

Tesla 2/28/19 Media Conference Call
Transcribed by Paul M Huettner
[@Paul M Huettner](#)

Tesla IR: [00:00:00] The blog and the links that were just published. If you haven't got those for any reason just email us at press@tesla.com and we'll send it over to you. Elon is going to start the call with some opening remarks and then we'll go right into Q and A. Just a reminder please keep your questions focused on the topic that's being announced today. We're not going to be answering any off topic questions on this call. Also this is a press call intended to give you the information you need to write your articles. This is all on the record. But, please do not publish the recording or transcripts of this call. Finally any statements made today related to our future business or results are forward looking statements and actual results could differ materially due to factors mentioned in our most recent Form 10K filing with the SEC. With that I'll turn it over to Elon.

Elon Musk: [00:00:44] Hi everyone we're incredibly excited to announce that the \$35,000 dollar Model 3 is available. That's \$35,000 before any incentives or gas savings with the range and equipment as promised. In fact the interior will be slightly better than originally promised so I'd actually consider this to be slightly better than what was originally intended with the standard interior.

Elon Musk: [00:01:11] That'll be 220 miles range. It'll have all of the crash safety of all the other cars so the safest car in the world. Lowest probability of injury of any car in the world. And it will have all the equipment required to upgrade to autopilot full self-driving. So we can buy the \$35,000 car and in the future upgrade and add autopilot or full self-driving it's just a software update.

Elon Musk: [00:01:42] So it has it has the sort of future proof in that sense and it's an incredible car.

Elon Musk: [00:01:51] The my twitter profile pic is literally the car you can buy for \$35,000.

Elon Musk: [00:01:57] You can actually get that and. Yeah.

Elon Musk: [00:02:03] So I think some have been working for towards at Tesla since since we created the company from the beginning this has been the goal and it's an incredible car. And at \$35,000 there's still some pretty significant consumer tax credits that can be had.

Elon Musk: [00:02:27] And then of course the cost of electricity is much less than the cost of gasoline so the cost of operation the car is much less than a gasoline car. And we're also confident that that car insurance will be lower. That that's something you're working for working very hard towards so that when you look at total cost of ownership of a Tesla it's actually much less than an equivalent gasoline car at \$35,000.

Elon Musk: [00:03:02] So there's also some things we've been able to do for existing customers that are pretty cool but Tesla is as much a software company as a hardware company and we've been able to via firmware improvements improve the range of the long range rear wheel drive car from 310 miles to 325 miles. This will affect all customers including those that were all long range cars shipped to date and new cars. So both existing and new customers will get a 15 mile range increase from 310 to 325. We also have been able to improve the peak power output of all cars by approximately 5 percent so you get 5 percent peak horsepower improvement across the board and the Model 3 performance top speed we've been able to increase 262 miles an hour. Mostly the recommend during that in a safe environment or that or on the Autobahn which is safe. So that's an extra seven miles an hour or an extra 10 kilometers an hour. And it's really an amazing vehicle in

fact that's what I'm driving right now - my daily driver is a Model 3 performance.

Elon Musk: [00:04:22] So and yeah the Model 3 ranks number one in Consumer Reports owner satisfaction survey by I think pretty decent margin and it yeah we're just incredibly excited to finally achieve this goal it's been insanely difficult and very point I should say is well the standard plus which is for a small amount more you can get basically a whole lot more like roughly 6% price increase gets you 10% almost 10% range increase and a 6% power increase and mostly towards the premium interior. So firstly I'd recommend really getting standard plus, but we have the standard available as well. And then another key point is where we're moving all sales online. This is extremely extremely profound worldwide.

Elon Musk: [00:05:32] The only way to buy a Tesla will be online and you can buy your car like buy your car on your phone in about one minute in the US and there will make it just as easy to literally one minute purchase and possibly the world as well. We also have stores that there will be converted to galleries and information centers so you can go there and learn about Tesla or learn about electric vehicles. [Inaudible] Tesla merchandise but all sales will be online. So if you do go to the store they'll simply show you how to buy the car online and then in order to get the need for a test drive. We're extending the return policies that you can own the car for a week and drive for up to a thousand miles or 1,600 kilometers and return a car full for a full refund if you don't like it. We're extremely confident that you will like it. So that's why we're going to essentially allow somebody to use the car for free for a week and return it for a full refund. We're going to get super easy to get a refund. Like one quick refund. So people really should not have any concerned about placing order or thinking that there's not reversibility. We want to actually make it incredibly easy to to hand the car back and get a refund.

