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TECH

Uber's New CEO Confronts His First Crisis With Driverless-Car Death

Fatality raises questions about whether company's driverless-car technology is ready for public roads



Dara Khosrowshahi, chief executive of Uber Technologies Inc., has publicly touted the company's driverless-car program.
PHOTO: SIMON DAWSON/BLOOMBERG NEWS

By *Greg Bensinger*

March 20, 2018 12:49 p.m. ET

Dara Khosrowshahi spent much of the first six months as Uber Technologies Inc.'s chief executive cleaning up scandals he inherited. Just as it appeared Uber was turning a corner, a new crisis has emerged, this time under his watch.

Uber now owns the unfortunate distinction as the company behind the first autonomous vehicle to strike and kill a person. The fatality, which occurred after an Uber self-driving car hit a woman crossing a road in Tempe, Ariz., on Sunday night, prompted Uber to suspend testing of its driverless cars in four cities and raised questions about whether the company's technology—along with those of its peers—is ready for public roads.

Perfecting the technology is essential to Uber, as autonomous vehicles could pare significant costs by replacing some 2.5 million human drivers and give it an edge in the technological race to upend personal and even commercial transportation. Uber is among auto makers and tech giants pursuing fully driverless cars on the belief they will ultimately save lives and costs.

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It isn't yet clear whether Uber is at fault, but the accident puts Mr. Khosrowshahi in a difficult position. Like his predecessor, Travis Kalanick, he has publicly touted Uber's driverless-car program, saying it could one day eliminate

the need for people to own cars. He has even trumpeted flying taxis as a viable business in as soon as five years to shuttle people around cities.

But some executives at Uber say they have called for the company to rein in spending on self-driving vehicles particularly as it looks to a planned initial public offering next year. They see autonomous vehicles as a promising technology but also a financial and legal liability.

Uber declined to comment on Tuesday. The company had said Monday it was investigating the Tempe incident and cooperating with authorities.



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The company posted a loss of \$4.46 billion last year on sales of \$7.36 billion, in part because of outlays for its driverless-car program, and other new technology, as well as the loads of cash it spends on promotions to incentivize drivers to remain on the road. Uber hasn't disclosed exactly what it spends on its driverless-car program, but the endeavor is potentially worth billions of dollars down the road. The technology could eliminate about three-quarters of what is essentially the cost of a typical trip, according to testimony from a former Uber self-driving executive in the recent case brought by Alphabet Inc.'s Waymo, which alleged Uber stole design secrets.

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Uber denied the charges, but settled last month, agreeing not to use Waymo's technology in its driverless cars and giving Alphabet about \$245 million in equity. That settlement was one of Mr. Khosrowshahi's decisive moves to put Uber's past problems behind it.

He helped bring peace to Uber's board by brokering a multibillion deal with investor SoftBank Group Corp. He also revealed a massive customer data breach that occurred under Mr. Kalanick, and mollified lawmakers in London and Brazil for longstanding issues over regulations there.

A month ago, Mr. Khosrowshahi told attendees at an investor conference hosted by Goldman Sachs Group Inc. that he felt Uber was finally moving past its distractions and the negative headlines. "It took some dramatic turns, but I think we're in a good place five months later," he said, adding a priority is to repair the brand.

Uber faces an investigation into Sunday's car accident by Tempe police and by two federal transportation agencies. The police haven't assigned blame. But police said they believed the Uber vehicle—which included a human safety operator—showed no signs of slowing down and slightly exceeded the 35 mile-per-hour speed limit before hitting the woman walking her bicycle outside a crosswalk.

The accident puts Uber at the center of a long-feared inflection point for driverless-car developers, stirring several lawmakers to call for more legislation that could impede the company's progress. It comes at a critical phase of testing as some companies are preparing to commercialize fully driverless cars as soon as this year, while mainstream auto makers are offering semiautonomous systems that let drivers take their hands off the wheel for periods of time.

And it risks driving away future customers like Patrick Morales, 25 years old, a local school-board official in Tempe. "If I call an Uber and one of these self-driving vehicles shows up, I wouldn't get in, I'd call another one," he said. "They just haven't shown they're safe yet on our city streets."

Uber's self-driving efforts have been controversial from the start. After striking a deal with Carnegie Mellon University in Pittsburgh to work on autonomous car technology in 2016, Uber poached some 40 staffers, upsetting school officials.

Uber later angered Pittsburgh Mayor Bill Peduto, an earlier advocate of the company's driverless efforts, who pointed to evidence that the company wasn't acting as a good corporate

citizen, including what he said was a failure to contribute to local causes.

Uber also drew the ire of San Francisco's officials in late 2016 after putting some of its self-driving vehicles on the road in late 2016 without first securing a registration with the state motor-vehicle department for testing. It subsequently paid the \$150 registration fee, but not before moving the cars to Tempe, where state officials said it was welcome.

Then almost exactly one year ago, an Uber autonomous vehicle was flipped onto its side after it was struck by another vehicle that failed to yield. The company suspended the vehicle program for three days, though officials said the incident wasn't the Uber car's fault.

Write to Greg Bensinger at greg.bensinger@wsj.com

Appeared in the March 21, 2018, print edition as 'Uber CEO Tackles Newest Crisis.'

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