

**LYING BASTARD ELON MUSK SAYS
HE DOES NOT NEED GOVERNMENT
HAND OUTS TO EXIST. ENTIRE
WORLD DISAGREES WITH HIM.**

Tesla share crash amid bid to kill off electric car tax break

Didn't help that the automaker's financial results also sucked

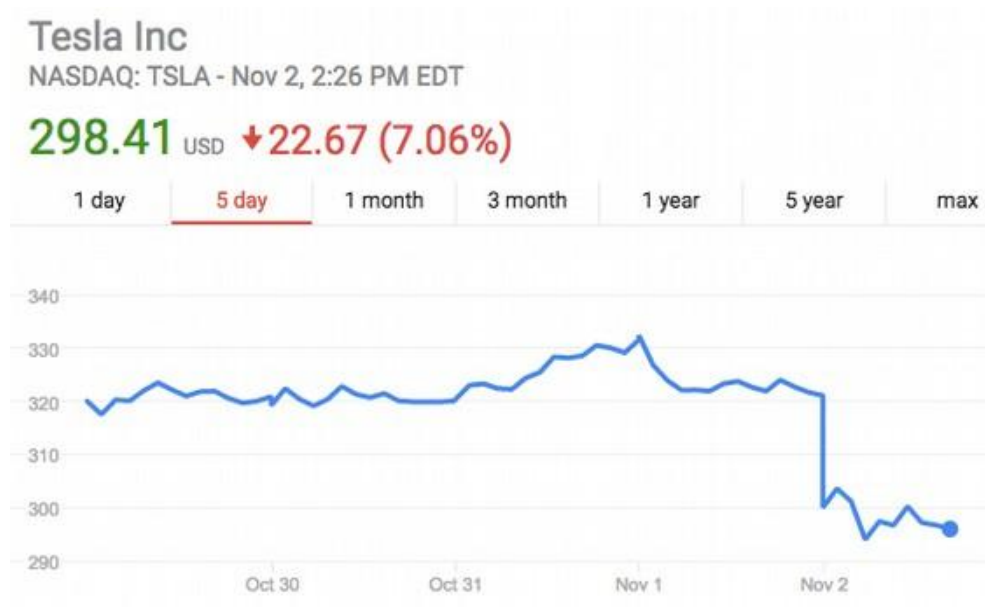
By [Kieren McCarthy in San Francisco](#) 2 Nov 2017 at 18:47

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Tesla's share price took a dive Thursday morning as Republicans in Congress revealed they were planning to kill off a US federal tax credit for electric vehicles.

The proposed [House tax bill](#) calls for an immediate repeal of the [\\$7,500-per-vehicle credit](#): something that would have an immediate knock-on impact for Tesla given that it only produces electric cars.

Its share price fell more than seven per cent to about \$296 apiece from Wednesday's \$321. The draft law emerged as the Elon-Musk-led automaker announced its [worst-ever quarter](#), recording a \$671m loss and admitting it had not met its production target for its new Model 3 car, producing just 220 of them against its 1,500 target.



Click to enlarge ... Source: Google Finance

Economists believe that the tax credit is a key driver for electric car sales, and cite the example of when the state of Georgia cut its \$5,000 tax credit and saw sales of electric cars slump from 1,400 a month to just 100 a month in response.

As an indication of how the \$7,500 helps Tesla sell more of its vehicles, it even incorporates the figure into its pricing on its website, noting that the total vehicle cost is reduced thanks to the break – although you would still pay full price for the car and then would need to claim the credit back on your tax forms.

Blueprint

The bill itself – which still has to go through Congress and is seen as a blueprint for the Trump administration's tax shakeup – would kill off the electric vehicle break on the final day of this year.

Scrapping the leccy car deal will increase US tax revenues by \$4bn, it is estimated. That's a good saving seeing as the Republicans are desperate to balance America's books while cutting the corporate tax rate.



Tesla hits Model 3 production speed bumps, slides to loss

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Under the process the Republicans intend to use to pass their tax reform bill, it is necessary for the country's figures to balance – any cuts have to be met with additional tax income. So far, the plan is expected to cost the Land of the Free \$1.5tr over 10 years.

