September 28, 2021: Foley Weekly Automotive Report

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Dashboard Insights

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Tuesday, September 28, 2021

Key developments

- LMC Automotive revised its global light vehicle forecast to 80 million units in 2021, 85 million in 2022, and 94 million in 2023, noting that the industry continues to experience volatility from production downtime due to shortages of chips and other parts.

- Consultancy AlixPartners estimates the global semiconductor shortage will result in a production loss of 7.7 million vehicles, and a revenue loss of $210 billion this year, up from a previous estimate of 3.9 million vehicles and $110 billion.
The pandemic has led to revisions in contract terms between suppliers and their customers, as well as an increased focus on force majeure provisions, according to Foley & Lardner partner Vanessa Miller in The Wall Street Journal.

GM informed its noncompliant salaried employees that failure to meet a requirement to confidentially report COVID-19 vaccination status will result in safety violation letters and a partial loss of performance bonuses.

Stellantis has production downtime at four North American plants this week, affecting models including the Ram pickup truck and Jeep Grand Cherokee SUVs.

Volvo intends to phase out leather products in its vehicles by 2030, in anticipation of increased customer concern for ethical and sustainable sourcing of materials.

FedEx will partner with truck manufacturer Paccar and self-driving vehicle technology company Aurora to launch a commercial pilot test of autonomous trucks in Texas.

Electric vehicles and low emissions technology:

- Commercial electric-vehicle company Electric Last Mile Solutions began production of its Urban Delivery van and intends to ship its first units this month.
- Ford will partner with SK Innovation to build EV battery facilities in Kentucky and Tennessee.
- Volvo electric vehicle subsidiary Polestar announced it will go public through a merger with blank-check firm Gores Guggenheim.
- Lithium-ion battery recycler Battery Resources raised $70 million in a funding round, and Ford will invest $50 million in battery recycling startup Redwood Materials.
- GM President Mark Reuss recently said recycling the materials used in EV batteries will become a crucial issue for the auto industry.
- The Michigan Department of Transportation will release a request for proposals by the end of the month for a pilot to develop a one-mile stretch of public road for wirelessly charging an electric vehicle. The state also plans to develop a Lake Michigan Electric Vehicle Circuit, with further details following a feasibility study.

Market Trends and Regulatory

- Industry groups, including the Motor & Equipment Manufacturers Association, the National Association of Manufacturers, and the Alliance for Automotive Innovation, sent a letter to the U.S. Department of
Transportation urging continued and expanded efforts to support the safe deployment of automated vehicles in the U.S.

- Automotive, technology and semiconductor executives met with Biden administration officials to discuss approaches to improve the automotive semiconductor supply chain, including the possibility of invoking the Defense Production Act to get information on inventory and sales of chips.

- Prices for palladium have declined by over 20% in September, due to the reduction of new vehicle production amid the chip shortage. Palladium is a key ingredient in emission filters for gasoline engines.

- The Center for Automotive Research (CAR) is monitoring a draft proposal from Congress to expand refundable tax credits up to $12,500 for individuals who purchase qualified battery electric vehicles (BEV), plug-in hybrid electric vehicles (PHEV), and fuel cell electric vehicles (FCEV).

- Over 70 companies and organizations sent a letter asking governors to adopt the Advanced Clean Trucks (ACT) rule, which requires manufacturers of medium- and heavy-duty vehicles in participating states to increase the sales of zero-emission models to a certain percentage of sales over time. The ACT rule has been adopted in California, and is being considered in states including Colorado, Massachusetts, New Jersey, New York, Oregon, and Washington. The letter was organized by sustainability nonprofit Ceres.

