

Affordable Model 3 is Tesla's biggest test yet

March 31 2016, by By Dee-Ann Durbin And Justin Pritchard



Nick Tobin, left, with his father, Byron Tobin, second from left, wait in line to be the first to sign a wait list to own the new Tesla Model 3 at the Tesla showroom in Pasadena, Calif., Thursday, March 31, 2016. Tesla plans to unveil its Model 3 electric car Thursday night at its Los Angeles design studio. At a starting price of \$35,000, before federal and state government incentives, the Model 3 is less than half the cost of Tesla's previous models. (AP Photo/Nick Ut)

It's the car thousands of people were waiting for: Tesla Motors' new, lower-priced Model 3 sedan.

Tesla unveiled the Model 3 on Thursday night at its Los Angeles design studio. It doesn't go on sale until late 2017, but in the first 24 hours that order banks were open, Tesla said it had more than 115,000 reservations. Long lines at Tesla stores, reminiscent of the crowds at Apple stores for early models of the iPhone, were reported from Hong Kong to Austin, Texas, to Washington, D.C. Buyers put down a \$1,000 deposit to reserve the car.

At a starting price of \$35,000—before federal and state government incentives—the Model 3 is less than half the cost of Tesla's previous models. Tesla CEO Elon Musk says the car will go at least 215 miles when fully charged, about double what drivers get from current competitors in its price range, such as the Nissan Leaf and BMW i3.

Prototypes shown Thursday night looked like a shorter version of Tesla's Model S sedan. The Model 3 has a panoramic glass roof and an elongated hood. Inside, it seats five adults and has the same large touchscreen dashboard as other Teslas. It also has Tesla's suite of semi-autonomous driving features, including automatic lane changing and lane keeping. Musk said it will accelerate from zero to 60 in less than 6 seconds.



Customers wait in line to be the first to sign a wait list to own the new Tesla vehicle at the Tesla showroom in Pasadena, Calif. Thursday, March 31, 2016. Tesla plans to unveil its Model 3 electric car Thursday night at its Los Angeles design studio. At a starting price of \$35,000, before federal and state government incentives, the Model 3 is less than half the cost of Tesla's previous models. (AP Photo/Nick Ut)

Musk said the car is on schedule to go on sale at the end of 2017, eliciting a cheer from the crowd of around 800 people. Tesla has a history of missing deadlines for its vehicles to hit the market.

"I do feel fairly confident it will be next year," Musk said.

The Model 3 is the most serious test yet of 13-year-old Tesla's ability to go from a niche player to a full-fledged automaker. It could be the car that finally makes electrics mainstream—or consumers could continue to be skeptical that electrics will work for everyday use. In the U.S., they

still make up less than 1 percent of annual sales. Either way, the Model 3 is already changing the industry, spurring competitors to speed development of electric cars and improve their battery range.

General Motors Co. is set to start selling the Chevrolet Bolt electric car at the end of this year. The Bolt will have a similar price tag and a 200-mile range. Hyundai's Ioniq, which has a 110-mile electric range and could match Tesla on price, goes on sale this fall. Audi will follow with an electric SUV in 2018.



In this Wednesday, Dec. 2, 2015, file photo, Tesla Motors Inc. CEO Elon Musk delivers a conference at the Paris Pantheon Sorbonne University as part of the United Nations Climate Change Conference in Paris. Tesla Motors is set to unveil the Model 3, its first car in the \$35,000 range. The Model 3 is the most serious test yet of 13-year-old Tesla's ability to go from a niche player to a full-fledged automaker. (AP Photo/Francois Mori, File)

Musk said last month he's not worried. He thinks the Model 3 will compete most directly with small luxury cars such as the Audi A4 and the BMW 3 Series.

Musk said Tesla will expand its stores and its fast-charging Supercharger stations globally in order to support the Model 3. He said the company plans to double its stores worldwide to 441 by the end of 2017, and it will double its Superchargers to 7,200. Tesla will also add thousands of its so-called destination charging stations at hotels and other locations.

Right now, Tesla sells two vehicles: The Model S sedan, which starts at \$71,000, and the Model X SUV, which starts around \$80,000. But a lower-priced car was Musk's longtime goal. Musk said the Model S and Model X, along with Tesla's first car, the discontinued Roadster sports car, helped Tesla make the money to invest in the Model 3.

"We needed to figure out how we, as a tiny company with very few resources, could make a difference," he said.



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Tesla lowered the cost of the car, in part, by making cheaper batteries. The company previously assembled its battery packs with cells made in Japan by Panasonic Corp. But Tesla and Panasonic are building a massive, \$5 billion factory in Nevada which will supply batteries for the Model 3. Tesla says the scale of the factory will lower the cost of its battery packs by 30 percent.

The Model 3 puts Tesla within reach of millions more customers. Last year, only 2.1 percent of new cars purchased in the U.S. cost \$75,000 or more, but 35 percent—or 5.5 million—cost \$35,000 or more, according to TrueCar. The Model 3 is a critical part of the money-losing automaker's plan to increase sales from around 85,000 this year to 500,000 by 2020.

Robin Santucci got the sixth spot in line when he arrived at the Santa Monica, California, Tesla store at 3:45 a.m. Thursday. By 9 a.m., he estimated there were 200 people in line.

Santucci has admired Tesla for years. When he got his current car, an electric Fiat 500, he made sure the lease would run out at the end of 2017 so his next car could be the Model 3.

"The design of every other car they've put out is beautiful," said

Santucci, who works in digital advertising and lives in West Hollywood.

Santucci added that he didn't want to wait too long to order a car because the federal tax credit of \$7,500 will sunset once Tesla sells 200,000 vehicles in the U.S. That is still likely several years away, although a ticker at the Tesla event showed orders continuing to rise throughout the night.

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