



The Future of the Auto Industry

By Erin K. Tenner, Esq.

Last year at NADA Charlie Gilchrist, Event Chairman, said the question he is most frequently asked by auto dealers is “What does the future hold for the auto industry?”

The only thing that is certain about the future of the auto industry, is that it is uncertain. This year was expected to be a good year for new vehicles sales, then came COVID-19. Some auto dealers had to close their doors for a time, GM shifted from manufacturing cars to manufacturing face masks, and once again, everything has changed. With an election pending at the end of this year, uncertainty seems to be the theme.

Change is also certain. The future is going to be heavily influenced by a convergence of technologies that are not only changing the industry, but changing the very pace of change. Most of us think of change as something that takes decades to occur, especially when the changes are big, but with the pace of change accelerating and COVID-19 giving technology a boost as everyone shifts from less shopping in stores to more shopping online, in the next 10 years we will see changes occur that might have previously taken 30 years or more to fully develop, in every industry, and the auto industry is no exception.

The auto industry is talking primarily about the change from fossil fuel vehicles to electric vehicles. Last year, I heard a podcast by the author of the book, *The Future is Faster Than You Think*. He expressed excitement about the changes we will be seeing in the near future and the opportunities that are going to arise out of the changes being caused by the convergence of technologies. I wanted that perspective, so I read the book and I have been recommending it to everyone.

Here is what I have learned over the last year: Self-driving cars are coming, but they may have a short life and be displaced by flying cars. Yes, that’s right, flying cars. While no one at the 2019 NADA convention was talking about flying cars, Uber Elevate already has a manned “flying car” (that frankly looks more like a helicopter) that is taking people from downtown NYC to JFK International Airport for \$80.00 (although I have heard elsewhere it is as much as \$200 and you still need ground transportation to get you all the way). Flying cars are just getting started. They take off and land like a helicopter and, if it is \$80, it is already about the same cost and faster than purchasing an Uber or Lyft Plus to drive you.

Uber was at NADA in 2019, not to talk about flying cars, but to show dealers how they can benefit from Uber Business. Uber Business can eliminate the cost of paying a shuttle driver and having a

shuttle vehicle for customers. This is just one of many efficiencies arising out of the convergence of technologies that are already available for auto dealers who are interested in cutting costs and becoming more efficient. The same efficiencies that benefit consumers can be used by auto dealers to get more business.

For those concerned about the safety of self-driving cars, it might interest you to know that AI gathers information with each route it takes. Uber has had driverless cars gathering information for the last ten years, which is presumably making travel safer. Still, from a legal standpoint, you may want to check in with either Uber or your insurance company on indemnification from Uber for accidents, or whether your policy will cover accidents in route to or from your dealership with customers, if you decide to use Uber Business, whether or not the cars are self-driving.

If driverless cars are eventually going to become prevalent, what does that mean for the future of auto dealers? There is already little, if any, profit in new car sales. Maybe the manufacturers have done dealers a favor by forcing them to start changing the way they are making money. Service business will be the next profit center to change as electric cars become more prevalent.

So, what is the future of new vehicle sales in the wake of driverless cars? Several auto makers have started ride sharing programs like subscription services, but they have been challenged in court. Are driverless cars and flying cars really going to take off? With Baby Boomers reaching retirement in record numbers (and let's face it, at some point we all must let someone else drive) and millennials who already are letting someone else drive them in record numbers, the transition may be faster than we think.

If driverless cars become the rule, rather than the exception, who is going to own them or store them? For a time, it will be the same consumers who drive cars, but that could change as the cost and inconvenience of not owning a vehicle declines. It isn't Uber's business model to own vehicles. According to Jon Markman from *The Street*, "Uber's secret is access to cheap capital, and great corporate story-telling. It is a killer combination." According to Markman, "[s]adly, long time automakers have neither, and it will be the death of them." (*How Uber Has Driven Auto Makers Off a Cliff*, October 23, 2018) But manufacturers are not laying down.

I asked Uber whether they are talking to manufacturers. They said yes, but they wouldn't say who or about what; however, they have already inked a deal with Hyundai. I would have thought it would be Honda who would be first given that it already has Honda Jet, but the future doesn't always play out the way we think it will.

"Hyundai unveiled an electric VTOL aircraft concept this year, called the 'S-A1,' that it plans to certify and mass-produce by the late 2020s. The automaker also joined Uber Elevate, the rideshare giant's air taxi ecosystem, as the eighth vehicle partner and the first to come from an automotive company."

- Brian Garrett-Glaser, Avionics International, January 7, 2020



Jaunt Air Mobility and Boeing, as well as others, are also Uber partners according to TechCrunch contributor Megan Rose Dickey. *Uber Adds Another Air Taxi Vehicle Partner to the Mix*, June, 11, 2019. According to the book, *The Future is Faster Than You Think*, people will eventually need permits to drive their own cars because as artificial intelligence gathers more information, it becomes safer to allow AI to drive people around. Not only that, the authors say it won't be long before cars will know your routine and will be there in seconds to pick you up, sometimes before you ever call them. Have you noticed your phone is already listening to your conversations and sending you tailored advertisements?

So, what does that mean for the future of auto dealers? Auto manufacturers have invested huge amounts of capital in establishing distribution systems that cannot be paralleled by any other business, including rental car companies who typically cater to visitors, not local residents. No doubt, there is a lot of change happening in the auto and aviation industries, hand in hand with changes in technology.

You may be asking yourself, "Is this good news or bad news for dealers?" That will depend on the dealer. The dealer network is currently the most efficient way to reach end users. The future is full of opportunities for those who are open to them and prepared to jump on them without fear. That is what being an auto dealer has always been about, so this is just a new phase in an old story.

If you want it all to slow down just a bit, you can take heart in our government, which has already slowed down all the fast-paced progress created by the convergence of technologies, giving us all time to catch up.

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