



# AD PUNCTUM

## Autos & Mobility Industry Briefing -- 16<sup>th</sup> September to 22<sup>nd</sup> September 2019

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)

- BMW is telling suppliers of future product components that drive controls must be isolated from the internet to protect the vehicle from cybersecurity attacks. ([Reuters](#))
  - Significance: Although on the surface this sounds reasonable, if correct, it also implies that BMW is creating a system that will make it impossible for much of the vehicle hardware to be changed remotely (it is near-impossible to stop this being done if you can plug in to the vehicle). The effect is that BMW will be unable to send out the type of updates that Tesla have become famous for, even as customers come to see it as the norm.
- Launched a pilot project, with several other interested parties, to ensure that cobalt mined at “artisanal” Congolese mines (i.e. those not operated by large businesses) has been mined ethically. ([BMW](#))
  - Significance: Although on the surface this could appear to be about fluffy sustainability, it more reflects growing concerns that mainstream supplies of cobalt could prove insufficient in the face of higher usage from electric vehicle batteries. BMW and others are seeking to develop these alternatives in a manner that will not be criticised later.
- Reportedly considering plans to cut 5,000 - 6,000 jobs by 2022, mostly at headquarters. ([Reuters](#))
- Invested in Trifacta, a provider of data management software. ([BMW](#))

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

- Daimler’s development chief gave an interview in which he suggested that the firm was not planning to create any brand new engines after the generation being currently rolled out (although he did not rule out updating them, or even reversing course at some point). ([Auto Motor Und Sport](#))
- Daimler trucks will use batteries supplied by CATL. ([CATL](#))

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

- Running a pilot with utility company Terna to better understand the potential for vehicle to grid (V2G) technologies in charging large fleets. ([FCA](#))

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

- Replaced earlier plans to overhaul the main US engineering site with designs more suited to CEO Hackett’s vision of Ford’s future than predecessor Mark Fields’s. Despite the revisions, Ford said that the new buildings will be delivered in time with the original announcements. ([Ford](#))
- Although Ford and VW have already said their collaboration on electric cars could yield a second model, Ford’s European boss said that although only the first project has been approved, it won’t make sense financially without the other one. ([Reuters](#))

## Geely (includes Volvo) (history)

- Lotus's CEO said the brand was having a "good year" in 2019 in response to a question about whether it was still on track to deliver around 1,700 cars this year. Although he is looking for avenues to increase volumes and see personalisation as important, offering bespoke vehicles doesn't appear to be a priority. ([Bloomberg](#))
- Volvo is reducing its use of consultants and "squeezing them a bit harder" to save money. The CEO believes that these measures, allied to more restrictive hiring criteria, will be enough to avoid job losses. (Automotive News)
- Customers of Volvo's all-inclusive leasing product (often referred to as subscription) are, on average, 10 years younger than the brand's "typical" buyers. Volvo's CEO attributes this to their decent pay but limited savings -- although he compared all-inclusive customers to those paying cash upfront, a rarity these days. Take-up rates are still low. A recently German scheme is accounting for 2.5% of sales (versus a 5% target). ([Automotive News](#))
  - Significance: His comments suggest that Volvo's analysis is much of the profit from all-inclusive products lies in the lower financing costs for the OEM versus the consumer (assuming they don't find themselves being written off by bond rating agencies).

## General Motors (history)

- US Union officials are rumoured to be considering keeping workers out on strike until any new deal with GM has been formally ratified by workers. If true, this would mean prolonging the strike for about a week from the customary return to work date (when the negotiators agree a draft deal). ([Detroit Free Press](#))
- Striking US workers have forced stoppages at some non-US GM plants, and those of suppliers. ([Reuters](#))
- GM said that the UAW would have to cover the healthcare costs of workers that had gone out on strike. ([Reuters](#))
- Selling some of GM's Indian engineering centre to Tata Consultancy Services with a five year contract for ongoing development, similar to PSA's sale of non-core Opel research activities to Segula. Over 1,300 employees will transfer over to Tata under the agreement. ([Tata](#))
  - Significance: In an age where many technology companies tout engineering centres in India as a path to innovative value engineering and local market nous, GM's move to reduce its footprint in the country suggests that it has a pessimistic view of its ability to compete in this emerging market (despite the Government's proclamations of an all-electric future).

