

IN THIS ISSUE

Car OEMs Driving Toward Relevance or Perdition	2
Are we ready to be online carscribers?	2
Dispatch Central.....	11
Battery Electric Vehicle News	11
<i>Former British icon leading the Chinese BEV charge.....</i>	<i>11</i>
<i>Tesla is scaling back its European Gigafactory</i>	<i>12</i>
Is the Volvo Cars and Waymo tie-up a big deal?	13
BMW and Daimler pause self-driving alliance	15
Musings of a Dispatcher: The Way Forward	17
We Continue to Wander in the Desert	17
Postscript on the China Series	25

The Dispatcher's Manifesto

Transport cannot be viewed in isolation. Traffic congestion is not caused by cars. It is an effect of policy decisions about where people live, work, shop and recreate. Most people live where they can afford to live and work where they get a job; everything else follows. The numbers and types of cars and trucks that are sold are the results of political and business decisions that are made locally, nationally and globally. Most people don't buy cars and trucks to just drive around. They buy them to take them where they need to go and to make their lives easier to live. Changes to the transport network that affect driving and owning cars and trucks motivated by environmental considerations should only be made after full consideration is given to all potential societal impacts and after evaluating all alternatives, including possible future technological breakthroughs. If actions we take make life for humans not worth living, then what's the point?

Car OEMs Driving Toward Relevance or Perdition



In a 2017 survey it was found that consumers will pay more for convenience when it comes to their food, according to Lux Research. The study found that people would pay an average of 11% more for each additional level of convenience. For example, shoppers will shell out 15% more for online grocery shopping than they will spend in-store. Similarly, they will pay 5% more for prepared meals than for meal kits, and 25% more for restaurant take-out than prepared meals.

*Even a meal at the most expensive restaurant in the world, **SUBLIMATION** in Ibiza, Spain, which will set you back \$4,760 for two, pales in comparison to total payments for even a Dacia Duster. Are consumers really that responsibility-averse that they will pay up to 25% more for a carscription?*

1. This is the group who hold to the statement that robots driving cars instead of humans will eliminate 95% of all traffic accidents.

Are we ready to be online carscribers?

IT STRUCK ME recently that I am one of those people who reacts negatively when I see something new that advertises itself as a replacement to a product, service or person that I happen to believe is already doing a perfectly fine job. Vegans bug me because they push their non-meat lifestyle as the only logical choice for thinking persons. Their message is that meat-eating should be banned completely. Since I like eating all types of (non-exotic) meat, I figure if the vegans win and meat-eating is banned, I lose. Zero sum. Non-milk milk substituters affect me the same way. I like real milk and everything that is made from it. There is a Swedish company selling a hideously tasting oat-based drink that has totally obnoxious adverts encouraging people to spill out their milk cartons on the street. The government finally told them they had to stop using the world milk in their advertising and on their cartons. And then we have the ninety-five percenters¹ who want to eliminate human drivers. Let one robot-driven car on the road and the next thing you know they'll ban all human-driven cars, just like they did with horses.

Am I being alarmist? Here's a partial list of products, services and people I liked but have now disappeared: Small grocery stores (that are not selling exotict—to me—foods) and their owners; local hardware stores and their owners; post offices (in Sweden); banks that you can visit to deposit money, take money out and exchange currency (in Sweden); real money; manual shift cars (in the U.S.); free TV (with an antenna); local book stores and their owners and their personnel; stationery stores; camera stores; and, film cameras.

During the past year-or-so, car companies have started to promote a new way of 'having' a car as an alternative to owning, leasing, renting, borrowing and stealing one. It is by subscribing. To 'subscribe' is to "set one's name to a paper in token of a promise to give something (e.g.,

money) in return for receiving a service.”² So far, since I registered my first car in 1967, I have done everything but steal a car in order to have one. Of the fifteen I have owned, six were used (a.k.a. pre-owned) and nine were new. Of the new cars, I leased four of them, purchasing two of them at the ends of their lease periods. I purchased three new cars outright and two with a loan. Except for the first car, a 1961 *VW Beetle* that I bought from an upperclassman when I was in college, and the third, a 1964 Mercedes-Benz 190 (that came and went with my first wife), I bought all of them through a dealer.

Since I happen to like car dealers (see **FULL DISCLOSURE** in sidebar) and do not want to see them disappear, my first reaction to subscribing as well as to online sales is to be negative toward them. However, I felt I didn’t have the whole story. So I decided I would delve into these two phenomena. Visits to car dealers to get their perspectives was a key part of my research.

Highways paved with gold or dead ends?

These two endeavors, online new car sales and car subscription programs, now being pursued simultaneously by car OEMs, will either lead the OEMs to endless highways paved with gold or two large dead ends. Each of these approaches to putting customers behind the wheel of a car are aimed at different pain points—real or perceived—in the purchase process. With online sales, the customer is in theory spared the visit to car dealers except, perhaps, for the handover of the keys (which could also be handled like any other online purchase, like leaving a box on your porch or picking it up at the betting store). Car subscription programs go one step further. The customer is also decoupled from the dealer and in addition is, in theory, shielded from having to care about most of the responsibilities related to car ownership, from purchasing the car to taking it in for service.

Both of these initiatives are being driven by OEM headquarters, and both of them seem to be designed to circumvent the traditional role of the dealer as the principal contact point for the customer. Is that really the case, or are the dealers also taking a look at how they run their businesses? Are they just hapless onlookers or are they part and parcel of the attempt to revamp the ‘car having’ process. Let’s have a look at these two trends. Who benefits, who thinks they benefit and who loses, either in the short term or in the long term.

Why do we love to hate car dealers? Before we go there, we should understand that not all dealers are created equal. The negative stereotype of the automobile salesman applies principally in

2. Merriam-Webster
(<https://www.merriam-webster.com/dictionary/subscribe>)

Full Disclosure: One of my best friends was a car dealer. Whitbread Gilligan was born to be a salesman and he was good at it. When I met him in 1978 he was already in his fifties and had spent the past ten years of his life as a print salesman. The company Whit represented was our printer when I managed ESSELTE MAP SERVICE USA in Boston. Before that he had owned a *Buick* and *Oldsmobile* car dealership in upstate New York, near Albany. He sold it and he and his family moved to the picturesque village of Weston, Vermont. He started a new career as a travelling printing services salesman with all of New England as his territory. He cold-called me after he saw our first map product, and he was our printer for the next five years we were active. He became a good friend along the way, and one of my important mentors. Whit was everything you imagine a car dealer isn’t. Most especially, he was one of the most honest people I have ever met. He passed away when he was in his late 50s and I was just beginning my consulting career. I have missed his friendship and his advice. I often ask myself when it is time for a decision. “What would Whit have done?”



countries where cars are sold from stock, as opposed to customers ordering a car that is custom built to their specifications. In the U.S., Russia and China, cars are mostly sold from stock that the dealers have purchased and which sit on their lots. This is not an insignificant investment. A *Honda CR-V* with a manufacturer's suggested retail price of \$30,000 has a dealer invoice price of \$27,900. Besides paying for the cars, they have the cost for interest on their loans to buy the cars, for facilities, staff, advertising and supporting the local Little League team. But the dealer invoice price is not the whole story. OEMs offer bonuses to dealers for exemplary performance, like meeting monthly, quarterly or yearly sales goals. A dealer can get his actual price-per-car under the official invoice price by an additional 5-10%. Still, the more cars a dealer has in stock, the more money he has to bring in just to cover his costs.

In Western Europe, customers order their cars and have them built to their specifications. Dealers have only a few sample cars in stock and therefore can have smaller showrooms and minimal lot sizes, mostly for customer parking and loaner cars. There are various reasons/excuses given for these differences. For example, we hear that Americans are impatient and don't want to wait the weeks or months it takes for cars to be built-to-order;³ or, that European car dealers were cash strapped following WWII and could not afford to buy inventory or own large amounts of real estate and build huge showrooms where they could put cars on display; or, that the European market is really made up of individual country markets, and they are not large enough to absorb a surplus of cars built on spec.

Now to what causes the most irritation among potential car buyers in the buy-from-stock countries. It is the friction inherent in the sales process. Friction in sales is any obstacle preventing a customer from making a buying decision. The typical situation in a U.S. car lot is the customer parks his car (Who walks or bikes to a car dealer?), gets out and starts to look at the cars outside the showroom. He is immediately attacked by a sales person like



3. Obviously, this is not true of all Americans because a relatively large number wait forever for receiving their TESLAS.