Elon Musk: [00:07:01] So that's that's something. Um Yeah.

Tesla IR: [00:07:11] Should we go to Q&A.

Moderator: [00:07:15] Thank you again ladies and gentlemen if you have a question at this time please press the star and one key on your touchtone telephone. Our first question comes from Phil Lebeau with CNBC.

Phil Lebeau: [00:07:28] Hi Elon question for you regarding the pricing on the new vehicle. You guys have. I know you said that with the reservation backlog a while ago a couple of conference calls ago you guys said look we're never we're not going to be discussing that but um the question here is how much demand do you guys believe is out there relative to the reservation list that was initially there.

Elon Musk: [00:07:57] I mean I don't know what the demand is. We'll see and we'll find out. It obviously would be speculation. And in terms of speculation with what. Well you know no basis apart from like gut feel I think there's probably demand for over half a million Model 3s a year.

Phil Lebeau: [00:08:26] Is that based on anything in particular is it based on head raisers. Is it based on the reservation list originally how many people peeled off the list?

Elon Musk: [00:08:35] No that's reservation list is just like *mumbling* it's foolish to focus on reservation list. That's like saying how many preorders did you get for a video game. That doesn't mean anything. So the video games out. Ok. The Car is out. What matters is ugh is ugh what is that demand. I don't know what the demand is but if you ask me for what my considered judgment is for the demand as I said it's half a million cars a year.

Phil Lebeau: [00:09:03] Thank you.

Moderator: [00:09:06] Thank you. Our next question comes from Larry Magid with CBS.

Larry Magid: [00:09:12] Yeah Elon, thanks for taking the call. A couple of questions. You mentioned the range extension on the long range model 3. What about the mid-range Model 3. And also you also mentioned that the company put out a release saying that there be full autopilot software for \$5,000 full self-driving. Is that actually full [inaudible] driving Portal to Portal. The other question is those who paid \$5,000 for EAP -

Elon Musk: [00:09:36] Hang on. Hang on. Let's just do one question at a time here. Hang on. Let's just do one question at a time here. You have one question pick one.

Larry Magid: [00:09:43] Well my first question is what about the mid-range are you extending the range of that?

Elon Musk: [00:09:47] Nope. Next. Next questioner.

Larry Magid: [00:09:52] Did you get my -

Moderator: [00:09:56] My next question comes from Matt DeBord with Business Insider.

Matt DeBord: [00:10:01] Hello gentlemen. Thanks for the call. Congratulations on the 35 grand Model 3. I just want to ask the question about the online only sales model. The only thing I'm curious about is that are you anticipating that you're going to get some resistance. That's the whole U.S. kind of approach from the you know franchise car dealer world which is typically sort of opposed this kind of thing. Thanks.

Elon Musk: [00:10:33] I think this is actually going to online only is incredibly helpful to us for selling anywhere in the US because in many parts of the US we are unable to sell effectively because of franchise laws whereas if the sales concluded online we now have anyone can buy the car anywhere in the United States immediately so this I think really substantially opens up our ability to sell the cars. And It's 2019. People want to buy things online.

Matt DeBord: [00:11:07] Yeah I know for sure. I'm just wondering do you think there's gonna be no more intense pushback than you've gotten in the past. And ironically you might get more intense pushback on this strategy than you would have when you were simply trying to do direct sales and kind of a state by state basis. This is sort of like *cross talk*

Elon Musk: [00:11:28] I'm sure the franchise dealers will try to franchise or dealers will try to oppose us in some way but this would be a fundamental restraint of interstate commerce and violate constitution. So good luck with that.

Matt DeBord: [00:11:41] All right. Thank you.

Moderator: [00:11:44] Our next question comes from Zach Shahan with Clean Technica.

