



Speaker 1
Start

Good afternoon, everyone, and welcome to Tesla's first quarter twenty twenty five Q and A webcast. My name is Travis Saxarod, Head of Investor Relations, and I'm joined today by Elon Musk, Dev Ateneja, and a number of other executives. Our Q1 results were announced at about three p. M. Central Time and the update deck will be published to the same link as this webcast. During this call, we will discuss our business outlook and make forward looking statements. These comments are based on our predictions and expectations as of today. Actual events or results could differ materially due to a number of risks and uncertainties, including those mentioned in our most recent filings with the SEC. During the question and answer portion of today's call, please limit yourself to one question and one follow-up. Please use the raise hand button to join the question queue. Before we jump into q and a, Elon will be providing an update.

Speaker 2
48s

Elon? Hello, everyone. Well, it's never a dull moment these days. Well, thanks for sure. Every day is gonna be exciting. As so people know, there's been some blowback for the time that I've been spending in government with the Department of Government Efficiency or Doge. I think the work that we're doing there is actually very important for kind of rein in the insane deficit that is leading our country, United States to destruction. And the Doge team has made a lot of progress in addressing waste and fraud. But natural blowback from that is those who were receiving the wasteful dollars and the fortunate dollars will try to attack me and Doge team and anything associated with me. So but then I'm really left with two choices. Should we just let the waste and fraud continue? And I was continuing at it to to grow at a really unsustainable pace that was bankrupting the country or to fight the ways and forward and try to get the country back on the right track. And I believe the the right thing to do is to just fight the ways and forward and get the country back in the right track and working together with the president Trump and his administration.

Speaker 2
2m 10s

Because if the ship of America goes down, we all go down with it, including Tesla and everyone else. So I think this is this critical work. Now the the protests that you'll see out there, they're very organized. They're paid for. They're they're they're obviously not going to say admit that the reason that they're protesting is because they're receiving fraudulent money or or that they're the recipients of wasteful largesse, but gonna they're gonna come up with some other reason. But that is the the the real reason for the protests. The actual reason is that the the is that those receiving the waste and fraud wish to continue receiving it. That is the real thing that's going on here, obviously. So now that said, I I do think there's you know, the the the large slug of work necessary to get the votes team in place and working in the government to get the financial house in order is mostly done. And I think starting probably in next month, May, my time allocation to Doge will drop significantly. I'll I'll have to continue doing it for I think we'll play it the remainder of the president's term just to make sure that the waste and fraud that we stop does not come roaring back, which we'll do if it has the chance.

Speaker 2
4m 2s

So so I think I'll I'll continue to spend, you know, a day or two per week on government matters for as long as the president would like me to do so and as long as it is useful. But starting next month, I'll be allocating far more of my time to Tesla and now that the the major work of establishing the Department of Government Efficiency is done. So at Tesla, we've gone through many many of crisis over the years and actually been through many near the many near death experiences. Like, we're probably we're on the ragged edge of death at least on maybe a dozen times. It's been so so many times. This is not one of those times. We're not on the ragged edge of death. Not even close. So but but, you know, there are some there are some challenges, and I expect that this year will be there'll probably be some unexpected bumps this year. But I remain extremely optimistic about the future of the company. The future of the company is fundamentally based on large scale autonomous cars and and and large scale in large volume vast numbers of autonomous humanoid robots.

Speaker 2
5m 43s

So the the value of a company that that makes truly useful autonomous humanoid robots and autonomous useful vehicles at scale at low cost, which is what Tesla's gonna do, is staggering. I I continue to believe that Tesla, with excellent execution, will be the most valuable company in the world by far. But that's an important if. We must execute well. But if we do execute well, I do I think Tesla will be the most valuable company in the world by far. It may may be as valuable as the next five companies combined. So but there'll be a few bumps along the road before before that happens. I said, I think, on the last earnings call that, you know, that we'll we'll start to see the prosperity of autonomy take effect in a material way around the middle of next year. We still expect we expect to have these be selling fully autonomous rides in June in Austin as as we've been saying for now several months. So that that's continued. But the real question from financial standpoint is when does it really become material and affect the bottom line of the company and and start to be a fundamental part of the of of of the of the when when does it move the financial needle in a significant way?

Speaker 2
7m 30s

That's probably around the middle of next year, second half of next year. And then once it does not move the move the national needle in a significant way, it will really go exponential from there. So that's I'd encourage people to look beyond, like, the, you know, some sort of bumps and potholes of the road immediately ahead of us, but left your gaze to the bright shining, you know, sort of down on a hill. I don't know. Some imagery. And that's where we're headed. And not not not too distant future, like I said, and the next year or two. So let's see. With respect to supply chain risk, something that that something that Tesla has been working on for several years is to localize supply chains. Does it actually make sense from a a cost standpoint, from a and and from a logistics risk standpoint, is is to have have the supply chains be at least located on the continent in which the car is built. And so we are, I think, the least a company the least affected car company with with respect to tariffs, at least in my most respects. I mean, it remains to be seen.

