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** reached a SAAR of 15.4 million units, representing a decline of 1.7 million units from May and the lowest SAAR since August 2020.

- **2021 U.S. new light vehicle sales** are forecast in the range of 16.3 million to 16.9 million by the National Automobile Dealers Association, Cox Automotive and LMC Automotive.
U.S. fleet sales were up by 5% for January - June, compared to the same period last year, but were 40.5% lower than for the same period in 2019, according to Cox Automotive.

New light vehicle inventory fell from an estimated 2.7 million vehicles nationwide in January to 1.4 million in June.

IHS Markit estimates that semiconductor capacity will begin to have the ability to adequately meet demand and fill missing backlog starting in the first quarter of 2022.

Ford will cut production at eight North American plants over various weeks in July and August as a result of the chip shortage; the automaker has lost production of over 350,000 vehicles this year, according to estimates from LMC Automotive.

Toyota’s second quarter sales volume surpassed GM’s for the first time in the U.S. The achievement is described as a short-term event attributed to Toyota’s decision to build a four-month supply of key components such as semiconductors.

A COVID-19 Task Force comprised of the UAW, Ford, General Motors and Stellantis announced mask requirements ended July 12 for fully vaccinated union-represented workers in the U.S.

A new report from cybersecurity ratings provider Black Kite found that nearly half of 100 automakers and over 17% of suppliers surveyed are at high risk for ransomware attack. Key areas of vulnerability include patch management, with 71% of surveyed companies having “F” or “poor” ratings.

Electric vehicles and low emissions technology:

- Stellantis will invest over 30 billion euros through 2025 in electrification and software, and low emissions vehicles are intended to represent over 70% of sales in Europe and 40% of sales in the U.S. by the end of the decade.

- According to estimates from the Department of Energy, the U.S. will need 600,000 Level 2 public chargers by 2030 to meet demand, up from the 41,000 available currently. Tesla, EVgo, Chargepoint and Electrify America are among the companies offering Level 3, or DC Fast Charging.

- As part of its new Alliance Strategic Partner framework, Nissan will compensate a portion of its suppliers’ costs if a jointly developed EV part is not adopted; the decision is intended to strengthen collaborative relationships and share cost burdens.

Market Trends and Regulatory

- U.S. new light vehicle sales in June reached 1.3 million units, for a seasonally adjusted annualized rate of sales of 15.4 million units. June’s
results fell short of expectations for a SAAR of 15.8 million to 16.4 million units. Total sales in June were up by 17% from June of 2020, but down by 14% from June 2019, with the decline caused by historically low inventory levels resulting from the chip shortage. Sales for the first half of the year are up by 30%, compared to the same period in 2020, but down by 1%, compared to the first half of 2019. Following June’s results, LMC Automotive revised its full-year U.S. sales forecast to 16.9 million units, from a previous estimate of 17 million units.

- **U.S. fleet sales** reached 969,751 units for the first half of the year, compared to 1.6 million units for the same period in 2019. Fleet sales totaled 138,801 units in June, a decline of 18% from May and an increase of 63% from June 2020.

- **NHTSA** recently issued an order requiring vehicle and equipment manufacturers of Automated Driving Systems (ADS) and Advanced Driver Assistance Systems (ADAS) to report crashes if the system was engaged "during or immediately before the crash."

- A new union vote at GM’s Silao plant has been scheduled for August 20 after the U.S. and Mexico reached an agreement to resolve a complaint under the Rapid Response Labor Mechanism in USMCA. The issue pertained to allegations of “serious irregularities” during a ratification vote at the plant in April.

### OEMs/Suppliers

- **Production impact of the semiconductor shortage** – Ford confirmed production shutdowns and reduced output at over a half-dozen plants, including a one-month shutdown for Chicago Assembly, reduced production of the F-150 at Dearborn Truck the weeks of July 12, 19 and 26, and a two-week shutdown impacting production of the F-150 at Kansas City Assembly.