Zach Shahan: [00:11:49] Hey how's it going. The first question is I'm curious if you have any estimate on [inaudible] this version will be available beyond the US.

Elon Musk: [00:11:58] Probably Available for ordering. Probably three to six months. Yeah. And then of course it takes time to ship the cars to - takes like a month or two in some cases to transport

the cars in California to the new owner in Asia or Europe. So it's something on the order of three to six months.

Zach Shahan: [00:12:26] And can you say anything about what - you said then interior is a bit better than you originally anticipated. I know a lot of people were just chopping off the premium interior features and trying to figure out what the standard interior was. Can you speak a little bit more about what [inaudible] premium.

Elon Musk: [00:12:45] There are more wrapped parts that - the original standard had a lot more sort of just press plastic parts and this interior has more sort of raked parts that has a better look and feel and it's like it's like that dozens of small components essentially and the savings are really not enough to warrant making it look worse. I think it still looks really good. Oh I should point out a really big change is that everyone gets the all glass roof. So previously the standard - the standard did not have - it had had a metal roof instead of the sort of the the glass roof which I think it profoundly changes the feel of the car compared to most other cars.

Zach Shahan: [00:13:38] Yeah I was. Wondering if that would make sense. If that would streamline the manufacturing and beautiful roof. Last question is -.

Elon Musk: [00:13:48] Sorry I don't I don't want to set the precedent of people asking tons of questions so we'll have to move to the next uh, one. Thank you.

Moderator: [00:13:57] Thank you our next question comes from Sean O'Kane with The Verge.

Sean O'Kane: [00:14:03] Hi Elon. I am curious about closing of the stores. Is this going to result in layoffs at Tesla. And if so are they tied to the layoffs you guys already announced earlier this year?

Elon Musk: [00:14:18] We will be closing some stores. And there will be some reduction in headcount as a result. There's no question about that. Yeah. Uh. Yeah. There's no other way for us to achieve the savings required to provide this car and be financially sustainable. It's the only - I wish there was some other way but unfortunately it will entail a reduction in force on the retail side. No no way around it.

Tesla IR: [00:14:52] OK. Next Question.

Moderator: [00:14:53] Thank you. Our next question comes from Hope King with Cheddar.

Hope King: [00:14:58] Hi Elon. Thanks so much and congratulations on this amazing milestone a lot of people have been waiting for actually as a follow up to Sean's question - Any estimates that this - maybe how many people might lose their jobs as the result of the closure of stores.

Elon Musk: [00:15:12] That's not today's topic. Next question.

Tesla IR: [00:15:17] Next question.

Moderator: [00:15:18] Our next question comes from Olivia Rudgard with the Daily Telegraph.

Olivia Rudgard: [00:15:23] Hi Elon. Thanks for doing this. I just wondered on the price point issue. Do you think this is the cheapest car you'll ever be selling or do you predict that some future model might go cheaper or this car might be sold for cheaper?

Elon Musk: [00:15:38] I think that this is the lowest we could possibly sell this car we would need

to significant redesigned and the new manufacturing system to have a lower cost car. So this is definitely not easy. It was it's excruciatingly difficult to make this car for \$35,000 and still be financially sustainable hence the unfortunate need to reduce headcount. There's just no I wish there was some other way to do it. But we either - we're sort of in a binary choice - like provide \$35,000 car and have fewer people or not provide \$35,000 car. Will there be future models that cost less? Yes, but there won't be soon there would be at least at least two to three years probably closer to three years.

Olivia Rudgard: [00:16:34] And what kind of price point would you be targeting with this lower priced car?

Elon Musk: [00:16:37] Not today's topic.

Tesla IR: [00:16:40] Next question please.

Moderator: [00:16:42] Thank you. Our next question comes from Tom Randall with Bloomberg.

Tom Randall: [00:16:48] Hi Elon. Congrats on reaching this goal. You're pulling a lot of demand levers today. Obviously is going to open the car to a larger addressable market. Does this change your production plans at all compared to what you're forecast in your earnings call and your recent tweets - like has there been a shift in production that that allows you to open a larger addressable market?

