

Howes: Tesla's tailspin into the pit of death tells familiar tale in Detroit

Daniel Howes, The Detroit News

2016
303259331-
TDNBrd_DETRO
IT_06-01-
2016_TDNXX_1
_C003~~2016~0
5~31~IMG_-
CAET8.jpg

(Photo: Justin Prichard)

CONNECT | TWEET | LINKEDIN | COMMENT | EMAIL | MORE

Forgive ol' Detroit auto types for thinking Tesla Inc. is showing signs of desperation. We should know — the Motor City pioneered the genre.

Financial [execs are leaving](#) Tesla. High-flying shares are tanking, down more than 13 percent just this week. Credit ratings agencies are [issuing downgrades](#), raising the possibility

that Chairman Elon Musk's iconoclastic automaker could run out of cash later this year without a steady increase in production to reassure increasingly pessimistic investors.

Sound vaguely familiar? Reviews on the hotly anticipated Model 3 compact electric car are less than stellar — if build quality means anything, that is, to would-be buyers accustomed to the high standards of Toyota, BMW and even re-engineered Detroit brands.

And now Tesla's senior vice president for engineering is issuing a call-to-arms to people on the Fremont, California, factory floor: building more than 300 Model 3s a day would be an "incredible victory," [Bloomberg News reported](#) Doug Field saying. Make the skeptics "regret ever betting against us. You will prove a bunch of haters wrong."

Maybe. But just about anyone who's paid more than passing attention to the modern auto industry and its imperative for disciplined execution can see the signs of an industry rival under enormous stress. Detroit learned that lesson the hard way.

Consider: just a few days before the end of the quarter, Tesla is moving workers from the line building its pricier models to the Model 3 line — presumably to bulk up the first-quarter Model 3 production numbers investors will be examining closely next month.

Here's a news flash: Tesla may be able to fool portions of its true-believing fan base, and it may be able to cajole Silicon Valley investors heavily invested in Musk's electrified vision. But missing production targets directly proportional to cash generation won't fool the big-money folks at Moody's Investors Service, who are paid to ask hard questions.

They know too much and have heard too many excuses: "The negative outlook reflects the likelihood that Tesla will have to undertake a large, near-term capital raise in order to