Speaker 2
9m 16s

Now now tariffs are still, you know, tough on a company when margins are still low, but we we do have localized supply chains in both America, Europe, and China. So that's that puts us in a stronger position than any of our competitors. And I I undoubtedly, I'm gonna get a lot of questions about tariffs. And I I just wanna emphasize that this this the tariff decision is entirely up to the president of The United States. I will weigh in with my advice with the president, which he he will listen to my advice, but then it's up to him, of course, to make his decision. I I've been on the record many times saying that I believe lower tariffs are generally a good idea for prosperity, but this decision is fundamentally up to the elected representative of the people being the president of The United States. So, you know, I'll continue to advocate for lower tariffs rather than higher tariffs, but that's all I can do. So now now let me walk you through why I'm so excited about the future of Tesla. So first of all, autonomy. The team and I are laser focused on bringing robotaxi to Austin, New Jersey.

Speaker 2
10m 48s

Unsupervised autonomy will first be solved for for for the Model y in in Austin. And then it it actually, we should parse out the terms for robotic taxi or robot taxi and just generally, like, what's the the cyber cab because we've got a product called the cyber cab. And then if any any Tesla, which could be an s three x or y that is autonomous, is a robotic taxi or robotaxi. It's very confusing. So the vast majority of of of the Tesla fleet that we've made is capable of being a robotaxi or robotic taxi. And as we're we're going from once we can make the whole system work where you can have paid rides fully autonomously with no one in the car in in one city, that that that is a very scalable thing for us to go broadly within what with whatever jurisdiction allows us to to operate. So because what what we're solving for is a general solution to autonomy, not not a city specific solution for autonomy, Once we make it work in a few cities, we can basically make it work in all cities in that in in that legal jurisdiction.

Speaker 2
12m 15s

So if it's once we can make it based to work in a few cities in America, we can make work anywhere in America. Once we can make work in a few studies in China, we make work anywhere in China, likewise in Europe, limited only by regulatory approvals. So this is the advantage of having a generalized solution using artificial intelligence and the an AI chip that Tesla designed specifically for this purpose as opposed to very expensive sensors and high precision maps of a particular neighborhood where that neighborhood may change or often changes, and then the cost of stops working. So we have a general solution instead of a a specific solution. Yeah. And we've got Optimus. We're making good progress in Optimus. We expect to have thousands of of Optimus robots working in Tesla factories by the end of this year, doing this more. And we expect to scale Optimus up faster than any product, I think, in history to get to millions of units per year as soon as possible. I I I think feel confident in getting to a million units per year in less than five years, maybe four years. So but, you know, twenty twenty thirty, I feel confident in predicting a million OPTIMA's units per year.

Speaker 2
14m 9s

It might be 2029. So let's see. With respect to energy, our energy business is doing very well. The Megapack is enables utility companies to output far more total energy than would otherwise be the case. When you think of the the energy capability of a grid, it's much it's much more than, let's say, say, total energy output per year. If is if if a power plants could operate at peak power for all twenty four hours as opposed to being at half power, sometimes a quarter power at night, then you could double the energy output of existing power plants. But in order to do that, you need to buffer the energy so that you can charge up the something like battery pack at night and then discharge into the grid during the day. So this is a massive unlock on total energy output of any given grid over the course of the year. And utility companies are beginning to realize this and are are buying in our mega packs at scale. So at at this point, a gigawatt class battery is quite a common thing. So we have many orders in the hopper for gigawatt and beyond batteries.

Speaker 2
15m 46s

And we we expect the energy the the stationary energy storage business to scale ultimately to terawatts per year. So very, very good numbers. Now q one you know, first quarters of of a year are are usually pretty tricky because it's it's usually the worst quarter of the year because people don't wanna go buy a car in the middle of winter during a blizzard. So and and and this so so we we picked q one as, like, a good quarter to do a a cut over to the new version of the Model y, and we changed production of the world's best selling cars with remembering that Model y is the best selling car of any kind on earth with a 1,100,000,000 unit per year output of a single model. And we did this changeover at the same time in factories all across the world. So congratulations to the Tesla team on an amazing job in pulling off what is a very difficult transition. So, yeah, it's it's really that was very impressive work. So yeah. In conclusion, while there are many near term headwinds for us in the broader industry, the future for Tesla is brighter than ever.