Elon Musk: [00:17:10] Well in the earnings call um the if you say look at the range of numbers that were talked about talked about basically a pretty wide range because verticals predict the future. We don't have a crystal ball. So it's a 350,000 to 500,000 Model 3s is what I said in the earnings call. And then and then we would expect it to make somewhere between 70 and 100 thousand Ss and Xs. So the lower bound would be 350 plus 70 and then the upper bound would be 500 plus 100.

Moderator: [00:17:53] Thank you. Our next question comes from Michael Coren with Quartz.

Michael Coren: [00:17:57] Thanks. I was watching what the biggest changes that were made to the car itself beyond reducing the battery size at this price point. And what was some of the cost savings that you achieved to the manufacturing or operations.

Elon Musk: [00:18:11] Ummm. I Think we'd want to get too much into the weeds here. It's hellishly difficult to reduce the cost the car. The way I've described it to a company is really getting a cost - There are 10,000 gross approximation 10,000 [inaudible] parts and processes in making a car. So each one basically costs about three dollars and fifty (fifteen?) cents or thereabouts in order to make the car and still have enough left over for R&D and overhead that kind of thing we really need to be more like three dollars on average full of 10000 cost and processes. That means we need to figure out how to get on average 50 (15?) cents out of those 10,000. And so I call this a Game of Pennies. It's like a Game of Thrones, but pennies.

Moderator: [00:19:10] Thank you. Our next question comes from Ben Sullins with Teslanomics.

Ben Sullins: [00:19:16] Hey guys thanks so much and congratulations again. One thing that really sparked my interest here was the firmware update and how you able to add range there. And I think that that's been one of the things we haven't talked a lot about. So I'm curious if you see other updates like this possibly an app store or some other way to turn the cars themselves into more of a platform with other services you can add on top of it. Thank you.

Elon Musk: [00:19:42] Well we... We do find ways over time and have done this many times in the past where we are able to improve the efficiency of say of the drive inverter or the motor or we get a bit more comfortable with what how much energy you can extract safely from the battery pack without causing it long term harm. And so as we get more road validation and we are we're able to find optimizations and a feel a bit [inaudible] widening the margins. And that's I mean we're just we're just update the car and make it better for free. That's just that's been our philosophy for many years but we're not planning to make the car a sort of a big platform at this stage. I mean maybe if we have like tens of millions of cars on the road at some point then it would make sense to be a platform. But I think until you have sort of at least in the tens of millions it's not realistically a platform except in a sense that the car has all of what we've [inaudible] all of the sensors necessary for full self-driving. And so those upgrades will occur automatically and I should perhaps just levered on sort of we're broken out the what was previously enhanced autopilot into essentially basic autopilot and full self driving. So Autopilot which is basic Autopilot is the car will accelerate and brake and steer automatically within the lane and then the full self-driving features are that the car will both navigate on Autopilot. So it will automatically take highway on ramps or off ramp it will switch lanes change from one highway to another overtake slow cars and exit the highway. And I think that's a future that anyone who ordered enhanced Autopilot will get - it has now moved into it into into full self-driving and then there's advance summon which which also people who have ordered Enhanced Autopilot will get advanced summon but people who know order advanced summon where the car will find you anywhere in a parking lot that has been moved to now been moved to to full self driving so there are still some features that we need to finish in full self driving. We need the car to be able to recognize traffic lights and stop signs and do turns and navigation on side streets. That's the main thing that need to be finished in order for the car to take you from your from your house to your work with no intervention required. Now first of course that this will need to be supervised by the drivers because it will take us billions of miles to get to the safety level where driver observation is no longer required. And then we will need to convince regulators of this. So that there are some steps along the way. But in terms of feature feature complete for self-driving as I've said before we're highly confident- I'm really quite - I'm certain that we'll be feature complete with full self driving this year but at the risk of belaboring the point, with feature complete full self-driving you'll still need to - the driver will still need to pay attention because the reliability level will take longer to address. And then even after we've feel we've addressed the reliability we need regulators to agree that that is that driver attention is no longer unnecessary.

Moderator: [00:24:01] Thank you. Our next question comes from Alexander George with Popular Mechanics.

Alexander George: [00:24:06] Thank you. Can you repeat that detail that the top speed increase and how you achieve that?

