



AD PUNCTUM

Autos & Mobility Industry Briefing -- 3rd June to 9th June 2019

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

Apology

Last week I made a stupid joke about Volvo's efforts to improve safety. It was unfunny, unwarranted and not something I am proud of. This weekly review aims to keep you well informed, with enjoyable moments amongst the detail, and improve Ad Punctum's reputation along the way. I didn't do that last week, and I am sorry.

News about the major automakers

BMW (history)

- Announced a collaboration with JLR on next generation electric drives, based on the unit that will debut in the BMW iX3 SUV. Both companies will independently produce drives from common designs. ([BMW](#))
- Invested in data processing firm Yellowbrick Data. ([FINSMES](#))
- Opened a new plant for 3 Series in San Luis Potosi, Mexico. ([BMW](#))
- Will make "safety-relevant" European traffic data available without licence feeds from 1st July. ([BMW](#))

Daimler (history)

- Will start marketing the China-only Denza brand, created in collaboration with BYD, through Mercedes-Benz dealers in China in a bid to increase demand. ([China Daily](#))
- Adding a new city to its US subscription scheme pilot, and a new tier for AMG models. ([TechCrunch](#))
- The CEO of Torc Robotics -- in which Daimler recently took a majority stake -- believes autonomous trucks will develop more quickly than robotaxis over the next decade, with the first applications on daily long haul routes of 300 miles or so. ([Trucking Info](#))

FCA (history)

- Called off the merger proposal with Renault, saying the French government had been unreasonable. ([FCA](#))
- Being sued by the executive in charge of US sales, claiming he is victimised for cooperating with a regulatory probe into sales reporting. Although he oversaw the discredited reporting practices for many years, he says that they had been in place long before that. ([Reuters](#))
- Recalling almost 300,000 US pick-up trucks to fix problems with seat belts and air bags. ([FCA](#))
- Partnered with Aurora to develop self-driving technology. ([Aurora](#))
 - Significance: FCA now has relationships with three different self-driving groups: BMW / MobilEye; Waymo and Aurora. Although the impact on variable costs and package of having a third party system remain unclear (because no one has a working system), FCA's strategy shows that with sufficient volume, doors remain open to collaboration.

Ferrari

- Formula 1 teams are reportedly set for a \$175 million cost cap in 2021 -- excluding engines, drivers and marketing costs. Although this would probably force the Ferrari team to reduce its footprint (and potentially cede some competitiveness), it could be positive for profits if prize and sponsorship income were unchanged. ([Motorsport](#))

Ford (history)

- Released its latest sustainability report. Revealingly, Ford's employees appear less than impressed with the current state of the firm. In the 2016 report Ford's internal surveys found 81% were satisfied with the company. That fell to 71% in 2017 and 60% last year. ([Ford](#))
- Will start production of battery packs at the Valencia, Spain, factory. Unions fretted that this was partial compensation in advance for as-yet unannounced workload reductions in other areas of the plant. ([Europa Press](#))
- Ford's Chinese JV with Changan was fined \$23.6 million because of the way it set resale guarantees. ([Arab News](#))
- Executives said that there had been interest from several companies in Ford's shuttered Russian sites and the company was keen to sell them. ([Economic Times of India](#))
- Confirmed plans to close the Bridgend engine factory in late 2020 once deliveries of engines to Jaguar Land Rover cease. Production of Ford's 1.5 litre engine will stop in early 2020. ([Ford](#))
 - Significance: Ford blamed falling demand and under-utilisation but the decision taken several years ago to only install only a fraction of the plant's then nearly 1 million units of annual capacity appears to have precipitated an inevitable decline. As with the closure of Honda's Swindon plant, mainstream national politicians refused to get involved, presumably in case Ford decided to say it was because of Brexit (which it doesn't appear to be).
- The head of Ford's automotive division believes that if fuel prices rise, US customers will switch to hybrid SUVs rather than passenger cars and so the company's decision to exit car segments won't be impacted by economic factors. He also denies that the firm is behind competitors in developing battery electric vehicles. ([Ford](#))
- Ford has three major suppliers for steel in North America and negotiates yearlong contracts, with renewals staggered so that they take place once per quarter (with one quarter off so the purchasing team can rest). ([Ford](#))

