

BNP Paribas Podcast: On the Move #3 – script. March 2023

What's new in the United States of America's multi-speed automotive market?

Hello. Welcome to “On the Move” BNP Paribas’ podcast series on sustainable mobility topics. Throughout the series will be meeting experts to shed light on issues related to developing sustainable mobility and to discover how, with the support of the finance sector, the players along the mobility chain, manufacturers, integrators, businesses, infrastructure experts, public authorities, and of course users, are getting together to design and implement more ecological, responsible, and inclusive mobility.

And one good thing about being on the move, is having time to listen. So, enjoy!

Let's welcome Matthieu Soulé, Head of BNP Paribas C. Lab Americas, Cardiff Lab Correspondent in the USA.

Hello Matthieu! Thank you for joining us to talk about transitions in the North American car market. Matthieu, you are recognised as an innovation specialist at BNP Paribas Group, working with different business lines of the Group regarding mobility topics, and also external corporate clients.

Could you tell us a little more about that?

Thank you, Juliet. So, yes, historically we work with different business lines of BNP Paribas Group. One of them, as you know, is BNP Paribas Arval, another is Personal Finance for consumer lending, and the third, is BNP Paribas Cardif in insurance. Beyond these three clients, we also work with large international corporate clients. This meaning car manufacturers, or other types of vehicles such as trains or busses, this kind of vehicle. And also working on the startup side, on the investment side to identify, on the US market, potential targets for minority investments, early-stage start-ups, in the mobility space in general.

As you're based in San Francisco, what's your take on how the automotive market is doing?

Historically we are looking at the car market, or passenger vehicle, from the new car. Last year for example, in 2022, around 13.7 million vehicles were sold on the US market. It was a low, I would say low year, meaning just a few years ago, just before covid, we hit 17 million vehicles, so it's a little down. That being said, the average price of vehicles is up. So, actually, manufacturers are doing pretty well.

We're talking about new cars. We also talk about used car vehicles, of which around 30 million were sold in 2022. In every market in the world there are more used cars sold than new cars. And just to give you an idea of the car market in the U.S., there are around 283 million light vehicles on the road, and the average age of a vehicle is 11 years.

And that's a point maybe: the average car sold is a little different than in Europe, as the new car average is forty-five thousand dollars. So, price is up more than 20% in the last two or three years. It has increased a lot. And the same is true for the used car market, at around thirty thousand dollars, which

is more like 50% over the last few years. To make a long story short, there are less cars sold, but their pricing is a little higher.

Could you give us an overview of the North American market in terms of who the main manufacturers are today? Is it a very different market from the European or Asian market?

When we look at the US market, the main companies in the United States, are not a big surprise. Of the two largest in the US, General Motors is number one and Ford is number three. The second one, historically, is Toyota and they are always battling with GM in terms of who is number one or two every year.

And down the line you have more Japanese and, or Korean players. You have players like Hyundai, and you have Stellantis, which was a merger between PSA and Fiat Chrysler, Chrysler was the US side. And you have Honda, Nissan, and Subaru. It's really a mix of US brands and Japanese or Korean brands. The Europeans are a little behind except Stellantis, with the merger. As you may know, in Europe the leading players are Volkswagen, Group Renault, which are in fact very small on the US market.

And when we talk about the North American market, which is a very big market, can we talk about a single market or are there very different markets depending on the States, and maybe also usage between cities and the country? Different kinds of vehicles being manufactured there?

Sure, the big difference on geography is more between cities versus countryside I would say, in a way. Overall, the big difference is the type of vehicle. In the US market, you have a lot of what we call "cross-overs", so a kind of small SUVs. And you also have pickup trucks, which is not something you see so much entering Europe. The average size of vehicles is larger than what we can expect in Europe. So that's kind of the main difference with the European markets.

We talked about pickup trucks and these larger vehicles. Indeed, for a long time the United States was perceived as the "car nation" thanks to manufacturing, yes, but also to cheap gasoline, which allowed for the "gas guzzler" vehicles to develop. When we say "gas guzzler" we mean vehicles that consume a lot of fuel. Today, consumers are becoming more aware of the impact of vehicles on climate. Are they forced to do so? Would the price maybe play more?

So, I guess the first point is in terms of electrification of vehicles. The number right now in 2022, was around 5% of vehicles that were fully electric, and 5% more were hybrid. So, 90% of the market was still not of electric vehicles: a big difference when you are comparing to Europe, or China that is leading the race.

There were two specific factors. First many of the larger vehicles, thinking about pickup trucks etc - like what Rivian just announced last year- most of the pickup trucks were not electric for many years. It was just last year in 2022 that many new vehicles were for the first time introduced on the market. There is a catch-up game, I would say, in terms of type of vehicles.

Gas is historically, depending on state by state, a little cheaper in the US. But the concern for many Americans, like what you have in Europe, is the autonomy of the vehicle, are there any charging stations? And that's also something that's a problem in the US today, which is 3-4 years behind on that.

