

BARRON'S

GM Is Restructuring Cruise. Tesla and Waymo Will Fight It Out for the U.S. Robotaxi Market.

By [Al Root](#) /Dec 12, 2024, 10:13 pm EST



Cruise vehicle in San Francisco. (DAVID PAUL MORRIS/BLOOMBERG)

[General Motors](#) is restructuring its self-driving taxi company Cruise in what amounts to an exit from the robotaxi business and a refocusing on improving driver-assistance technologies for everyday people. That leaves [Alphabet](#)'s Waymo and [Tesla](#) aggressively pursuing self-driving robotaxis in the U.S.

GM announced the changes affecting Cruise on Tuesday evening. GM said it is combining Cruise and GM's technical teams into one self-driving entity and will "no longer fund Cruise's robotaxi development work," citing an "increasingly competitive robotaxi market." Waymo has made a lot of progress with self-driving cabs. It completes more than [150,000 driverless rides](#) a week.

TSLA hosted a [Robotaxi Day](#) to update investors on its plans and technology [in October](#). It plans to launch a self-driving cab service in late 2025.

"This is the most recent evidence that Waymo and Tesla are way out in front in autonomous driving," said **Battle Road Research** analyst **Ben Rose**. He rates Tesla shares Buy. He doesn't have a price target for shares. Rose doesn't cover Alphabet.

Developing self-driving cars has been both difficult and expensive. Waymo, which is majority-owned by Alphabet, recently raised [\\$5.6 billion](#) from outside investors. Tesla is spending more than \$11 billion a year on plants and equipment, some of which goes to building artificial intelligence computers using [Nvidia](#) chips that train Tesla vehicles to drive themselves. Tesla also spends about \$1 billion a quarter on research and development.

GM isn't giving up completely. It "is committed to delivering the best driving experiences to our customers in a disciplined and capital-efficient manner," said GM CEO Mary Barra in a news release. "Cruise has been an early innovator in autonomy, and the deeper integration of our teams, paired with GM's strong brands, scale, and manufacturing strength, will help advance our vision for the future of transportation."

Part of that vision is reducing accidents by offering better driver-assistance systems.

The decision ends a period of turmoil for Cruise. The operation has been in flux since [October 2023](#) when California suspended its license to operate driverless cabs after an incident in which a pedestrian was dragged by a Cruise taxi.

Investors initially seemed pleased by Barra's decision and her focus on capital efficiency. GM stock was up almost 2% in premarket trading. However, shares sold off in morning trading, down 1.5% at \$51.79. The [S&P 500](#) was up 0.8% and the [Dow Jones Industrial Average](#) was flat. [Deutsche Bank](#) analyst Edison Yu wrote Wednesday that less spending on Cruise would leave more money for buybacks. He rates shares Hold and has a \$56 price target for the stock.

Through Tuesday trading, GM stock was up about 47% this year. It capital, more than cars, was responsible for the gains. GM has repurchased some \$16 billion worth of stock in recent months, a significant amount for a company with a market value of less than \$60 billion. GM investors appear to prefer that management return capital to shareholders instead of making large bets to transform the company.

Write to Al Root at allen.root@dowjones.com