Look Mom, No Hands!

**Forging into a brave new (driverless) world**

With two states allowing testing of autonomous vehicles on the road, driverless cars are now a tangible, self-driving reality. If we are indeed on the cusp of a revolution, what should OEMs and suppliers do to secure their place in this pivotal and lucrative change in landscape?

### An autonomous future

The auto industry has, as a business model, been relatively static since its creation. The economic theory of creative destruction posits that new economic development arises out of the destruction of a prior industry... sound familiar? With autonomous vehicles already amongst us, the auto industry would be well suited to begin preparing for the transition – and of course, the potential fallout – to such a radically different transportation model. What’s driving the push toward autonomous vehicles? The answer is two-fold: first, there would be compelling societal gains with regards to safety and environmental benefits when human error is significantly reduced. Secondly, consumers would enjoy considerable savings with a reduction in commute time and a freeing up of capital currently devoted to car ownership. So what are the risks and rewards for an industry switch to autonomous vehicles?

### Risks

Consumer expenditures on motor vehicles and parts has hovered around $400 billion annually according to the Bureau of Economic Analysis.

### Rewards

While automakers may see an initial boost in sales as buyers transition to autonomous vehicles, contraction in the market would be felt in an entirely new context of greater efficiency and drastically lower likelihood of accident-related damage. Related sectors such as auto finance captives would experience the effects of reduced originations, and auto suppliers would feel the impact of reduced assembly demand, and having to adjust to the radical shift in vehicle technology and design.

### Estimated benefits of autonomous vehicles

<table>
<thead>
<tr>
<th>Traffic Accidents</th>
<th>Commute Time and Energy</th>
<th>Vehicle Fleet</th>
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<tbody>
<tr>
<td>10.8 million</td>
<td>1.9b gallons</td>
<td>245 million</td>
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<tr>
<td>1.1 million</td>
<td>190m gallons*</td>
<td>2.4 million</td>
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*Congestion-based “wasted fuel”

Source: Google, NHTSA, 2012 TTI Urban Mobility Report, Dept of Transportation
**One step at a time**

The reality remains that a vast and complicated range of moving pieces stand in the way of the formation of a true critical mass towards autonomous vehicles. Infrastructure investments, communication protocols, as well as a host of political and legislative issues await, including:

- Testing to understand how driverless cars will interact with non-autonomous cars.
- Determining where the onus of legal liability lies, whether it’s with the automaker or involved parties, or perhaps a hybrid of both in tandem with a new insurance model.
- Defining how infrastructure would need to be revamped for driverless cars.

These variables only further exacerbate the broad spectrum of risks and rewards for automakers and suppliers, and while the data discussed herein has been US-centric, this emerging technology will certainly have global implications. There seems to be little doubt that the future of the auto world involves the shift towards autonomous vehicles, and OEMs and suppliers would be remiss if they don’t strive to stay ahead of the curve. Now with the interest of both Silicon Valley experts and the next generation of tech-savvy drivers, the stalwarts of the auto sector have an extraordinary chance to revolutionize not only the way consumers drive, but shape and pave the path ahead for the industry as a whole.