

## Tesla gets ready as electric cars go mainstream

By Jorn Madslie  
Business reporter, BBC News, Geneva motor show

**The single-model display at the Geneva motor show by electric motoring pioneer Tesla is swamped this year by a seemingly endless string of rival sportscar companies launching electric vehicles of their own.**

Whereas in the past the Tesla Roadster stood out as a breath of fresh air, and although it remains the only fully functional and street-legal electric car with others being trial models, it will soon be up against petrol-electric hybrids from Fisker and Lotus, Ferrari and Porsche.

"The world has been waiting for Porsche to show this," insists Porsche's chief executive Michael Macht as Porsche unveiled its plug-in petrol-electric hybrid at a Volkswagen Group event ahead of the motor show.

**" Whoever does electrics is our friend "**

Cristiano Carlutti, Tesla Motors

"Electric cars will be important for our customers; our models will have to be socially acceptable."

But whereas analysts fret about the threat, Tesla views the rivals' arrivals as good news.

Global Insight automotive analyst Aaron Bragman takes the view that Tesla is in danger of losing its "competitive advantage of being novel and unique".

By contrast, Cristiano Carlutti, head of Tesla's sales and operations in Europe, believes more electric cars from established brands will instead result in growth in the overall market for electric cars.

"Whoever does electrics is our friend," he says. "The fact that large firms enter the electric car market is an advantage for everyone.

"I don't think our competitive advantage will be gone," he continues.

"It will be gone if we stand still, but we are constantly moving forward. It is not going to be easy to catch up with us."

### Leap of faith

When viewed from Tesla's dealership in London, tucked away in a quiet Knightsbridge back street across the road from Harrods department store, the company's future looks promising.

Tesla's revenues soared to \$93.4m (£62m) during the March to December period of 2009, up from just \$580,000 during the same period in 2008, and sales have continued to storm ahead during this final quarter of the financial year.

On 29 January the company filed for an initial public offering (IPO) of its shares to stock market investors, a move it hopes will raise \$100m or more from investors.

But investing in Tesla will be a leap of faith.

The carmaker currently produces just one model, the roadster that is built in the UK using a modified Lotus Elise chassis.

So far Tesla has sold more than 1,000 roadsters, which may not sound that much.

But consider its price tag - \$101,500 in the US after tax incentives are accounted for, £86,950 in the UK including VAT, 84,000 euros plus VAT in the European Union - as well as the fact that it only hit the road about two years ago, and the sales seem rather more impressive.

"We're not selling an idea, we're selling a product with incredible performance," says Mr Carlutti.

## Buying hope

A drive of the roadster around the streets of London ahead of the motor show paints a picture of a car that feels clunky in a kit-car sort of way, with a hard-to-shut boot lid and a manual roll-up canvas roof.

But its performance is on par with many a red-blooded sportscar.

**" The fact that Tesla has been able to secure some major funding from the US government's Department of Energy alternative propulsion programmes certainly will not hurt the automaker's chances in the IPO "**

Aaron Bragman, Global Insight automotive analyst

Pedal to the metal delivers instant and constant torque, thanks to its gear-free electric motor, and the tiny two-seater's ultra-stiff suspension helps it stay glued to the road heading out of town to the shires.

On Buckinghamshire's potholed country lanes it is easy to become wary, however, as the ride becomes uncomfortably bumpy - a hint at a potentially rocky future awaiting the company as it moves forwards.

Production of Tesla's Roadster is set to end late next year as Lotus shuts up shop to retool its factory.

"As a result, we anticipate that we may generate limited, if any, revenue from selling electric vehicles after 2011, until the launch of the planned Model S," Tesla said in January in its IPO filing to the Securities and Exchange Commission.

The Model S is Tesla's planned four seater saloon car, scheduled for launch in 2012. The car will cost less than \$50,000 when US tax incentives have been taken into account, or less than half the price of the roadster, as Tesla aims to "bring electric cars into the mainstream, bring them to the larger public", explains Mr Carlutti.

Hence, investors are not buying into a car company that makes a roadster; they will be investing in Tesla in the hope that the roadster's success can be replicated as the company steers towards new model launches that are expected to include a replacement for the roadster in 2013 - expected to be dubbed S1.

Some analysts urge caution.

"Considering that Tesla has very little in the way of automotive engineering personnel or facilities, and given that no vehicle has been mentioned as a platform for the Model S and there is not even a plant constructed to make the vehicle, the likelihood that it will appear in two years is very low," Mr Bragman reasons.

"How Tesla plans to survive an entire year with no sales revenue and by not building any cars between the Roadster and the presumed arrival of the Model S is baffling."

## Government loan

The answer seems to have much to do with marketing efforts aimed at keeping the brand alive during this period.

Tesla is planning to stockpile the Roadster ahead of its production coming to an end in order to maintain stock in its showrooms, Mr Carlutti says.

"From the customer's perspective, there will be progress throughout," he says.

Moreover, concerns about delays may be overegged, as Tesla has secured a \$465m low-interest government loan to help build an assembly plant and electric engine factory in California.

"The fact that Tesla has been able to secure some major funding from the US government's Department of Energy alternative propulsion programmes certainly will not hurt the automaker's chances in the IPO," acknowledges Mr Bragman.

## Attractive acquisition?

Investors may also want to consider Tesla's patent portfolio, which may be seen as an attractive asset by mainstream carmakers playing catch-up in the world of electric motoring.

"We're selling range and performance that our competitors are not able to achieve," says Mr Carlutti.

"Our strongest asset is technology. It is not going to be easy to catch up with us."

This, along with the millions of dollars sent Tesla's way by the US government, may well make it "more attractive to an outside automaker as a potential acquisition", Mr Bragman says - even though its "future as an independent entity is unclear".

But that is for the future.

For now, Mr Carlutti and his colleagues are doing their best to put Tesla's technology and know-how to good use as they move forward in an ever more crowded market place.

Story from BBC NEWS:

<http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/8548750.stm>

Published: 2010/03/04 00:05:15 GMT

© BBC MMX