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General Motors plans to no longer fund Cruise's robo-taxi development

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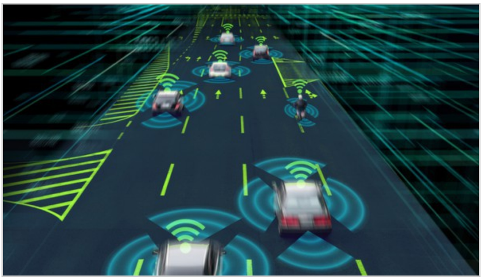
By exiting Cruise's robo-taxi development work, GM expects to save more than $1 billion per annum

Amid an internal churn to improve cash flow and profitability in its operations, General Motors (GM) has decided to exit Cruise's robo-taxi business and therefore no longer fund the robo-taxi development work, the legacy carmaker announced Dec. 10.



Source: Getty/metamorworks

GM's decision comes as it views funding Cruise's robo-taxi development work as unviable, given the considerable time and resources that it would require to scale the business in an increasingly competitive robo-taxi market.

Instead, GM now plans to realign its autonomous driving strategy to prioritize the development of advanced driver assistance systems by leveraging Cruise's expertise for personal vehicles.

As a result of this restructuring, the carmaker intends to combine the majority-owned Cruise LLC and its own technical teams into a single effort to advance autonomous and assisted driving. The move, according to the company, is consistent with its capital allocation priorities.

Explaining GM's rationale behind this decision in an investor call on Dec. 10, GM CEO Mary Barra said, "This is the latest in the series of decisions that GM has announced. It underscores our focus on having the right technology for the future of our company and the industry. GM made this decision to refocus its strategy because we believe in the importance of the driver assist in autonomous driving technologies in our vehicles. This approach will allow us to leverage the strengths of GM and Cruise, simplifying and accelerating the path forward, providing customers meaningful benefits along the way. We know people love to drive their own vehicles but not in every situation. So, it makes sense to develop autonomous technologies for them. Given the considerable time and expense required to scale a robotaxi business in an increasingly competitive market, combining forces would be more efficient and therefore consistent with our capital allocation priorities. Together we intend to leverage Cruise's AI technology, world-class engineering talent and insights from more than 5 million driverless miles and GM's strong brands, scale, manufacturing expertise and experience with Super Cruise. I cannot stress enough how important the work of the Cruise team has been and will be as we pursue L3 and L4 together."

While speaking in an investor call, GM CFO and Executive Vice President Paul Jacobson said that the leadership at the Michigan-headquartered car company has been evaluating its strategy around the development of autonomous driving technology in lieu of the extensive capital requirements and profitability in the future as it explores ways to bring down its annual operating costs.

"Over the past year, we have been assessing our self-driving technology strategy and we engaged with potential investors. However, none of these options seem to serve the best interest of our business and our shareholders. Mainly because launching and operating a robotaxi business is expected to require a significant amount of incremental time and capital, beyond the $10 billion we have already invested. Discussions are ongoing with our minority shareholders to explore the acquisition of the shares of Cruise we do not own. We have already reached an agreement with some of the largest Cruise shareholders that will raise our ownership to more than 97% and anticipate purchasing the remaining shares by early 2025," Jacobson said.

He expects that upon completion of the proposed restructuring, GM will be able to save more than $1 billion per annum, which will benefit the company in reducing its current annual expenditure of approximately $2 billion by more than half.

GM, which owns about 90% of Cruise, now plans to work with the Cruise leadership team to restructure and refocus Cruise’s operations as it looks to integrate it with its own engineering teams.

“In this dynamic environment, agility and capital efficiency are key success factors. Last week, we announced a deal to sell our interest in the Lansing battery plant back to LGES. This move is designed to better our line and current cell capacity in the prevailing market conditions. We also recently announced the progress on our restructuring efforts in China, which we do not anticipate will require any capital to be injected. These actions should help us achieve our target of returning the China business to profitability next year. We are applying the same principle (by exiting robotaxi business). We are committed to investing in driver assistance and autonomous technology as we firmly believe in the importance to make driving safer, more accessible and less stressful. Our focus is on implementing this technology in a pragmatic and capital efficient manner along with capitalizing on the revenue opportunities along the way,” Jacobson said.

Elaborating on GM’s revised outlook on autonomous driving technology and its action plan going forward, GM Senior Vice President of Software and Services Engineering David Richardson said, “Our goal at GM is to bring AV technology into millions of GM vehicles and the best way to do this is with a singular strategy that prioritizes the incremental delivery of autonomous capabilities. We plan to first leverage Super Cruise to expand to L3 and beyond on our path to fully autonomous personal vehicles. I believe success on this path is best achieved with a combined focused effort from both GM and Cruise engineering teams without the complexity of building and operating a robotaxi business.”

Richardson believes that the decision is a "smart pivot" and will enable the company to move quickly to offer the benefits of self-driving technology to its customers, including advanced safety and reduced driver stress.

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