General Motors (history)

- Expanded the amount of US and Canadian highway mapped for the Super Cruise hands-off driving system from 130,000 to 200,000 miles, and added some ability to drive through intersections. ([Detroit News](#))
- GM's president says forthcoming all-electric vehicles will be profitable despite intending to charge "very average" transaction prices and that cost parity between electric and conventionally powered cars will arrive "sooner than people think". ([Bloomberg](#))

Hyundai / Kia (history)

- Kia's new compact SUV will be called the Seltos. ([Kia](#))
- Will use sensors and algorithms developed by Israeli firm MDGo in a pilot project to assess occupant condition after an accident. ([Hyundai](#))
- Released the first images of the new XCeed Crossover model. ([Kia](#))
- Although Kia is exploring new business models relating to mobility and transportation and a service, the company is struggling to see a route to profitability and is especially troubled by how to cope with residual value risk when providing new cars in alternative schemes. ([Forbes](#))

Mazda

- Mazda executives admitted that the firm may have to pay some fines in 2020 for missing European fleet CO₂ targets but says everything will be sorted out by 2021 when the company launches a new BEV. ([Automotive News](#))
- The new Mazda 3 sports an internal combustion engine augmented by a 24V electric motor -- 48V is becoming de rigueur, 12V is old money. ([Mazda](#))
 - Significance: Cheaper than 48V, Mazda appears to be taking a partial regulatory cost hit to electrically augment engines now, with the potential to go to a more capable 48V system should regulatory demands force the firm's hand. The 24V also suffers from relatively poor NEDC to WLTP performance compared to many 48V systems.

Nissan (includes Mitsubishi) (history)

- Renault complained that it was under-represented in Nissan's new corporate governance plan, but didn't object to the new framework, threatening to abstain from any shareholder vote (and effectively block the move). Nissan called the stance "regrettable". ([Nissan](#))
- Nissan could refuse to support any revamped merger proposal between FCA and Renault unless the latter sells some of its Nissan stake. ([Reuters](#))

PSA (includes Opel/Vauxhall) (history)

- Launched Free2Move Rent, a service offering online booking for short term rental. PSA says that by the end of the year, 20,000 cars and commercial vehicles will be on offer. ([PSA](#))
- The all-electric Corsa clearly isn't aiming to make too much of a sales impact. Opel has set the car's price at almost €30,000. ([Opel](#)) The car Opel really hopes people will buy is the Grandland X plug-in hybrid. ([Opel](#))
- Peugeot's UK boss said the brand had walked away from 5,000 fleet deals since 2017 to protect margins and that he wants to weed out loss-making dealers, threatening any site that makes a loss in 2019 with the cancellation of its franchise agreement. In the event of a no-deal Brexit, PSA intends to immediately pass through tariff costs via increased wholesale prices. ([Automotive Manager](#))

Renault (history)