Speaker 2
17m 19s

The value of the company is delivering sustainable abundance with our affordable AI powered robots. So this this oh, I'll spray that. I like this phrase, sustainable abundance for all. If you say, like, what's the ideal future that you can imagine? That's what you'd want. You'd want abundance for all in a way that's sustainable. It's good for the environment. Basically, this is the happy future. So what's what's the happiest future you could imagine? One which is that would be a future where there's sustainable abundance for all. Closest thing to heaven we can get on earth, basically. So thank you again to the Tesla team for all their efforts of this of this challenging time. I look forward to continuing to lead the team to great success in the future.

Speaker 1
18m 21s

Great. Thank you very much, Elon. Before we move on, Devav has some opening remarks as well.

Speaker 3
18m 27s

Thanks, Elon. As Ilan mentioned, in q one, we achieved something which has never been undertaken in the automotive industry of updating all our factories for the best selling car in the world all at the same time. And this is this people don't understand. This was not a small feat. We're not aware of anybody else being able to do the best selling car all at once within a quarter, and that too hitting all the diamonds which we had established at the beginning. So when big kudos to the team for making this happen. Additionally, we also hit record gross profit for energy storage business in the quarter. Now getting back into the business, there's been a lot of speculation as to the reasons for decline of our vehicle deliveries in the first quarter. We had previously guided that we will be updating all factories, and this will lead to several weeks of lost production, which did happen as planned. The ripple effect of the change is not having enough new model y available in most markets for people to see and experience till the last few weeks of the quarter. Additionally, the negative impact of vandalism and unwarranted hostility towards our brand and our people had an impact in certain markets.

Speaker 3
19m 48s

Despite this, we were able to sell out legacy Model y in US, China, and a few other markets within the world. And, again, you know, just so people understand, we were producing the legacy Model y till February. And we switched over, and we were able to still sell out within that period. So, again, big achievement by all the people at Tesla to make it happen. We've been extremely we have a very extremely competitive vehicle lineup, which with most vehicles going through a recent update. And after that, if it wants an FSD, you have a personal chauffeur which can take you almost anywhere under supervision. And numerous stories shared by customers ranging from how it has included daily commute to providing mobility to customers with disabilities to giving older customers the ability to travel comfortably and independently. Not only is an FSD supervised safer than a human driver, but it is also improving the lives of individuals who experience it. And, again, this is something you have to experience, and anybody who has experienced just knows it. And, you know, we've been doing a lot lately, try and get those stories out, at least on x, that people can see how other people have benefited from this.

Speaker 3
21m 16s

Now coming into some of the financial stuff, auto margins declined sequentially, primarily due to the reduction in the total number of deliveries. Lower fixed cost absorption due to factory change awards, and lower regulatory credit reviews offset slight while a slight increase in pricing due to the launch of new model one despite incentives which we had to sell legacy model y. Our energy storage business, like I said before, has achieved yet another milestone of create highest gross profit in the quarter. This was despite, you know, sequential decline in deployments. The importance of this business, as I know mentioned, is pretty profound, especially in this environment because, you know, if in order for grids to work properly with the demands from AI and all this, you need some more stability. And this is by far the simplest and best solution, which we are aware of, which can help do this. And we've also developed certain unique solutions to help our customers to achieve this. Additionally, you know, on the Powerwall side, we've been selling the new Powerwall three, and, you know, it's been received with very good reception from customers and to the extent that we are currently supply constrained.

Speaker 3
22m 47s

On services and other margins, they were slightly down sequentially, primarily because of the pressure on our used car business and insurance business. Note that we continued our journey to improve profitability in our services and collision business to better labor productivity. As previously discussed, our operating expenses continue to increase sequentially, primarily due to our AI related initiatives, including Optimus, and also cost of development for our vehicle programs, including CyberGap, Sema, and cheaper models. These expenses flow through R and D. We believe even in the current environment, it is the right strategy in making investments in these areas to position us for the long term. These increases were offset by decreases in SG and A from changes in our vertical effort program. Other income reduced significantly on a sequential basis. The primary reason was bit well, Bitcoin mark to market loss in q one versus gain in q four, resulting in a 472,000,000 drop. The remainder of the change is because of FX remeasurement. With the adoption of the new mark to market standard for Bitcoin, we expect increased volatility in other other income in addition to the FX improvement. I know with tariffs is the hottest topic which people talk about, and it has various impacts to our business.

