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Mobility Industry
Insights by
Michael L. Sena

THE DISPATCHER

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The topics covered in Dispatch Central are newsworthy, but I leave it to others to deliver them “as they break”. I give them a little time to settle in, and try to provide an analysis of their impact.

Cruise is taking a bruising

IT HAS BEEN a rough couple of months for *CRUISE LLC* after it reached a high point in August this year. That was when *CRUISE*, along with *WAYMO LLC*, received approval from the *CALIFORNIA DIVISION OF MOTOR VEHICLES* to operate round-the-clock paid ride-supplying services in the state with their driverless vehicles, that is, with no human primary or back-up driver in the vehicle. *CRUISE*'s license was for 300 vehicles. Then the wheels began to come off the cart, figuratively speaking. On Sunday evening, the 19th of November, *CRUISE* founder and CEO, Kyle Vogt, announced that he was throwing in the towel. Is this the beginning of the end for *CRUISE*? Or is this just the end of the beginning, as most of the Pollyannaish opinion pieces on the subject have opined?

Spoiler: It's not the end for CRUISE, but it should be the end for GM's skunkworks project with CRUISE, and the start of a more serious approach toward driverless vehicles by the automobile industry and investors.

How it began to unravel

CRUISE started offering driverless rides in its vehicles in San Francisco on the 1st of February 2022. It was dubbed the Cruise Rider Community Program. The company had received authorization the year before from the California Public Utilities Commission (CPUC) to offer free rides in its driverless vehicles. “Today we are opening up our driverless cars in San Francisco to the public,” wrote CEO and co-founder Kyle Vogt in a blog post at the time. “I’m still surprised I can even write those words – this moment really snuck up on me.”¹ He was a freshman at MIT (he left in his junior year) when a team he was on participated in the 2004

¹ Ohnsman, Alan. GM-Backed Cruise Launches Driverless Ride Service in San Francisco. Forbes (Feb 1, 2022)

DARPA Grand Challenge, so he has been slogging away at the driverless vehicle problem for twenty years. He must have felt both joy and relief when his company's cars were allowed on the streets of one of the world's major cities.

WAYMO vans and SUVs in driverless mode had been plying the Chandler, Arizona streets since 2020. It had mostly managed to keep its cars out of trouble in the wide, straight, flat streets of the Phoenix suburb. Could it do the same in the narrower and more crowded streets of San Francisco? It, too, was granted a pass by the CPUC to offer free rides in San Francisco, in its case on the 9th of November, 2022. WAYMO was always going to be the benchmark for the performance of CRUISE when the two finally started operating side-by-side. When CRUISE held up traffic because its software got confused, or ran over fire hoses when seemingly mindlessly wandering into active fire-fighting zones, commenters couldn't help comparing it to WAYMO, which seemed to always behave better. WAYMO wasn't flawless, but it didn't appear to constantly be getting into trouble,

Weeks after the permits for paid rides were granted, a CRUISE vehicle collided with a firetruck (What is it with CRUISE and fire trucks?!), and its license was downgraded to just 150 vehicles. Less than two months after both WAYMO and CRUISE were given approval to charge for driverless rides, an accident occurred on the 2nd of October at 9.30 p.m. in central San Francisco. A driver of a car (not the CRUISE vehicle) struck a pedestrian while she was crossing the street. The force of the collision threw the woman into the path of a CRUISE driverless vehicle, which braked hard and swerved, but could not avoid running over her. The CRUISE vehicle stopped, but then began a pre-programmed "pull over" maneuver, which dragged the woman under the vehicle for 20 feet. When the vehicle came to a stop, the woman was partly under the vehicle's rear tires. Rescue workers arrived, the woman was extricated from under the vehicle, and rushed to a hospital. She is recovering, and, as far as we know, the hit-and-run driver has not been identified and apprehended.

On the 17th of October, the NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA) began an investigation of CRUISE after receiving reports of pedestrian injuries involving Cruise vehicles. On the 24th of October, the California



The current Cruise vehicle is a modified version of the Chevy Bolt Electric Vehicle.

