

The Pace of Innovation

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Do you remember the Cathode Ray Tube, Betamax, CDs, the Blackberry or even the Apple Newton, the early electronic personal organiser from the days when Apple had to be rescued from bankruptcy by its dark nemesis, Microsoft? Some of us still have our Psion 5's, a living piece of post-industrial archaeology.

It is a cliché that change happens fast these days but, and maybe it's an age thing, it does seem to be accelerating. None more so than in the field of transport and specifically auto engineering, although the Sinclair C5 proved to be an evolutionary dead-end and an even worse investment.

On a recent client trip to the South-West, we pulled into Exeter services for fuel. This transport hub is currently being redeveloped. What struck us was the scale and number of EV, electric vehicle, charging points, that are being installed. A quick google confirms that no less than 36 EV points are being rolled out at this single location.

According to Zap-Map.com, there are now some 44,408 charging points across the UK in 25,521 separate locations, representing a 36% increase in the last 12 months alone. By comparison there are "just" 8,365 operational petrol garages in the UK. The stats website, Statista, report that with respect to petrol retailers, "numbers have fallen by 56%" since 2000. Clearly change is afoot.

Early in our careers in the City, the journey to work during the morning rush-hour frequently involved travelling in the crowded "smoking" carriages of the London Underground. Today, it is barely conceivable that: 1. we tolerated the underground fire risk or 2. we tolerated the filth. No disrespect to smokers but the London Underground smoking carriages of the time were utterly squalid.

Public opinion can change remarkably quickly. The heaviest European smokers before the various smoking bans came into force were the Greeks (who still are), the Italians and the Irish. But go into any taverna, trattoria or anywhere in Temple Bar and anyone seen smoking inside will be politely asked to leave. In the 1950s and 60s the personification of "cool" was the tuxedoed ratpack of Sinatra and Martin singing through a haze of blue smoke. Today it is socially unacceptable to smoke indoors; it is the personification of "uncool."

The UK has a target for the elimination of new cars powered by the internal combustion engine by 2030. We wonder whether and how quickly we will look back at the noisy, fuming, gas guzzler with the same level of disdain as we do the early morning commuter smoking carriage of the 1980s. How quickly will consumer scepticism with respect to electric cars transform into the consumer disapproval of those still pouring liquid hydrocarbons into a portable tank?

We suspect not very long.

That may not justify the hype with respect to Tesla, which at one point had a higher valuation than the rest of the global auto industry put together. Nonetheless, as pollution, both particulate and carbon, creep up the consumer agenda, the EV snowball is likely to continue to gather pace stranding hydrocarbon assets faster than anticipated. "Big Old Oil" is likely to become the "New Tobacco."

In Exeter it was evident from the families that were waiting for their vehicles to charge that consumer behaviours have already changed. The fuel stop is now a fuel, food and recreation stop.

Because of the extraordinarily rapid rollout of EV points noted above, the charging time has been factored into journey time. The notorious “range anxiety” associated with electric vehicles has already abated. All this rapid change factors into evolving consumer taste; demands for new and better services and long-term investment in an entirely new transport infrastructure.

It’s hard to argue that motorway service stations have become destinations, but they are evolving, offering better food and services to provide for the needs of customers who need to wait an hour to charge rather than service merely a five-minute fill-up.

As investors, we need to be aware of these changes and be ready to put funds to work in the best of them. Also as investors, we can find inspiration in many surprising places, even in a humble service station somewhat north of Exeter on the M5.

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