



Written by [Bob Adelman](#) on May 21, 2015

Driverless Cars to Disrupt Industry, Benefit Consumers

Brian Johnson, in his “Disruptive Mobility” report issued by Barclays Bank on Tuesday, sees that [a future with driverless cars](#) will mean far fewer cars on the road, a much smaller GM and Ford, and consumer travel costs cut by two-thirds. A generation from now there will be just 100 million cars on American roads (compared to 250 million today), and new car sales will fall below levels touched at the bottom of the Great Recession: less than 10 million a year.



This means that, unless they adapt and adopt new strategies, and perhaps a new business model, General Motors and Ford will likely be vastly smaller enterprises than they are today. He predicts that Ford will have to cut its North American production by three-fifths and GM by two-thirds.

GM spokesmen were reticent to reveal details of their future plans as driverless cars grow in popularity, but at least they’re aware of it. Said Jim Cain:

Intelligent and connected technologies hold tremendous potential to enhance driver safety and convenience, and they will create new mobility options for many drivers.

We’re not going to speculate about future sales [but] we’ve looked over the horizon and contemplated how [this] technology may change the market. Our designers, scientists and engineers are working at the cutting edge, and we’re confident that GM will be very successful.

GM is going to have to hurry to catch up with Daimler AG, the maker of Mercedes-Benz automobiles. Over two years ago Daimler launched its mobile services subsidiary, Car2Go, which connects members with its Smart cars in 27 cities around the world. Each of its 750,000 members can call up a car using a smartphone app.

This greatly reduces the demand for individual vehicles, which currently spend most of their lives sitting inside a heated garage. Wrote Johnson:

We see a smaller auto market, with individually-owned vehicles either for work purposes or for status [or] performance. For the rest, shared autonomous vehicles will replace individually owned cars, just as the [Ford] Model T replaced the horse.

Those “shared autonomous vehicles,” called SAVs, will be like Uber without a driver: a fleet of robotic taxis capable of picking up and delivering a passenger who has tapped his app giving it time and destination instructions.

Each of those SAVs will cut vehicle costs drastically. Researchers at the University of Texas estimate that each SAV could replace up to nine traditional individually owned vehicles and cut costs by nearly 60 percent. If a vehicle were shared with one other passenger, costs would drop even lower, to an estimated \$0.16 per mile.

The driverless car revolution will have impacts elsewhere. Tesla might find its high-end high performance cars going begging, but its battery business exploding. GM and Ford might be forced to



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change their business models under which they have operated for decades, just as the British firm Riversimple has. That company is building, and planning to lease, fuel-cell powered two-seaters, but doesn't plan to sell them. Instead, next year they will offer transportation services with them. They find themselves in the transportation business rather than in the car business. The taxi industry may all but disappear.

Google will continue to refine its driverless car business following a modestly successful dry run in California last fall with a tricked-out Prius. Using a carefully plotted roadway, the Prius worked remarkably well, requiring the engineer/driver to touch the steering wheel only twice: once while taking a turnoff, and once when approaching an unplanned construction zone.

There will be major changes for people considering moving to a retirement home because they are no longer able to drive. They just may find themselves able to stay at home far longer, calling up an SAV for a trip to the store, or the doctor, or the pharmacy.

Families using vehicles to take kids to school or to soccer may quickly change their daily routines, joining with other families to share the cost of a ride with an SAV. They will quickly determine how costly it is to have a \$20,000 automobile sitting in their garage most of the time — gas, insurance, car payments, and depreciation — compared to having a robotic SAV showing up at the door within minutes of a smartphone request.

Before our very eyes the free market is attacking another consumer challenge: how to get from here to there with the least cost and hassle. Traditional automobiles likely may shortly go the way of the horse *and* the Model T.

Photo of Car2Go cars: Alex Stanhope

A graduate of an Ivy League school and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics.



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