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Daimler Takes 10 Percent Stake in Tesla

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One of the oldest automakers joined one of the newest Tuesday as Daimler took an equity stake of “nearly 10 percent” in Tesla Motors, a deal that will bear fruit later this year when the German company launches the electric Smart ForTwo.

The deal provides Daimler with batteries and the know-how needed to bring an electric car to market “at the highest possible speed,” company officials said. In exchange, Tesla gets a big pile of cash and, perhaps more importantly, the parts and engineering expertise it needs to build the [Model S sedan](#).

“Tesla brings expertise in the battery electric front,” Tesla CEO Elon Musk said during a press conference carried live via webcast from Daimler’s headquarters in Stuttgart.

“Daimler brings expertise in everything else. This will be a very productive relationship where both Tesla and Daimler benefit.”

Neither company provided specific details of the deal, but Daimler officials said its investment is “a double-digit million sum for a nearly 10 percent stake in Tesla Motors.” Herbert Kohler, vice president of E-Drive and Future Mobility at Daimler, also takes a seat on Tesla’s board of directors. The German automaker will provide components and engineering assistance to Tesla, presumably to aid in the development of the Model S sedan [Tesla unveiled in March](#).

“We are about to combine the best of old and new school,” said Thomas Weber, director of group research at Daimler. That’s him in the Roadster with Musk. “We are both deeply convinced that electric powertrains will play a major role in sustainability mobility.”

Dr. Dieter Zetsche, President and CEO of Daimler AG, with the Smart EV in September.

Daimler is expanding on a deal Tesla announced earlier this year to provide 1,000 battery packs and charging technology for Daimler’s [forthcoming Smart EV](#). One hundred Smart EVs have been undergoing field tests in London since 2007. Weber said the German automaker will have 900 more on the road by the end of this year. Those vehicles will be dedicated to test fleets to refine the vehicle, which Weber said will go into mass production at a factory in Hambach, France, in 2012.



“We’re talking about production figures of five figures and above,” Weber said. He did not say what the car, which will be sold globally, might cost.

Although the Smart EV is still three years from mass production, Daimler has been experimenting with electric vehicles since the 1970s. Weber said the company has grown increasingly convinced the future of the automobile lies in zero emissions mobility, and to that end is working toward battery electric and hydrogen fuel cell vehicles. Although it will continue developing fuel cells, it joins a growing roster of automakers [racing to bring cars with cords to market](#).

Daimler already holds a 49.1 percent share in Li-Tek, a battery subsidiary of the German firm Evonik, in a joint venture called Deutsche Accumotive. Daimler [told us in January](#) that it will use Li-Tek batteries as Smart EV production ramps up, and nothing it said today suggests that will change. Tesla assembles its packs from lithium-cobalt cells commonly used in laptop batteries, but Musk said the company is “battery agnostic” and suggested it could start using Li-Tek batteries once they’re available.

Although Daimler is using Tesla’s packs to jumps-start the Smart EV program, it isn’t batteries the company is after. What it really wants is Tesla’s experience using them in electric vehicles. It will draw upon Tesla’s battery management and charging technology and the Silicon Valley firm’s electric drivetrain engineering. Weber said the partnership is

“the quickest, most straightforward solution” to the question of how to bring an electric vehicle to market quickly.

“We believe that, with our partnership, we have taken another step toward vehicle electrification,” he said.

The partnership comes at a critical time for Tesla. The company was down to \$9 million at one point last year and it went through [a round of layoffs](#) in October. It also closed its research and development center in Rochester Hills, near Detroit. More recently, the company [effectively increased the cost of the Roadster](#) to “guarantee viability.” That said, Musk has remained upbeat and says the company will be profitable this year.

The Daimler deal will help. Beyond injecting cash into the company, it provides Tesla with help building the Model S. “There is a clear part in our contract that we will share our experience and engineering,” Weber said.

No one said how big a role Daimler might play in developing the S, but there is a lot of work to be done. Although the company rolled out a pair of gorgeous prototypes in March, Dan Neil of the *Los Angeles Times* is the only person outside the company known to have actually driven one. [He called it](#) “just barely ambulatory — more like a glorified golf cart than a harbinger of tomorrow tech.” Franz von Holzhausen, the car’s designer, conceded the S is “90 percent there on outside and about 40 percent there on the inside.”

The company also hopes to receive a \$350 million loan from the Department of Energy to build the factory it will need to produce the S. Musk remains confident the loan will come through, and Victor Morgenstern, one of the company’s biggest investors, was recently [overheard saying the feds could make a decision](#) by the end of the month.

Musk claimed during the press conference that “Tesla does not need capital immediately” and said, “We could have gotten a higher share price from a financial partner.” He didn’t say who that partner, if one exists, might have been, and said Tesla opted to work with Daimler because it could provide technical and manufacturing expertise in addition to capital. The S has generated a lot of excitement within the EV community, and Tesla has racked up more than 1,000 orders for the car. Musk, ever the optimist, remains confident he will meet the 2011 timeline he’s laid out.

“We are looking forward to a strategic cooperation in a number of areas including leveraging Daimler’s engineering, production and supply chain expertise,” he said. “This will accelerate bringing our Tesla Model S to production and ensure that it is a superlative vehicle on all levels.”

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Photos: Daimler.