

Tesla update on earnings, gigafactory expected Thurs

Nick Pappas / Journal Ast. Business Editor



When Tesla Motors reports earnings for its second quarter Thursday, the electric-car company could shed more light on where it intends to break ground on its \$5 billion battery factory.

Assuming it hasn't broken ground already.

That's because reports emerged last week that Tesla Motors Inc. may be the company behind the early stages of a massive construction project begun weeks ago in the Tahoe-Reno Industrial Center in Nevada – one that mysteriously shut down operations last week.

Nevada is one of the finalists for the so-called "gigafactory" along with Arizona, California, New Mexico and Texas. Tesla has said it intends to break ground in more than one of these states to ensure there are no last-minute glitches that derail its ambitious timetable for construction of the facility.

Based on reports Sunday in the Reno Gazette-Journal, a “clear and grub” permit was awarded two months ago for an unnamed project dubbed “Project Tiger,” located in Storey County 17 miles east of Sparks.

The developer told the Reno newspaper that he cannot comment on the work – or why it abruptly came to a halt last week – because of a nondisclosure agreement, though he did say this phase of the project is “85 percent complete.”

“They have moved more than 3 million cubic yards of dirt,” developer Lance Gilman told the paper. “The pad is 85 percent complete. It may well be they have reached a transition point and will go into a second phase. There will be more to come (this) week.”

The halt to construction the work – coupled with reports that the project had been canceled because it was behind schedule – also has fueled speculation that California is a serious contender for the mammoth battery factory, which is expected to employ up to 6,500 workers.

Two months ago, during a conference call with analysts on its first-quarter financial results, CEO Elon Musk said the Palo Alto-based company’s home state of California was back in the running for the project, though he placed it in the “improbable but not impossible category.”

Last week, however, Tesla spokesman Simon Sproule confirmed California is indeed under serious consideration.

“California has re-entered the race and closed the gap with the other states,” Sproule told the Reno paper, attributing the change to the state’s recent moves to address the approval process. “Now, the state has indicated that (it) wants to move as quickly as we need (it) to move.”

If Tesla were to decide to stay close to home, that would come as a big surprise to John Boyd, principal of the national site-selection firm The Boyd Cos. Inc. of Princeton, N.J.

“I would be astonished if California is chosen for the gigafactory,” Boyd told the Journal last week, reiterating his long-held belief that Tesla would choose Reno as the site for its 10 million-square-foot battery factory with San Antonio a close second.

As for New Mexico, Boyd said it faced an uphill climb from the start as the only state among the four original finalists without a right-to-work law.

Boyd, whose firm is not advising Tesla in this process, said manufacturing companies look for reasons to scratch off states when considering where to build major facilities – and no right-to-work law is at the top of the list.

“I can’t underscore how critical right-to-work status is,” said Boyd, whose 39-year-old firm has advised such companies as AT&T, Chevron, Dell, Honda Motor Co., PepsiCo and Verizon Wireless.

Still, Boyd said New Mexico could be among the losing states in line for supplemental manufacturing operations related to the battery factory in the next few years.

“I love New Mexico. I believe New Mexico has enormous potential to become a manufacturing hub,” he said, especially if it were to adopt right-to-work legislation.

Tesla is scheduled to release its second-quarter financial results Thursday after the markets close. That will be followed by a question-and-answer session with analysts to be webcast at 3:30 p.m.

For now, Tesla officials are remaining tight-lipped about the project.

Responding to an email inquiry from the Journal, a Tesla spokeswoman not only declined to address the published reports of construction activity in Nevada, but even whether the company planned to update shareholders Thursday on the gigafactory.