

Tesla turmoil undermines EV leadership

By Daniel Howes (excerpt)

The Tesla Inc. magic is disappearing.

Sales of its high-margin models S and X plunged more than 50% in the first quarter. The Silicon Valley automaker is struggling to make a profit on its \$35,000 Model 3 compact, founder Elon Musk's electric vehicle for the masses.

And the auto "establishment" competition from the United States, Britain, Germany and Japan — better financed, better run, more widely distributed — as well as Chinese EV players are coming with a flood of upscale EVs that threaten to challenge Tesla's dominant position in the luxury EV space.

If past experience in the auto industry is any indication — and it usually is — major industry players are the ones to lose market share when rivals start playing their own game. Just ask Detroit, whose commanding position in the rich U.S. market dwindled to a minority share amid an onslaught from foreign competitors.

"We are clearly past peak Tesla," David Kudla, CEO of Grand Blanc-based Mainstay Capital Management LLC, said in a note. "The problem is no longer production, it is demand. And demand is clearly waning for all three Tesla models."

Equally concerning to investors should be CEO Musk's continuing tangles with the Securities and Exchange Commission, the most recent being a hearing Thursday in a New York courtroom. In the wake of tweets last summer saying he had "funding secured" to finance a buyout of the automaker — funding, it was later learned, he did not have — the federal regulator sued Musk. ...

... The reason: Musk's persona, vision, innovative spirit and knack for challenging the status quo underpin shares in the EV maker. Muzzle or, worse, sideline him and federal regulators tasked with protecting shareholders instead could be considered complicit in cratering Tesla's market value.

Tesla may be doing that all by itself. Deliveries of all three models slumped 31% to roughly 63,000 vehicles. The Model 3 accounted for 50,900 of those, down from 63,359 Model 3's delivered in the fourth quarter. ...

... There's no denying Tesla's genius in identifying a real, if still small, market for upscale EVs with a unique luxury patina of Silicon Valley. Imagine if the automaker could actually build to scale and efficiently ship its products (regularly) to would-be buyers.

That would be something to see.

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