Danny DeVito as Harry Wormwood in the 1996 film MATILDA, where he plays the role of an unscrupulous car salesman.

Harry Wormwood in the film *MATILDA*, who wants to show him how to kick the tires. This is not an accident. The sales people are trained to attach themselves to a 'looker' and do everything they can to bring him to the desk to sign the sales contract. "I'm just looking," does not compute with car salesmen (male or female). Walk into a car dealership in a place where you order your car, like my Toyota dealer here in Strängnäs, and you can wander around all you like, open the car doors, sit in them, back and front, even kick the tires, and you will have to search for a sales person if you have a question or actually are ready to have the sales conversation.⁴ Friction-free.

There are people who like friction. They see it as a challenge to beat the sales person. However, most people don't like friction. They would rather be left alone to find what they want and then have a sales person offer information on the product, answer questions and then help them complete the sale if they have decided to buy. For those who want a frictionless new car buying experience, is the choice between moving to Europe and buying online? Not quite, but almost.

There are two flavors to the online buying experience

TESLA may or may not have been the first car OEM to sell its cars online, but it is one company that had to. It had no dealer network. So it turned this negative into a positive. "You don't have to buy your car from a dealer if you buy a TESLA!" During the past two weeks I have been one click away from buying a TESLA, a VOLVO, a FORD and several other brands online. There are currently two online buying experiences, one for TESLA and the other for everything else. If you haven't gone online and ordered a TESLA, up to the point of making the final click and paying the \$100 fee for the privilege to submit a request for an order, I suggest you do. It's amazing how quickly you get to that click. There are further steps that need to be taken before you get to actually make the final order and pay the deposit, depending on whether you want to lease, take a loan or hand over cash for the privilege of owning a *Model X*, *S* or *3*.⁵

For the other brands that offer an online buying experience, you don't get to bypass the dealer, and it does not matter if you are buying in the U.S. or Europe. One of the first screens that pops up when you start the process in the U.S. is one that requires you to type in your Zip Code (postal code) so that it can provide you with the dealers in your vicinity. You build your car and either send the specification to a chosen dealer on the site, or you print it out and

4. Five of the new and one of the used cars I have bought so far were purchased at car dealers in Sweden. That's how I know.

5. There is one not-so-little glitch. You cannot order a Tesla or any other car online in many U.S. states or in certain European countries. In the United States, direct manufacturer auto sales are prohibited in many states by franchise laws requiring that new cars be sold only by independent dealers. The electric car manufacturer Tesla maintains that in order to properly explain to their customers the advantages their cars have over traditional vehicles with an internal combustion engine, they cannot rely on third party dealerships to handle their sales.

mail it or take it to a number of dealers and ask them for their best price. Either way, the U.S. dealers will try to convince you to take one of the cars they already have on their lot that is almost what you want. If you really want everything you have asked for, they will order it for you and it will arrive at their lot in six weeks or more, depending on where it is built and what exotic accessories you have added to the base model.

The difference if you are making the online purchase in Stockholm, Sweden rather than Stockholm, Minnesota, U.S.A. is that you will save time in Stockholm, Sweden by going to your dealer of choice with the clunker you are currently driving and try to convince him to knock a few extra Kronor off the price of the car you have built online, and since the trim options in Europe are fewer than in the U.S., there would be no arm twisting to take a car off the lot.

So why use the online ordering process in those countries where cars are normally ordered by dealers and sold from stock? Unless you purchase a Tesla, you are not going to eliminate the dealer haggling. You are probably going to have to visit the dealer where the car is delivered to sign the purchase and sale agreement, and then he's got you. But if you want a car with your chosen color, your selected options, your engine and transmission variant, then it's your only option. Otherwise, you get what they got. There is one catch. Not every dealer will allow you to order at any time for delivery in a given number of weeks. Honda, for example, orders cars for customers quarterly

Is subscribing truly frictionless?

I decided to test the thesis that subscribing to a car is the most frictionless way to have a car. First up was the JAGUAR LAND ROVER *Carpe* (as in *carpe diem*) program, which turned into *Pivotal Subscription by Jaguar and Land Rover* and then *Blue Subscription*. The opening page limited me to three models, a *Land Rover Discovery Sport*, a *Jaguar F-PACE* or a *Range Rover Evoque*. I clicked on SUBSCRIBE and was presented with the following message: *SPEAK TO A PIVOTAL EXPERT - Enter your details below and a member of our dedicated Pivotal team will be in touch to discuss your subscription benefits in more detail*. Not exactly the frictionless experience I was expecting. It is working only in the UK for the moment, so I moved on.

Next up was *Mercedes-Benz Collection*. The opening page took a cue directly from JLR (or was it the other way around?) with SEIZE

THE MOMENT (*carpe momentum*); DRIVE THE COLLECTION. It seems to be available only in Nashville, Tennessee and Atlanta, Georgia. The *M-B Collection* likes the work ‘flip’ very much. You ‘flip’ vehicles or you get ‘flipped’ into a higher category. In order to get into one of the three *Collection* vehicles, I had to first download the *M-B Collection* Mobile App with my driver’s license and credit card at hand, and then I had to use the app to apply for membership. To download the app I had to request an SMS with a link. That’s where my MERCEDES-BENZ attempt ended.

Then it was time to try *Care by Volvo* again. Since I would follow through with this by visiting a dealer, I went to the Swedish site.⁶ There was a simple diagram showing the three steps I would be following with this text: *Care by Volvo is a full service service and a convenient way to have* (note that they use the term ‘have’) *a car. You subscribe for 36 months and always pay the same monthly cost. Unlike a car loan, you also do not have to pay any cash contribution. When the subscription period is over, you return the car to us.* First, choose the car. There were five models to choose among, including the XC40, V60, XC60 and two V90s. Second, choose the options, which was basically color since most options were standard. Third and last, provide my personal details and choose the dealer where I will pick up the car. I skipped this because I knew that when I clicked FINISH with these details included, I had subscribed.

In the U.S., the subscriber gets to switch cars after twelve and then 24 months, if he chooses to do so. You can get the latest model or choose another model.

The next day I paid a visit to a VOLVO dealer. I walked in and wandered around for several minutes, checking out the few models on display in the small showroom. Eventually, I found an office with someone in it and the occupant, who turned out to be the owner, welcomed me in. I told him I my wife was in the market for a new car to replace her fourteen-year-old *Toyota Corola Verso*. He asked me to sit down and then I told him that I had heard about a car subscription program that VOLVO had, *Care by Volvo*. He was pleasant and still friendly when he said that he would be happy to show me how to find the web site, but he did not have anything to do with it. “It’s operated totally by Volvo,” he said. Obviously, I was not going to leave it there. In my best *Columbo* fashion, I asked, “Can you help me out here? How would I get the car and where would I have it serviced?”

6. *Care by Volvo* is available for residents in US states excluding: CA, FL, HI, MS, NC, ND, NY, SD, and TX.



Lieutenant Columbo, played by Peter Falk, talks things over with a suspect in a 1974 episode of the series named after the fictional Los Angeles Police Department homicide detective.

Dealer: "It's up to you which dealer you choose. You would probably choose us if you lived nearby."

Columbo: "Is there something I get with a subscription that I don't get with a lease?"

Dealer: "They say that maintenance and insurance are not included if you lease, but we have a lease that includes them too."

Columbo: "Is it less expensive than a lease?"

Dealer: "No, especially if you have a car to trade in. But it depends on which car you choose to lease. There are only a limited number of cars to get with a subscription. With a lease, you can choose any car with any option you want."

Columbo: "So why would I subscribe?"

Dealer: "I don't know. Maybe you have bad credit."

Columbo: "Why do you think Volvo want to have a program that doesn't involve the dealers?"

Dealer: "We wonder about that too. I guess they believe they can sell more cars. We do our part to help out, but we don't see so many people taking the subscription."

