. ([Delphi](#))
- **Bridgestone** released financial results for Q1 2018, net sales of 859 billion yen were about flat, operating income of 99 billion yen was down (3.1)% on the prior year. ([Bridgestone](#))
- **Faurecia** invested in wireless charging start-up **Powersphyr**. ([Faurecia](#))
- **Intel Capital** invested in computer vision and machine learning firm **Reconova**. ([Deal Street Asia](#))
- **Continental** reported revenue of €11 billion and adjusted EBIT of €1.1 billion for Q1 2018. ([Continental](#))
- **Clean Wave** will supply electric motors and drive units for **XING Mobility's** forthcoming supercar. ([XING](#))
- **Hyundai Mobis** aims to produce its own digital screens; at present it integrates screens from **Denso** and **Continental** into instrument panels it assembles. ([Yonhap](#))
- **ZF** will close its Friedrichshafen facility, Germany by the end of the year. ([WN.de](#))
- **Schaeffler** announced financial results for Q1 2018. Revenue was €3.6 billion and adjusted EBIT was €391 million. The firm will undergo a modest reorganisation, cutting 950 jobs globally, but says no sites will be closed. ([Schaeffler](#))
- **Magna** opened a new aluminium casting facility in Telford, UK, under the Cosma banner. The anchor customer is **JLR**. ([Magna](#))
- **Continental** signed an agreement with **UFI Filters** to sell UFI's products in the aftermarket. ([Continental](#))

### Dealers

- **Consumer finance in the UK** has now reached 89.4% on retail sales over the last 12 months. ([FLA](#))
  - Implication: For all the talk about subscription services being an emerging phenomenon, in some markets retail customers aren't far from that reality, it just goes under a different name. Yes, there is a capital tie-up and, yes, the lock in periods are several years; but possession has supplanted ownership so comprehensively that perhaps customers are ready for something different.

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

- UK bus company **Go-Ahead** will launch an on-demand minibus service using technology supplied by **Via**. ([Reuters](#))
- **Didi Chuxing** suspended its car-pooling offering, Hitch, following the murder of a passenger. Although the suspect was not the Didi account holder, he appeared able to defeat the facial recognition software used by the company to verify the identity of riders and drivers. ([China Money Network](#))

- **Grab** introduced a range of services for users with restricted mobility, called GrabAssist. The service costs more per mile and Grab takes a reduced commission (but for how long?). ([Grab](#))
  - Implication: Since many business forecasts for on-demand mobility assume massive demand growth from users with restricted mobility, it will be interesting to see whether the new service catches on.
- **Uber** held a conference about flying taxis, saying its own offering would launch in 2023 and cost \$5.73 per passenger mile, falling to \$0.44 per mile at some unspecified future point. ([TechCrunch](#))
- **Japanese bus drivers** in the city of Okayama went on strike. Unusually, rather than gather around burning dustbins in donkey jackets, the buses kept running but the drivers refused to collect fares. ([BBC](#))
- Peer-to-peer car rental start-up **SizeCar** launched in Ukraine, saying the country lacked good rental options outside major cities. ([Auto Rental News](#))
- **Lyft** reportedly has waiting lists to sign up to its monthly subscription service -- for \$200 you get 30 (up to \$15) rides per month. ([TechCrunch](#))
- **BMW's** car sharing subsidiary ReachNow will end its free-floating service in Brooklyn, New York, citing high maintenance and damage costs. The company will continue the business model elsewhere, indicating ReachNow views the problems as location-specific. ([GeekWire](#))

### Driverless / Autonomy (history)

- **Uber's** CEO said the company will resume testing autonomous vehicles in “the next few months, I don't know”. Uber has reportedly determined that the decision software was at fault for the recent fatal crash; the car spotted the pedestrian but, under a protocol designed to reduce false positives, decided to continue its present course rather than swerve or avoid them. ([The Information](#))
  - Implication: Although linked to decision making, the need for a false positive elimination is a symptom of inaccurate object recognition. If the report is correct, it appears that either Uber cannot create high confidence object recognition at higher speeds and longer ranges; or that it forgot to remove a workaround created for earlier testing. [Read our analysis of why object recognition is harder than you think here.](#)
- **Drive.ai** will offer a ride hailing service using autonomous vans starting this summer in Texas -- the small number of vehicles in the fleet may hamper efforts to recruit customers. ([Bloomberg](#))
- **GM's** head of strategy said it will take around 6 months to learn a new city. ([GM](#))

### Electrification (history)

- **Enel's eMotorWerks** unit announced a new charging product that balances electrical load using software and makes it easier for fleets to install additional charging units as the number of electric vehicles grows. ([Enel](#))
- **ElringKlinger** will supply battery systems for **Sono Motors**, a start-up planning a city car augmented with solar charging. ([Economic Times of India](#))
- **Rolls-Royce's** CEO said the new architecture underpinning Cullinan, but to be shared with other future models, is “ready for electrification and other changes as well”. ([Autocar](#))
- **Fisker** may change their plan for the EMotion sports car and go back to solid state batteries at launch (having previously said they were switching from solid state to conventional LG cells). CEO Henrik Fisker said he was “pushing the team” to get the technology ready for a 2020 launch. ([Inside EVs](#))
- Motorhome maker **Winnebago** and **Motiv Power** are creating a new electrified commercial vehicle platform with an expected range of 85 - 125 miles. Winnebago will also invest in Motiv Power. ([Green Car Congress](#))
- **Renault** and **Nissan** will reportedly use batteries sourced from **CATL** for China-market BEVs. ([Electrek](#))
- **Nidec** launched a 320 kW charger with an inbuilt 160 kWh battery that reduces grid drain to 50kW. ([Inside EVs](#))
  - Implication: Fast chargers seem to be almost universally regarded as a necessary part of electrification infrastructure, yet in many locations the grid simply cannot supply the necessary power without substantial upgrade. Solutions such as this seem to offer the best of both worlds for small installations -- given the cost of batteries, larger sites will probably justify getting the infrastructure sorted.
- Charging station supplier **Clipper Creek** has started offering used chargers. ([Clipper Creek](#))

## Connectivity

- **BYD** is launching a new platform that will give third parties access to the full gamut of in-vehicle sensors (341 by BYD's count) and controls (66). ([BYD](#))
  - Implication: Not only are BYD giving third parties access to the car (a rarity for most OEMs), they are allowing a much deeper relationship -- far beyond interactions with only the in-car entertainment. BYD and their partners (presumably a lot of which will be Chinese) will benefit from the increased consumer insight the move will bring, and will gain a head start on developing technologies and solutions whilst other OEMs try to guard access to the vehicle (a move that may prove fruitless in the long run). If other Chinese OEMs follow BYD's lead, this may also become an area where China leapfrogs the West.
- Having previously announced **Google's** Android would underpin the next-generation Sensus infotainment system, **Volvo** confirmed that Google apps will be embedded by design and provide the same level of functionality as vehicles equipped with Android Auto, but not requiring an Android-equipped phone. ([Volvo](#))
- **Opel** will use a PSA-supplied connectivity package and phase out **GM OnStar** (only launched in vehicles recently) at the end of 2020. ([Opel](#))

## Other

- **Walmart** said it was continuing on-demand grocery delivery, but would no longer use **Lyft** or **Uber**. ([Reuters](#))