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THE TESLA ELECTRIC MOTOR CAR:

HOW LONG CAN THIS COMPANY SURVIVE ?

The concept of a reliable, all-electric motor car, using a rechargeable battery as a power source, is far from being a new idea, having been the dream of many people since the second half of the 19th Century.

In 1859 – about 159 years ago –Mr Gaston Plante, a French physicist, invented the lead-acid battery.

His invention made it possible for an all-electric motor car to graduate from a dream to reality.

About 22 years later, another French scientist, Mr Camille Alphonse Faure, improved on the original battery design of Mr Gaston Plante and, in 1881, his improvements led to increased capacities of the lead-acid battery.

This led to such batteries, being produced on an industrial scale.

Today, Tesla Incorporated has taken the concept of the production of an attractive and reliable, all-electric motor car, at a price that many consumers have it in their financial power to purchase, to the present level of international interest.

Recently, however, questions are being asked as to whether or not the Tesla motor car can stand the test of time.

Motor-vehicle manufacturers in many parts of the world, from Japan, to the PRC, to The United States of America, and to Europe are all trying their respective hands at competing with Tesla to bring to international

consumers their brands of the all-electric motor car that is superior to Tesla's offering.

According to usually reliable sources, Tesla is not finding it easy to compete with some of the international giants of this industry.

A recent study has strongly suggested that Tesla may well be producing its Model 3 motor car at a loss!

The study has come to the conclusion that Tesla is spending about $US28,000 (about $HK218,400) for every Model 3 that comes off the company's assembly line, located at Fremont, California.

The lithium-ion batteries that power this motor car are being produced at Tesla's other factory, located at Reno, Nevada.

Tesla's Model 3 was first released in July of 2017 and, according to the statements, said to have emanated from Senior Management of the company, production exceeded 300,000 vehicles in February 2018.

This statement is highly questionable since the Company is known to have produced 2,000 units for three consecutive weeks in the second quarter of this calendar year.

Senior Management has gone on record, however, stating that the company envisages, hitting a target of 5,000 units per week by the middle of this year.

At the monthly level of production of the last February, if true, it must mean that Tesla is depleting its coffers by about $US8.40 billion per month, equivalent to about $HK66 billion, in terms of expenses, relating only to the production of the electric vehicles.

If one takes into consideration the cost of the announced planned factory expansions – at California and Nevada – and the required investment in new automation, just to mention two expensive items that have to be factored into Management's cost calculations, how much can Tesla hope to sell each of its Model 3 vehicles?

In addition, there shall, always, be the matter of increasing labour costs with regard to the workforce of about 37,543 employees.

Annually, there shall, always, be demands for increased wages and salaries along with better working conditions and, as Management, most likely expects, demands from labour for a pension scheme to be instituted.

If Management, as it has publicly announced, is desirous of achieving a Gross Profit Margin of 25 percent, it suggests a minimum cost price per vehicle of about $US35,000 (about $HK273,000).

To this calculation, one must add the costs, associated with its own dealership network in The United States of America, as well as in other parts of the world where the foreign, motor-vehicle dealerships have to see their ways clear to making a profit from the sales of the Tesla vehicles, along with the servicing and repairing of the vehicles when needs be such.

Taking into consideration a multitude of other costs, including advertising, worldwide, and shipping costs to countries, round the world, in addition to the costs of land transportation in North America, it would appear that the selling price per Model 3 rises to at least $US50,000 ($HK390,000).

And, even at this price level, the Net Profit Margin is still, only, marginal.

To the landed cost of a Model 3 in the port of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) must be added the First Registration Tax, the tax on the sales of all imported motor vehicles that, presently, stand at about 100 percent of the sales price per unit.

At this point, it would appear for Tesla, in order to make a profit on the sales of its new motor cars, delivered to customers in the HKSAR, the retail price per vehicle must be at a minimum of $HK1.50 million ($US192,000).

This retail price is considerably higher than the cost of a Mercedes-Benz A-Class, B-Class and C-Class Saloon vehicles.

Without the Government of the HKSAR, agreeing to abolish the First Registration Tax on imported Tesla's motor vehicles, it is obvious that Tesla Incorporated cannot compete, successfully, against many of the internal-combustion, petrol-powered luxury vehicles, produced in Germany by Mercedes-Benz, to name but one such company, dedicated to producing vehicles to be sold on the international market.

Even at the retail price of $US50,000, the suggested selling price of the Model 3 in The United States of America, it leaves little wriggly room for Management of Tesla to turn in a reasonable profit per vehicle.

Investors expect to see a return on investments – and Tesla has yet to placate many of its disappointed and disillusioned investors.

Founded in 2003, the company has yet to record a single Financial Year of profitability from the production of its all-electric motor cars.

One might well be inclined to comment that those 15 years is a rather long wait for a return on an investment.

According to the Annual Report of Tesla Incorporated with regard to the Financial Year, ended December 31, 2017, on a Turnover of $US11,758,751,000 (about $HK91.27 billion), the Company reported a Net Loss Attributable to Shareholders of $US1,904,312,000 (about $HK14.85 billion).

The Turnover and the Net Loss Attributable to Shareholders were both at record levels.

In respect of the Revenue, derived from the sales of the company's motor cars, during the 2017 Financial Year, it was $US9,641,300,000 (about $HK75.20 billion), compared to sales of $US6,350,766,000 (about $HK49.53 billion), recorded in the 2016 Financial Year.

The sales of the company's motor cars were, also, at a record level in the 2017 Financial Year.

The future may well see all-electric, motor vehicles, plying the roads of the world, but there appears to be a distinct possibility that Tesla's name could fade into the ether, as have so many other motor-vehicle producers of days gone by.

How many people still remember the Jowett Javelin, the Humber Super Snipe, the Hillman Minx, the Triumph Mayflower, the Morris Eight, the Packard, the Stutz Roadster, the Studebaker, and, of course, the iconic, luxury Duesenberg Model J?

All gone, forever, their names, found only in the history books of defunct British and American motor cars.

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