- FCA called off the merger proposal with Renault, saying the French government had been unreasonable. After agreeing to job guarantees, improved financial terms and governance structures, it seems as though demands to get Nissan's buy-in were the final straw. ([FCA](#))
 - Significance: Given that FCA called off talks less than two weeks after going public, in the face of entirely predictable French government demands, the question seems to be, were they poorly advised or unrealistically optimistic? Renault's management, FCA's advisers and FCA's own globetrotting executives should surely have expected some degree of government arm-twisting given the state's large shareholding and similar manoeuvres in other industrial M&A.
- Said an audit concluded that some of the expenses by Renault-Nissan's jointly-owned Dutch subsidiary raised "concerns" and that it would work with Nissan to take action against Carlos Ghosn. ([Renault](#))
- Threw a spanner in the works of Nissan plans to change the corporate governance structure, complaining that Renault was under-represented in the new plan, but not objecting to the new framework. ([Reuters](#))
- As wage negotiations with Renault Samsung bosses faltered, many line workers appeared to break ranks with union calls for an all-out strike. Union leaders said it was gossip spread by malicious managers. ([Korea Times](#))
- The French government is prepared to reduce its stake in Renault if it helped to safeguard the future of the alliance with Nissan. ([AFP](#))
- Nissan could refuse to support any revamped merger proposal between FCA and Renault unless the latter sells some of its Nissan stake. ([Reuters](#))

Tata (includes JLR) (history)

- Announced a collaboration with BMW on next generation electric drives, based on the unit that will debut in the BMW iX3 SUV. Both companies will independently produce drives from common designs. ([JLR](#))
- JLR's design chief is moving on professionally, but will remain as a consultant. ([JLR](#))

Toyota (history)

- Developing a dedicated electric vehicle platform for mid-sized and large passenger vehicles,. The first project will be a C-sized SUV that both companies will badge and market separately. ([Subaru](#))
- Said that electric vehicles were more popular than it had anticipated in 2017 and product plans had therefore been revisited. Amongst the vehicles now planned is a mini car with heavily restricted performance (e.g. maximum speed of 60 km/h) and various standing and sitting electric scooters. Toyota will have six global BEVs (including the Suzuki, Daihatsu and Subaru collaborations) and will expand the range of battery suppliers it works with. ([Toyota](#))

VW Group (history)

- Agreed with unions that 4,000 German jobs can be eliminated by 2023 in VW's digitalisation initiative, but only in exchange for guarantees that there will be no involuntary redundancies until 2029. VW executives had previously talked about up to 7,000 posts going. ([VW](#))
- After months of rumours, the sale of transmissions maker Renk is reportedly imminent. ([Reuters](#))

Other

- **NEVS** acquired electric hub motor developer **Protean**. ([Protean](#))
- **Gordon Murray** plan to build 100 V12-powered T.50 supercars, with deliveries starting in 2022 and prices in excess of £2 million. ([Gordon Murray](#))
- **Great Wall** started production at a new factory in Russia. ([Great Wall](#))
- Chinese electric vehicle maker **Bordrin Motor** raised \$361 million. ([Deal Street Asia](#))

News about other companies and trends ...

Economic / Political News

- President Trump abruptly called off his threat to implement **US tariffs** on Mexican imports, citing improved anti-immigration practices. ([Reuters](#))
- US light vehicle industry SAAR in May reached 17.31 million units, up 3% on prior year. ([Wards](#))
- May passenger car registrations in the **UK** of 183,724 units fell (4.6)% compared to a year earlier. ([SMMT](#))
- **German** passenger car registrations in May of 332,962 vehicles rose 9.1% from a year earlier. ([KBA](#))
- In May, **France** had 193,948 passenger car registrations, an increase of 1.2% from prior year. ([CCFA](#))
- **Spain** saw 125,625 passenger cars registered during May, a drop of (7.3)% from prior year. ([ANFAC](#))
- Passenger car registrations in **Italy** during May totalled 197,307 units, a (1.1)% decrease versus prior year. ([UNRAE](#))
- **China's** government will encourage new car sales in rural areas and has told cities to stop restricting the number of permits available to electrified vehicles. ([Economic Times of India](#))

Suppliers

- **Bharat Forge** increased its holding in electric motorcycle company **Tork Motors** to almost 49%. ([Autocar](#))
- **Michelin** enlisted **GM** to help testing airless tyres. The main claimed benefit is that tyres will not need to be replaced because of punctures or damage, and that fuel economy deterioration due to inconsistent tyre pressure will be a thing of the past. ([Michelin](#))
- **Joyson** simplified operations in India by combing two separate joint ventures. ([Autocar](#))
- **ZF** has developed an airbag that uses input from crash sensors to determine that a side impact is imminent and then opens on the outside of the vehicle to provide additional cushioning. ZF claims a 40% reduction in accident severity, although it isn't clear how this is determined. ([ZF](#))

