

Foley Automotive Report: June 28, 2022

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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-vehicle sales** in **June** are forecast to reach a **SAAR of 13.1 million units**, representing a decline of 2.3 million units from the same period last year, according to projections by [J.D. Power and LMC Automotive](#).
- AlixPartners [predicts](#) **automotive supply constraints will persist through 2024**, leading to operating inefficiencies and straining supplier profitability amid the continuation of strong consumer demand.
- *Automotive News* (subscription) released its [annual ranking](#) of **top global suppliers**.
- According to **PwC's 2022 Deals Midyear Outlook**, [global automotive M&A](#) in the 2022 YTD period reached **245 deals** and a **deal value of \$28 billion**, representing declines of 55% and 62%, respectively.
- A **Foley & Lardner** [blog post](#) indicates auto industry representatives are expressing renewed attention to certain funding and tax provisions within President Biden's **Build Back Better** proposal.
- **U.S. new-vehicle inventory** remained at consistent levels and reached 1.13 million units at the end of last month, reflecting a 34 days' supply, according to [estimates](#) from Cox Automotive.
- Proponents of **autonomous trucking** [indicate](#) the pace of adoption in the U.S. may develop more rapidly than autonomous passenger vehicles, while noting the technology may be best suited for specific circumstances such as highway driving in good weather conditions.

- **Electric vehicles and low emissions technology:**

- The Alliance for Automotive Innovation [estimates](#) **nearly 200,000 EVs were sold in the U.S. in the first quarter of 2022**, reflecting an increase of 54% from the same period last year and accounting for **5.9% of overall light-vehicle sales in the quarter**. EVs continue to represent under 1% of all vehicles operating on U.S. roads, at just over 2.35 million units.
- Edison Electric Institute [predicts](#) **EVs will represent nearly 10% of light-duty vehicles operating on U.S. roads by 2030**, reaching a total of approximately 26.4 million units.
- Automakers including **Ford, GM and Tesla** are [raising prices](#) for electric vehicles amid rising costs for raw materials and increased consumer interest in EVs.
- **Foley & Lardner** [addressed](#) key points of the U.S. Department of Transportation proposal to establish **minimum standards for federally funded EV charging infrastructure projects**.
- According to Sen. Debbie Stabenow (D-MI) quoted in [The Detroit News](#), a **proposed tax credit for union-made electric vehicles** will not be included in an upcoming Senate climate package due to insufficient support among lawmakers.
- A new [report](#) by Securing America's Future Energy (SAFE) and the Electrification Coalition emphasizes the need to **increase electric grid resilience** and pursue technologies such as **vehicle-to-grid (V2G)** in preparation for growing adoption of electrified transportation.

Market Trends and Regulatory

- The **National Highway Traffic Safety Administration** released [new data](#) on crashes involving vehicles using **automated driving systems (ADS)** and **Level 2 advanced driver assistance systems (ADAS)**. Since July 2021, 130 crashes involved ADS-equipped vehicles, and 367 cars involved Level 2 ADAS-equipped vehicles. However, the agency cautioned that more analysis is needed to understand the role of the technologies in vehicle crashes.
- The **National Association of Manufacturers** expressed [concerns](#) with President Biden's proposal to **suspend federal gasoline and diesel taxes for three months**, noting the taxes are an important funding source for the Bipartisan Infrastructure Law. NAM also indicated more effective approaches include strengthening and expanding domestic energy production.
- **Gasoline sales at U.S. stations** [declined](#) 8.2% in the first week of June compared to the same period last year, indicating consumers may alter certain driving behaviors in response to [average prices](#) that are nearly \$2 per gallon higher than last year.

OEMs/Suppliers

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- **Toyota** [reduced](#) its July global production plan by 50,000 vehicles in response to semiconductor shortages and COVID-related supply disruptions.
 - Japan's major automakers are taking steps to absorb some of the burden of **rising raw materials costs** to reduce the strain on suppliers, according to a report in [Reuters](#).
 - The **COVID-19 Joint Task Force**, comprised of the UAW, Ford, General Motors and Stellantis, [announced](#) **face masks will be optional** at their respective U.S. facilities.
 - An arbitrator [determined](#) **Stellantis** must **end its COVID-19 vaccine mandate for Canadian employees** after determining the policy was unreasonable due to reduced efficacy against the omicron variant. In a separate announcement, **GM** will also [end its vaccine requirement](#) for Canadian operations.

Connected/Autonomous Vehicles and Mobility Services

- A new [survey](#) on select **partial automation systems** by the Insurance Institute for Highway Safety found consumers had a strong interest in lane centering, automated lane changing and driver monitoring technologies, but preferred features that require the driver to remain engaged over “hands-free” versions.
- **Valeo** [will supply](#) Stellantis with its third-generation LiDAR to enable [SAE](#) Level 3 autonomous driving for multiple models beginning in 2024.

Electric Vehicles and Low Emissions Technology

- In a recent interview with [Transport Topics](#), **Cummins** indicated the transportation industry is at a “tipping point” with **decarbonization** efforts, and noted high fuel prices may contribute to increased interest in hydrogen and electric-powered vehicles.
- **Ford** plans to focus on speed to market and offering electric models of its most popular vehicles, while **GM** intends to introduce a wide range of EV models across price points, according to a report in [The Wall Street Journal](#) assessing the automakers’ electrification strategies.
- Lithium-ion battery recycling startup **Redwood Materials** [announced](#) a new collaboration with **Toyota** to collect, refurbish and recycle batteries and battery materials.
- Circular Energy Research and Consulting [estimates](#) **1.7 million EV batteries will be available for reuse in 2030**, at a combined market value of \$5.1 billion.
- **Ford** announced a [recall](#) for certain 2021-2022 **Mustang Mach-E** vehicles due to battery contactors that may overheat and cause a loss of power.
- **Blink Charging** [completed](#) its \$200 million acquisition of Maryland-based **SemaConnect Inc.**, in a deal that will expand its geographic reach by adding nearly 13,000 chargers and 3,800 site host locations.

- Contract manufacturer **Foxconn** started building its first [EV battery plant](#) in Taiwan, and the company intends to start test production in early 2024.
- Swedish electric-vehicle maker **Polestar** [began trading](#) on the Nasdaq following the completion of a merger with a special-purpose acquisition company.
- **Volvo** began [testing hydrogen fuel cell semi-trucks](#), and customer pilots are planned “in a few years” with commercialization to follow in the second half of this decade.
- A loss prevention specialist quoted in [Lloyd's List](#) indicated new vessel types may be needed to **transport electric vehicles** on the water due to the **flammability of lithium-ion batteries**.
- In a recent interview, **Tesla** CEO Elon Musk said the company’s manufacturing sites in Berlin, Germany and Austin, Texas are “[losing billions of dollars right now](#)” as supply chain challenges limit the ability to increase production.

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National Law Review, Volume XII, Number 179

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