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Auto Industry Speeds into 2017 with Technology & Mobility

In the Wake of the 2017 Detroit Auto Show, Motown is Still Basking in the Glitter and Glow

Boasting more than 800,000 attendees, 5,100 journalists, 40,000 industry insiders and 46 vehicle debuts, the 2017 North American International Auto Show (NAIAS) provided an estimated economic impact of \$450 million to the area—roughly the equivalent of hosting the Super Bowl twice—according to the Detroit Automobile Dealers Association, up \$20 million from last year's estimates. As leading-edge technology along with new research and development investments pour into the greater Detroit area, and when you consider that 75 percent of the U.S. auto industry's R&D assets are housed in four counties in Michigan, Detroit remains unmistakably the place to be for all things automotive.

Industry Buzzes about Mobility and the Autonomous Car.

John Krafcik, CEO of Google Car (now known as Waymo), discussed the future of the autonomous car at the Automotive News World Congress during auto show week. Krafcik revealed the tenets of the Google Car business model: Create a self-driving car platform for ride-sharing and personal use, form alliances that develop means of moving commercial goods including trucking and logistics options, and help solve the "last mile" infrastructure and mobility issues so that consumers have connected transportation choices. Google Car's goals, according to Krafcik, are *increased traffic safety, reduction of fatalities, greater transportation options for seniors and personal mobility integration*, especially in urban areas.

Bill Ford, Executive Chairman of Ford Motor, acknowledged that the company today is in the same spot it was when it built the world's first automobile, the Model T, over a century ago: "There is a crucial need to create a transportation alternative which is personal, smart mobility," Ford said. "That means today Ford is no longer just in the business of making cars. Today we are also in the transportation services and smart mobility businesses."

Expect More Change and Transformation for the Rest of This Decade and Beyond.

Risk and opportunity abound as Silicon Valley continues to shape much of the automotive industry's trajectory. The

traditional automotive industry is risk averse and subject to stringent regulation, while the tech industry is more risk tolerant and innovative. Silicon Valley's disruptive thinking is a boon to the automotive industry because it is forcing OEMs to approach problem-solving and ideation differently. But the issues driving technology alliances between auto and tech companies run wide and deep, creating blurred lines between who is competitor and who is partner.

The broad view today is that the auto industry will evolve through various stages of mobility into a shared ecosystem, with autonomous vehicles being built via partnerships between OEMs and tech companies, a proliferation of shared mobility (Lyft, Uber, etc.) and in-vehicle technologies setting the pace of change. Google, Apple and other tech companies have created opportunity and disruption simultaneously as they ignite more industry change and transform the way consumers view their mobility needs.

Final Thoughts:

- More good news for Detroit and southeast Michigan: Uber, Guangzhou Automotive and Google Waymo all plan to break ground on R&D centers in greater Detroit in 2017. FCA, Ford, Toyota and General Motors will be adding sizable investments and new factories with an estimated value of over \$4 billion, which could lead to thousands of new jobs in the area.
- The electric vehicle segment continues to struggle to acquire new market share in key global markets,



especially in the U.S., perhaps due to the nearly eight-year payback on an EV. That time would need to shorten to four years or less to encourage more widespread adoption. Other factors causing lower EV demand and slow take rates include relatively cheap gas prices and the high cost of batteries. But looking ahead to the next decade, the overall outlook for EVs is upbeat, and OEMs and tech companies continue to invest smartly and aggressively today.

- J.D. Power projects 2016 to finish at a record for light-vehicle sales at 17.55 million units when final figures are tallied. The auto retail segment remains cautiously optimistic – sales and profits are in place but if dealer volume/pricing/product mix are not carefully monitored, dealers could be facing a bubble by the end of 2017.