

# Tech companies face rocky road on way to making cars

By BREE FOWLER  
AP Technology Writer

NEW YORK — Silicon Valley may think it can build a better car. But should it?

As tech giants like Google and Apple look to automobiles as the next frontier for innovation, they face a looming reality: Cars are a lot harder to manufacture and sell than smartphones.

Industry veterans and critics warn that the auto business is a different animal. It's fraught with massive costs to erect auto plants, complexities in developing new sales and service systems, and daunting liabilities involved when human lives are at stake.

Automakers recalled a record 64 million vehicles in 2014, shattering the old record of 30.8 million set in 2004.

General Motors Co. has had to pay \$5.3 billion to cover fines, victim compensation and the recall of millions of vehicles for faulty ignition switches. Toyota Motor Corp. paid a \$1.2 billion fine for failing to report safety defects, and Volkswagen Group has set aside \$7.3 billion for the potential costs of its emissions scandal.

"I think, like so many Silicon



AP Photo/Richard Drew, File. In this April 30, 2015 file photo, Apple CEO Tim Cook speaks at IBM Watson headquarters, in New York. Cook avoided commenting on reports that Apple may be building its own car.

Valley techies, that they believe they are smarter than the world's automobile business, and that they will do it better," said Bob Lutz, a retired General Motors vice chairman. "No way."

**GOOGLE:** Mountain View, California-based Alphabet, the new holding company for Google and its affiliated businesses, has spent six years working on cars that can drive without human assistance. But the company says it doesn't want the responsibility of building the robotic vehicles.

Instead, it plans to make the self-driving system available to automakers that already have factories,

dealerships and experience.

"We have enormous respect for the expertise of the automotive industry and how big and complex a job it is to manufacture a vehicle," company spokeswoman Courtney Hohne said. "We'll partner with many different companies to bring this technology into the world safely."

The strategy is consistent with how Google currently operates. It relies on other companies to produce the devices powered by its software. Most smartphones, for example, operate on its Android software. But the company doesn't make any of the devices.

If its self-driving system makes it to market, the company could license the software for a fee or, perhaps, making it free to use like Android.

That's because it makes most of its money from ads within their popular online services. If they no longer need to drive, people might spend time in their cars watching videos on Google-owned YouTube or seeking information on Google's search engine — both of which show ads.

**APPLE:** Apple CEO Tim Cook told an audience this week that the automotive industry is ripe for "massive change," with new

software, electric motors and self-driving capability becoming "much more important, in a huge way."

But Cook avoided commenting on reports that Apple may be building its own car, according to a video recording of his remarks Monday at a technology conference sponsored by *The Wall Street Journal*.

"What we really want, hopefully in the short term, is we'd like people as they enter their car to be able to have an iPhone experience in their car," he said.

Apple has developed software for automakers called CarPlay, which lets drivers use an iPhone and its voice-activated assistant Siri to operate some electronic controls and entertainment systems.

In a research note, UBS analyst Steven Milunovich cites the \$2 trillion auto industry as a potential new opportunity at a time when sales of smartphones, tablets and PCs are seeing slower growth globally.

Milunovich noted, however, that cars have significantly lower profit margins than iPhones.

Apple, which makes most of its money from iPhones, reported \$39.5 billion in net income for its last fiscal year, on total sales of \$182.8 billion. GM reported only

about \$4 billion in profit for its last fiscal year, on sales of \$151.1 billion.

Apple outsources manufacturing to contractors in Asia. That may be more difficult to do with cars, said Jack Nera, an analyst at Kelley Blue Book's KBB.com.

While an iPhone is complex, with about 1,700 components in an iPhone 6 Plus, it pales in comparison to a vehicle, which has some 10,000 parts.

**UBER:** Self-driving technology has also piqued the interest of Uber, the fast-growing Silicon Valley startup that operates a ride-hailing service in cities around the world. Uber said earlier this year that it was partnering with Carnegie Mellon University to research and develop new technologies for mapping, vehicle safety and autonomous driving.

The company hasn't said whether it hopes to use autonomous technology to replace its thousands of drivers, who work as contractors driving their own cars.

But CEO Travis Kalanick has suggested Uber could someday expand with the help of self-driving vehicles, and touted the technology's promise for improving safety and easing traffic congestion.

## BRIEFLY

### Good Shepherd hires new communication director

HERMISTON — To help meet the demands of the changes in health care and to increase community awareness about Good Shepherd Health Care System services, the organization recently hired Nick Bejarano as its new marketing and communication director.

Bejarano comes to Good Shepherd with more than 12 years of experience in marketing. Most recently he worked as senior marketing and communications manager for a two-hospital and 22-clinic system in California.

