

## Foley Weekly Automotive Report - June 8 2021

Article By:

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This report helps automotive suppliers inform their legal and operational decisions to help address challenges and opportunities.

### Key Developments

- **U.S. new light vehicles sales in May** exceeded projections to reach a [SAAR of 17 million units](#), compared to 12.1 million units in May 2020 and 17.3 million units in May 2019.
- **New vehicle inventories** fell to a [23 days' supply](#) industrywide at the end of May, down from a 33 days' supply at the end of April.
- Due to the semiconductor shortage, **Stellantis** will [stop production](#) the week of June 7 at its Jeep Cherokee plant in **Belvidere, Illinois**, and its minivan plant in **Windsor, Ontario**.
- **GM plans to increase vehicle deliveries to dealerships in July** as a result of its improved chip supplies as well as production efficiencies implemented to mitigate the chip shortage.
- **Robert Bosch** opened a 1 billion euro [semiconductor plant](#) in Germany, a record investment for the supplier, with production of automotive chips to begin in September.
- Rep. Bob Latta (R-OH) [introduced](#) legislation last week to revive the **SELF DRIVE Act**, an effort to “create a much-needed federal framework to help the deployment of autonomous vehicles in the U.S.”
- Unless there is a major breakthrough in artificial intelligence, **fully self-driving vehicles may require decades of development**, according to academics with expertise in artificial intelligence, systems engineering and autonomous technologies, as quoted in [The Wall Street Journal](#).
- **Electric Vehicles and Low Emissions Technology:**

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- As a result of the COVID-19 pandemic and the semiconductor shortage, **Nissan** will [delay the release](#) of its flagship Ariya all-electric crossover from “mid-2021” to sometime “this winter” in Japan, with a wider rollout to follow.
  - The Hongguang Mini EV is currently the [best-selling EV in China](#); this microcar is made by Chinese-American joint venture **SAIC-GM-Wuling Automobile Co.**
  - As established automakers race to expand EV portfolios, **commercial electric van startups** are expected to soon face [increased competition](#) to win orders from companies such as UPS, FedEx, DHL and Amazon.
  - A **Connecticut** dealership group [filed suit](#) to stop **Tesla** from opening a showroom on the grounds that state law prohibits the direct sale of vehicles to consumers.

## Market Trends and Regulatory

- **U.S. new light vehicle sales in May** [reached](#) a seasonally adjusted, annualized rate of sales of **17 million units**, exceeding [projections](#), but dropping approximately 9% compared to April's upwardly revised SAAR that surpassed 18 million units. The decline from April is attributed to constrained inventory levels, which averaged a **23 days' supply industrywide**, according to [Bloomberg](#).
- **President Biden** and **Senate Republicans** [continue to negotiate](#) in an effort to create a **bipartisan infrastructure package**, with the president most recently indicating he would consider dropping a previous plan to increase the corporate tax rate to 28%, in addition to **reducing the size of the proposal to \$1 trillion**, from a previous [counteroffer of \\$1.7 trillion](#). **House Democrats** [revealed a proposal](#) for spending **\$547 billion over the next five years** on road, mass transit and rail projects, which incorporates some portions of the president's broader infrastructure package.
- The **Alliance for Automotive Innovation** released a [statement](#) of support for Rep. Bob Latta's [reintroduction](#) of a bill related to the Safely Ensuring Lives Future Deployment and Research in Vehicle Evolution (SELF DRIVE) Act. The text of the [new bill](#) has not yet posted. The SELF DRIVE Act ([H.R. 3388](#)) was first introduced during the 115<sup>th</sup> Congress, where it passed the House, but a similar bill filed to pass in the Senate ([AV START Act S.1885](#)). Rep. Latta had also reintroduced the SELF DRIVE Act ([H.R. 8350](#)) last September, but it failed to gain traction.
- According to the **National Highway Traffic Safety Administration**, [U.S. traffic fatalities](#) reached an estimated 38,860 in 2020, **representing an increase of 7.2% from 2019**, and the **highest yearly total since 2007**. There was a 13% decrease in miles driven in 2020 as a result of the pandemic. NHTSA said the main behaviors behind the traffic fatalities were speeding, impaired driving, and failure to wear seatbelts.
- In a recent hearing, the chair of the **California Air Resources Board** and the state's **attorney general** [asked](#) the U.S. Environmental Protection Agency to restore a waiver that allowed the state to set its own greenhouse gas emissions standards for vehicles. The **Clean Air Act waiver** was rescinded during the Trump presidency, and the EPA is in the process of reconsidering this withdrawal, with the [intent to propose a new rule](#) in July.