Speaker 3
24m 18s

On as Ilo mentioned, you know, on the vehicle business, we've been on this journey of regionalization for years. Specifically, in The US, Model y has been rated the most American model made car on Cars.com made in America index three years in a row. This is in part is of the all the work which the team has been doing over the years. And to the extent that today, you know, if you look at our vehicle lineup in US, we're about approximately on a weighted average basis, 85% USMCA compliant. So like Elon said, this definitely gives us a bigger edge as compared to our other OEMs in terms of managing the tariffs, but we're not immune because when the two third section two thirty two auto tariffs become effective in May, which includes Canada and Mexico, and Canada and Mexico has been part of our regionalization strategy, it will have an impact on profitability. And I know research modeling on this impact has been up about couple of thousand, give or which is pretty much in line with what we've been forecasting. The impact of tariffs on the energy business will be outsized since we source LFP battery cells from China.

Speaker 3
25m 41s

We're in the process of commissioning equipment for the local manufacturing of LFP battery cells in The US. However, the equipment which we have can only service a fraction of our total installed capacity at late later. We've also been working on securing additional supply chain from non China based suppliers, but it will take time. Also note that, you know, mega fact, irrespective of all the impact on US from from our energy from tariffs on the energy business, we do have a manufacturing China, which just started operations in q one. And that are that that should take care of our business outside of US. There's also an important impact of tariffs on our capital investments. I know this is some gonna sound counterintuitive since in order to own onshore manufacturing or expand lines, we have to bring equipment from outside to use because there is not that much capacity in US. And the current trade environment, you know, such equipment being brought in is subject to The expensive to bring it in from China right now. Exactly.

Speaker 3
26m 53s

And and the reality is that China has the basic one which has the most capacity, the wide. Our CapEx guidance inclusive of monitors even with the optimization we have tried to do, it is forecasted to be still in excess of 10,000,000,000 this year. We're still evaluating what more to do on this one. To summarize, we have near term challenges in our business due to tariffs and bad image. We think our strategy of providing the best product at a competitive price is going to be a winner, and this is the reason we still focus on bringing cheaper models to market soon. The start of production is still planned for June. Additionally, the advancement in FSD related features, including pilot turbo taxi launch in Austin later this year, should help create a new era of demand. I would like to thank everyone at Tesla and our customers.

Speaker 1
27m 53s

Fantastic. Thank you very much, Prabhup. Now we will move on to investor questions. We will start with questions from say.com. First question is, what are the highest grits highest risk items on the critical path to Robotaxi launch and scaling?

Speaker 4
28m 14s

And is that a stroke?

Speaker 2
28m 16s

Yeah. We've got a stroke on. Sure. Well, just to we're just backed by the disambiguate the cyber cat from Robotaxi once again. So the when will the the Teslas because the the Teslas that will be fully autonomous in June in Austin are fully model wise. So that is that's that's currently on track to to be able to do paid rides fully autonomously in Austin in June and and then to be in any other cities in The US by the end of this year. It's it's very difficult. It's difficult to predict the exact ramp sort of week by week and month by month, except that will ramp up very quickly. So it's gonna be like some basically an s curve where it's very difficult to predict the intermediate slope of of the s curve, but you kinda know where the s curve is gonna end up, which is the vast majority of the Tesla fleet being autonomous. So that that's why I feel confident in predicting large scale autonomy around the middle of next year, but, you know, certainly the second half of next year. Meaning, I I break that there will be millions of Teslas operating autonomously fully autonomously in the second half of next year.

Speaker 2
30m 3s

Yeah. But but it it just it just seem increasingly likely that there will be a localized parameter set of batch sort of you know, like, that that that If we especially for places that have, say, very snowy weather, like, say, you're in the Northeast or something, that that like, this, you can think of it's kinda like a human. Like, you you know, if you so you you could be a very good driver in California, but are you gonna be also a good driver in a blizzard in Manhattan?

Speaker 1
30m 49s

You're not gonna be as good. So there is actually some value in you can still drive, but you're probably even of an accident is higher. So there's it's it's increasingly obvious that there's some value to having a localized set of parameters for different, you know, different regions and and and localities. But but this is that put them in the nice tab category, not it's not the required category. Again, it's the car is just very much like a human. It's it's digital neural nets and cameras, and humans operate with biological neural nets and eyes. And so the same strengths and weaknesses will be present for, you know, a digital neural net and and cameras versus a biological neural net in eyes. Ashok, if you'd like to elaborate on that?

Speaker 4
31m 56s

Yeah. And speaking to the location specific models, we still have a generalized approach, and you can see that from, you know, deployment of FSD supervised in China where with this very minimal data that's, China specific, the models generalize quite well to completely different driving styles. That just, like, shows that the AI based solution that we have is the right one because, you know, if if you had gone down the previous rule based solutions or, like, more hardcore HD map based solutions, it would have taken, like, many, many years to get Shannon to work. Can see those in the videos that people post online themselves. So the generalized solution that we are pursuing is the right one that's gonna scale well. And you can think of this, like, location specific parameters that you don't know either to ask, like, a mixture of experts. And if you're, sort of, like, familiar with the AI models in Grok and others, they all use this mixture of experts to sort of, like, specialize the parameters to specific tasks while still being general. This makes the come the model use a limited amount of compute to solve for the of layers of task that it has to solve.

