



# THE ELON MUSK TAXPAYER GIVEAWAYS KEEP ON COMING

Martha Boneta | Public Policy Adviser



Is Elon Musk poised to protect his companies through fudging data and calling in legislative favors?

In a recent interview with The New York Times, the billionaire teared up while discussing the “excruciating” and “painful” year that he has been through managing Tesla, his electric car company. According to him, he worked through his entire birthday, nearly missed his brother’s wedding, and is seeing his financial health decline.

Judging by the recent news, it doesn’t appear that Musk is going to run out of emotional moments anytime soon.

This week, reports showed that although Tesla rushed to meet its 5,000-production target this summer, over 4,000 of those cars needed rework. Perhaps because of its lack of quality control, JP Morgan lowered its price target for Tesla stock by 36 percent, all while 90 percent of surveyed Tesla suppliers confessed that they believe Musk’s company now poses a financial risk to their operations.

To say Musk has a lot to worry about is an understatement. However, it’s important to remember that Musk is also involved with SolarCity, a company specializing in solar energy services, and SpaceX, a space transportation services company.

What’s going on with those entities? If Musk is really spending 24-hour days at the Tesla factory, how is he capable of presiding over them at an acceptable level?

The short answer appears to be that he’s not and, to preserve his financing from both the government and investors, is engaging in smoke-and-mirror charades and mafia-like legislative tactics.

Recently, SolarCity has had nothing but problems, which is why the company laid off 9 percent of its workforce and closed a dozen of its installation facilities this summer. Ostensibly desperate to give investors

something to cheer for, it appears the company took a page out of the mortgage industry's pre-housing bubble playbook by creating thousands of fraudulent accounts with fake property owners' names.

According to employees, this created the illusion that SolarCity had millions of more dollars in revenue than it really did, a practice that more than a dozen individuals reportedly flagged to the human resources department and Elon Musk himself, who never answered.

Creating data that misleads investors is bad but jeopardizing the fate of competition and innovation through the force of government is even worse. Unfortunately, SpaceX has seemingly attempted to do just that in the last three National Defense Authorization Agreements (NDAA's), marking yet another dishonest way of ensuring Musk's flawed businesses remain protected as he works on correcting Tesla's shortfalls.

It's no secret that SpaceX is today's leading advocate for reusable rockets. Coincidentally, one section within the John S. McCain National Defense Authorization Act that passed last week mandates that, when applicable, the Secretary of Defense must "notify in writing the appropriate congressional committees" its justification for not making use of reusable launch vehicles in the space realm.

Pushing the use of reusables is certainly good for SpaceX's financial status, but is it good for the country's taxpayers? While SpaceX claims it could bring costs down by a factor of 100, others — such as Ben Goldberg, director of technology of Orbital ATK, believe otherwise.

Orbital ATK manufactured the Space Shuttle's solid rocket boosters, which had to be picked out of the ocean, cleaned up, and thoroughly inspected before being utilized again. This was a costly process and part of the reason why the Space Shuttle's cost per mission reached an astounding \$450 million to \$1.5 billion.

To this day, Orbital seems doubtful that reusable rockets can do what SpaceX professes. At a panel discussion, Goldberg said, "[Orbital] ran a study, and a whole bunch of interesting things jumped out ... one really interesting thing is the best you're going to get is suborbital."

While the current turmoil at Tesla is unfortunate, Elon Musk has already taken enough money from taxpayers. The law of the land should not be written to protect the rest of his companies while he's down no matter how laudable some of his goals may be.

That's why it's essential for the Secretary of Defense to look over SpaceX's history thus far in the reusable rocket space and, in its report to Congress, detail the company's history on pricing and reliability. If the Department of Defense cannot or fails to do so, the relevant congressional committees should question SpaceX and demand copies of those data sets.

Musk might whimper at the prospect of shedding some sunlight on this issue, but by no means does that mean it's not worth doing. Futuristic companies like SolarCity and Tesla should not be held above the principles of free enterprise. A simple gesture towards transparency from the DOD and Congress can go a long way in fending off crony capitalism and protecting taxpayers in the years to come.

*Martha Boneta, the former Executive Vice President of Citizens for the Republic*