I checked the Terms and Conditions of *Care by Volvo*, and read the fine print. Here are some of the items that are not included in the monthly subscription payments:

- Winter tires and the storage of same.
- The right to use the car for transport of people or goods for a fee (i.e., running a taxi service or goods delivery service).
- Regular cleaning and maintenance of the exterior and interior of the car.
- Outside of Göteborg, Malmö or Stockholm, where there is a service from Volvo Cars to pick up and return a car that requires regular service, the subscriber needs to take the car in for regular maintenance and pick it up himself.
- Self risk portion of insurance for vehicle damage.
- Costs for registration fee, traffic fines, tolls, road tax or any other taxes.
- Damages that Volvo as the owner of the vehicle would be expected to pay that are caused by the subscriber.
- Cleaning of the car prior to handing it back to Volvo at the end of the subscription period.

You don't want to be late returning the car when the subscription period is over. For each day you are late, you will pay 1.5 times the monthly subscription cost pro-rated daily.

Who benefits, who thinks they benefit and who loses?

I compared a lease with a *Care by Volvo* subscription for an XC40, both in the U.S. and Sweden. I loaded up both of them with as many options as I could. In the U.S., with the lease option, my monthly payment came to \$528 with a \$4,000 cash down payment and a first month payment in advance. The down payment and pre-paid month adds \$126 to the monthly lease payment, making the total \$654. This includes the scheduled maintenance but not insurance. Insurance has many variables, but \$75 per month would be a good average. That makes the monthly payment \$729. A lease-end payment of \$350 would be due if I decide not to purchase the vehicle. Additional mileage over 10,000 miles per year would be charged at \$.25/mile.

The base monthly payment in the U.S. for *Care by Volvo* is \$750. With the options I added, the total came to \$873. That's almost \$150 per month more than the lease option. It looks like the main difference between the two in the U.S. is that I can drive a new model every year. Is that worth \$5,400? It might be to some folks. It usually takes me at least a year to figure out how everything works in a new car and to get it to feel like my home on wheels. I'd probably skip the upgrades.

I said that Volvo dealer I visited was not all that revved up about *Care by Volvo*. Dealers in California are hot under the collar over it. VOLVO announced it in late 2017 and began offering it in the spring of 2018. In January 2019, the California New Card Dealers Association filed a complaint with the state's Department of Motor Vehicles (DMV) stating that the service violates provisions of the state franchise and consumer protection laws in the California Vehicle Code.⁷ In August 2019, the California New Motor Vehicle board directed the DMV to start an investigation. After a six-month investigation, the DMV determined that VOLVO's *Care by Volvo* program violates several California franchise and consumer protection laws. One key finding is that the investigation found that Volvo provided preferential treatment in allocating subscription vehicles to factory-controlled stores. The DMV took no action against VOLVO, but warned that future violations might lead prosecution. *Care by Volvo* is currently not offered in California.

7. The California dealers who filed the complaint say that Care by Volvo sets up a competition directly between Volvo and its dealers by essentially telling potential customers to bypass the dealers and lease directly through Volvo. They also say that Volvo never informed the dealers about the lease program, that it favors dealers who participate in Care by Volvo with more desirable cars, and that it undermines dealer restrictions against payment packing. Additionally, they accuse Volvo of hiding the true costs of the cars and services while taking deposits directly from customers then leaving the paperwork and assorted drive-off responsibilities to the dealers without compensation.

Volvo believes that subscriptions are vital to its future. When the California dealers balked, Volvo Car USA CEO Anders Gustafsson said that the subscription program was among the top three priorities for the company. “Care by Volvo is 100% prioritized,” he said. “This is going to help provide dealers with another tool to make them money.” Obviously, there is a disconnect here. The dealers have another point of view. They are buying cars to sell them to customers, and if they can’t sell them to retail customers they sell them to fleet customers. If that fails, they sell them to auction houses. Dealers are not set up to carry the cost of inventory, but that’s what subscriptions require.

The question is why do the OEMs feel they need to offer subscriptions. There can be only one answer: They can net more money per car than they would receive if the dealers paid the dealer’s invoice price. Some bright financial wizards back in Göteborg (or Hangzhou) have probably run the numbers and convinced VOLVO CARS management that it all makes financial sense. Instead of selling inventory to dealers in the buy-from-stock countries or building to order against a deposit, OEMs will now start to carry their own inventory, with all the costs entailed in that approach.

We’re down to the customers. Returning to the sidebar on the first page of this article, consumers apparently are willing to pay 11% more for each additional level of convenience for food-related consumption, and 30% more for restaurant take-out versus meal kits. Will they pay 20% more to have a new car each year? That’s what it comes down to. Here in Strängnäs, we have a couple of good restaurants, but I’m not sure the pocketbook would be able to handle even a 20% premium for dinner every night. Maybe we could do it a few times a month. That’s about how often we went out to dinner before COVID-19 put the kibosh on that bit of enjoyment. Actually, I think I would rather put the \$150 a month toward a good meal out with my wife rather than driving three new cars over the course of three years rather than one.

The jury is still out. Knowing what I know about the real cost differences, if I did sign up for a subscription I would probably think I made a mistake every time I authorized the monthly payment. But that’s me. VOLVO and the other OEMs who are starting to offer carscriptions have smart folks figuring out how they can earn more money out of the cars they are producing. They must surely know something that we mere mortals are not privy to. We shall see. I wonder what Whit would have thought about it.



My mother was the family's genealogical expert. She turned 13 in 1929. She had to leave school to help out with the family finances, and joined her older sister as a seamstress in a dress factory. Mom would have been a wiz in chemistry if she gotten the chance to go to high school. I'm sure of it. Genealogy is like the periodic table: one, big family, and the elements are its members. She would say something like: His mother's mother's father's father and your grandfather's father's father were the same person. I didn't 'get' chemistry in high school. I was in my forties when a book titled something like "Chemistry for Dummies" changed my life when the periodic table light bulb was lit for me. And I didn't get genealogy either until I started writing my first book about the family. That was over ten years ago. Happily, my mother got to read it. So did my great great grandfather's other great great grandson.

Car companies are all members of one big family, and many of them are related. Today, MG is part of Chinese SAIC MOTOR CORPORATION LTD. It came into SAIC from NANJING AUTO GROUP which merged with SAIC in 2007. NANJING bought MG along with ROVER in 2005 from MG ROVER GROUP when it went into receivership. It's a long and winding road back to Cecil Kimber founding MG as part of MORRIS GARAGES in the early 1920s. MG stands for MORRIS GARAGES. You can see the genealogy of the British motor car industry in the [May 2019](#) issue of *THE DISPATCHER*.

You understand a lot more about a person if you know how they got to where they are. Understanding a company's history can make the opaque transparent, especially when it comes to car companies.

Battery Electric Vehicle News

Former British icon leading the Chinese BEV charge



CLASSIC BRITISH sports cars, like the MG, TRIUMPH and AUSTIN HEALEY, were the most impractical vehicles ever designed and built. They seated two people riding uncomfortably, suspended inches above the pavement. They had practically no storage space. They were designed to be driven with the top down for a country that back in their heyday was damp, cool and smelled of coal smoke and diesel fumes. They broke down often, like most British cars. But, gosh, they were lovely. They were designed for the heart, not for the mind or the pocketbook. As more practical and affordable cars entered the British market, the classic British sports cars' stars dimmed and then vanished.

The TRIUMPH marque was acquired by BMW when it bought the MG ROVER GROUP. It sold part of the group to NANJING AUTO GROUP (see sidebar) in 2005, but kept the TRIUMPH and MINI names. So far, BMW has done nothing with the TRIUMPH name, but MINI received a completely new lease on life. NANJING received the AUSTIN, MORRIS, WOLSELY, ROVER and MG marques, and these were then acquired by SAIC when it bought NANJING. MG has now reappeared from over the horizon to the east. Whether it will shine brightly or be a dull import from China remains to be seen. Some accounts are hailing it as the 'breakthrough' brand for the Chinese automobile makers.

Those who expected to see the MG badge return home on a sports car were sorely disappointed. The car, called the MG ZS EV, looks more like a knock-off



of a FORD Kuga. SAIC call it a SUV, but that is using both the terms 'sport' and 'utility' loosely. It's a battery electric vehicle with 260 km (164 miles) range designed and built in China. It is being sold in the UK, Norway, The Netherlands, Italy and France, and was reportedly the third-best-selling BEV in the UK during the first quarter of this year, behind TESLA's Model 3 and NISSAN's Leaf.