- Speaker 4**
33m 7s
- In terms of addressing the question that asked for, you know, what are the critical things that we need to get right? One thing I would like to note is validation. Self driving is a long tail problem where there can be a lot of edge cases that only happen very, very rarely. Currently, we are driving around in Austin using our QA fleet, but then it's, like, super hard to get interventions that are critical for our word x c operation. And so you can, like, go many days without getting any single intervention. So you can't easily know whether you are improving or regressing in your capacity, and we need to build out sophisticated simulations including neural network based video generation. That's that's all happening in the background to make sure that we deliver a safe product and we are able to measure our safety even though we can't just exceed by driving around the block or something like that. That's an even it's it's it's I mean, very basic terms. If if that if if we're seeing an accident every 10,000 miles, well well, then you have to drive 10,000 miles on average before you get an accident or an intervention.
- Speaker 2**
34m 9s
- So it's like, okay. Now imagine I mean, we we must be really we must be very worried about by the sheer number of Teslas doing some of it's in in in Austin right now. They're like, what? It's gonna look pretty bizarre.
- Speaker 5**
34m 27s
- Yeah. Yeah.
- Speaker 4**
34m 29s
- People are chasing us away.
- Speaker 2**
34m 30s
- Yeah. There's just always a convoy of Teslas going going well well, just going all over to Austin in circles. But, yeah, as I I just can't emphasize this enough. In in order to get figure out these long tail things, it was one in 10,000. It says one in 20,000 miles or one in 30. But I know you you know, the average person drives 10,000 miles in a year. That so now try to compress that test cycle into a matter of, you know, a few months. That means you need a lot of cars doing a lot of driving in order to compress that reward. Just do do in a in a matter of a month what would normally take someone a year.
- Speaker 6**
35m 16s
- Yeah. And I would just also add that, you know, if you haven't looked at those videos coming out of China, people are Oh, yeah. Those videos are amazing.
- Speaker 3**
35m 25s
- Yeah. They're putting it to real test. I mean, they're they're dark roads.
- Speaker 2**
35m 29s
- I think the Chinese consumer might be the most Americans consumer. And I me I actually customers in China are awesome. They they have a lot of fun with the cars. I saw one guy take a Tesla, like, on autonomous vehicle on on a narrow dirt road Yes. Across, like, a mountain. And I'm like, still a very brave person. And I said, he's driving along on on the road with no barriers where if he makes a mistake, he's gonna plunge to his doom. But it worked.
- Speaker 1**
36m 6s
- Great. Thank you.
- Speaker 7**
36m 7s
- And if if the question was on cyber cap itself, we're we're in vSample validation now.
- Speaker 8**
36m 13s
- Yeah. Yeah.
- Speaker 2**
36m 14s
- We should ask that question too.
- Speaker 7**
36m 15s
- Yeah. We have our first, like, big builds coming at the end of this quarter, within q two. And then, you know, in the coming months, start to large scale, you know, installation of all the equipment in Giga Texas with, you know, still on schedule for production next year.