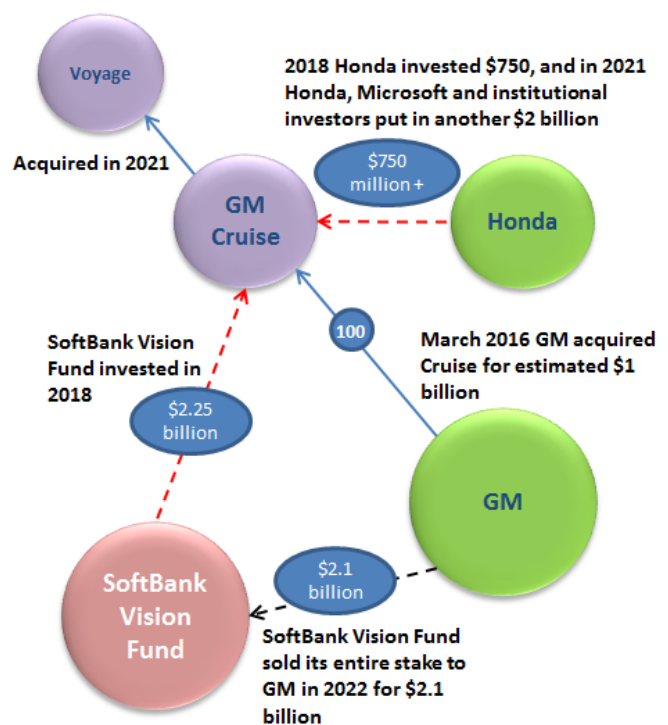
DMV suspended *CRUISE*'s self-driving license, claiming that its vehicles are "not safe", that the company misrepresented safety information, and withheld information from the October 2nd accident. It ordered *CRUISE* to immediately stop operations of all of its driverless vehicles in the state. Three days later, *CRUISE* announced it would temporarily halt its driverless ride-supplying operations in all the areas where it is currently operating, which include Phoenix, AZ, Austin, Dallas, and Houston, TX, Miami, FL, along with San Francisco. On the 8th of November, *CRUISE* said it was recalling all of its 950 driverless vehicles in order to implement an over-the-air software update. The following day, it announced that it was laying off an unspecified number of its workers who support the driverless operations. On the 19th of November, Vogt handed in his resignation.

Fallout from the perfect storm hitting Cruise

According to GM financial disclosures as reported in a November 10th 2023 *REUTERS* article, *CRUISE* has lost more than \$18 billion since 2017, including \$738 million in the third quarter of 2023.² (It would be more accurate to say that Cruise has spent \$18 billion since 2017 because it is not in a position to offset costs with income.) HONDA has said that it is not planning on making any more investments in *CRUISE*, but it has not changed its mind about beginning a driverless ride test in Japan using the *Origin* vehicle that it developed jointly with GM. On the 6th of November, GM halted production of the *Origin* vehicle, partly as a result of *NHTSA* not yet granting *CRUISE*'s request to deploy up to 2,500 vehicles without driver controls. Shareholders in GM have pushed GM shares down more than 3% to their lowest level since August 2020. I suppose *SOFTBANK* is feeling some degree of relief at having disembarked from the *CRUISE* ship over a



Cruise Sphere



² <https://www.msn.com/en-us/news/politics/ford-uaw-contract-why-some-think-kentucky-truck-plant-employees-voted-no-on-contract/ar-AA1jTRg8>

year ago and received almost the full amount it had invested in 2018, before the ship started listing.

On Sunday, the 19th of November, Kyle Vogt must have felt like a quarterback who has been sacked for a fifty yard loss, and every player on the opposing team – and some members of his own team – has piled on top of him.

Time to get yourself up, brush yourself off, and start over

My recommendation to GM and HONDA: Do not do a “FORD and VW” and close down CRUISE as they closed down ARGO AI. It is not a matter of ignoring the old adage about stopping digging when you find yourself in a hole. You are not in a hole. You have let CRUISE, and Vogt, wander off all on its own, and now it has that ended up in a dead end in the wilderness. You bought CRUISE, Ms. Barra, but you have let it operate as an independent operation taking investments from companies like SOFTBANK who expect big payouts and (relatively) quick results. Those happen when private companies or subsidiaries go public. You talked constantly about CRUISE’s market capitalization and huge upside potential, when you and your GM colleagues should have been thinking about how CRUISE’s systems and service operation innovations could make GM something much more than what it is today. Read the lead article in this issue and you will have a better idea of what I mean.

CRUISE has a life after San Francisco, but, like WAYMO, it needs to be inside a company that knows what to do with it. If it’s not GM, Ms. Barry (and accepting Vogt’s resignation fifteen minutes after he tendered it indicates that you and GM are not accepting an appropriate amount of the responsibility for what has happened), then please hand it over to a company that will know what to do with it. The first item on the agenda for that company should be to get Kyle Vogt back in the CEO saddle.



Brevity is Overrated

A question on a philosophy exam asked: “Was Hegel a good philosopher? Be brief.” One student wrote, simply, “Yes”. The professor for the course gave the paper a good grade, but wrote in the margin: “This was a good, brief answer. But a better, briefer answer would have been No.”

*Found in Letters to The Economist
October 21st 2023 from Sam Williams,
London.*