Elon Musk: [00:24:15] The top speed increase is essentially we'd electoral electronically limited the Model 3 Performance to 155 miles an hour so it's - that was not a physical limit but electronic limit - after a lot of testing, we now feel we can increase that limit to by 10 kilometers an hour or seven miles an hour. And that just ends up being at RPM increase in the motors so that the two motors just spin faster I think they're going somewhere in order of 19,000 RPM.

Moderator: [00:24:59] Thank you. Our next question comes from Mike Liedtke with Associated Press.

Mike Liedtke: [00:25:05] Hi. Thanks for taking my question. Elon, so with all the cost cutting can you tell us whether you expect to make money here in the first quarter potentially to continue to

make money?

Elon Musk: [00:25:18] Given that there is just a lot happening in Q1. And we're taking a lot of sort of a lot of onetime charges and there's a lot of challenges getting cars to China and and Europe. We you not expect to be profitable in Q1. But we do think that profitability in Q2 is likely.

Moderator: [00:25:46] Thank you. Our next question is from Kirsten Korosec with Tech Crunch.

Kirsten Korosec: [00:25:52] Hi thanks for taking my question. I a question about the whole self-driving capability um two parts. One is it a problem that you're calling this full self-driving capability when you're still going to require the driver to take control or be paying attention. And then I was wondering you talk a little bit about what's coming maybe later this year which looks like some of these capabilities rolling out to being in an urban city street unlike highway.

Elon Musk: [00:26:25] I think where we're very clear with the you know when you when you buy the car what what it's meant by full self driving it means its feature complete, but feature complete requiring supervision and then as as we get more - we really need billions of miles if not maybe 10 billion sort of miles or kilometers on that order collectively from the fleet than [inaudible] in our opinion probably at that point supervision is not required but that will still be up to regulators to agree. So we're just very quickly there's really three steps this being feature complete proportion self driving but requiring supervision, future complete but not requiring supervision, and feature complete not requiring supervision and regulators agree.

Moderator: [00:27:21] Thank you. Our next question comes from Domenick Yoney with InsideEVs.

Domenick Yoney: [00:27:27] Hi there. This seems like hugely disruptive. So do you expect to open more service centers and will that increase jobs like to handle demand and deliver customers directly to deliver cars directly to customers.

Elon Musk: [00:27:43] Oh yeah that was a good point. We will actually be significantly increasing headcount in service technicians and service is directly reporting to me. At this point but I really have as my top priority this year is making service amazing at Tesla.

Moderator: [00:28:06] Thank you. Our next question comes from Sasha Lekach with Mashable (mispronounced).

Sasha Lekach: [00:28:14] Its Sasha from Mashable, but hi. Thanks for taking my question. I was wondering-

Elon Musk: [00:28:18] Haha.

Sasha Lekach: [00:28:18] I was wondering what the significance. What's that?

Elon Musk: [00:28:21] Nothing just kidding. Sorry.

Sasha Lekach: [00:28:25] OK. I was wondering what the significance was of Elon Tusk as your Twitter name in relation with this Model 3 announcement if there was a connection.

Elon Musk: [00:28:36] Uh. No I was playing the fool on Twitter. Hahaha.

Moderator: [00:28:43] Thank you. Our next question comes from Paul Fosse with Clean Technica.

Paul Fosse: [00:28:52] Hi um, I think this is going to hugely increase demand in there - If you get a big backlog of orders will the first day line waiters will they still get priority on delivery day.

Elon Musk: [00:29:07] Oh yeah. Absolutely.

Paul Fosse: [00:29:07] Or is it just how fast you can order your car?

Elon Musk: [00:29:12] Oh so that's good point actually [inaudible]. We Were first making sure that anyone who placed a reservation early absolutely has priority so any any early reservation holders will absolutely get priority as they should for the \$35,000 Model 3 for sure.

Moderator: [00:29:35] Thank you. Our next question comes from Tim Higgins with the Wall Street Journal.

Tim Higgins: [00:29:39] Hi. Thanks for having me - my question. Can you talk a little bit about your strategy to moving to online only and shutting stores. Was this a hard decision or is this something that you had been thinking about doing a long term for a while?

