- Andrew Orlowski

Elon Musk golden goose is in trouble

Loyal investors are growing increasingly nervous at the billionaire’s biggest company

Andrew Orlowski

No businessman has ever wielded as much political power as Elon Musk and he hasn’t had to get elected, or even be approved by Congress.

But while Musk’s Doge team rips through the Washington swamp, uncovering waste and corruption, he should perhaps be paying attention to business closer to home.

Tesla is in trouble.

Sales have crashed 50pc in Europe compared to last January. In China, its largest market, sales fell 11.5pc in January. The share price has been dragged down 22pc from its post-election peak in December.

This matters a great deal, because Tesla’s stock price is the key to Musk’s business empire and his personal life. It unlocks capital for all the other businesses, including his rocket company SpaceX, and quixotic adventures such as buying Twitter, now X.com.

TSLA is also the basis of his personal income. He’s wrangling over the largest pay award in history, some $56bn (£45bn), which ballooned to almost $100bn after the presidential election given the share price surge. Courts have twice stuck down the move, arguing that it was not independently negotiated.

Worryingly for Trump's efficiency tsar, the headwinds aren't going away.

A big threat looms from cheap competition from China, something he has surely seen coming for a very long time. The Chinese Communist Party declared electric vehicle (EV) technology to be a strategic priority in its five-year plan in 2001; six years later, Wan Gang, a former Audi engineer, became China's science minister. After Wan took a test drive of a Tesla Roadster the following year, Beijing went all-in.
China now owns much of the supply chain that the West needs to compete on EVs. Obligingly, we have begun penalising carmakers for selling models with internal combustion engines.

Chinese carmakers like BYD can sell electric cars for as little as $10,000 for its budget model, less than half of the retail price of the cheapest Tesla. Other Western brands also struggle to compete.

Volkswagen has been obliged to partner closely with suppliers for its $20,000 budget EV. And it's doubtful if we'll ever see it here as it comes under a "nin China, for China" strategy. Even with a 100pc tariff imposed on imports to the West, BYD still undercuts the cheapest Western-made EVs.

How will Tesla's chief executive respond?

That's where even loyal investors are beginning to get nervous. Musk has demanded even more control over the car company, telling investors that he needs 25pc to ensure it's a leader in AI and robotics. "L'État, c'est moi," he's telling the industry: "I am Tesla".
But more Musk isn't necessarily what they want. Investors now bridle when Musk makes autonomous driving promises that can't be fulfilled, for example.

At SpaceX, his wildly successful, privately held rocket company, Musk sets ambitious goals but then steps back and lets the brilliant executive Gwynne Shotwell run the show.

Contrast this to how he handled bad news at Tesla a year ago. Musk swung the axe, with 14,000 people made redundant, or some 10pc of the workforce. The decision to fire almost everyone in the Supercharger team was met with dismay in the loyal owner community, where the charging network is regarded as the crown jewels.
His hands on involvement is now regarded a mixed blessing.

Ed Niedermeyer, journalist and author of a compelling book on the history of Tesla called Ludicrous, says Musk's reluctance to invest in new models is starting to hurt it. The exotic Cybertruck is plagued with problems, and is not a mass market product.

The Tesla Cybertruck has been plagued with problems Credit: Edmunds

“When times were flush, when they were printing money basically, by their standards, they were not investing in new products,” he explained last year. “They’d rather show profits than make investments into products.”

One thing Musk can’t do is what Porsche announced last week: revive the internal combustion engine (ICE) business. Porsche has seen EV sales disappoint, and so is spending £800m to restart production of ICE models and hybrids. Tesla has never had an ICE business: it’s been electric since the start.
I’m less pessimistic than many others about the impact of cheap Chinese EVs on Western industry, for as Hilton Holloway, the veteran auto industry pundit, explains, trust is hard to earn even in a market as open to experimentation as the UK.

“A car is the second-most expensive thing in life that you buy, so who is going to buy a brand you have never heard of?” he asks. Kia and Hyundai took years to get established. Even with excellent products, they needed to offer longer warranties than the established car marques. That’s more difficult to do with EVs, given the rapid pace of innovation and the cost of sourcing parts.

Holloway says: “The whole residual system is so fundamental to having a new car market that works. If you need a new tail light after five years, where are you going to find one?”

Perhaps, then, Tesla will do fine as a premium brand. Where does that leave Musk?

Some companies have done just fine when the visionary founder departs: Apple has seen its value has increased tenfold since the death of Steve Jobs in 2011.

However, it should also be noted that it has launched only two major hits – the watch and earphones – in that time and is now run by an uninspiring operations guy. With Apple's China business now struggling, it's best days may be behind it.

Cars are rather different of course. Today Musk is Tesla's greatest asset. But his erratic leadership is also its greatest liability.