Delphi, Mobileye Join Forces to Develop Self-Drive System

Pair designing fully autonomous-driving product for car makers to plug into future vehicles

An Audi SUV equipped with Delphi Automotive's technology traveled from San Francisco to New York City last year. Delphi and Mobileye plan to join forces to develop a fully autonomous system for car makers. ENLARGE

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By MIKE COLIAS

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Top auto-parts suppliers Delphi Automotive PLC and Mobileye NV are joining forces to develop a fully autonomous driving system that car makers could begin placing in their vehicles beginning in 2019.

The two hope the development partnership will produce off-the-shelf systems for everything from small cars to sport utilities and pickup trucks—and help them carve out a central role in the race to supply technology for driverless vehicles. The tie-up, which was disclosed on Tuesday, comes as big auto makers and tech companies are moving independently on autonomous-vehicle developments.

Delphi, a former General Motors Co. spinoff, and Mobileye, of Jerusalem, now supply auto makers with the sensors and software that are the building blocks of autonomous-vehicle development programs. Shares of both have struggled recently as car sales plateau and customers put pieces in place to eventually develop their own gear.

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News of the partnership lifted both stocks: Mobileye rose nearly 8% to $50.21 and Delphi's gained 3% to $66.08, both in morning trading on Tuesday.

While auto makers generally have turned over more of the work of making components to suppliers, autonomous-vehicle technology is one area they aim to maintain control through in-house expertise. GM earlier this year acquired autonomous-vehicle developer Cruise Automation Inc. to help accelerate its research, and Ford Motor Co. last week said it is investing in or teaming with several tech companies to launch a car without steering wheels or pedals by 2021.

Delphi Chief Executive Kevin Clark said in an interview the two aim to shoulder much of the development burden for auto makers that have grown comfortable with outsourcing critical technology development.

“We’re able to pool the investment as well as the technology and execution risk in one place so it doesn’t have to be duplicated by multiple [auto makers] over and over again,” Mr. Clark said.

The pair will jointly invest “several hundred million dollars” in the effort, but a spokesman declined to provide other details.

In January, Delphi and Mobileye expect to demonstrate a system that can navigate tough road conditions, such as entering a roundabout, merging into highway traffic, or making left turns across multiple traffic lanes.

‘You must endow these systems with intelligence. ’

—Amnon Shashua, Mobileye chairman

Both companies have deep relationships with car makers, but their system won’t be ready until 2019. Integrating their tech in future vehicles could take as much as two years, the companies concede, making it unlikely to hit the market until 2021 or 2022.

Mobileye Chairman and Chief Technology Officer Amnon Shashua said the pair hope to overcome any timing hurdles by offering “a new level of driving intelligence,” mimicking a driver’s decision making behind the wheel in complex situations. “If we don’t want to clog a city with robotic systems that get stuck in busy traffic, you must endow these systems with intelligence.”

The time it will take to get into production models might put the pair at a disadvantage. Google parent Alphabet Inc., GM and others have hinted at earlier releases of their gear. Volvo Car Corp. is

launching a public test of autonomous vehicles in Sweden next year— Nissan Motor Co. and Tesla Motors Inc. also aim to launch rival systems by decade's end.

Still, the joint project by Mobileye and Delphi could appeal to smaller and midsize car companies that don't have the deep pockets of a GM to fund the big capital outlays needed to develop driverless technology in-house. Mobileye already has technology partnerships with BMW AG and chip maker Intel Corp.

'There is an interest by auto makers to be able to do as much as they can themselves.'

—Jeremy Carlson, IHS Automotive

Other large auto-parts makers have used acquisitions to bolster their autonomous-driving offerings. Germany's Continental AG last year paid about $680 million for Elektrobit Automotive Group, a Finnish software developer.

Mobileye is a leader in supplying components for semiautonomous systems, including core technology for Tesla's Autopilot driver-assist system. It also is a leader in providing mapping systems providing images that help a car's cameras and sensors negotiate roadways in real time.

The Israeli supplier split with Tesla over the way the electric car maker deployed its technology following a high-profile fatality in May involving one of Tesla's cars. The abrupt cancellation of the agreement underscored the sometimes uneasy relationship between technology suppliers and auto makers.

"At this early stage, I think there is an interest by auto makers to be able to do as much as they can themselves," said Jeremy Carlson, an analyst with consultants IHS Automotive. "The auto makers ultimately are going to be liable for all these systems. The need to know what the systems are doing."