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## **Analysis: Tesla speeds the EV industry's South by Southwest drive**

By Tina Bellon and Hyunjoo Jin



*A Tesla factory is seen under construction in Austin, Texas, U.S. September 29, 2021. Picture taken September 29, 2021. REUTERS/Joe White/File Photo*

AUSTIN, Oct 8 (Reuters) - Tesla Inc's (TSLA.O) decision to move its headquarters to Austin, Texas, from Palo Alto, California, accelerates the shift of electric vehicle industry jobs to Southern and Western U.S. states that offer lower taxes, lighter regulation and less unionization than the coastal Blue states where most electric vehicles are sold.

Electric vehicle startups and established automakers have lined up \$24 billion in investments in new factories in Texas, Arizona, Oklahoma, Tennessee and Kentucky. [read more](#)

CEO Elon Musk's announcement during the No. 1 EV maker's annual meeting on Thursday puts an exclamation point on the shift in the U.S. auto industry's center of gravity - and also highlights the tensions it could create.

The competition among states for electric vehicle jobs is intense, and has a political dimension. Democratic-leaning Blue States such as California are home to many electric vehicle buyers and EV company investors, who have strong views on climate policy.



*Elon Musk, the chief executive of Tesla Motor, speaks at the South by Southwest Interactive festival in Austin, Texas, March 9, 2013. REUTERS/Gerry Shih/File Photo*

Many of the states getting EV jobs are politically conservative Red States, whose Republican governors are both supportive of the fossil fuel industry and eager to welcome electric vehicle manufacturers and their jobs with subsidies and regulatory streamlining.

"The Lone Star State is the land of opportunity and innovation. Welcome," Texas Governor Greg Abbott tweeted on Thursday after Tesla announced its move.

Tesla, the world's most valuable automaker, now faces the challenge of taking advantage of the Texas business climate without alienating workers recruited from the San Francisco Bay Area's vibrant technology industry. It also has to consider the big base of Tesla vehicle customers in more politically liberal states such as California and New York.

"Tesla does not want to alienate that large and influential market. They don't want to invite criticisms or attacks from public advocacy groups accusing them of looking for a large incentive package or abandoning California at a time when the state is in peril," said John Boyd, principal of Boyd Company, a site selection firm.

Detroit automakers, such as Ford Motor Co., have an analogous problem. Ford last week said it and South Korean battery partner SK Innovation would invest \$11 billion to develop a sprawling electric vehicle and battery assembly complex in Tennessee larger than the automaker's historic Rouge complex in Dearborn, Michigan.

That complex and related new operations in Kentucky could create 11,000 jobs.

The United Auto Workers union quickly called on Ford to assure those would be union jobs. But in Tennessee and Kentucky, union membership is optional, and workers at other auto manufacturers in those states have so far rejected UAW organizing efforts.

Musk had a public falling out with California when regulators forced Tesla to suspend production during the initial months of the COVID-19 pandemic in 2020. At one point, Musk threatened to move Tesla's headquarters and future programs out of the state.

Musk, one of the world's richest individuals, said he moved to Texas last year, and he has taken to his new home, wearing Western-style bandannas and shirts. California has income tax rates up to 13.3%, while Texas has no tax on personal income.

California, however, also accounted for about 15% of Tesla's global deliveries in 2020.

On Thursday, Musk said the headquarters move is not a matter of Tesla leaving California entirely, and said production from Tesla's Fremont assembly plant and Reno, Nevada, battery factory will rise by 50%. Employees at Tesla's Palo Alto area offices expect engineers to stay in Silicon Valley, though some finance staffers could move, one source said.

One awkward issue for Texas officials and Tesla to sort out is that Texas law currently forbids Tesla from selling vehicles directly to customers in the state.

Austin is the fastest-growing U.S. metropolitan region, its population growing 30% between 2010 and 2020 to some 2.3 million.

Like other large Texas cities, Austin and its surrounding Travis County, where the Tesla factory is located, are governed by Democrats, setting it apart from the majority of Texas' conservative red, less-densely populated counties.

The Austin metro area is a technology hub, home to PC maker Dell Technologies Inc (DELL.N), and operations of large Silicon Valley companies like Apple Inc (AAPL.O) and Alphabet Inc's

Google (GOOGL.O). Business software maker Oracle Corp (ORCL.N) in December announced it was moving its headquarters to Austin. [read more](#)

South Korean conglomerate Samsung Electronics (005930.KS) is also close to initializing the construction of a \$17 billion semiconductor factory just north of Austin. [read more](#)

Austin's Democratic Mayor Steve Adler welcomed the decision, saying Tesla will create "the clean manufacturing, middle-skill jobs Austin needs."

Known for its quirky culture, Austin is also home to large music festivals such as Austin City Limits and South by Southwest, drawing large crowds each year.

But the drastic growth and the influx of many well-paid Californians has faced resistance by some local residents, with reports of out-of-state buyers purchasing houses for cash at double the asking price, frustrating many Austinites.

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