

General Motors invests \$500m in Lyft, forms partnership

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In this Monday, Jan. 26, 2015, file photo, Logan Green, co-founder and chief executive officer of Lyft, displays his company's "glowstache" during a launch event in San Francisco. On Monday, Jan. 4, 2016, General Motors Co. announced it is investing \$500 million in ride-sharing company Lyft Inc. GM gets a seat on Lyft's board as part of the partnership, which could speed the development of on-demand, self-driving cars. (AP Photo/Noah Berger, File)

The automotive industry is placing its biggest bet yet that using a device to hail a ride—with or without a driver—is the future of transportation.

General Motors Co. said Monday it is investing \$500 million in ride-hailing company Lyft Inc. and forming an unprecedented partnership that could eventually lead to on-demand, self-driving cars. It's the largest investment yet by a traditional automaker in a new mobility company, and is an acknowledgement by GM that the transportation landscape is changing fast.

"We see the world of mobility changing more in the next five years than it has in the last 50," GM President Dan Ammann told The Associated Press.

GM made the investment as part of a \$1 billion round of fundraising by Lyft.

Together, the companies plan to open a network of U.S. hubs where Lyft drivers can rent GM vehicles at discounted rates. That could expand Lyft's business by giving people who don't own cars a way to drive and earn money through Lyft. It also gives GM a leg up on competitors like Daimler AG and Ford Motor Co., who are developing their own ride-sharing services. And it would put more young drivers behind the wheel of a Chevrolet, Buick, GMC or Cadillac.



This Friday, May 16 2014, file photo, shows the General Motors logo at the company's world headquarters in Detroit. On Monday, Jan. 4, 2016, General Motors Co. announced it is investing \$500 million in ride-sharing company Lyft Inc. GM gets a seat on Lyft's board as part of the partnership, which could speed the development of on-demand, self-driving cars. (AP Photo/Paul Sancya, File)

Longer term, GM and Lyft will work together to develop a fleet of autonomous vehicles that city dwellers could summon using Lyft's mobile app. Partnering with GM could give Lyft a boost over its archrival, Uber Technologies Inc., which is working on its own driverless cars.

Karl Brauer, an industry analyst with Kelley Blue Book, expects to see automakers and tech companies form more partnerships over the next few months.

"Each one has an area of specialization to make both of them stronger,"

he said.

GM isn't the only automaker with an eye on Lyft. Fontinalis Partners—a venture capital firm co-founded by Ford Motor Co.'s Executive Chairman Bill Ford—invested in Lyft last May. The amount invested wasn't disclosed.

GM gets a seat on Lyft's board and access to the three-year-old company's software, which matches riders with drivers and automates payments. The partnership also better positions the automaker for a future in which customers don't buy cars every five or six years but share rides or hail drivers when they need to get somewhere.

San Francisco-based Lyft gets the expertise of a 108-year-old automaker with decades of experience in making connected and autonomous vehicles. Detroit-based GM also has an enviable global reach; it sells almost 10 million cars each year in more than 100 countries. Lyft operates in 190 U.S. cities, although it recently formed partnerships with ride-sharing services in China and India.

Lyft co-founder and President John Zimmer and GM President Dan Ammann say the two companies began serious discussions about three months ago. Both executives see big changes coming in the traditional model of car ownership, and they had similar ideas about how to address it.

"It felt very natural very quickly," Zimmer said.

Ammann said the resulting partnership is unlike any other in the auto and tech industries.

"Do we want to deploy the resources and people to do everything ourselves, or get there faster by working in partnership?" Ammann said.

"We see a really compelling, complimentary set of capabilities."

GM has made previous forays into the ride-sharing world. In 2011, GM invested \$3 million in RelayRides and teamed up to let GM owners rent their cars to other drivers through the OnStar connectivity system. GM and RelayRides cut ties last year when RelayRides—now Turo—rebranded itself as a long-term car-sharing company, GM spokesman Dave Roman said.

Some automakers are going alone. Daimler's Car2Go rents out tiny Smart cars in 28 European and U.S. cities. BMW is experimenting with renting out electric cars through its Drive Now service. Apple and Tesla are also believed to be developing their own autonomous software and ride-sharing schemes.

Others are forming partnerships. Ford, for example, encourages owners in a handful of U.S. cities to rent cars through Getaround, a car-sharing service. Google, which is testing a small fleet of driverless cars, invested \$250 million in Uber in 2013.

Following its latest round of fundraising—which also included a \$100 million investment from Saudi Arabia's Kingdom Holding Co.—privately held Lyft set its value at \$5.5 billion. The company expects revenue of around \$1 billion this year. By comparison, GM is valued at \$53 billion and had \$153 billion in revenue in 2014.

GM's shares fell 2 percent to \$33.31 on Monday. The major U.S. indices were all down more than 1.5 percent.

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