And one of the big, I would say cultural shifts on that is as of today for example 40%, four zero percent, of the EV market, almost, in the US is in California. So, California is about 12% of the US population but

almost 40% of vehicles are sold there. So, we can see some markets are looking very similar to Europe in terms of climate concern. So, California is leading the race for now, and probably the other states will follow.

[Is that due to policies that are put in place to encourage the development of electric vehicles?](#)

So, it's in part due to policy as in European countries today, some of the states, California State, Washington State ... put in place gasoline bans by 2030-2035, for California it is 2035. It's also cultural, for example like with the Toyota Prius, which was one of the first hybrid vehicles that was mainly sold in the US. More than 50% of the sales of Toyota Prius almost 20 years ago, the hybrid vehicle, was in California. So, it is not something new, as the Californian market was onto that, but it is today leading the game in the US for the adoption of electric vehicles.

[To wrap up what would be the top issues today for consumers in the USA regarding electric vehicles? There's price. But charging points, you mentioned also...](#)

So, price definitely first. Second is: Where we can charge? As there is still not a lot of access to public charging. There is still a question of long-distance travel - as you know is the US is a very large country, so people tend, for the holidays, or just for work, they are used to very long trips. So, they are concerned: Will it be possible? There are still some questions around the battery: Do you need to replace it? How does it work etc. So, some education is still needed on the US market for that.

[You did mention the used car market earlier. What are the alternatives to new cars in the US? How about leasing and car sharing? Are there new forms of usership?](#)

Historically the US market invented the car leasing model for consumers. So that is something that has been around for almost 50 years. In the last few years some start-ups and car manufacturers tried, I would say, what we call a subscription model on that. So, I think kind of a monthly payment model for your vehicle, all included with insurance and other services, and basically you could stop the payments, take back the car to the dealership or the start-up... Most of these business models were challenging at scale so many of them were pilots at local levels.

Covid happened, which didn't help. But now, especially on electric vehicles, there is a new wave of start-ups, and car manufacturers, that are trying this model because it could be very appropriate due to the higher cost of electric vehicles. It's something that's appealing to both consumers and to car fleet holders.

[With technology, would you also say that autonomous and connected vehicles are an option, or being explored.](#)

Now it's almost a standard on the US market to have connected vehicles. So, any new vehicle right now has some kind of connectivity, to 5G or other options. The big thing, that is very unique to the US market, as of now with maybe China today, is the autonomous vehicle. We have them on the road now in San Francisco. You can try them out with a mobile app like Uber and Lyft. You can order your Cruise. Cruise is a start-up that was acquired a few years ago by General Motors. You just order the car. It's a driverless car, so the car comes to pick you up. As you take the ride, they make sure you buckle your seatbelts and after you're taking a ride, really like an Uber. So, it's still something that is small, meaning

a few thousand vehicles in San Francisco, right now, and at night, but it is cheaper than Uber. We can experiment, I would say, autonomous vehicles.

And to finish on that topic, I could mention a few other start-ups: Waymo that was the Google car name, historically. So Waymo is already live in Phoenix in the US and expanding to other cities. And you have both Uber and Lyft that are the ride-sharing historic players, that partnered with a company called Motional, to expand in 2023 into Phoenix, L.A. and other cities in the US. So, consumers are starting in large cities, or midsize cities, to experiment autonomous driving, for their robot-taxi in fact.

Sounds like fun, almost! So, beyond clean energy and related infrastructures, autonomous cars and car sharing: Would you like to mention any other disruptors, game changers or new associations such as “car meets tech” that enhance your user experience? I mean, what you've described to us now is an example of that, but maybe it goes farther still.

In the US, or Silicon Valley, we're using the term “Mobility technologies” to describe the number of investments that are done in the mobility space across the spectrum. Just to give you a number, like in 2021, around ninety-three billion dollars were invested in start-ups, so into more than 18 hundred start-ups worldwide, and half of that historically, more-or-less, is in the US.

If I take just one example of a kind of disruptive model: we talked about autonomous vehicles and robotaxis, one of the interesting spaces nowadays is called “Advanced mobility”. So, you have this kind of what I would call a flying drone, or flying taxi, like in the “Fifth Element” etc., that are starting to be more and more robust.

It's technically working, and as you might know, Paris or Dubai and other cities are trying to get them live in fact, either for the Olympics or for different special events. Technically it works. It's always the same in the mobility space. The technology is there, yet there is still a question of policy: what is authorised, or not. At the end of the day, it is still a question of adoption, are consumers feeling safe or not, to adopt the technology, and we are still in this learning phase. But technology is pushing, so we will see how fast it is adopted, or not.

Well one sounded fun, the other sounds a bit scary really - to be flying about in our individual taxis - over the Seine to see the Olympic Games.

We've arrived at the end of our questions and thank you very much for joining us and for enlightening us on what is happening in the US in the mobility sector from the manufacturing side and all the way to what's coming up next.

Thank you for your time, Juliet

