

Road gets tougher for electric car innovator Tesla

March 28 2018



Tesla, which had been a darling of investors in recent years, has seen its stock hammered recently amid concerns over the future of autonomous cars and its ability to ramp up production

Tesla, which until recently had been seen as cruising to a bright future,

has suddenly hit a rough stretch as fresh concerns over the future of autonomous vehicles have exacerbated worries over its ability to hit production targets.

Shares in the California electric car innovator skidded 7.7 percent Wednesday at the close, a day after an 8.22 percent slide. The declines have wiped out some \$9 billion in market value.

In a sign of heightened mistrust, interest rates charged by institutions lending money to Tesla jumped to 7.74 percent as compared with 6.56 percent at the end of last week.

Despite the market troubles, Global Equities analyst Trip Chowdhry advised in a note to buy Tesla shares on the weakness, contending that "betting against Tesla is not only insane but total stupidity."

Founded 15 years ago by South African-born serial entrepreneur Elon Musk, Tesla has gained fans and acclaim as a company steering toward a world of self-driving cars running on clean energy.

But, Tesla's future is clouded by worries about its ability to efficiently mass produce cars as well as whether disruptive technology used is reliable and safe.

Deadly crash

US federal investigators are examining a fatal crash last week involving a Tesla electric car in Silicon Valley.

The California Highway Patrol reported that a 38-year-old man died Friday after his 2017 Tesla Model X collided with a highway barrier in the town of Mountain View.



An investigation is underway into a fatal crash involving a Tesla Model X, the latest incident casting doubt on autonomous driving

The vehicle caught fire before two other approaching cars hit it.

Of particular interest to investigators was whether an autopilot system that enables a Tesla to handle some of the driving was being used at the time of the crash.

The US Transportation Department last year closed an investigation into a fatal 2016 crash in Florida of a Tesla on autopilot, finding that no "safety-related defect" had caused that accident.

Tesla said in a blog post that it does not know the cause of the latest fatal crash, and that the extent of the damage was making it difficult to retrieve on-board logs with driving data.

"We are currently working closely with the authorities to recover the logs from the computer inside the vehicle," Tesla said in the post.

"Once that happens and the logs have been reviewed, we hope to have a better understanding of what happened."

Crash damage was made worse in this case because a highway safety barrier designed to absorb impact of a vehicle was removed or crushed before the accident, according to Tesla.

The Tesla roadway tragedy came not long after a woman pushing a bicycle across an Arizona street was struck and killed by a self-driving Uber car.

Challenges of autonomous driving technology and the acceleration of Waymo in that field raise questions about how Tesla will place in the race into that market, according to analysts at Morgan Stanley Bank.



Tesla's board recently approved a pay package for CEO Elon Musk that could see him earn billions if the carmaker hits certain targets, but nothing if it fails

Waymo and Jaguar Land Rover this week announced they have joined forces on a posh, self-driving electric car tailored for a ride-hailing service run by the Google-owned firm.

The alliance will involve I-PACE electric cars just introduced by Jaguar, taking direct aim at Tesla's market.

Porsche, meanwhile, promised to hit the road next year with a new electric sedan that will challenge the Tesla Model S.

Cash tank low?

Along with tough competition, Tesla has had a rough time getting production lines to quickly crank out its more affordable Model 3 cars meant as a winning entry into the mass market.

Tesla has slashed production targets due to "bottlenecks."

The company is shooting to produce 2,500 of the models weekly by the end of this month, while initial targets were to be making double that number by the end of last year and 10,000 vehicles weekly by the end of this year.

The plunge in Tesla shares is due in part to questions about its ability to ramp-up production of the Model 3 and bring in revenue, or qualify to economically borrow money, needed to keep the company running, according to Morgan Stanley analysts.

Moody's downgraded Tesla's rating this week, citing a shortfall in Model 3 production and negative cash flow.

Tesla also faces deadlines in the coming year to repay hundreds of millions of dollars in debt, and will need to refinance maturing bonds to avoid running out of money.

© 2018 AFP

Citation: Road gets tougher for electric car innovator Tesla (2018, March 28) retrieved 24 June 2024 from <https://phys.org/news/2018-03-road-tougher-electric-car-tesla.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.