

Tesla secures land in Shanghai for first factory outside US

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In this Sept. 29, 2015, file photo, Elon Musk, CEO of Tesla Motors Inc., talks about the Model X car at the company's headquarters, in Fremont, Calif. Electric auto brand Tesla Inc. says it has secured land in Shanghai for its first factory outside the United States, pushing ahead despite mounting U.S.-Chinese trade tensions. The company said it signed an agreement on a 210-acre (84-hectare) site. (AP Photo/Marcio Jose Sanchez, File)

Electric auto brand Tesla Inc. said it signed an agreement Wednesday to secure land in Shanghai for its first factory outside the United States, pushing ahead with development despite mounting U.S.-Chinese trade

tensions.

Tesla, based on Palo Alto, California, announced plans for the Shanghai factory in July after the Chinese government said it would end restrictions on full foreign ownership of electric vehicle makers to speed up industry development.

Those plans have gone ahead despite tariff hikes by Washington and Beijing on billions of dollars of each other's goods in a dispute over Chinese technology policy. U.S. imports targeted by Beijing's penalties include electric cars.

China is the biggest global electric vehicle market and Tesla's second-largest after the United States.

Tesla joins global automakers including General Motors Co., Volkswagen AG and Nissan Motor Corp. that are pouring billions of dollars into manufacturing electric vehicles in China.

Local production would eliminate risks from tariffs and other import controls. It would help Tesla develop parts suppliers to support after service and make its vehicles more appealing to mainstream Chinese buyers.

Tesla said it signed a "land transfer agreement" on a 210-acre (84-hectare) site in the Lingang district in southeastern Shanghai.

That is "an important milestone for what will be our next advanced, sustainably developed manufacturing site," Tesla's vice president of worldwide sales, Robin Ren, said in a statement.

Shanghai is a center of China's auto industry and home to state-owned Shanghai Automotive Industries Corp., the main local manufacturer for

GM and VW.

Tesla said earlier that production in Shanghai would begin two to three years after construction of the factory begins and eventually increase to 500,000 vehicles annually.

Tesla has yet to give a price tag but the Shanghai government said it would be the biggest foreign investment there to date. The company said in its second-quarter investor letter that construction is expected to begin within the next few quarters, with significant investment coming next year. Much of the cost will be funded with "local debt" the letter said.

Tesla's \$5 billion Nevada battery factory was financed with help from a \$1.6 billion investment by battery maker Panasonic Corp.

Analysts expect Tesla to report a loss of about \$200 million for the three months ending Sept. 30 following the previous quarter's \$742.7 million loss. Its CEO Elon Musk said in a Sept. 30 letter to U.S. securities regulators that the company is "very close to achieving profitability."

Tesla's estimated sales in China of under 15,000 vehicles in 2017 gave it a market share of less than 3 percent.

The company faces competition from Chinese brands including BYD Auto and BAIC Group that already sell tens of thousands of hybrid and pure-electric sedans and SUVs annually.

Until now, foreign automakers that wanted to manufacture in China were required to work through state-owned partners. Foreign brands balked at bringing electric vehicle technology into China to avoid having to share it with potential future competitors.

The first of the new electric models being developed by global

automakers to hit the market, Nissan's Sylphy Zero Emission, began rolling off a production line in southern China in August.

Lower-priced electric models from GM, Volkswagen and other global brands are due to hit the market starting this year, well before Tesla is up and running in Shanghai.

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