Tesla delivers first China cars, plans expansion

April 22 2014, by Joe Mcdonald

Customers and journalists examine a Tesla Model S sedan at an event in Beijing, China, Tuesday, April 22, 2014. Tesla Motors delivered its first eight electric sedans to customers in China on Tuesday and Musk said the company will build a nationwide network of charging stations and service centers as fast as it can. (AP Photo/Ng Han Guan)

Tesla Motors Inc. delivered its first eight electric sedans to customers in China on Tuesday and CEO Elon Musk said the company will build a nationwide network of charging stations and service centers as fast as it

can.

Tesla probably will invest several hundred million dollars in charging infrastructure in China, Musk told reporters. He said it will open several hundred service centers.

"My instructions to the team are to spend money as fast as they can spend it without wasting it," he said.

The Palo Alto, California, company previously announced a $121,000 sticker price for its Model S in China. It said import taxes and shipping account for the difference with its U.S. price tag of $81,000.

Customers received the first Model S sedans at a brief ceremony at Tesla's office in a Beijing industrial park, also the site of its first Chinese charging station.

"I'm incredibly appreciative of customers like you for taking a chance on a new product from a new company," Musk told them. "Without customers like you, we would have no chance."

Chinese leaders want to develop an electric car industry and called in 2009 for annual sales of 500,000 electric cars by 2015 but have scaled back those plans. Industry growth has been slow partly due to rules that limit market access unless foreign manufacturers share technology with Chinese partners that might become rivals.

Tesla Motors CEO Elon Musk, right, looks on as a set of Tesla Model S sedans are delivered to its first customers in China at an event in Beijing, China, Tuesday, April 22, 2014. Tesla Motors delivered its first eight electric sedans to customers in China on Tuesday and Musk said the company will build a nationwide network of charging stations and service centers as fast as it can. (AP Photo/Ng Han Guan)

Tesla hopes to partner with China's state-owned power monopolies, State Grid and Southern Grid, to operate charging stations, but no "serious discussions" have begun, Musk said. He said the car can be charged from a wall socket but the charging stations speed up the process.

The stations will have solar panels, but Musk said that was meant to show vehicles can run without power generated from coal rather than to make them independent of utility companies. He said charging stations will be built both in cities and between them to facilitate long-distance travel.

Musk said previously Tesla might sell 5,000 cars this year in China but emphasized Tuesday that was "just a guess."

"I do think that's probably a good number. Maybe it will be higher," he said. "I don't honestly know. Thus far the response has been very positive."

Tesla Motors Inc. CEO Elon Musk speaks before an event to deliver the first set of sedans to customers in Beijing, China, Tuesday, April 22, 2014. Tesla Motors delivered its first eight electric sedans to customers in China on Tuesday and Musk said the company will build a nationwide network of charging stations and service centers as fast as it can. (AP Photo/Ng Han Guan)

Musk also previously said Tesla might try to manufacture cars in China in as little as three to four years. He said that might take longer but the company still hopes to produce vehicles where they are sold.

Foreign manufacturers that want to produce electric cars in China are subject to import taxes unless they give ownership of key technology to a Chinese partner. Producers such as General Motors Co. and Nissan Motor Co. have chosen instead to import electric and hybrid vehicles and pay duties that boost their price and limit sales.

Some Chinese customers expressed frustration after Tesla delayed deliveries by several months. Musk said the company wanted to avoid a repeat of trouble it had in Europe when it rolled out vehicles too quickly. He said deliveries were postponed while the company made sure all customers had access to charging facilities.

A worker cleans a Tesla Model S sedan before a event to deliver the first set of cars to customers in Beijing, China, Tuesday, April 22, 2014. Tesla Motors

delivered its first eight electric sedans to customers in China on Tuesday and CEO Elon Musk said the company will build a nationwide network of charging stations and service centers as fast as it can. (AP Photo/Ng Han Guan)

"We intentionally held back on the debut to the Chinese market until we were confident of that," he said. Referring to customers, he said, "I met with them earlier today and personally apologized."

Musk said Tesla still is deciding where in the United States to build what it says could be the biggest factory to produce lithium-ion batteries.

The company is looking at four states—Arizona, New Mexico, Nevada and Texas—and is likely to break ground in more than one before making a final decision, Musk said. He said the company wants to make sure construction stays on schedule and keeps up with demand from Tesla's California auto assembly line.

Tesla Motors CEO Elon Musk, left, greets the first customers of the company's Model S sedans at an event in Beijing, China, Tuesday, April 22, 2014. Tesla Motors Inc. delivered its first eight electric sedans to customers in China on Tuesday and Musk said the company will build a nationwide network of charging stations and service centers as fast as it can. (AP Photo/Ng Han Guan)

"We are going to proceed with at least two locations in parallel, just in case one of them encounters some issues after breaking ground," Musk said. He said Panasonic was likely to be Tesla's partner in battery production.

Tesla has no plans for additional modifications to strengthen the Model S undercarriage to protect against road debris after announcing in March it would add a titanium shield, said a company spokesman, Simon Sproule. Tesla announced the modification after two cars were destroyed in the United States in fires blamed on road debris that punctured an aluminum shield and their batteries.

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Citation: Tesla delivers first China cars, plans expansion (2014, April 22) retrieved 26 April 2024 from https://phys.org/news/2014-04-tesla-china-cars-expansion.html

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