Ride-Hailing, Car Sharing & Rental (history)

- **Hertz** announced a "subscription" scheme that offers a wide range of vehicles, with up to two changes per month for \$999, or a posher selection for \$1,399. ([Hertz](#))
- **Uber's** COO and marketing chiefs lost their jobs because the CEO wants greater day-to-day control. ([ZDNet](#))
- **Uber** said its accounts were under review by US tax authorities and a write down in unrecognised tax benefits of \$141 million is expected. ([Reuters](#))
- **India's** government will reportedly demand that ride hailing companies convert at least 40% of their fleets to electric vehicles by 2026. ([Reuters](#))

Driverless / Autonomy (history)

- Interest in autonomous technology by the **United States Parcel Service (USPS)** led industry observers to wonder whether the firm might specify some degree of future-proofing in a much anticipated order to replace its mainly 90's era fleet of short distance delivery vans. ([Trucks](#))
- **Quanergy** said it would not accept the patent ruling in **Velodyne's** favour, and that the Velodyne puck wouldn't work if it were not for Quanergy's intellectual property. ([Quanergy](#))
- **Apple** is reportedly in talks to buy self-driving start-up **Drive.ai**. ([The Information](#))
- Self-driving vehicle developer **Gatik.ai** emerged from stealth mode, saying **Walmart** are an early customer for a pilot program. ([TechCrunch](#))
- **FCA** partnered with **Aurora** to develop self-driving technology. ([Aurora](#))

Electrification (history)

- Industry insiders appear concerned at the lack of a transparent pricing mechanism for **lithium**, a key raw material in most electric vehicle battery designs. ([Reuters](#))
- **NEVS** acquired electric hub motor developer **Protean**. ([Protean](#))
- **India's** government will reportedly demand that ride hailing companies convert at least 40% of their fleets to electric vehicles by 2026. ([Reuters](#))

Connectivity

- A group comprised of **HERE**, **TomTom**, **Daimler**, **BMW**, **Ford** and **Volvo** are undertaking a vehicle to everything (V2X) test program across Germany, Spain, Finland, Luxembourg, the Netherlands and Sweden. ([Daimler](#))
- **Cohda Wireless** and **Sasken** technologies will jointly develop V2X hardware and software. ([Telematics News](#))

Other

- Bus maker **TEMSA** has a new owner. ([TEMSA](#))
- Flying car builder **NFT** showed off the Aska and claims people could subscribe to partial ownership for between \$200 to \$300 per month. ([CNET](#))
- Scooter rental firm **Bird** plans to launch electric mopeds, a higher speed offering with room for two. ([The Verge](#)) The company has reportedly agreed to acquire smaller rival **Scoot**. ([TechCrunch](#))
- 10,000 surplus bicycles, discarded by **Ofo** and **oBike** as they abandoned operations in Singapore have found a new lease of life as transport for students in Myanmar. ([Tech In Asia](#))
- Bicycle and scooter rental service **Grow Mobility** merged with payments start-up **Flinto**. ([TechCrunch](#))
- **Amazon's** CEO believes that within ten years, robots will be able to reliably grip objects with a similar dexterity to a human hand. ([Reuters](#))
 - Significance: Contrary to popular belief, the assembly stage of a car is still almost entirely manual, with little philosophical difference between a Rolls-Royce Phantom and a Ford Fiesta (from a manufacturing engineer's viewpoint -- conveyor method and production tempo notwithstanding). Robots that could grasp and assemble nuts, bolts and cables, would be a significant productivity step (and be bad news for low-skilled jobs).