

Foley Automotive Report: September 27, 2022

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Key Developments

- **Foley & Lardner** [shared highlights](#) from the firm's **Automotive Forum** held on September 14th to coincide with the return of the **2022 North American International Auto Show**.
- S&P Global Mobility [predicts](#) **U.S. new light-vehicle sales** will reach 1.105 million units in September, representing a SAAR of 13.4 million units.
- **Ford** [announced](#) **inflation-related third quarter supply costs** will be approximately **\$1 billion higher than anticipated**. The automaker also noted that certain parts shortages will result in 40,000 to 45,000 unfinished vehicles at the end of the quarter.
- A number of **automotive suppliers** contacted by [Reuters](#) indicated they have raised prices on parts in the range of 7% to 20%, amid high costs for energy, labor and raw materials.
- The **California Air Resources Board** is expected to [consider](#) a proposal which could ban the sale of **diesel big rigs** by 2040.
- Effective later this year, **GM's** salaried employees will be [required](#) to work on-site three days a week, as part of an effort to "pivot to a more regular in-person work cycle."
- According to a recent [survey](#) by the **German Association of the Automotive Industry**, 10% of companies in the nation have cut production because of high energy costs and another 30% are considering reducing output.
- Due to the risk of **natural gas shortages and energy rationing** in **Germany**, [Volkswagen](#) could shift some of its production to facilities in other regions, and [Mercedes-Benz](#) increased parts inventory to support its plants in the U.S. and China.
- The **National Transportation Safety Board** announced [recommendations](#) for all new

vehicles to be equipped with passive alcohol-detection systems, advanced driver-monitoring systems, or a combination of the two in order to limit or prevent vehicle operation by impaired drivers.

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

- A new [report](#) from Alliance for Automotive Innovation estimates **U.S. sales of battery, plug-in hybrid and fuel cell electric vehicles** reached over 224,000 units and represented **6.6% of new light-duty vehicle sales in the second quarter of 2022**.
- BloombergNEF [predicts](#) **52% of passenger cars sold in the U.S. will be electric vehicles by 2030**, up from a previous projection of 43%. The revision was attributed to incentives in the Inflation Reduction Act.
- The **Biden Administration** [approved](#) 35 of the EV infrastructure deployment plans submitted by states as part of the **National Electric Vehicle Infrastructure Formula Program**. This program provides over \$900 million in funding in FY22 and FY23, as part of a broader package under the Bipartisan Infrastructure Law which makes \$5 billion available over five years.
- **Hertz** [will order](#) up to 175,000 EVs from **GM** over a five-year period in North America, beginning with the Chevy Bolt EV and Bolt EUV in the first quarter of 2023.
- **Ford** [began construction](#) on its \$5.6 billion BlueOvalCity complex in Tennessee, which is described as the “largest, most advanced auto production complex” in the company’s history. The site will produce batteries and EVs beginning in 2025.
- Prices for **lithium carbonate** in China have more than tripled in the past year due to a combination of high demand and production constraints, according to analysis in [Bloomberg](#).
- **GM** and the **Environmental Defense Fund** [released](#) joint recommendations in support of federal emissions standards which would enable at least 50% of new vehicles sold by 2030 to be zero-emission models.

Market Trends and Regulatory

- Four U.S. federal agencies signed a [memorandum of understanding](#) to coordinate on policies which support the implementation of “**low and zero carbon transportation solutions and associated infrastructure**.”
- Gabe Klein was [named](#) the head of the newly formed **Joint Office of Energy and Transportation**, which will oversee projects including the deployment of \$7.5 billion to build a **national electric vehicle charging network**. Klein previously had leadership roles at transportation departments in Chicago and Washington D.C.
- According to estimates in [Bloomberg](#), earnings for **freighters** which move autos and industrial goods have reached a two-decade high, due to a combination of limited vessel supply and steady demand.

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- [Reuters](#) reports over a dozen automakers have signed agreements with **Avanci**, which describes itself as a “one-stop marketplace” for **licensing patented wireless technology**.
 - The **Vehicle Data Access Caucus** was recently [formed](#) by U.S. Rep. Earl Carter (R-GA) to address policy issues related to data privacy and the control of data generated by vehicles.
 - [Preliminary estimates](#) from the **National Highway Traffic Safety Administration** indicate there were over 20,000 fatalities on U.S. roads between January and June of this year, representing an increase of 0.5% from the same period last year. The agency noted the second quarter of 2022 had a decline in fatalities following seven consecutive quarters of year-to-year increases.