## Hyundai / Kia (history)

- Opened a Beijing office for the CRADLE in-house VC unit, declaring the global network to be complete. ([Kia](#))
- Announced a joint venture with Aptiv to develop self-driving vehicles that will see Hyundai and Kia contribute \$1.6 billion in cash in return for a 50% in the combined entity. There is an explicit target to have a commercially available system by 2022, although not necessarily for retail buyers. ([Hyundai](#))

## Nissan (includes Mitsubishi) (history)

- Nissan expanded an existing relationship with utility company EDF that offered electric vehicle charging and payment services to UK customers. The collaboration will now include France, Belgium and Italy too. ([Nissan](#))
- Reportedly in talks to sell its spare parts distribution business, with a figure of \$1 billion mentioned. ([Reuters](#))
- Agreed to pay the SEC \$15 million to settle charges of misstating director earnings. ([Nissan](#)) Carlos Ghosn also settled, paying \$1 million for his role in the debacle, and agreeing to a 10 year ban on US directorships. ([Sky News](#))

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

- Held a capital markets day, amongst other nuggets: Citroen said that pricing power versus Ford was now up to 5 pts and the brand thinks it can hold this between 3 pts and 5 pts into 2021 and the DS7 Crossback has the best per unit profit in the entire PSA portfolio. DS says that dealers make their money back on new sites within three years. ([PSA](#))

## Renault (history)

- Renault and Mobivia are acquiring control of spare parts company Exadis, in which Renault already owes a stake, subject to approval by competition authorities. ([Renault](#))

## Toyota (history)

- Toyota's assembler in Pakistan has shut down for the remainder of September due to weak sales. ([Dawn](#))
- Investing \$391 million in a new program at its San Antonio, USA, factory. ([Toyota](#))
- Lexus is launching a \$4.2 million yacht. ([Nikkei](#))
- Investing 1 billion BRL (about \$240 million) at the Sorocaba, Brazil, plant to launch a new product (the details of which will remain secret, for now). ([Toyota](#))

## VW Group (history)

- Settled a case in Australia related to emissions cheating that will see VW pay upwards of \$87 million (the final amount depends on how many owners the lawyers can track down). ([The Guardian](#))
- Chairman Pötsch and CEO Diess are reportedly safe in their jobs even if German prosecutors charge them with failing to notify shareholders of the diesel scandal quickly enough. ([Handelsblatt](#))
- Detailed some of the carbon offsetting VW has paid for to earn a carbon neutral badging for the ID3. ([VW](#))
- Bentley released its most exclusive product. Just 100 jars of honey produced by Bentley's on-site beehives are available. Some will go to VIP guests, and the remainder will be taste tested by hungry employees. ([Bentley](#))
- Škoda hopes that the plug-in hybrid version of the Superb will make up around 20% of sales, meaning about 15,000 cars per year. ([Automotive News](#))
- The next generation Golf will have two plug-in hybrid derivatives. The first will be a near-carryover of today's GTE specification (around 200PS) whilst the second will have higher performance (around 240PS). ([Autocar](#))
- Took a 25% stake in Indian online lender Kuwy. ([Verna](#))
- Audi says the electric car has the best lifetime carbon footprint of all drive systems (in developed markets). ([Audi](#))
  - Significance: Unfortunately Audi didn't share its workings as the carbon footprint of different powertrain types is a hotly disputed topic.

## Other

- **Faraday Future's** new CEO says he left **Byton** because the investment by Chinese carmaker FAW created too much government interference and had been a de facto takeover. ([The Verge](#))
- **Arrival** says it has budgeted £100 million to bring all-electric commercial vehicles to market and that production will begin using a fully automated process at the end of the year. ([The Guardian](#))
- **Ineos** confirmed that Bridgend, UK, will be the site of final assembly for the forthcoming Grenadier SUV, but it won't be the **Ford** plant. The body and chassis will be built in Estarreja, Portugal. ([Ineos](#))
- **Amazon** said it will buy 100,000 electric delivery vehicles and they will be coming from **Rivian**, with initial vans in Amazon's hands by 2021. ([Reuters](#))
  - Significance: Given Amazon's focus on cost control, the deal implies that either: Rivian's vehicles will be far cheaper to build than contemporary rivals can manage; Amazon is loosening the purse strings; Rivian has a funding model that keeps the vehicles on their books; or that it might do Rivian more harm than good.