Elon Musk: [00:29:48] It is it is a hard decision but I think it's the right decision for the future and I think ultimately this will be a very strong competitive strength of Tesla because we do not have franchise dealers. So I think this is this will be a fundamental long term competitive advantage of Tesla that that maybe only a startup - only a startup could replicate. No one who has sold franchises could could replicate. I think this was an extremely important strategic decision and definitely the right one.

Moderator: [00:30:01] Thank you. Our next question comes from Andrew Hawkins with The Verge.

Andrew Hawkins: [00:30:07] Yeah hi. I have a question about the Autopilot decision. In October you said that you would stop offering full self driving. Now it's back. Can you explain what's changed in that period of time?

Elon Musk: [00:30:20] I think we're closer to releasing full self driving features. So we're just sort of close enough I thought at that time it was creating too much confusion but now really with the release on navigate an autopilot for highways which is already released in the US and parts of Europe and will soon go worldwide and with the [inaudible release of advance summon and the fact that - I'm driving right now the development version of Autopilot and it works extremely well in terms of recognizing traffic lights and stop signs and is now starting to make turns effectively in complex urban environments. So I'm confident enough at this point to say - to sell full self driving. And and, yeah. I think it's looking really good like the features I'm talking about I'm driving in development mode right now.

Moderator: [00:31:24] Thank you. Our next question comes from Christian Prenzler with Teslarati.

Christian Prenzler: [00:31:30] Thanks for taking the call. My question is surrounding kind of how these new lower option low cost cars kind of will fit into the production queue and now you'll kind of fit that in with all the international orders and a high priced orders as well?

Elon Musk: [00:31:49] Yeah there's gonna be a blend of vehicles in production. It's a mixture of high price and low priced - I mean I can't. We're really getting into the weeds talking about exact

percentages here but there will obviously be a mixture of trims that are made. Something that I should - I forgot to mention. We're also also reducing the Model S and Model X prices and transitioning to online only. It effectively reduces our costs by about 5% maybe 6% and so we've applied that to S&X as well as to Model 3. So the S&X is also more affordable.

Moderator: [00:32:42] Thank you. Our next question comes from Chuck Tannert with Forbes.

Chuck Tannert: [00:32:47] Good afternoon. What is that Tesla's profit margin on each and every \$35,000 Model 3 sold?

Elon Musk: [00:32:57] Yeah. We're not going to answer questions like that. Next question.

Moderator: [00:33:03] Thank you. Our next question comes from Eric Evarts with Green Car Reports.

Eric Evarts: [00:33:07] Hi. I was just wondering if somebody wanted to order a short range base Model 3 this evening. How long you'd expect that it would take at this point for them to get it?

Elon Musk: [00:33:24] Well the priority is for longtime reservation holders so we would first need to assess how many of the long term reservation holders want the \$35,000 car. So it really depends on on that on that and obviously this news has been embargoed until now so we first need to assess how many of the reservation holders wish to buy that car. They will get priority and then it will be new new orders. But I do. But I should say that it is very likely that someone who orders will get the car in the US by the end of June, let's say - before the before the next tax credit cliff.

Moderator: [00:34:09] Thank you. And our final question comes from Gary Gastelu with Fox News.

Gary Gastelu: [00:43:16] Elon, are the battery packs significantly reduced with cells or is this more of a software restriction and then also the Autopilot and self-driving hardware is is the final version or might these require an update down the road?

Elon Musk: [00:34:31] That the standard range pack has significantly fewer cells the long range pack has on the order of 50% more cells as the range suggests. The uh yea. Um. It's not just a software restriction otherwise our our our materials cost would be too high. Sorry what was the other question?

Tesla IR: [00:35:04] *Wipers* Autopilot.

Elon Musk: [00:35:04] Autopilot [inaudible]. You know the only upgrade that's sort of happening kind of in real time is the hardware 3 Autopilot computer. But this is like this is essentially invisible to the user. So yeah the features that require the hardware three Autopilot, um yea.

Moderator: [00:35:40] And that was our final question.

Elon Musk: [00:35:49] Thank you. Thanks everyone.