

Tesla's new sedan will make or break the company (Update)

June 21 2012, by DEE-ANN DURBIN



In this Oct. 27, 2010, file photo, the new Tesla Model S electric sedan is shown during the unveiling of the new Tesla factory in Fremont, Calif. Tesla Motors, which has lost nearly \$1 billion selling high-end electric sports cars to the likes of George Clooney will offer its first mass-market, five-seat sedan Friday, June 22, 2012. (AP Photo/Paul Sakuma, File)

It's a make or break moment for electric car maker Tesla Motors.

Tesla has lost nearly \$1 billion selling high-end electric sports cars to the likes of George Clooney. Now it's going to attempt to sell them to the rest of us — and try to make money doing so.

The company's first mass-market, five-seat sedan will be delivered Friday. The car, called the Model S, will either propel the company to profitability or leave it sputtering on the fumes of a \$465 million

government loan.

"The Model S is the going to be the first true mass market product experiment for Tesla, one they cannot afford to fail," says Jesse Toprak, vice president of market intelligence at car buying site TrueCar.com.

Tesla, the brainchild of PayPal billionaire and SpaceX founder Elon Musk, has always been a moon shot. Analysts and auto industry insiders scoffed at the idea that a new car company could be created from scratch and built in a high-cost state like California. Boardroom turmoil and a string of technical problems repeatedly delayed the launch of the company's only car, the \$109,000 two-seat Tesla Roadster.

Tesla survived by creating something so unique that the price tag was almost irrelevant: A beautiful car that could tear up a race track without burning a single drop of gasoline. Celebrities flocked to it, giving Tesla a cache that an established brand like Cadillac could only dream of.

Now Tesla must do something much more difficult. It has to convince more traditional car customers to buy an expensive vehicle with limited range from a small, untested company.

The Model S carries a starting price of \$49,900 after a federal tax credit — about the same as a Lexus RX hybrid crossover. Models top out at \$101,550, or about the same as a hybrid Fisker Karma sports car.

A car that's half the price of the Roadster lets Tesla break into a bigger market, but those customers will take a hard look at the value they are getting. This isn't a trophy car to park on Rodeo Drive. It's a sedan for hauling kids and groceries.

The high price will limit sales, says Rebecca Lindland, an analyst with IHS Automotive. She doubts Tesla will reach its goal of selling 20,000

Model S sedans in 2013. Nissan has sold just under 30,000 all-electric Nissan Leaf sedans since they went on sale at the end of 2010. But the Leaf is little more than half the price of a Model S.

Still, the Model S already has broader appeal than the Roadster. Tesla says more than 10,000 people have put down a refundable deposit for the sedan, and it expects to sell 5,000 this year. The Roadster has sold just 2,150 since 2008



In this May 25, 2011 file photo, people look at a Tesla Motors electric car vehicle at a showroom in San Jose, Calif. Tesla Motors, which has lost nearly \$1 billion selling high-end electric sports cars to the likes of George Clooney will offer its first mass-market, five-seat sedan Friday, June 22, 2012. (AP Photo/Paul Sakuma, file)

The first sedans will be delivered to customers Friday at Tesla's factory in Fremont, California, a plant the company bought for \$42 million in 2010 from its former operators, General Motors Co. and Toyota Motor Corp. Tesla will host 12 test drives around the country this summer for reservation holders.

Tesla didn't make executives available for interviews ahead of Friday's event. But at the company's annual meeting this month, Musk said he's "highly confident" that Tesla will meet its goals. That includes making a profit in 2013.

Even if buyers take a chance on Tesla, the risks don't end there. A charging network doesn't exist in the U.S., and electric-car owners can run out of power between stops. There's no gasoline engine that kicks in as a backup, as there is in the electric Chevrolet Volt.

Tesla is trying to ease worries about range by throwing in a charger with three kinds of adapters that can be used at home or at public charging stations. It's also planning a network of fast chargers at highway exits. Buyers can upgrade to a battery with an industry-best 300 miles (483 kilometers) of range. The base model can go for 160 miles (257 kilometers) on one charge.

The company's retail strategy is also untested. Its 14 U.S. stores have a tiny presence compared with Lexus' 230. When Roadsters need repairs, Tesla deploys technicians to the owners' house. It will be far more expensive to do that if Tesla sells as many Model S sedans as it hopes. The company's plans for servicing the cars are hazy. Musk said recently that Tesla simply wants to make cars that don't need servicing.

"We want every aspect of that car to be as perfect as possible," he said.

For investors, the Model S will test whether the company is built for endurance or a quick test drive. So far, the company's glamorous founder and its sculpture-like cars have generated enough buzz to keep the stock hot. Its price has nearly doubled from its initial public offering level of \$17 a share two years ago.

Tesla's current stock price of \$32 assumes achievements the company has yet to accomplish, says Carter Driscoll, who researches clean energy companies for Capstone Investments. The company has lost \$759 million since it was founded in 2003 and has never made a profit. It survives, in part, on its loan from the U.S. Department of Energy. It also sells electric drive systems to Toyota and Daimler AG.

"It's sexy," says Driscoll. "People want to believe in it. But there are so many what ifs, ands or buts."

But if you're a believer, all you have to do is point out Musk's latest accomplishment: Last month, his SpaceX venture became the first private company to send a cargo rocket to the International Space station.

Moon shots can work.

Features of Tesla Motors' Model S electric car

Electric car maker Tesla Motors will deliver its first Model S sedans to customers on Friday. Here's a rundown of the car's features:

POWER SOURCE: One of three batteries, no backup gas engine.

RANGE: 160, 230 or 300 miles (257, 370, 480 kilometers) depending on battery.

CHARGING: Each car comes with a charger plus adapters for a 110-volt standard household outlet, a 240-volt outlet and a public charging station.

EFFICIENCY: Rated at 89 miles per gallon (2.6 liters per 100 kilometers). That figure is reached by estimating the distance the car can travel on the energy contained in a gallon of gas.

PASSENGERS: Seats five. For \$1,500 extra, buyers can bring the capacity to seven with child-sized, rear-facing jump seats for the cargo area.

CARGO SPACE: 66 cubic feet (1.87 cubic meters) of storage space with the standard rear seats folded flat. 8.1-cubic-foot compartment under the hood.

DASHBOARD: 17-inch (43-centimeter) touchscreen replaces knobs and dials.

CONNECTIVITY: The vehicle offers wi-fi and two USB ports for plugging in devices.

OPTIONS: Buyers can add an all-glass panoramic roof, turn-by-turn navigation and a backup camera.

FACTORY: Made in Fremont, California.

PRICE: Model S starts at \$49,900 in the U.S. after a \$7,500 federal tax credit. The high-end Signature Performance version starts at \$97,900.

Copyright 2012 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Tesla's new sedan will make or break the company (Update) (2012, June 21) retrieved 23 April 2024 from <https://phys.org/news/2012-06-tesla-sedan-company.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.