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

### Economic / Political News

- Registrations of 1,074,169 passenger cars in **Europe** during August dropped (8.6)% versus prior year. ([ACEA](#))
- The **US** government changed the rules so that individual states could no longer set their own **vehicle emissions standards** in a move aimed at ending **California's** habit of setting more stringent requirements than those issued by the federal government. California says it will go to court to get the decision reversed. ([Detroit News](#))
- **Germany's** government announced plans to combat CO<sub>2</sub> with a range of measures including a tradeable carbon price per tonne. ([Climate Change News](#))

### Suppliers

- **AAM** is selling its US iron casting business to a VC firm. ([AAM](#))

- **ZF** completed its divestment of the stake in **Haldex** and seemed happy with the price. ([ZF](#))
- **GM** is selling some of its Indian engineering centre to **Tata Consultancy Services** with a five year contract for ongoing development, similar to PSA's sale of non-core Opel research activities to Segula. Over 1,300 employees will transfer over to Tata under the agreement. ([Tata](#))

## Dealers

- **Fair** raised \$500 million to expand its financing business. ([Fair](#))
- Online car sales firm **Carro** invested \$30 million in Malaysian website **Tukar**. ([Deal Street Asia](#))
- Used car sales site **iCar Asia** acquired **Carmudi** in a \$3 million deal. ([Deal Street Asia](#))

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

- **Indian** short-term car rental operators are complaining that peer-to-peer services (illegal in India, despite being okay in other countries) are making it uneconomical to operate. ([Economic Times of India](#))
- White label fleet management firm **Wunder Mobility** raised \$60 million. ([Wunder](#))
- Bicycle rental operator **Lime** is ending its short term car rental scheme, citing the lack of a suitable partner to create an all-electric offering. ([Geek Wire](#))
- **Uber** is challenging in court a **New York** rule that limits the amount of time drivers can spend cruising around waiting for work in central Manhattan. ([Reuters](#))
- **Bid2Ride** is the latest ride hailing app to launch with a business model that sees drivers bid for journeys. ([Bid2Ride](#))
  - Significance: Since Uber and Lyft long-ago adopted a model where drivers are unaware of the trip details until after they have accepted, it remains to be seen whether this counts as an innovation or is an approach that has had its time.

## Driverless / Autonomy (history)

- **Waymo's** first monthly report about automated taxi trials with passengers in California was published. The firm carried almost 6,300 people 48,137 miles without a driver present (but monitored by someone remotely). ([California](#))
  - Significance: The average trip length of about 2.5 miles is in line with a normal taxi service, but the average waiting time between jobs of almost an hour suggests the company is yet to test the limits of capacity utilisation. Google said this was because when the cars aren't in use for the ride hailing service they do other testing work, rather than waiting.
- **TuSimple** raised \$120 million, aiming to bring a self-driving truck to production by 2023. ([Reuters](#))
- **AutoX** raised \$100m from a group of investors including **Dongfeng**. ([Deal Street Asia](#))
- **Uber** will start testing driverless cars in Dallas during November, but for the moment the cars will be driven manually with the automated system only operating in shadow mode. ([Uber](#))
- **Hyundai** announced a joint venture with **Aptiv** to develop self-driving vehicles that will see Hyundai and Kia contribute \$1.6 billion in cash in return for a 50% in the combined entity. There is an explicit target to have a commercially available system by 2022, although not necessarily for retail buyers. ([Hyundai](#))

## Electrification (history)

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- **Audi** says the electric car has the best lifetime carbon footprint of all drive systems (in developed markets). ([Audi](#))

## Connectivity

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## Other

- **Navistar** held an investor day, saying it was recession-ready. ([Navistar - page 87](#))
- British bus maker **Wrightbus** is on the verge of collapse. ([The Guardian](#))
- **Navistar** and **Mack Trucks** have been scheduling down days and reduced shifts, with Mack planning an additional two weeks off at one plant this winter. ([Morning Call](#))