Tesla is scaling back its European Gigafactory

SOMETHING CURIOUS is happening in Germany. In November 2019, Tesla announced that it had decided to locate its European battery and vehicle assembly plant in Grünheide, which is in the vicinity of the new Berlin airport southeast of Berlin. I wrote about this decision in the [December](#) issue of *THE DISPATCHER*, praising it because the chosen location is a region in the former East Germany (Deutsche Demokratische Republik) where coal mining has been the major employer, and with Germany's decision to phase out all coal-related industries, also an area with severe employment problems. The new Gigafactory⁸ was expected to employ 12,000 people and assemble 500,000 vehicles annually. It was also to be the start of a new electric vehicle hub.

Almost as soon as the decision was announced, the German environmental lobby showed up with a list of demands. Trees and water were the first problems. The Brandenburg Water Authority warned that there might be serious problems with the drinking water supply and wastewater disposal. Another group claimed that the factory is being located in a forest area that is a protected wildlife zone for birds and bats. Around 300 hectares (3 million square meters) of forest was cleared for the building site (see sidebar). I find it odd that if the area was indeed protected, why was permission given to build in the first place. Same with the water and waste issue. Another group of anti-protesters have also been demonstrating their support for the new factory. One local resident was quoted as saying that Tesla would bring improvement to the area, create jobs and give chances to young people. *"I am here because I don't understand those demonstrators who shout and show us the finger," he said. "Why has it always to be negative?"*

Elon Musk bristles at being criticized about anything, but to be the object of derision by environmentalists has really got under his thin skin. He said the water usage would be much less than the 372 cubic meters per hour claimed by the Brandenburg Water Authority. As for the trees, Musk replied that it was not a natural forest since the trees had been planted to make cardboard. *"Giga Berlin will build sustainable energy vehicles using sustainable energy, so net environmental impact will be extremely positive,"* Musk said.

TESLA announced in early June that it would revise its plans to address environmentalists concerns. On July 3rd it revealed those plans. It will not build batteries or plastic components at the plant, it will lower the height of the buildings by one-third and it will reduce capacity to 100,000 cars per year. There has been no word on

8. Tesla operates two Gigafactories in the United States and one in China. The automaker hopes that the new facility will begin operating in the middle of 2021, eventually producing as many as half a million cars per year.



Tesla cleared the site of trees and began driving piles for the foundations of Gigafactory 4 when work was temporarily halted by the German authorities.

the impact on the number of jobs, but the total will likely to be reduced significantly. TESLA still does not have official and definitive approval from the German authorities to proceed with its building and eventual operation. It was granted conditional approval to proceed, and it started by clearing the trees and driving piles. That is when the protests started. It continues to work at its own risk, but there is a chance that the state will not grant approval. And one cannot rule out the possibility that Musk will tire of the whole thing, pick up his ball and move to a new pitch. That would be a pity for all those young boys and girls who could have had a job and a future in the region.

Is the Volvo Cars and Waymo tie-up a big deal?

NO IT ISN'T. At least I don't think it is. Let's look at the evidence for my conclusion. First, what would make it a big deal? If ALPHABET and ZHEJIANG GEELY HOLDING GROUP, which owns VOLVO CARS, had signed an agreement for Google to become the global supplier of cloud services for all GEELY car brands, that would have been a big deal. Nothing of that sort appears to be on the horizon, especially because Google is not able to operate freely in China. If WAYMO had announced that it would only run its driverless platform on cars produced by companies within the ZHEJIANG GEELY HOLDING GROUP, that would truly be a big deal. But WAYMO already has agreements to work with FCA, JLR and the RENAULT NISSAN MITSUBISHI ALLIANCE. WAYMO has an agreement with FCA to purchase thousands of *Pacifica Hybrids* and adapt them with its self-driving platform. It has another agreement with JLR to use the *I-PACE* electric car for testing, and it has a similar agreement with the ALLIANCE. Included in the WAYMO/VOLVO announcement, there is a statement by WAYMO that those working relationships will continue.

What is the deal? WAYMO says it will “work with VOLVO and its global brands, POLESTAR and LYNK & Co (no mention of other GEELY cars—and, by the way, POLESTAR and LYNK & Co are not Volvo brands, like *Chevrolet* is a GM brand, but separate companies that are owned partly by VOLVO CARS and GEELY AUTO) to integrate its self-driving Waymo Driver system into a new, next generation VOLVO.” The vehicle that VOLVO CARS will develop will, according to the WAYMO announcement, “be capable of Level 4 autonomy, meaning it will be able to drive itself in most scenarios.” There were no details about whether this car is just for WAYMO or whether it will be sold to other companies, and there is no mention of when such a car and service would launch. There is also no



indication of money to be invested or where development will occur. In other words, there is not much detail about the actual deal.

Adam Frost, WAYMO's chief automotive officer, said of the deal: "Volvo shares our vision of creating an autonomous future where roads are safer, and transportation is more accessible and greener." Henrik Green, Volvo's chief technology officer, acknowledged that the deal "opens up new and exciting business opportunities for VOLVO CARS, POLESTAR, and LYNK & CO."

Besides the fact that the agreement is not exclusive, what else makes it not such a big deal? VOLVO has made quite a few announcements during the past several years about working relationships and projects that would lead it to deliver almost-driverless cars. I wrote in the [May 2020](#) issue of *THE DISPATCHER* about the closing down of VOLVO CAR's and VEONEER's joint venture, ZENUITY. ZENUITY was supposed to be doing what VOLVO is now saying WAYMO will do, "to develop autonomous driving technology for VOLVO to help the driver deliver on the promise of providing people the freedom to move in a safe, personal and sustainable way," to quote Henrik Green again. When the JV was closed, VOLVO said it would form a new company to take over the job that ZENUITY had started. So, is the WAYMO deal instead of the new company, or can we expect another announcement soon?

Another big deal that turned out to be not-so-big was the agreement with UBER. It was in 2017 that UBER said it would purchase "up to 24,000 self-driving cars from VOLVO". It turned out that what was meant was that VOLVO would supply cars and UBER would adapt them and make them self-driving using the software and hardware that it, UBER, had cobbled together from various sources. We know how that turned out. UBER was sued by WAYMO because it hired someone who had worked at WAYMO and whom WAYMO accused of leaving with the family silver. Then, a VOLVO that had been adapted by UBER hit and killed a person crossing a street while the UBER test driver was not driving. There has not been much news about UBER and VOLVO CARS since then.

In 2018, VOLVO CARS and NVIDIA announced that VOLVO would use *Nvidia's Drive AGX Xavier* computer for its next generation vehicles and customers would begin to experience it in the 'early 2020s'. This agreement extended into ZENUITY. NVIDIA and WAYMO are competitors. There is no mention in any announcements I have seen that VOLVO CARS will end its relationship with NVIDIA.

In Another Time



This is a relic of the period in Swedish history in the middle of the 20th century referred to as "Villa, Volvo och Vovve" (House, Volvo and Doggie). The sign below describes the relic, which is located somewhere in the vicinity of Gothenburg, where the vehicle, a Volvo 245, was built in 1987. Your editor owned two successors to the 245, both 945s, built five and seven years later. To his knowledge, neither has yet suffered the fate of its older cousin.



Perhaps that is in process, or maybe NVIDIA will be excluded from work on the new car that will be developed with WAYMO but will continue on other models.

Let's be frank, folks. VOLVO CARS is once again going into IPO mode, this time with the possible integration of all the other GEELY car brands.⁹ GEELY needs the money that it would derive from that IPO to invest in everything it has to have to keep all of its car companies growing and make them competitive on the global stage. VOLVO, and all the other brands involved, need to put an additional luster on their images to improve their valuations. A tie-up with ALPHABET/Google through its WAYMO group fits the bill. Maybe it will lead somewhere at some time in the future, but the need for money is pressing.

In a recent interview with the press, POLESTAR's CEO, Thomas Ingenlath, answered the question put to him by a journalist, When will Polestar break even?, as follows: "It's going to take years. We have to have three products on the market. That says something about the time horizon." "Electric's the future," he says, "but we have to invest a lot before we start to see a profit." We have heard this story from every OEM. It does make one wonder if the premise, that 'electric is the future', is correct, but that is another story that I will continue to cover. Electric and automated driving and car sharing and subscriptions are all the future. The only problem is staying in business long enough to reach that future, if I understand the logic correctly.