As such, those behind the plan either have to find additional income, reduce their planned cuts, or take a different tack altogether, while bagging sufficient support from the Democrats to get the whole shebang approved. In short, anything in the current plan that increase tax revenue is unlikely to pulled out.

It's not just Tesla that will be hard hit by the removal of the federal tax credit: General Motors has been pushing its Chevy Bolt electric car, and under California state law, it is required to sell a certain percentage of electric cars each year or effectively pay for not doing so by purchasing green credits.

GM said in a statement following the news: "Tax credits are an important customer benefit that can help accelerate the acceptance of electric vehicles. Because General Motors believes in an all-electric future, we will work with Congress to explore ways to maintain this incentive."

Tesla has yet to respond – even though the markets have already spoken. ®

Will Tesla ever be able to compete in the commercial vehicles market?

This is what being [“deep in production hell”](#) looks like. Yesterday Tesla reported wider-than-expected losses of \$671M for the third quarter, the largest quarterly loss in the company’s history, which comes right on the heels of a \$336M loss in Q2. In the third quarter of 2016, by comparison, Tesla posted a profit of \$21M, and reported total losses of \$773M for the entirety of 2016.

“Judged as a car company, Tesla is currently producing a tiny volume of cars in unpopular segments with an uncompetitive unit cost for the mass market,” wrote Moody’s Analytics Managing Director and Senior Auto Economist, Tony Hughes, following the report.

Last month, Elon Musk delayed the unveiling of its electric semi-truck, blaming it on Tesla’s delivery of solar panels and battery systems to Puerto Rico in the aftermath of Hurricane Maria. There are many indications, though, that Tesla will struggle to compete in the commercial vehicles market, even after it finishes turning the lights back on in San Juan.

Here’s why. Electric cars are not attractive enough to consumers to compete with conventional combustion engine vehicles unless they are propped up by generous government subsidies. Denmark just proved this by removing tax incentives for electric car purchases in order to ‘level the playing field’—and [Tesla sales in Denmark cratered](#), dropping 91% from 2,738 cars in 2015 to just 176 cars sold in 2016. Electric semi-trucks will not enjoy those tax incentives in the United States.

And since Tesla can’t manage to turn a profit selling even its heavily subsidized personal cars, observers doubt that the company will be able to successfully enter the commercial truck market. Fleet owners base their purchasing decisions solely on total cost of ownership (TCO), and there is

no reason for them to pay luxury-car premiums for long haul trucks they'll use for an average of three years.

“There's a basic premise here: personal vehicles are bought from the heart; commercial vehicles are bought from the mind,” said Sandeep Kar, the chief strategy officer at Fleet Complete.

In October, Tesla came under fire from Matthias Müller, CEO of Volkswagen (which owns roughly 20% of Navistar, one of Tesla's competitors in the commercial truck space), who [dismissed any comparison](#) of Tesla with established carmakers: “There are companies that barely sell 80,000 cars a year. Then there are companies like Volkswagen that sell 11 million cars this year, and produce a profit of 13 or 14 billion euro. If I am correctly informed, Tesla each quarter destroys millions of dollars in the three digits, and it willy-nilly fires its workers. Social responsibility? Please. We should not get carried away and compare apples with oranges.”

Warning signs have been trickling out about Tesla's struggles to get production of its Model 3 off the ground since the spring. In a March conference call with investors, Tesla CEO Elon Musk justified his decision to [skip beta testing](#) for the Model 3, saying that doing so would help Tesla meet its production goals. Tesla predicted that it would manufacture 1,500 Model 3s by the end of September, but was only able to build 222. The bottlenecks up and down Tesla's supply chain and production lines raise questions about the company's ability to enter the rigorous semi-truck market.

“They will face many, many challenges. The design, production, and testing of commercial vehicles is a completely different ballgame. You're talking about transcontinental routes across different climates and terrain, and very complex driving conditions that change with different kinds of loads,” said Kar. “I do admire Tesla's intention to create a truck that offers fuel cost reduction and driver retention benefits. If they are able to develop a 200 mile without charge truck, then they can truly disrupt and transform the market. I just don't know if they can pull it off,” Kar continued.