- Speaker 3**
36m 33s Yeah. And I just wanna also clarify because I think people don't understand the thing that there's no new building being built. And where is cyber cap gonna be?
- Speaker 2**
36m 42s It's in the Giga Factory. Same factory. Yeah. Yeah.
- Speaker 9**
36m 45s It every it's it's it's happening, people don't know it's happening upstairs and all along the lines while we're still building the model wise and cyber trucks every day.
- Speaker 2**
36m 54s Yeah. Yeah. It's it's worth noting that the, you know, the the Tesla Gigafactory in Austin is three times the size of the Pentagon.
- Speaker 9**
37m 2s Including the garden. Yeah.
- Speaker 2**
37m 4s Yeah. Including the Ground 0 Garden. So, you know, going to the Pentagon, like, this one that used to look big. But then you won't.
- Speaker 1**
37m 15s Great. Thank you very much. The next question is, when will FSD unsupervised be available for personal use on personally owned cars?
- Speaker 2**
37m 29s Before the end of this year. Not necessarily ever like, with I say, with with with within The US, like like, we we do wanna test like, we we're at Tesla, we're absolutely hardcore about safety. You know, we we we go to great lengths to make the safest car in the world and have the lowest accidents per mile. And so and and look if you're just life lost. So we wanna be very careful. So it's a so we we and we want autonomy to be definitively safer than manual driving. So it it it's not enough that it just be as safe. It needs to be meaningfully safer than if it's the car is manually driven. So and we wanna confirm that there's not something it it yeah. We we just wanna be cautious with the rollout. We don't wanna jump in at the deep end with an army. So but that said, I think we we we should people should we should be able to have have it work in in several several studies later this year for personal use. So you so, you know, the acid test being you you should be able can you go can you go to sleep in your car and wake up in your destination?
- Speaker 2**
38m 48s And I'm confident that will be available in many cities in The US by the end of this year.
- Speaker 1**
38m 57s Great. Thank you very much. The next question is, is Tesla still on track for releasing more affordable models this year, or will you be focusing on simplified versions to enhance affordability similar to the rear wheel drive Cybertruck?
- Speaker 7**
39m 11s Yeah. We're still planning to release models this year. As with all launches, we're working through, like, the last minute issues that pop up. We're knocking them down one by one. At this point, I would say that ramp maybe might be a little slower than we had hoped initially, but there's nothing, you know, just kinda given that turmoil that exists in the industry right now. But but there's nothing that's blocking us from starting production within the next, within the timeline laid out in in the opening remarks. And I will say it's important to emphasize that, as we've said all along, the full utilization of our factories is the primary goal for these new products. And so flexibility of what we can do within the form factor and and, you know, the the design of it is really limited to the what we can do on our existing lines rather than building new ones. But we've been targeting the low cost of ownership. Monthly payment is the biggest differentiator for our vehicles, and that's why we're focused on bringing these new models with the, you know, the lowest price, to the market, within the constraints I just highlighted.
- Speaker 1**
40m 7s Great. Thank you very much. The next question is, does Tesla see Robotaxi as a winner take most market? And as you approach the Austin launch, how do you expect to compare against Waymo's offering, especially regarding pricing, geofencing, and regulatory flexibility? Well, okay.

- Speaker 2**
40m 26s
- The issue with with Waymo's cars is it cost way more money. Broome shot. But that is the issue. You know, the the cars are very expensive, made in low volume. Teslas are, you know, I don't know, probably cost a quarter or 20% of what a a what a Waymo cost and and made in very high volume. So, you know, ironically, we've like, we're we're the ones that made the bet that a pure AI solution with cameras. And and what do you have? The car actually will listen for sirens and that kind of thing. It's the right move. And Waymo decided that that that expensive sensor suite was the way to go even though Google's very good at AI. So I'm wondering. And and it is worth noting that Tesla has built an incredible AI, you know, AI software team and AI hardware chip design team from scratch. Nothing didn't require anyone. They just built it. So, yeah, it's really I mean, I don't see anyone being able to compete with Tesla at present. And that that I'm sure that'll change eventually. But at least as far as I'm aware, Tesla will have, I don't know, 99% market share or something ridiculous.
- Speaker 2**
42m 8s
- That 90 something percent. At least I don't know. At least some of them might change, but, you know, if you if if we have millions of cars deployed next year and unless others have millions of cars deployed. But, like, it they'll we'll we'll have unless we're blocked by regulatory situations, it won't be long. I mean, in a few years, we want 10,000,000 autonomous cars on the roads, then, you know, and and counting.
- Speaker 3**
42m 41s
- And the the other thing which people forget is, like, we're not just developing the software solution. We are also manufacturing the cars. Yeah. And, like, you know what? Like, Vimu has, they're taking cars, then trying to put Vimu on it.
- Speaker 3**
42m 56s
- We we don't do that. So that that definitely gives us a big leg up. And like Elon said, we only have a big existing fleet, which hopefully with the software update could become autonomous.
- Speaker 2**
43m 9s
- With the software update update, it will become autonomous. To be clear, the model wise that we're talking about in being autonomous in Austin and June are the model eyes were model wise we make currently. There's no change to it.
- Speaker 3**
43m 22s
- I think people don't appreciate that the car which they can buy today The car that they have.
- Speaker 3**
43m 27s
- Or the car they have is capable of Yeah. These kind of things.
- Speaker 4**
43m 32s
- In fact, it does drive autonomously from the factory to the end of line, every car.
- Speaker 2**
43m 37s
- Yeah. No worries.
- Speaker 9**
43m 38s
- Exactly. Through the tunnel, the model wise, everything.
- Speaker 2**
43m 41s
- Right. Yes. Exactly. We have it is important to use it's it's it's doing useful work fully autonomously at the factories as the truck was mentioning. The cars drive themselves from end of line to to where this was being picked up by a truck to be to be taken to the customer. And I'm confident also that later this year, the first Model y will drive itself all the way to the customer. So from our probably from a factory in Boston and I want in here in Fremont, California, I'm confident that from both factories, we'll be able to drive directly to a customer from the factory. Cool delivery. Yeah. Literally goes from the end of line and drives themselves to your house.