BMW and Daimler pause self-driving alliance

THERE ARE LIMITS to what companies can do when the main source of their income is choked off by a pandemic of epic proportions and both their government and their government's government are preparing to transfer large sums of their money to their rivals.¹⁰ DAIMLER and BMW decided late June to put on hold a development alliance they had begun in in the area of automated driving between its *Mercedes-Benz* brand and rival BMW.

In July 2019, BMW and DAIMLER announced they had entered into a long-term development partnership to develop highly automated driving functions to enable "hands off" autonomous driving on highways as well as automated parking. This followed on the really big news the two companies had heralded earlier in the year, in February, when they said they would invest €1 billion in a mobility partnership to integrate their activities in car sharing, ride-hailing, parking, charging and multi-modal transport services.

9. I wrote about this in the [July 2020](#) issue of *THE DISPATCHER*.

10. The government in this case is Germany, and the government's government is the EU in the form of the European Commission. The German government is handing out very large subsidies to electric car purchasers, and because of the backlash against diesels, which BMW, Daimler and most other European OEMs were counting on to meet Euro 6 requirements, the OEMs must either fast forward electric vehicles, or pay electric vehicle suppliers like Tesla ransom sums, or face ruinous fines. They have asked for a six-month reprieve from the Commission. Will they get it?

The objective with this comprehensive cooperation was to “form a single mobility service portfolio with an all-electric, self-driving fleet of vehicles that charge and park autonomously and interconnect with the other modes of transport.”

The July announcement focused on the self-driving component. It was intended as a *“long-term contract to help bring autonomous vehicle technologies to market quicker,”* according to press releases by both companies. The objective was to put so-called **Level 4**¹¹ self-driving cars on the road by 2024. A total of 1,200 specialists were gathered together from both companies to develop smarter driver assistance systems and the architecture for more advanced self-driving technology. The companies said they would each use the new technology in their own cars in their own ways. They also declared that the partnership was not exclusive and invited other automakers to join them.

One year later, the companies decided that the assumptions they had made going into the agreement were not borne out in practice. *“Following extensive review, the two companies have arrived at a mutual and amicable agreement to concentrate on their existing development paths, which may also include working with new partners,”* DAIMLER said in a statement.

Two reasons were cited for this. Firstly, after detailed discussions were held between BMW and DAIMLER, each company found that what they had already developed with their current suppliers and partners (e.g., INTEL, MOBILEYE and FCA for BMW and BOSCH for DAIMLER) was equally advanced. In other words, they did not see any major advantages with sharing their already-developed technology or obtaining something from the other. Secondly, the cost of developing a shared platform was judged to be larger than either had expected. The effect of COVID-19 on the global economy had made the timing of this project disastrous. It is so bad that BMW and DAIMLER will cut thousands of jobs. Their press release stated that *“both sides concluded that, in view of the expense involved in creating a shared technology platform, as well as current business and economic conditions, the timing is not right for successful implementation of the cooperation.”*

The companies emphasized that cooperation may resume at a later date. They also said that their *“underlying approach to matters such as safety and customer benefits in the field of automated driving remains highly compatible.”* For the present, they have had to acknowledge their limits. The Commission should as well.

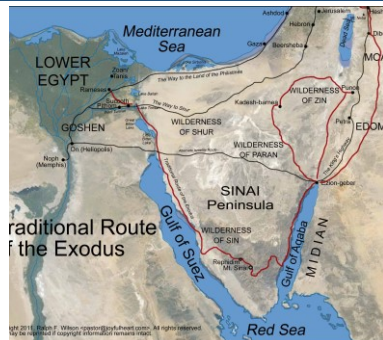


22 February 2019, Berlin: Harald Krüger (r), Chairman of the Board of Management of BMW AG, and Dieter Zetsche, Chairman of the Board of Management of Daimler AG and Head of Mercedes-Benz Cars, sit together at the beginning of a press conference on the launch of the joint mobility company of BMW and Daimler.

Source: CNBC

11. **Level 4** systems provide "high automation" and nearly full autonomy, according to SAE definitions. The difference between Level 4 and Level 3 is the car's ability to handle an issue when a self-driving system fails. A Level 4 automated car will request the driver take over controls, but if the human driver does not, the vehicle will stop itself.

Musings of a Dispatcher: The Way Forward



We Continue to Wander in the Desert

HAVE YOU EVER wondered why it took Moses and the Israelites forty years to make the five hundred kilometer journey from Raamses in Egypt to Jericho in Canaan? It's a forty-day walk at a snail's pace with long lunches and weekends off. Double it for a detour to Mt. Sinai to pick up the Ten Commandments. Was it bad roads; inaccurate maps; dodgy direction signs; or poor guidance? It appears the reason was that Yahweh, the god of the Israelites, didn't believe they were ready to enter the Promised Land. The four hundred years they had been in Egypt, and especially the period of their enslavement, had affected their ability to obey his laws. They were just going to have to wander around for a while until their attitudes changed and those among them who lingered in their old ways were weeded out.

Where are we in our figurative forty-year wandering period to align our attitudes on what it takes to live in peace and harmony with each other and with Planet Earth? By 'we' I'm referring to countries or groups of countries within regions. Given the state of affairs everywhere right now—pandemics, protests, political and economic tensions—it feels like we are closer to the start than to the end. Something is missing, and I believe it is an effective way for individuals, institutions and businesses to make decisions and set goals. Most countries in the West at one time or another provided the overarching goals for their societies—"This is what we want to achieve."—but they have lost the ability to do it.

If you are a company, specifically a car manufacturing company, it is difficult to make decisions when you don't know why you are making them. It's even more difficult if you are told why you should make a decision, but you don't agree with the reason. What is the basis of a government deciding it will spend millions of dollars or euro or pounds of taxpayer's money on subsidizing the purchase of battery electric vehicles? It may seem obvious that elected officials, who are given the responsibility to make decisions for the public good, will exercise their authority and do what they judge to be correct. But why are they

just promoting battery electric vehicles? What if the money that is handed out to people who could afford to buy any car is used instead to build a research center for removing CO₂ from the atmosphere? What if it is used for building enough garage space so that all on-street parking could be eliminated? What if it is devoted to once and for all building fuel cells that can power all our vehicles?

You can't play the game if you don't know the rules

Putting it simply, businesses cannot make decisions unless they know the rules, and the rules are being made by politicians in all countries who have become a group of political elites. They have lost the story line to whatever political philosophy they once had (e.g., liberalism, socialism, conservatism) and are practicing a form of political empiricism, making up their ideology as they go, most influenced by environmentalists and groups that represent specific race, gender or ethnic factions. In some places where governments are elected more or less democratically, there are countless examples of decisions being made by coalition governments comprised of individuals with very different biases, some having less than 5% of the populace's mandate. The small parties can have a major influence on decisions because their continued support is required to keep the largest party in power. A pro-labor party can be convinced to weaken labor laws by its pro-business coalition partners, as is happening in Sweden. A pro-business party can be forced to tax air travel or close airports, subsidize rail transport and penalize road transport, provide massive cash and tax incentives to battery electric vehicles and equally massive disincentives to non-BEVs, or implement entry and exit tolls around cities.

In the United States, laws that heavily affected the design and performance of vehicles through the strict regulation of greenhouse gas emissions and fuel efficiency that were passed during previous administrations have been either rescinded or superseded by the current administration.¹² Whatever opinion a business leader might have had about those laws, perhaps believing them to be too strict or biased toward competitive offerings, that business leader made decisions to comply with them, about how much money to invest in research, product and personnel development, and in which areas to make those investments. It is little wonder then that In July 2019, four automakers, FORD, HONDA, VOLKSWAGEN GROUP OF AMERICA and BMW OF NORTH AMERICA, re-

12. The environmental policy of the Donald Trump administration represents a shift from the policy priorities and goals of the preceding Barack Obama administration; where President Obama's environmental agenda prioritized the reduction of carbon emissions through the use of renewable energy aimed at conserving the environment for future generations, the Trump administration has sought to increase fossil fuel use and to scrap many environmental regulations. As of May 2020, the Trump administration has rolled back 64 environmental rules and regulations, and an additional 34 rollbacks are in progress.

jected the administration's rule proposal to lower emissions targets and adopted the California emission targets. Shortly thereafter, the U.S. Department of Justice (DOJ) began an antitrust investigation of these four companies on the basis that they were colluding and restricting consumer choice. By February 2020, the DOJ announced it had ended the investigation with no action.

