

More Fire, More Subsidies for Tesla in California

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NLPC

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There's that uncomfortable juxtaposition of words again: "Tesla" and "fire."

This time was quite an accomplishment by the electric automaker's publicity department: they kept the Irvine, Calif. garage fire quiet for over a month. The secrecy expired on the November 15 incident when the Orange County Fire Authority attributed the incident to the EV's re-powering set-up, according to a report obtained by Reuters.

"The fire occurred as a result of an electrical failure in the charging system for an electric vehicle," the report said, while stating the cause of the fire is unclear. "The most probable cause of this fire is a high resistance connection at the wall socket or the Universal Mobile Connector from the Tesla charging system" which was plugged into a 240-volt wall socket, the report said.

CEO Elon Musk (pictured with President Obama) and his PR mavens have been putting out image "fires" for the last two months, after three literal blazes occurred on Model S's while they were driven. This is the first reported incident that occurred with a Tesla vehicle while charging.

Consistent with its responses to past incidents, Tesla absolved itself of blame and pointed to evidence it thought could exonerate it, much the way they said the alleged causes of the other fires were their cars driving over road debris (in Washington state and Tennessee) or crashing (in Mexico).

"We looked into the incident," said company spokeswoman Liz Jarvis-Shean to Reuters. "We can say it absolutely was not the car, the battery or the charging electronics.... The cable was fine on the vehicle side. All the damage was on the wall side.

"A review of the car's logs showed that the battery had been charging normally, and there were no fluctuations in temperature or malfunctions within the battery or the charge electronics."

Fire – the actual cause may never be determined, just like it wasn't in the case of two garage fires involving Chevy Volts in Connecticut and North Carolina. But Jarvis-Shean put up a nice distraction there – mentioning the car, the battery, the "charging electronics," the cable "on the vehicle side." Unfortunately she failed to address what the fire authority did say was the problem: "a high resistance connection at the wall socket or the Universal Mobile Connector from the Tesla charging system...." I'm not an expert on electricity but there are two things I know about it: it travels, and it surges. Irregularities occur.

But still, even that doesn't matter a whole lot. The fact that a fire involving a Model S happened again is reason enough to raise doubt about Tesla, and electric vehicles in general, a little more.

"The problem here isn't that the cars lack effective safety technology, as all three Tesla accidents and fires have resulted in no injuries to the drivers. The problem is that we have three fires in six weeks," said Karl Brauer, senior analyst at Kelley Blue Book, after the third fire in Tennessee. "At some point the cause of the fire, the safety of the drivers and even the attitude of the owners (all three apparently want another car) stops mattering because you're left with recurring headlines featuring the words 'Tesla' and 'fire.' For a company with a stock price based as much or more on image than financials, those recurring headlines are highly damaging."

As Bloomberg noted, Tesla's stock price had quadrupled within a year to a peak of \$193.37 in September. After the three fires it had dropped down to the \$121 range but had recovered some. With the recent days' news it fell by almost 5 percent to close at \$140.72 Thursday. Musk has said in recent weeks that he realized the sensationalism over Tesla before the fires made the shares overpriced, but at the same time he is trying to sustain value to draw private investment and interest.

Musk has aggressively responded in the past to news reports of the previous fires, often using Twitter. This time Tesla's statement even attacked Reuters as an organization for a "misleading" report.

"It appears that their objective was simply to find some way to put the words 'fire' and 'Tesla' in the same headline," the company statement said, as reported by the San Jose Mercury News. "The journalists and editors who created the story have patently ignored hundreds of deaths and thousands of serious injuries unequivocally caused by gasoline car fires, instead choosing to write about a garage fire where there were no injuries and the cause was clearly not the car."

Unfortunately "fire" and "Tesla" were also together in some Irvine resident's garage at the same time as well. And again, Tesla threw up another irrelevance – about fires in gasoline-powered cars – that it desperately hoped would distract the media.

There are two facts that undermine this point that Musk and Tesla repeatedly try to make. One – as Yahoo!'s automotive site Motoramic reported last month – is that "even though it has fewer electric cars on the road than its competitors, none have reported similar fires after crashes. And while liquid-fueled vehicles suffer about 170,000 such fires every year, federal data show they take place in only 0.1 percent of all crashes."

And with comparatively few Model S's on the road, the number of fires that have occurred is a lot. "To have one instance of fire from road debris is a fluke," said Clarence Ditlow, director of the Washington-based Center for Auto Safety, to Motoramic. "To have two road debris fires in a vehicle population that small is highly unusual."

That's why the National Highway Traffic Safety Administration decided to investigate after the third fire. Clearly they are an issue to authorities and experts that matter, which is why Musk and his minions are nervous.

As has been explained on NLPC many times, Tesla's business model – which allowed the company to artificially claim two quarters of "profitability" earlier this year – is built heavily upon government subsidies, mandates and market-gaming that allows the automaker to sell zero emissions credits, mostly in California. So there was a bit of good news this week on that front once again as the state granted Tesla \$34.7 million in tax credits on equipment purchases, for "being a net benefit to the community, improving air quality, creating construction jobs, creating permanent jobs and developing California research and development facilities," according to the Sacramento Business Journal.

Obviously the Golden State is not afraid of getting burned on the deal.

Paul Chesser is an associate fellow for the National Legal and Policy Center and publishes CarolinaPlottHound.com, an aggregator of North Carolina news.