"Eastern Oregon is a beautiful place and Hermiston is a great small community to raise a family,"

Bejarano said. "Good Shepherd Health Care System also has a reputation as being a great place to work and has a renowned legacy of caring for the community."

Bejarano said some of the services Good Shepherd offers including the state-of-the-art robotic surgery is something most communities the same size would never have an opportunity to take advantage of. He also said he is impressed with the robust education department, advanced imaging services, primary care and specialty doctors. He looks forward to sharing about services available with the community.

He characterizes himself as a family man and wannabe endurance athlete. In his spare time, Bejarano plans to explore Oregon with his wife, Karene, and two children Abigail, 9, and Zachary, 8.

Bejarano can be reached at 541-667-3460 or nbejarano@gshealth.org.

### EOU offers free biz class

LA GRANDE — Learn about self-evaluation, available resources, choosing a legal structure, building a business plan, preparing for a lender and marketing during a free seminar at Eastern Oregon University.

Business Basics, held in conjunction with the Small Business Administration, is Friday, Oct. 30 from noon to 2 p.m. in the University's Community Room in Hoke Union Building, La Grande. Lunch is

available for purchase at the Mountie Café before the seminar starts.

The class is appropriate for current and future business owners. Those attending are asked to register at [www.eousbdc.com](http://www.eousbdc.com).

For more information contact 541-962-1532 or [eousbdc@gmail.com](mailto:eousbdc@gmail.com).

### Free treats at Chuckwagon

HERMISTON — The public is invited to enjoy free Halloween treats at the Chuckwagon Café.

Costumed children and their chaperones can enjoy free hot chocolate or any other bottomless beverages, including soda, coffee or tea.

Drop in and say "trick-or-treat" Saturday, Oct. 31 from 2-8:30 p.m. at 81027 Highway 395 N., Hermiston.

### Wildhorse receives Toastmasters award

PENDLETON — Wildhorse Resort & Casino recently received the Toastmasters Corporate Recognition Award.

The award was presented in recognition of Wildhorse's continuous support of the Cay-Uma-Wa Toastmasters Club in Pendleton. The group was first chartered in September 2007.

Toastmasters International is a nonprofit educational organization that teaches public speaking and leadership skills. For information, including how to find a group, visit [www.toastmasters.org](http://www.toastmasters.org).

### Twitter CEO gives up \$200M in stock for employees

SAN FRANCISCO (AP) — After laying off more than 300 workers, Twitter CEO Jack Dorsey is trying to lift the spirits of the remaining employees by giving them 6.8 million shares of the stock he owns in the online messaging service.

Dorsey is giving up the stock, currently worth more than \$200 million, so Twitter can award the shares to its employees, according to documents filed Friday with the Securities and Exchange Commission.

The gesture comes a week after Dorsey laid off 8 percent of Twitter's workforce in an effort to make the company profitable for the first time in its nine-year history. The gift represents nearly one-third of the stock Dorsey owns in the San Francisco company.

## HEPPNER

# Earnings increase in 2015 at Bank of Eastern Oregon

East Oregonian

Bank of Eastern Oregon netted earnings of \$761,000, or 62 cents per share, during the third quarter of 2015 and the bank's board voted this week to pay out a 70 cent dividend to shareholders for the year.

Both the quarter and year were more profitable than 2014, when the bank earned \$679,000 in the third quarter and paid a dividend of 60 cents.

At the end of the third quarter, year-to-date earnings are up 0.6 percent at \$1,955,000. Also, total assets were \$341.1 million, up 10 percent. Net loans of \$282.1 million were up 11.3 percent from the same period in 2014, while deposits were at \$301.3 million, up 9.2 percent.

"Earnings for the quarter are strong when compared to last year and year-to-date numbers are slightly better than 2014," said President and CEO Jeff Bailey in a press

release.

The growth in deposits, loans and assets, Bailey said, are primarily attributed to the acquisition of Bank Reale in Pasco and adding a loan office in Madras earlier this year.

"We continue to see impressive growth in shareholders' equity, which has increased by 10.3 percent year over year," added Chief Financial Officer Mark Lemmon. "We are well capitalized by all regulatory and industry measures."

As an agricultural-based bank, Bailey said the continued drought conditions took a toll on small grain harvest and commodity prices are down for wheat, hay and cattle.

"While these factors are concerning, we do not expect severe problems in the loan portfolio," Bailey added.

Dividends will be paid to shareholders of record on Dec. 1.

For more information about Bank of Eastern Oregon, visit [www.beobank.com](http://www.beobank.com).



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