In China and Russia, where there are *de jure* and *de facto* single party states, it is known and accepted by business leaders that the sole purpose of laws is to reinforce the ability of the party in power to stay in power. If anything occurs to affect the existing state of affairs, laws can change to reestablish the status quo. China adopted its LDV tailpipe emission standard in 1999. At the time, the country was notorious for its heavily polluted air, due mainly to lax emissions regulations for factories and power generation plants and its quickly growing vehicle park. The new standard was equivalent to the *Euro 1*.¹³ By 2013, China had progressed up to the equivalent of *Euro 5*. In 2015, the authorities proposed an even stricter regulation combining *Euro 6* with *Tier 3 U.S.* and State of California requirements. These regulations were set to go into effect in 2020, but in 2016 they were pushed by the Chinese authorities forward to 2017, catching everyone in the West by surprise. But business leaders within China understood full well what was happening.

This was around the time that China was getting the battery electric vehicle bug. Special green plates were issued for electric vehicles. China's *Traffic Management Bureau* designed a special license plate for 'new energy vehicles', a category that includes battery-electric, plug-in hybrid, and hydrogen fuel-cell cars.

"Given these new rules and societal factors around air pollution, China will become the toughest regulatory regime in the world over the next five years," then-Ford CEO Mark Fields told *THE DETROIT NEWS* ahead of the 2016 *Beijing Auto Show*. Honda reportedly said at the time that the 47-miles-per-gallon requirement alone would require it to sell only hybrids in China by 2025.

As we know now, this tightening of emissions and fuel consumption standards was meant to give the Chinese car companies a good, hard kick to get them to move to BEVs faster. They did. And now China is the center of BEV design, development and manufacturing—except for the company that gave them the idea in the first place, TESLA.¹⁴ China now intends to use that position in the battery electric vehicle delivery chain to the fullest.

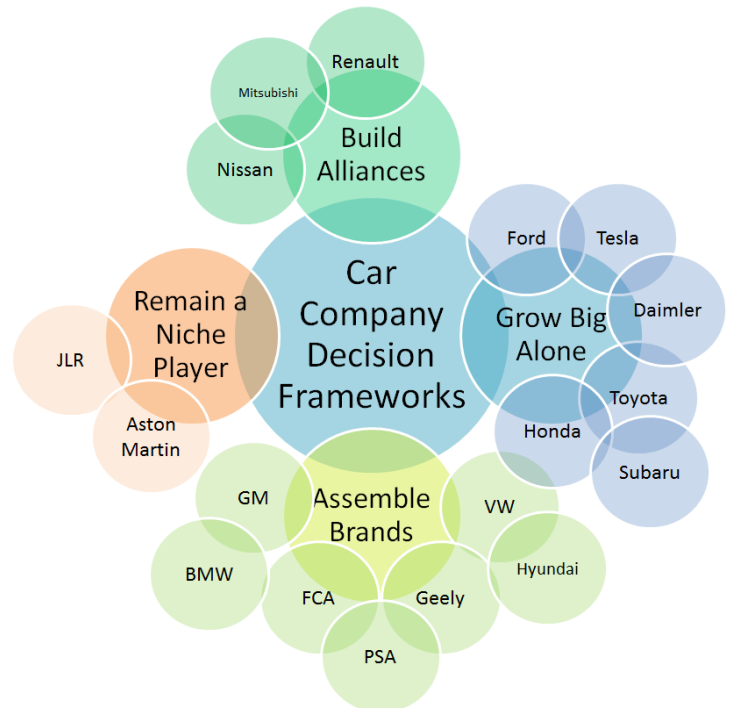
13. European emission standards define the acceptable limits for exhaust emissions of new vehicles sold in the European Union and EEA member states. The emission standards are defined in a series of European Union directives staging the progressive introduction of increasingly stringent standards. The stages are typically referred to as Euro 1, Euro 2, Euro 3, Euro 4, Euro 5 and Euro 6 for Light Duty Vehicle standards.

14. I have written about this in the March, May, June and July issues of [The Dispatcher](#).

Car companies had their own decision frameworks

For the past hundred and twenty years, during the time since the first car companies were formed, these companies have each run their businesses in a consistent way, with a few digressions here and there. They have either decided to grow big organically, to expand by adding other brands, to build alliances, or to remain a niche player. GM was the biggest of the assemblers, starting with BUICK in 1908 and adding CADILLAC, ELMORE, OAKLAND (predecessor of Pontiac), the RELIANCE MOTOR TRUCK COMPANY and then CHEVROLET. Many of the niche players, such as ROLLS-ROYCE and LAMBORGHINI, couldn't make it on their own and became part of a larger company's sphere. BWW acquired ROLLS-ROYCE and VW, through *Audi*, took in LAMBORGHINI. Two of the most active assemblers, CHRYSLER and FIAT, merged. The alliance led by Carlos Ghosn, which everyone believed was successful, nearly exploded when one of the alliance partners (NISSAN) heard that another partner (RENAULT) was considering a full merger. FORD made an uncharacteristic move in the late 1990s when it decided to become an assembler with its *Premier Automotive Group*. Bill Ford put the old family strategy back in place by firing Jacques Nasser and setting the niche players loose. DAIMLER took over CHRYSLER in 1998, moving into the brand assemblers group, but also reverted to its old position as a grow-it-alone company by selling off CHRYSLER in 2007.

During World War II, car companies put most of their private and commercial vehicle manufacturing activities on hold and converted their assembly lines to building vehicles and other equipment for the war effort. When the war ended, they resumed their businesses and used the same decision frameworks they had developed before the war. Car sales increased dramatically after over a decade of economic depression and then the war. Some niche companies failed (e.g. STUDEBAKER), but demand kept most companies growing until the 1970s. That's when things began to get complicated with the first government regulations in the U.S. and Europe on fuel consumption, tail pipe emissions and passenger safety.



This is when car companies had to start making strategic decisions on what to do and where to do it while trying to second guess what new problems their governments would cause for them. By the end of the 1970s, Japan had become a global economic powerhouse (Remember that?). Western governments talked about slapping tariffs on imports from Japan, especially cars. In 1981, Japan decided to seize the initiative and it entered into a voluntary restraint agreement with the U.S., limiting the number of cars it would export to the U.S. to 1.68 million units per year. In order to be able to sell the number of cars that consumers wanted to buy from them, the Japanese companies began to set up production in the U.S. They decided to avoid Detroit at all costs and established their facilities in the southern states. European manufacturers followed, returning the 'favor' of U.S. companies entering their markets.

At the turn of the New Millennium, the global car business looked very different from what it was in 1950, with new companies added (e.g. HYUNDAI and KIA) and new production centers (e.g. Mexico, Turkey, Eastern Europe, southern U.S.), but the decision frameworks they had used fifty years before were still in place. During the next two decades the car business would change dramatically as the decision frameworks changed at their foundations.