OEMs/Suppliers

- *Reuters* reports [Toyota](#) and [Honda](#) will reduce production at certain plants next month, due to **supply chain constraints** and shortages of parts including **semiconductors**.
- A unit of **Bosch** will invest approximately \$160 million in a [new plant](#) in Queretaro, Mexico, intended to focus on exports to the U.S. and Canada.
- **Aptiv** [will acquire](#) **Intercable Automotive Solutions**, an Italy-based provider of automotive power distribution and connection technologies, for €595 million. The deal is expected to strengthen Aptiv’s “position as a full system supplier for electric vehicle manufacturers.”
- **BorgWarner** [will acquire](#) the vehicle electrification business of **Hubei Surpass Sun Electric Co.** for 410 million yuan, or roughly \$57.3 million, in a deal which is anticipated to expand market capabilities in China.
- **Ford** is experiencing supply shortages of **model nameplates and company logo badges** for certain vehicles, according to sources quoted in [The Wall Street Journal](#).

Connected/Autonomous Vehicles and Mobility Services

- GM’s autonomous driving subsidiary **Cruise** [plans to expand](#) its robotaxi service to Phoenix, Arizona and Austin, Texas in the coming months. The business unit also intends to achieve a revenue target of \$1 billion by 2025.
- *The New York Times* provided an [update](#) on recent developments in **advanced driver assistance systems (ADAS)** as part of a series on the Future of Transportation.
- The 2023 Lincoln Corsair crossover will become the sixth vehicle in Ford’s lineup to [offer](#) the automaker’s **advanced driver assistance system**.
- Self-driving technology developer **Pony.ai** will partner with Pima Community College to [test autonomous vehicles](#) with safety drivers behind the wheel in Tucson, Arizona.

Electric Vehicles and Low Emissions Technology

- A report in [The Wall Street Journal](#) raises concerns about automakers' ability to swiftly capitalize on growing consumer interest in EVs amid market challenges, including limited production volumes, parts shortages and supply chain constraints.
- [Utility Dive](#) reports **supply chain constraints for building materials** such as steel and concrete may impact timelines for building electric vehicle battery manufacturing facilities and charging infrastructure.
- **U.S. e-bike sales** are projected to reach three million units annually by 2025, according to data from the Light Electric Vehicle Association excerpted in [The Wall Street Journal](#).
- Benchmark Mineral Intelligence [estimates](#) **over 300 new mines for graphite, lithium, nickel and cobalt will be required by 2035** to support anticipated demand for electric vehicle and energy storage batteries.
- Approximately 15,000 people attended [The Battery Show](#) held September 13-15 in Novi, Michigan, representing an increase of 64% from last year and up by nearly 50% from pre-pandemic levels. According to industry representatives quoted in [Bloomberg](#), the increase in attendance was attributed to an increase in market growth and government support, including provisions in the Inflation Reduction Act.
- **Bosch** [cautioned](#) the auto industry against an over-reliance on battery cells as the only potential power source for EVs, citing supply risks associated with not preparing for alternative scenarios such as fuel cells.
- **Cummins** showcased a number of its [zero-emissions technologies](#) at the **IAA Transportation 2022 trade show**, including its fourth generation hydrogen fuel cell engine for medium- and heavy-duty trucks and buses, as well as a newly introduced lithium iron phosphate (LFP) battery pack.
- [Bloomberg](#) reports manufacturers including **Daimler Truck** and **Volvo** are pursuing the development of both **battery electric** and **hydrogen fuel cell trucks**, due to factors that include the difficulty of predicting which technology will be the most cost effective and energy efficient in the future.
- **GM** [announced](#) a \$760 million investment in its Toledo, Ohio propulsion plant to produce drive units used in future Ultium-based battery electric trucks. The automaker also [announced](#) an investment of nearly \$500 million in its Marion, Indiana metal stamping plant to support future products including electric vehicles.
- A new study by Stanford University researchers published in [Nature Energy](#) **predicts rising EV ownership could increase power demand in the western U.S. by up to 25% by 2035**. The study recommends a shift from nighttime EV charging at home to midday hours at public charging stations when wind and solar power are plentiful.
- San Francisco-based **TeraWatt Infrastructure**, which builds EV charging infrastructure for fleets, [raised \\$1 billion](#) of Series A venture funding. The company plans to use the funding to expand its portfolio of commercial charging centers, beginning in the western U.S.

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National Law Review, Volume XII, Number 270

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