The difficulties Tesla has had with the Model 3 this year have opened the company up to more fundamental criticisms. In June, ZeroHedge published [a takedown](#) of Tesla's much-vaunted 'lean manufacturing', showing that its production lines in Fremont are much less efficient than when NUMMI (a GM and Toyota partnership) ran the plant 20 years ago. In 1997, NUMMI produced 357,809 vehicles with 4,844 workers (74 cars per worker); in 2016, Tesla produced 83,992 vehicles with between 6,000 and 10,000 workers (8-14 cars per worker). To put it simply, Tesla's 'lean manufacturing' is about 1/7 as efficient as NUMMI was 20 years ago.

Musk evokes sleek, robotic future-spaces when he indulges his fondness for sci-fi prophecy, but last month the Wall Street Journal reported that parts of the Model 3 [are still being built by hand](#). During yesterday's announcement Tesla pushed back production targets again: where the company was supposed to produce 5,000 Model 3s a week in the fourth quarter of 2017 and begin producing 10,000 3s a week in 2018, now Tesla hopes to reach the 5,000 weekly production target by late in the first quarter of 2018.

Tesla's investors still think the company is worth far more per car sold than any other automotive manufacturer. Tesla is sitting high at a market cap of \$800K per car sold in 2016; by comparison BMW is at \$25K, Ford is at \$6K, and GM is at \$5K.

"It's either one of the great Ponzi schemes of all time, or it's all going to work out," mused Mike Jackson, CEO of AutoNation, the largest dealer group in the US, while commenting on Tesla's counterintuitive valuation.

Some of the smart money is betting against Tesla. The Los Angeles Times [interviewed](#) four investors who have taken huge short positions worth about 20% of Tesla's outstanding stock. Why are they taking dangerous bets against a company whose investors seem willing to give them unlimited cash to burn? "If you can't make money selling a \$100,000 car to rich

people, how are you going to make money selling a \$45,000 car to normal people?” said David Rocker, a retired investment manager formerly with Rocker Partners.

David Spiegel, of Stanphyl Capital Management, was even more bearish: “I’m saying they’re going to lose money on every Model 3 they build and sell.” Tesla’s profit per car plummeted from \$2,000 in the first quarter of 2013 to -\$14,000 by the first quarter of 2016.

Commenting on the spate of electric vehicles coming onto market—the Chevy Bolt in 2016, the 2nd gen. Nissan Leaf in 2017, and the Lucid Air, Hyundai Ioniq, Audi A3 e-tron, Jaguar I-Pace, and Aston-Martin RapidE all set for 2018—Spiegel said, “Once the market is flooded with electric vehicles from manufacturers who can cross-subsidize them with profits from their conventional cars, somewhere around 2020 or 2021, Tesla will be driven into bankruptcy.”

Will Musk continue to raise billions of dollars to cover Tesla’s losses indefinitely? “We’re awfully close to the point where people wake up and realize these guys are seriously diluting our equity” with new stock and convertible bond issues, said Mark Yusko, founder and chief investment officer at Morgan Creek Capital Management.

MUSK EXPOSED AS A FRAUD

Musk's assertion that journalists and editors lack integrity for reporting on this doesn't really hold water.

Musk claims that:

- - Every company in the world holds annual performance reviews
-

Comparing Tesla's firing of 2% of its employee base for performance-based reasons is "a remarkably lower number compared to other companies"

The problem with that? For one thing, GE--the company Musk references--has [gotten rid of performance reviews](#) (just like countless other companies), because they've deemed them impractical, outdated relics of a management era that was out-of-touch with its people.

Secondly, remember that Musk's whole strategy hinges on *not* following the crowd. Any attempts to favorably compare Tesla to much larger companies is simply asking for trouble.

The Ugly

Here are two of the most troubling claims from former employees, [as reported by CNBC](#):

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Several current and former employees said that the round of firings appeared to be a cost-cutting measure, with many of those terminated being the highest paid in their position

-

One fired employee claims that "performance reviews were thrown out and rewritten by upper management"

-

At least some terminated employees "were informed via email or a phone call 'without warning,' and told not to come into work the next day"

Musk has not addressed any of these claims.

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