The car company world split in two

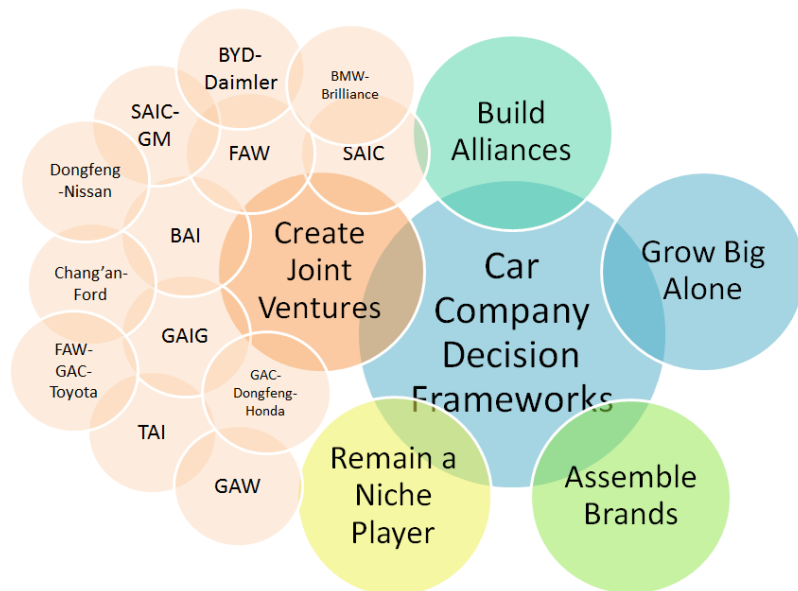
The car companies used their decision frameworks globally, wherever they were allowed to sell their cars or wherever there were buyers for them. Japan was and still is pretty much closed to foreign car makers, and China wasn't a market until 1983 when AMERICAN MOTORS signed a contract with the Chinese government to produce its *Jeep* models there. VOLKSWAGEN and PEUGEOT signed up the following year. All of these had to be joint ventures, with their Chinese counterpart owning at least 51% of the company and, by agreement, being given the keys to the intellectual property rights cabinet. Most of the other car companies followed. The joint venture law was relaxed in 2018 for companies that make BEVs, and TESLA was the first company to open up a factory under the new regulations. However, TESLA was still forced to work with local governments and at least one state-owned company. According to a statement from the Shanghai Municipal Government, which was provided by TESLA, the company "signed an *Electric Vehicle Investment Agreement* with the LINGANG MANAGEMENT COMMITTEE and the LINGANG AREA

DEVELOPMENT ADMINISTRATION, which are local development agencies, and the LINGANG GROUP, which describes itself as a 'state-owned enterprise' that invests in industrial development."

The formation of the joint venture companies in China fundamentally changed the way decisions were made by all of the car companies. It had to. For many of the OEMs, China became their largest single market. It has been number one for GM since 2013. It is number one for VW. MERCEDES-BENZ sells twice as many cars in China as in the U.S. It is FORD's second largest market after the U.S. I saw first-hand how the national sales companies in the largest markets affected the businesses of several U.S., European and Japanese OEMs. They are often the second headquarters. The Chinese JVs serve both as national sales companies and as a conduit of Chinese practices into the headquarters in Detroit, Munich and Toyota City. They have more autonomy because they are at least 51% owned by Chinese, and they have more influence because they are often selling more cars than any other market. They are more than just second; they are the other headquarters.

For the past ten years, since the 2009 financial crisis, the gap between China and the rest of the automotive world widened. When car and light truck sales collapsed in the West and both GM and Chrysler went into receivership, China sailed past the U.S. as the world's top car market (officially in 2010). It never looked back. The number of registered cars, buses, vans, and trucks on the road in China reached 62 million in 2009. Cars represented two-thirds of that total. Growth estimates at that time predicted the total number of registered vehicles would increase to 200 million by 2020. By March 2017, there were in fact 300.3 million registered vehicles.

The COVID-19 pandemic caused another major crisis for the automotive industry as factories and dealerships closed and customers were locked up in their dwellings. Activities stopped briefly in China where the first major outbreaks occurred, but the authorities were quick to put the country into quarantine and



then were quick to reopen. Car production resumed while the West remained closed. One hundred years from now, will we look back at this pandemic in the same way as we have the Spanish Flu¹⁵, or will it be recorded as the event that truly changed history? We may forget the reason why the history of the car industry changed forever in 2020, but we will record this year as the one when it did. The reason is that one country, China, has set a very big stretch goal, to become the primary manufacturer of cars sold globally as well as the supplier for the foundation for all cars that it does not manufacture—what I have called the ‘skateboard’—and in 2020 the world will see the beginning of China realizing its goal.

Just another blip on the dynasty radar screen

China would like everyone to believe that its wandering days were over long, long ago. At about the same time that Moses arrived with the Israelites to within sight of their goal, in 1406 B.C., a country in Asia was in its second dynasty, called Shang. The country, China, was formed around the fertile Yellow River. The first Chinese dynasty, called Xia, had been founded seven hundred years earlier. Over the centuries, China grew in size until in 1911 the Qing Dynasty ended and the Republic of China was formed. In October 1949, the People’s Republic of China was proclaimed, and it is this dynasty in which China is at present.

China today is just doing what all countries have done at crucial times in their histories when they have strived to be more than they are: it is setting stretch goals for its people. *Become the factory for the world.* Done. *Win the most gold medals in a summer Olympics.* Check (2008). *Become the biggest market for cars.* Did it (2010). Next up is to become the largest producer of electric vehicles of all types. It tried and failed with ICE vehicles, but its chances with BEVs are very good, especially since it is receiving a lot of help from its competitor governments in the West.

I remember when President Kennedy gave his speech at Rice University on the 12th of September 1962. Our family watched it on television and I felt he was talking to me:

“We choose to go to the Moon in this decade and do the other things, not because they are easy, but because they are hard; because that goal will serve to organize and measure the best of our energies and skills, because that challenge is one that we are

15. Other than history majors or very, very old people, who knew anything about the Spanish Flu before COVID-19 struck?



willing to accept, one we are unwilling to postpone, and one we intend to win, and the others, too."

The United States may have been wandering in the swamps of Vietnam during the remainder of the 1960s and into the 1970s, but seven years after President Kennedy set that goal, and in spite of the fact that he was assassinated a year after he did so, Apollo 11 with Buzz Aldrin and Neil Armstrong did land on the moon on the 20th of July 1969. It feels like the country has been coasting on that achievement since then while it has been reacting to goals set by others. At present it is tearing itself apart over race, unequal privileges and income disparities and has no time left to set national goals around which everyone can unite.

The EU is faring no better. Its structure is its main problem, with parliamentarians that are past their sell-by date or who have been shipped off by their parties to keep them out of the way. The eurocrats on the Commission who actually run the show seem determined with their Framework Programmes to make the Soviet five-year plan system work when even China has given up on the idea. The structure of the EU makes it impossible to set overriding goals because all countries must agree on the content of major initiatives and agree to pay for them, neither of which they will do. The same structure makes it impossible for the countries to set their own goals because those countries that could set stretch goals are turning over major sums of money to run the bureaucracy and subsidize those countries that could not.

Certain world leaders are trying to build political capital with voters by blaming other countries, particularly China, for the failings of their governments to foster societies in which people can live and work in harmony. It is not China's fault that countries in the West cannot set goals and then achieve them. But maybe the fact that China can will be enough of an incentive for these countries to learn how to do it once again. It's five minutes to midnight for the Western car industry, but if Yahweh could transform a forty-day walk into forty years, maybe he can help the West pack forty years of negligence into a very quick turnaround to save its car industry—and its other industries as well. It's still not too late. It can't hurt to ask.



Policy Recommendations

I am not recommending that the U.S. and other Western Democracies adopt individual or collective national industrial policies. However, I totally reject the postulate made by so-called 'public choice' advocates that "rational economic decisions are and should be guided chiefly by individual self-interests." Humans are guided by reciprocal altruism. Liberal democracies have functioned and have thrived when they have reinforced this principle. They have foundered when they have served a privileged few or substituted libertarian concepts of individual choice for mutually beneficial actions.

Here is what I believe needs to be done:

- Public policies in the form of tax incentives and disincentives for individuals and businesses within a country should be based on the principle that my neighbor's interests are also my own. If my neighbors do not have job, they cannot buy the products or services I sell, thereby reducing my income and endangering my own job; they cannot maintain their properties, thereby reducing the value of my property; they cannot support their families, thereby placing a heavier demand on the community's taxes to provide for their support.
- Public policies in the form of incentives and disincentives made by a country for trade with other countries should reinforce the internal policies on the primacy of jobs for citizens of their respective countries.
- Purchases made with money collected from citizens in the form of taxes, or earned with funds provided from public sources, should reinforce the internal policies on the primacy of jobs for citizens of the country making the purchases.

Postscript on the China Series

THE DISCIPLES OF LIBERAL DEMOCRACY can be forgiven for believing that China would become one of them if it was invited into the WORLD TRADE ORGANIZATION. WTO was established in 1995 as the successor to the *General Agreement on Tariffs and Trade (GATT)*, which had been established in 1947 by a multilateral treaty dedicated to international cooperation following the second devastating war of the century. The liberal democracies that comprised the Allied Forces during WWII, along with the European countries that were liberated, were the first signatories to *GATT*. They had a firm belief that their ideas of open trade would keep the world at peace in the future. Italy, Germany and Japan, after their rehabilitation following the war, were all signatories to *GATT* by 1955. China never signed *GATT*. Neither did the Soviet Union.¹⁶ Although both became members of the WTO, neither has become either liberal or democratic.