- Speaker 9**
44m 32s
- It it's important to note in the factories, we don't have dedicated lanes or anything. People are coming in and out every day, trucks delivering supplies, parts, construction, you know, for Well, and people can film it. By the way, you can see this from the road. Like, it's uncovered. Exactly. In these videos, people will take videos online, and anyone who wants to go see it can just drive past our Fremont factory and see the autonomous cars driving themselves. Yeah. And they drive themselves, and they put themselves in the exact right spot to be picked up.
- Speaker 9**
44m 59s
- Yeah. The logistics yard is right there at the open. Yeah. We don't move it again to another plane.
- Speaker 2**
45m 3s
- So they go they go to a specific spot parking spot.
- Speaker 9**
45m 6s
- Yeah.
- Speaker 2**
45m 7s
- Yeah. So that that's just a routine, like, everyday thing. That's Great.
- Speaker 1**
45m 16s
- Thank you very much. The next question is, can you please provide an update on the unboxed method and how that is progressing?
- Speaker 7**
45m 23s
- Sure. It's progressing. Absolutely. As I mentioned just a minute ago, like, it is the basis for our cyber cap manufacturing process. It's really what we changed in order to allow the low cost of production and also get the super high levels of automation. You know, really, levels of automation are sort of unheard of in vehicle manufacturing scale. This is, like, not something that, you know, you're when you see it be produced, you'll you'll you'll think of in terms of, like, wow. That's how the car has been built for a hundred years. It should really be something we've changed. In the past year, we've been, like, focusing on a lot of key development areas, like marrying these large subassemblies together in a precise way, in an accurate way. We've also derisked things like corrosion of unequaled aluminum structures, you know, the ceiling across the seams of the vehicle, and when you marry and assemble components. And we've even done, early crash testing and we've proven that, like, you know, it's it's gonna be just as safe as a real carbon build. And so, like, we're as I you know, with all that combined, we kinda go into the builds that we have in this quarter, for the for the CyberCAD product, and that's the next real big test of full scale, you know, integration of the Unbox process.
- Speaker 7**
46m 29s
- And, yeah, it's kinda where we are. So you'll see them intestinal on the test rows in in a couple of months.
- Speaker 2**
46m 35s
- Yeah. Although the line won't be upset at this rate Initially. Initially, I the the this is a revolutionary production system. I'm not sure what the right word is. Unboxing sounds like something, like, when you get your phone Yeah. You open it up.
- Speaker 2**
46m 53s
- Yeah. So you have, like, a pleasant experience when you take your phone out of the box. But which, of course, is nice, but this is, by far, revolutionary than that. This this is a a profound reimagining of how to make cars in the first place. No cars made like this anywhere in the world. The factory is the product as much as the car is the product. So this really is the first principles approach to manufacturing that will ultimately allow us, I think, to I'm trying to think. I'm confident ultimately it'll allow us to achieve a a cycle time, meaning a unit every five seconds or less of a single line.
- Speaker 9**
47m 42s
- And we wanna incorporate some of these that we're for testing it into our existing production lines as well to that's the Yeah.
- Speaker 9**
47m 49s
- Line siren traffic already.

- Speaker 2**
47m 50s This is something I've been thinking about for for a long time, and I've I've sort of yeah. I've been thinking about this for a long time, and it's kind of it it's it's not a crazy thing. Like like, a car every five seconds may sound like it's coming out like bullets, but, actually, it's coming out at walking speed. It's like a meter a second.
- Speaker 2**
48m 8s A meter a second. So you this is like, we're we're still far away from caring about the aerodynamic drag of the manufacturing line, You know? Because you're you're still at three miles an hour.
- Speaker 7**
48m 26s We will do some.
- Speaker 2**
48m 28s You know, five seconds sounds crazy, but it's three miles an hour. That's what we're talking about. So, yeah, you can run away from it, basically. But that's still, by far, the fastest line on Earth. You know? And it's, like, half hour make half order make, but, like, fun. That what's, like, the best signal line? I don't know if it's, like, about Shanghai phase two. And that's us? Thirty three seconds. Yes.
- Speaker 2**
48m 55s And we're the fastest. Right?
- Speaker 7**
48m 56s I would think so.
- Speaker 2**
48m 57s Think we think we're the fastest at at thirty three seconds And and I'm sharing my factor, but but this this would be, you know, six times faster or seven times faster or less. So, yeah, it'll it'll be it'll be slower than that, of course. But the point is that, like, when you when you fully optimize the design and and operation of the next generation factory that we're building right now, A five second cycle time or less is the design is capable of it. You know? So if if you know? Like, when you when you go through, like, a radical new architecture, you go from, like, being, like, an a I mean, it's, like, probably, Shanghai in particular is an a plus on a on a moderately you know, an advanced but still Traditional.
- Speaker 2**
49m 53s Traditional car production system. Sort of they're really doing about as good as possibly as possible to do within a conventional scenario. So trying to get much below, you know, the sort of below below, like, thirty seconds is extremely difficult. But if not and and you start getting into a sort of impossible where you just you have to be faster than a human could possibly move. So then the autonomous line, it it it really just needs to be robust moving really fast, and that's where it gets us up five seconds. But but we'll so it so but we'll we'll start off with getting a c in instead of an a, getting a c in a new architecture. But then the the potential is there over time to move that up to an an a plus within an a plus architecture. Great. Thank you very much.
- Speaker 1**
50m 50s The next question is how is Tesla positioning itself to flexibly adapt to global economic risks in the form of terrorist political biases, etcetera?
- Speaker 10**
50m 59s As Elon said, you know, we've been the pricing team been at at for a while. We continue to mitigate global economic risks like tariffs and poll political biases by regionalizing parts supply near its factories in North America, Berlin, and Shanghai. For example, in North America, our high volume vehicle programs have over 85% North America content, and Shanghai vehicles have over 95% local content. Berlin has the levels of regionalization as North American when you exclude the battery, and we are working on regionalizing the battery as well. This is a pre pandemic strategy that we accelerated post pandemic through supply diversification, dual sourcing, vertical integration, advanced analytics, and local partnerships to ensure supply chain resilience and production stability. Having said that, we're not % insulated, and these tariffs are higher on our low volume platforms than the high volume ones.