**OEMs/Suppliers**

- Production impact of the semiconductor shortage -
  - Automakers are expected to pursue direct relationships or deep partnerships with semiconductor companies, as part of the shift from “just-in-time” supply chains for critical components such as semiconductors.
  - Stellantis will extend downtime for the week of September 27 at its Jefferson North Assembly Plant in Detroit and Belvidere Assembly Plant in Illinois, affecting production of the Jeep Grand Cherokee and Dodge Durango SUVs, and the Jeep Cherokee crossover, respectively. Saltillo Truck Assembly Plant in Mexico and Brampton Assembly Plant in Ontario are also down this week, affecting production of Ram pickups, Dodge Charger and Challenger muscle cars, and Chrysler 300 sedans.
  - GM plans to resume production at its Wentzville, Missouri plant on September 27. This plant has been down since September 6 and it produces mid-size pickups and full-size vans. GM will resume production at its Lansing Delta Township plant on October 4. This plant has been down since July 19 and it produces mid-size SUVs.

- Faurecia lowered its full year sales guidance to 15.5 billion euros, from a
previous target of 16.5 billion, as a result of lowered global vehicle production forecasts recently published by IHS Markit.

• **Marelli Corp. plans to eliminate 1,500 jobs worldwide**, representing a workforce reduction of 7.5%, in an effort to align its workforce and costs with industry levels.

• Five suppliers are rebranding to form **Teijin Automotive Technologies**. Continental Structural Plastics, Inapal, Benet, CSP Victall and Teijin Automotive Center Europe will supply composite materials to automotive and other customers through 29 manufacturing and technical centers worldwide.

• Mike Manley is departing his role as Head of the Americas for **Stellantis** to become CEO at **AutoNation Inc**. Manley was previously CEO of Fiat Chrysler prior to the merger of FCA and Peugeot.

• **Toyota will invest** $288 million and add 450 jobs at its **Alabama** facility to support manufacturing engines for the 2022 Tundra pickup truck.

**Connected/Autonomous Vehicles and Mobility Services**

• **May Mobility announced** a free autonomous vehicle shuttle service for a 2.64-square-mile area in Ann Arbor beginning next month. The project is launched in partnership with **Mcity** at the University of Michigan and economic development group **Ann Arbor SPARK**.

• **GM will expand** its OnStar Guardian emergency services to an at-home service through **Amazon Alexa**.

• **GM will invest** $300 million in Chinese autonomous driving startup **Momenta**, in an effort to support the development of autonomous technology for future GM vehicles in China.

**Electric Vehicles and Low Emissions Technology**

• **Honeywell will supply** its Quality Control System to ensure the quality and integrity of the lithium-ion batteries for GM – LG Energy joint venture battery company **Ultium Cells LLC** in Ohio. **GM** recently announced three new motors for its **Ultium-based electric vehicles** that were designed in-house and will include integrated power electronics to reduce costs and manufacturing complexity.

• **Rivian will invest** $4.6 million and add 100 jobs in a new customer service center in Plymouth, Michigan. The project is supported by a $750,000 performance-based grant from the Michigan Economic Development Corp.

• **Daimler’s Mercedes-Benz will join** a European battery joint venture with **Stellantis** and **TotalEnergies**. The automakers will each hold a third of the ownership of **Automotive Cells Co**. This venture is expected to have a capacity of 120 gigawatt-hours by 2030.
• Electric vehicle company Workhorse is halting deliveries of C-1000 vehicles and recalling 41 it has already delivered. The company intends to address the need for further testing and modifications to certify the vehicle under Federal Motor Vehicle Safety Standards.

• Consolidation and restructuring are likely among China’s new energy vehicle makers, as numerous companies are expected to fail to raise the amounts of capital needed to manufacture vehicles at scale.

• BMW and Volkswagen are among the automakers pursuing development of hydrogen fuel cell passenger cars. Hydrogen is receiving increased focus as a strategy to meet climate targets, but it is widely viewed as too expensive for mass-market consumer vehicles in the short-term, and has more potential with long-distance commercial vehicles.

• Hydrogen fuel cell solutions provider Plug Power plans to break ground in 2023 on a green hydrogen production facility in Fresno County, California.

• Volkswagen plans to invest $164 million to build a battery plant in China. The plant will start production in 2023.

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National Law Review, Volume XI, Number 271

Source URL: https://www.natlawreview.com/article/september-28-2021-foley-weekly-automotive-report