Bertrand Russell in his book **Unpopular Essays** (1950: George Allen & Unwin), in the essay *Philosophy and Politics*, explains why liberalism and open commerce normally go hand in hand.¹⁷ Countries that are dependent on trade across borders bring their traders into contact with people who have different traditions and mores than their own, thereby undermining the dogmatism that exists among those who have never experienced anything beyond the horizon they see from their homes. Relationships between sellers and buyers rest on negotiations between two parties who are free to make decisions. Negotiations are most successful when each party is able to understand and appreciate the position of the other party. Trade flourishes best in those places that have wealth but have a minimum of military might. It is no coincidence, says Russell, that at the time he was writing, Switzerland, The Netherlands and the Scandinavian countries were the closest comparison to the the Ionic trading centers in antique times and the Hanseatic cities in the Middle Ages.

In practice, the liberal view is based on the principle of live and let live, on tolerance and freedom—as long as public order allows—on moderation, and on the absence of

16. https://en.wikipedia.org/wiki/Member_states_of_the_World_Trade_Organization#List_of_members_and_accession_dates

17. I found a copy of this book in a local antique book store. Its Swedish title is *Philosophy for the Layman*, which is the title of one of the book's chapters. The title **Unpopular Essays** was probably judged to have minimal appeal to potential readers.

fanatical politics. Democratic politics follow from a liberal view, argues Russell, and the liberal view follows from commerce. This is the foundation of liberal democratic thinking.

Democracy ceases to exist, says Russell, when politics are fanaticized, as they were just after the French Revolution among Rousseaus' followers, as well as after the English Revolution led by Cromwell and after the Russian Revolution led by Lenin.¹⁸ True liberals do not say: "This is the truth!" True liberals say: "Given the current circumstances, I believe this course of action is probably the best." In Soviet Russia, Marx's statements about dialectical materialism were so uncontested that they exerted a decisive influence on Soviet researchers' views on how to obtain the best varieties of wheat.

Russell's point about democracies ceasing to exist can also apply to democracies being unable to take root when what is offered as 'truth' is packaged and delivered by those who have control over the lives of a country's citizens. In the early days of the People's Republic of China, it was Mao who translated Marxist dogma and adapted it to his vision for what China should become. It was neither liberal nor democratic but it was the 'truth' as Mao believed it should be. His Great Leap Forward between 1958 and 1962, intended to transform the country's agrarian economy into a Communist society, resulted in millions of deaths due to famine, with estimates of those who perished ranging between 18 and 45 million. Mao blamed 'rightists' for the failures and in 1966 initiated the Great Proletarian Cultural Revolution to eradicate those 'rightists' and educate the citizens in the 'true way', *Mao Zedong Thought*. Many more suffered until Mao's death in 1976. Estimates of the deaths during the ten years of the Cultural Revolution range from hundreds of thousands to 20 million. The principal proponents of the Cultural Revolution, the Gang of Four, which included Mao's wife, were arrested.

Following Mao's death and the end of the Cultural Revolution, the Chinese Communist Party decided to account for a world beyond China's borders. Deng Xiaoping called for "a liberation of thoughts" and urged the party to abandon ideological dogma and "seek truth from facts." Deng introduced a set of policy reforms called the four modernizations: agriculture, industry, technology and military. The Party changed the definition of truth.

This was when China began its experiment with a 'socialist market economy'. In 1982, China adopted its current constitution. Article

18. There is a plethora of books and journal articles declaring that democracy in certain western countries, including the United States, is threatened (or has already been destroyed) by the fanaticism of their leaders who substitute dogma for truth and by their followers who believe them.

1 of the constitution describes China as "a socialist state under the people's democratic dictatorship". This meant that the system is based on an alliance of the working classes (in Communist terminology, the workers and peasants) that is led by the Communist Party, which assumes the role as the vanguard of the working class. Deng did not believe in democracy. There would be no Gorbachev moment in 1989 in Tiananmen Square.

Everything that has happened in China since Mao's death until today was codified in the Constitution and the amendments that followed.¹⁹ What changed after 1982 was the allowance the Party made for individuals, both employees and business owners, to profit from their labors. Once the state received its due, they were able to keep more of what they earned. The result can be seen on the more crowded ski slopes in the Swiss Alps, the added cruise ships docking in Venice, the huge increase in the number of cars being sold in China and the increased number of companies in the West being taken over by Chinese entrepreneurs. Significant economic progress was made in the two decades following the establishment of its new constitution, due largely to foreign investment in the obligatory joint ventures with Chinese firms. However, while foreign-invested firms accounted for only about one-eighth of manufacturing output by 2000, they were responsible for almost 50% of all of China's exports. And since these exports were processed largely from imported parts and components, they had only a limited positive impact on inputs from domestic firms.²⁰

It was at this time that China's leadership made the critical decision to join the WTO, in spite of the short-term economic problems it would cause and in spite of the reforms it would have to make to gain membership. China's leadership understood that the very legitimacy of the Communist Party was based on its ability to deliver sustained improvements in consumption and living standards to the Chinese people. Therefore, economic growth was the essential condition for remaining in power, and they saw increased trade as the only way forward. More open markets required by WTO membership would also bring greater competition for the state-owned companies that would force them to become more competitive. Everything was aimed at promoting a more rapid development of China's national economy. What Chinese leaders realized also was that their low-cost labor market combined with their openness to foreign investment gave them a distinct competitive advantage to

19. <https://www.democracy.uci.edu/files/docs/conferences/naughton.pdf>

20. <https://www.brookings.edu/testimonies/issues-in-chinas-wto-accession/>

become the focal point of manufacturing and assembly in a world in which production was becoming increasingly globalized.

I have found no evidence that China promised that it would liberalize its political system as a result of moving toward an increasingly market-oriented economy. However, I have found references to Russell's liberal democratic view that trade results in democracy written by analysts attempting to present the case for China's acceptance into the WTO. In the previously referenced Brookings Institution's paper by Nicholas R. Lardy, he wrote in May 2001:

"The implications of rising living standards based on an increasingly market oriented economy are overwhelmingly favorable to our long-term interest in the development of a more pluralistic political system in China. As was true in the case of Taiwan from the 1950s onward, a rapidly modernizing economy is likely to generate gradually growing pressure for political change, away from one-party, authoritarian rule. Although China has been conducting popular elections at the village level for more than a decade, at least another decade or two of sustained economic growth probably will be required before a more pluralistic political system begins to emerge."

It was this belief—hope—that more trade with liberal democracies would make China a liberal democracy that drove the decision to open up to China. But China has not followed the liberalization-to-democratization pattern, at least not yet and perhaps not for a long time, if ever. It is surely time that this is understood and accepted by the liberal democratic countries, and policies established by these countries that protect their own citizens. If the result is higher prices for consumers, fewer products, longer delivery times, then so be it.

In his 1922 book, **The Problem of China**, which he wrote after a year as a visiting professor at the University of Beijing, Russell wrote:

"Chinese problems, even if they affected no one outside China would be of vast importance. The entire world will be vitally affected by the development of Chinese affairs during the next two centuries. This makes it important that there should be intelligent understanding of the question raised by China, even if, as yet, definitive answers are difficult to give."

What Bertrand Russell wrote in 1922 certainly applies today. However, whatever problems China has, they should not be solved at the expense of the rest of the world. Can we agree?

About Michael L. Sena

Michael Sena, through his writing, speaking and client work, attempts to bring clarity to an often opaque world of vehicle telematics. He has not just studied the technologies and analyzed the services, he has developed and implemented them. He has shaped visions and followed through to delivering them. What drives him—why he does what he does—is his desire to move the industry forward: to see accident statistics fall because of safety improvements related to advanced driver assistance systems; to see congestion on all roads reduced because of better traffic information and improved route selection; to see global emissions from transport eliminated because of designing the most fuel efficient vehicles.

This newsletter touches on the principal themes of the industry, highlighting what, how and why developments are occurring so that you can develop your own strategies for the future.



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