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## OEMs/Suppliers

- *Production impact of the semiconductor shortage* – **Stellantis** has [resumed](#) full production at its **Jefferson North** and **Warren Truck** plants in Michigan. Jefferson North produces the Jeep Grand Cherokee and Dodge Durango SUVs, and had reduced production since the end of April. Warren Truck produces vehicles including the Ram 1500 Classic pickup, and had reduced output since March. The automaker's Jeep Cherokee plant in **Belvidere, Illinois**, resumed production May 31, and will have downtime the week of June 7. The **Windsor, Ontario**, minivan plant resumed partial production the week of May 31, and will also have downtime the week of June 7.
  - **GM** [intends](#) to **increase vehicle deliveries to dealerships** in July due to production efficiencies it has implemented to mitigate the chip shortage as well as “the pull-ahead of some projected semiconductor deliveries into the second quarter.” By early July, the automaker will complete, test and ship **30,000 Chevrolet Colorado** and **GMC Canyon** midsize pickups that had been held for microchips at its plant in **Wentzville, Missouri**. The Wentzville plant has lost an estimated 47,000 units of [planned vehicle production](#) this year, according to AutoForecast Solutions. Beginning in mid-July, shipments from its heavy-duty truck plant in **Flint, Michigan**, will increase by roughly 1,000 trucks per month. GM also stated its **first-half results are now expected to be “significantly better than the first-half guidance previously provided,”** with more details on guidance to be released during the Q2 earnings call on August 4.
  - Chip-maker **Renesas** [estimates](#) it will return to full production in mid-June as it completes the replacement of equipment damaged during a fire in March. Ranked by revenue, Renesas is the third largest manufacturer of automotive chips.
- **Ford** could potentially pay **penalties of \$652 million to \$1.3 billion** as part of a [lengthy dispute](#) with U.S. Customs and Border Protection over imports of Transit Connect vans that were initially categorized as passenger vans, only to later be converted to cargo vans. According to a recent [regulatory filing](#) from Ford, “U.S. Customs and Border Protection (CBP) ruled in 2013 that Transit Connects imported as passenger wagons and later converted into cargo vans are subject to the 25% duty applicable to cargo vehicles, rather than the 2.5% duty applicable to passenger vehicles.”
- **Daimler** and **Nokia** have [resolved](#) all pending litigation related to their patent dispute over cellular technology in vehicles. Daimler will pay Nokia patent fees; however, the terms of the patent licensing agreement were not disclosed.
- The **Tokyo Motor Show** will next be [held in 2023](#) with the theme of “green and digital,” referring to a “medium- to long-term message (for Japan) to realize the carbon neutrality target in 2050.” The biennial auto show for 2021 was [canceled](#) due to the difficulty of providing a safe and secure environment amid the pandemic.

## Connected/Autonomous Vehicles and Mobility Services

- **Cruise LLC** is the first company to receive [authorization](#) to participate in the California Public Utilities Commission's **Driverless Pilot program**. This program allows Cruise to operate

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prototype autonomous vehicles that could transport the public; passengers will not be charged for any rides in test AVs. Cruise is majority-owned by GM.

- **Toyota** [will implement Toyota Data Privacy Portal](#) for vehicles with connected services capabilities built in model year 2013 and later. The portal will be in the account settings sections of Toyota and Lexus apps, and is intended to “increase data transparency, accessibility and control” for vehicle owners.
- **GM** will [offer](#) the **OnStar Guardian mobile app** to anyone in the U.S. that has a compatible Apple or Android cell phone, regardless of the vehicle they drive. The app provides 24/7 access to emergency advisors and other services for \$15 a month. GM estimates OnStar Guardian has a **total addressable market of \$100 billion globally**.

## Electric Vehicles and Low Emissions Technology

- A **Connecticut** dealership group [filed suit](#) to stop **Tesla** from opening a showroom and service center. Hoffman Auto Group alleges that a decision by the municipality of East Hartford in favor of building the service center and showroom is a violation of a state law that prohibits the direct sale of vehicles to consumers. Several EV makers have signaled an intent to disrupt the sales and distribution system of new vehicles, which presents legal issues in [states that prohibit](#) manufacturers from selling cars and trucks directly to consumers.
- **7-Eleven** [plans](#) to install **500 EV fast charging stations at 250 stores in North America** by the end of 2022. The convenience store retailer will own and operate the charging stations; it currently has approximately 22 charging stations at 14 stores in four states.
- **BorgWarner** [will supply](#) its integrated drive module to **Hyundai's** upcoming A-segment electric vehicle. The announcement represents the first electrification project between the two companies. Production is scheduled to begin in mid-2023. Separately, **BorgWarner** [announced](#) the completion of its tender offer for lithium ion battery systems company **Akasol AG**; this deal was previously announced in February. Based in Darmstadt, Germany, Akasol will operate independently as a majority-owned subsidiary of BorgWarner.
- The **Hongguang Mini EV** is currently the [best-selling EV in China](#), selling 270,000 units in the last nine months. The microcar starts at \$4,500 and is the product of a joint venture between GM and state-backed SAIC Motor Corp. and Guangxi Automobile Group Co. The vehicle has an ambitious sales target to reach annual sales of 1.2 million units next year. Other than cost, customer engagement is a differentiator for the Hongguang Mini, which offers trendy [base colors](#) and the ability to customize the exterior with aftermarket “stickers.”
- **HYVIA**, a new [joint venture](#) between **Renault** and hydrogen and fuel cell solutions company **Plug Power**, will operate across four sites in France. The joint venture's first three fuel cell vehicles will be **based on the Renault Master** platform and are scheduled to be available in Europe by the end of the year.

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