

All ACES



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AVs in the Age of the Pandemic

The global coronavirus pandemic is showing both the potential advantages of autonomous vehicles (AVs), as well as the challenges the industry faces.

On the upside: in the midst of social distancing, self-driving vehicles have been used to successfully deliver food and groceries to people, have been able to move goods within warehouses when workers were not able to work because of COVID-19, and offer the potential of powering entire fleets of trucks to transport goods.

On the other hand, the sudden and extreme economic slowdown because of the pandemic underscores that for most AV companies, self-driving vehicles still require significant investment while not generating any current revenue. Meaning, that many companies have pulled back on their AV development efforts to conserve cash.

Goods before People

Most AV experts believe that using self-driving trucks to deliver goods is likely to occur before autonomous vehicles become popular for passengers. That's partly because fully autonomous passenger vehicles still have a way to go to master the complexity of being in an environment with cars driven by people and coping with pedestrians in urban areas.

Another key reason why the development of autonomous trucks has been moving forward successfully is that trucking companies face a critical [shortage of truckers](#), which is poised to exacerbate over the next several years. Even before COVID-19, trucking companies had shown great interest in the potential of self-driving trucks for transporting good.

Investors, including United Parcel Service (UPS), have poured money into autonomous trucking company TuSimple, raising its valuation to over \$1.2 billion. [TuSimple](#) describes itself as a self-driving technology company with a focus on helping long-haul heavy-duty trucks to operate autonomously.

There also has been tremendous interest in companies that are using self-driving technology – not necessarily cars but other smaller units – to deliver goods, especially food. Over the last 7 months, investors have given over \$6 billion to companies involved in autonomous delivery of goods and food, from drones to heavy trucks, according to a Reuters analysis.

“The reality right now is that goods delivery is a bigger market than moving people,” John Krafcik, chief executive officer of self-driving technology company Waymo, told Reuters in early May.

[Waymo](#), a unit of Google's parent Alphabet, which had started out with autonomous taxis, has branched into developing autonomous trucks and delivery vehicles, and has signed deals with UPS and Walmart on automated delivery pilots.

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COVID-19 pauses passenger AV development

The pandemic appears to have had a negative impact on the timeline for autonomous vehicles. The disruption in the sales cycle of automobiles, and lack of revenue during the pandemic, has pushed many companies working in the AV space to slow down or pause their plans.

IHS, a market forecasting firm, said the U.S. auto market will take a big hit from the coronavirus pandemic. It lowered its annual 2020 forecast for vehicle sales in the U.S. to 12.5 million units, nearly a 27% drop, and 22% lower globally, [according to Reuters](#). Lower sales have prompted many automakers to pull back on spending.

Many companies have delayed production launches, including Ford's Lincoln division, which recently canceled its plans to develop an electric vehicle with [Rivian](#). Rivian, a new U.S. based company, which considers itself an environmentally-friendly truck designer, has delayed the launch of production of its own first two models because of the COVID-19 outbreak.

Ford has also delayed its plan to roll out fleets of self-driving robotaxis and autonomous delivery pods in the U.S. by a year to 2022. GM announced that it is laying off about 8% of its staff at **Cruise**, its self-driving subsidiary.

But while AVs have hit a bump, the progress in the longer term is not likely to slow down. Larry Burns, a former General Motors executive and co-author of *Autonomy: The Quest to Build the Driverless Car*, likens the development of self-driving vehicles to a marathon.

The industry, he believes, is near mile 15—and the pandemic just put a hurdle on the tracks. “A cliff may be a better analogy,” he said. “The strongest runners are still going to get over it. It will take them longer, but there’s a chance they may be able to accelerate on the other side.”