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Foley Weekly Automotive Report September 21, 2021

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

Key Developments

- **IHS Markit** lowered its global light vehicle production forecast to **75.8 million units in 2021**, and **82.6 million units in 2022**, representing a downward adjustment of 6.2% and 9.3%, respectively. The firm noted this is the largest single adjustment to its outlook in the last nine months, and it expects ongoing supply chain risk, particularly for semiconductors.

- **U.S. new vehicle inventory** is estimated at 1.08 million units at the end of August, representing a 31 days' supply; this is a decline of 57% from the same period one year ago.

- **Wholesale used vehicle prices** rose by 3.6% in the first 15 days of September, compared to the previous month. The increase is attributed to ongoing inventory challenges for new vehicles, and the demand for replacement vehicles following Hurricane Ida.

- Intel CEO Pat Gelsinger predicts that **semiconductors will account for 20% of the cost of materials in a premium passenger vehicle by 2030**, up from 4% in 2019.The market size for automotive semiconductors is expected to **nearly double to $115 billion by the end of the decade**, leading to the need to increase collaboration between automotive and chip companies.

- **GM** will extend production cuts at six plants in Michigan, Kansas, Missouri, Ontario, and Mexico due to the ongoing chip shortage.

- **NHTSA** requested data on advanced driver-assistance systems (ADAS) from 12 automakers, in order to compare vehicles equipped with ADAS in the agency's investigation into Tesla crashes that involved its Autopilot system.

- **Ford** will partner with **Argo AI** and **Walmart** to test an autonomous vehicle delivery service

for customers in certain areas of Miami; Austin, Texas; and Washington D.C., beginning later this year.

- **Electric vehicles and low emissions technology**:
    - **Ford** will invest $250 million to double the production capacity of its **all-electric F-150 Lightning pickup truck** to 80,000 units per year; this vehicle is scheduled for release in spring 2022.
    - **Rivian** built its first production unit of the R1T battery electric pickup truck, and the company begins deliveries to customers this month.
    - **GM** will extend a production shutdown for **Chevrolet Bolt EVs** by three weeks as it resolves battery issues that led to the vehicles' recall.In addition, owners of certain Bolt vehicles were told to park 50 feet from other vehicles in parking structures, due to risk of vehicle fire.
    - **SK Innovation** plans to split off its battery business, and the unit is scheduled to launch first as a wholly-owned subsidiary next month.

Market Trends and Regulatory

- Iron and steel prices have nearly doubled in the past year, according to commodity data tracked by the federal government. The increase is attributed to high demand, as well as tariffs on imported steel.
- **NHTSA** opened a new investigation into an estimated 30 million U.S. vehicles with potentially defective **Takata airbag inflators**. The probe covers 2001 through 2019 model years and nearly two dozen automakers.
- Automotive and steel companies are working toward the long-term goal of developing lower-carbon steel, as regulatory pressures mount to increase sustainable manufacturing processes.
- The U.S. Commerce Department and White House economic adviser Brian Deese will host a meeting on the **semiconductor supply chain** with industry leaders on Sept. 23.

OEMs/Suppliers

- *Production impact of the semiconductor shortage –*
    - **Stellantis** announced downtime for its **Jefferson North Assembly Plant** in **Detroit** for the week of September 20, affecting production of the Jeep Grand Cherokee SUV.
    - **Volkswagen** predicts the semiconductor shortage will not improve until the second half of 2022.

- A **GM joint venture** in **China** with partners, SAIC Motor Corp. and Guangxi Automobile Group, said it **intends to increase the use of locally sourced chips** within the next five years. The comments were made during the World New Energy Vehicle Congress, and the partners also said they have been developing automotive chips since 2018.However, it was not clear if the focus was chip design or manufacturing.

- **Volvo** is preparing for an initial public offering "in the coming weeks," according to unnamed sources in *Reuters*. Volvo and its parent company, Geely Holding, did not comment for the article.

- Political action committee MoveOn has drawn attention to **GM** for donating to members of Congress who voted in January against certifying the results of the 2020 presidential election.Earlier this summer, **Toyota**'s campaign contributions were the subject of negative commentary by the Lincoln Project.

- **GM** intends to make "substantial shifts" in its supply chain, including **"building direct relationships" with chip manufacturers**, according to remarks by CEO Mary Barra.

- **Ford**'s **Flat Rock Assembly Plant** resumed production September 20, following a two-week shutdown caused by a gas leak.

Connected/Autonomous Vehicles and Mobility Services

- **Tesla** announced that its customers will soon be able to request an enhanced version of its driver-assistance software that is designed for city environments. However, the **National Transportation Safety Board** said the company should address safety concerns in its existing technology before it offers expanded features.

- **China** is developing a system to **monitor data that is sent abroad by vehicles**, according to a statement by the China Automotive Engineering Research Institute Co. Automakers, including Tesla, Ford, and BMW, recently indicated plans to set up local data centers in China as the nation takes steps to increase oversight of data collected by private firms.

Electric Vehicles and Low Emissions Technology

- Electronics contract manufacturing company **Foxconn** has puts its EV project with **Byton** on hold, due to the Chinese startup's "worsening financial situation," according to unnamed sources in *Nikkei Asia*.

- A Chinese startup backed by electric vehicle maker **Xpeng Inc**. announced it will deliver **electric flying cars** to customers in 2024.

- **Vitesco Technologies,** a spin-off of Continental that focuses on **electrified powertrains,** began publicly trading on the Frankfurt Stock Exchange last week.

- The **Lucid Air** luxury sedan received an EPA range rating of up to 520 miles on a full charge.This is the first EV to surpass a range rating of 500 miles.

- According to a recent report from Earthjustice, “widely deployed green hydrogen is still at least a decade away,” and green hydrogen is less efficient than using renewable electricity. Green hydrogen does not produce greenhouse gas emissions or use fossil fuels, but at this time hydrogen is most typically produced by using fossil fuels.

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