  - LMC Automotive estimates Ford is among the worst affected automakers regarding the effects of the chip shortage on North American production, with plants reaching only 55% of total capacity through May, and volume losses 50% greater than GM’s. Numerous automakers expect the chip shortage will continue to impact supply chains in the second half of 2021.

  - Stellantis will have production shutdowns the week of July 12 at its Jefferson North Assembly Plant in Detroit and its Sterling Heights Assembly Plant in Michigan, impacting production of the Jeep Grand Cherokee and the Ram 1500 pickup truck.

  - GM extended a shutdown at its Fairfax Assembly Plant in Kansas City, Kansas, through August 16 from a previous reopen date of July 5. The plant has been down since Feb. 8 and produces the Cadillac XT4 crossover and Chevrolet Malibu sedan.

  - Commercial fleet operators have been challenged by limited
**inventory** as the chip shortage has led automakers to prioritize the production of pickup trucks and SUVs for the retail market.

- **IHS Markit** notes that **medium- and heavy-duty truck manufacturers in North America** have not implemented the widespread production shutdowns experienced in the light vehicle segment as the result of electronic component and raw material shortages, and predicts the **majority of Class 4-8 manufacturers** in the region will **recover lost production volumes by year-end**.

- **Ford** announced former U.S. federal lawyer **Steven Croley** as its **chief policy officer and general counsel**. Croley will assume the role July 12, following the retirement of John Mellen.

- **Volvo Trucks North America** will **restart production** this week at its plant in Dublin, Virginia, in spite of an **ongoing strike and the lack of an agreement with the UAW**. Returning employees will “immediately receive the wage increases and benefits” from a previously rejected agreement; the UAW is scheduled to vote on a revised agreement later this week.

- **Toyota** announced that its bipartisan **PAC will no longer contribute to members of Congress that contested the certification of the 2020 presidential election**. The decision came after the automaker’s campaign contributions were the subject of **negative commentary** by the Lincoln Project.

- A recent **amendment** to Ford’s bylaws included the adoption of **gender-neutral language** as part of an effort to support an inclusive workplace.

- **Volvo** formed a joint venture with its parent company, **Zhejiang Geely Holding Group**, to take over its powertrain operations. The JV company, **Aurobay**, will **be focused on developing powertrains** for Volvo and Geely, with the future goal to supply customers outside of the group. Volvo **recently indicated** it may **file an IPO by the end of this year**.

### Connected/Autonomous Vehicles and Mobility Services

- **Volkswagen** announced the launch of **over-the-air software updates** for its ID brand vehicles, beginning with the all-electric ID3 hatchback, with other models to follow. This effort is part of Volkswagen’s efforts to become a “software-oriented mobility provider.”

### Electric Vehicles and Low Emissions Technology

- By 2024, **Stellantis** will begin production of a battery-electric version of its Ram 1500 pickup, and introduce its first electrified Dodge muscle car; Jeep will also introduce fully electric models by 2025. Stellantis is **reported** to be in “late-stage negotiations” with a partner to build a **battery-cell plant in North America**. The announcements were part of the automaker’s EV Day 2021 presentation held last week.

- **Hyundai** will invest $100 million to acquire a stake in battery
GM announced a partnership with SES earlier this year focused on improving energy density of lithium-ion batteries.

- **South Korea** will invest 40.6 trillion won ($35 billion) in its EV battery sector by 2030 in order to compete with its rivals in China and Japan. South Korea was responsible for roughly one-third of global EV battery production in the first five months of this year; its key players are LG Energy Solution Co., SK Innovation Co. and Samsung SDI Co.

- **SK Innovation** is reviewing options for a potential spinoff of its battery business; a timeline was not provided. The South Korean company has the goal to become the world’s third-largest battery producer by the end of 2022, behind market leaders CATL and LG Energy.

- **GM** will partner with Controlled Thermal Resources to secure low-cost lithium from California for use in Ultium batteries. CTR offers a “closed-loop, direct extraction process” at its development site in the Salton Sea Geothermal Field.

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