- Speaker 2**
51m 57s
- Yeah. In fact, there's no more vertically integrated car company than Tesla. I mean, we're taking we're most vertically integrated car companies since, you know, Henry Ford back in the day when they're doing mining iron and stuff and growing rubber trees. So, like, we're not growing rubber trees and mining iron yet, but we are we have built a a lithium refinery in South Texas, and it's the, I think, the biggest lithium refinery outside of China, I think. Is that right?
- Speaker 7**
52m 34s
- Yeah. I think so.
- Speaker 2**
52m 35s
- Alright. Oh, the Yeah. It's it it has it's upward potential would be the the biggest roofing refinery outside. And we've got space to expand it if we need to build more. Right. So and then we've got the cathode refinery in Austin next to next to the gate factory. We're gonna figure out what to do about the anode. That's an ongoing subject of discussion. Best the best of all possible was to be figuring out how to have no anode. Best anode best part being no part. That's that's the dream of of the lithium batteries to be anode not have an anode. But either way, we better have the anode, the cathode, the lithium and the electrolytes and the separator to make a cell. But but, you know, there's no other car company that is building lithium refineries and cathode refineries. Were ridiculously vertically integrated. And that and and that's our best position to protect against supply chain disruptions. Yeah. Paul, you wanna talk about progress in the front?
- Speaker 11**
53m 47s
- Yeah. Certainly, for our in house sales, we've, you know, we've multisourced every component. We have, you know, every part coming from at least two different countries, Lauren, which is and then we started this the supply chain team and the engineering team worked together on this for the last couple of years to to put that together. It's not something we did in a couple of months. You know, this is years of work. So we're, you know, we're in a good position to to advantage of that and the and the the insourcing of of lithium and and cathode, they're the two most critical parts of battery that's, you know, right in that backyard, and and we're totally insulated from The oil. It needs to be in operation. I think it'd be an operation.
- Speaker 2**
54m 29s
- That's the that's the right that's the right way. And we also make our own cells, by the way. So cell cell production, if if you look you have to there's this you you know, this you make the anode, the cathode, the lithium, the electrolyte separator, the can, and then you gotta put all that together in the cell factory. And there are entire companies that all they do is produce cells, but they don't do the other stuff. They don't refine lithium or the cathode or you know? So our our cell production is is going quite well, and I think we're are we we're we're currently sort of the lowest cost per kilowatt hour Yep. In in the orders for all cells we purchased in North America. Yeah. So it's Those those cost to us. Yeah. So we we have the lowest cost per kilowatt hour, all things considered. So the Tesla cell is the most competitive cell in a yeah. For a kilowatt hour according to a car, if it's if it's a Tesla cell, it's low lower cost than if it's a supplier cell. Yeah.
- Speaker 11**
55m 32s
- Yeah. And the the plan this year is to really build off that base. You know? Getting to lowest cost is it's it's the hardest challenge for so many veteran. You know, it's it's relatively easy to build a flashy product that does one thing well. To build something at high volume and low cost is super difficult, and we're kinda using that as base to then build off and and add performance in different areas for new products coming out.
- Speaker 2**
55m 59s
- Yeah. So can you comment?

Speaker 5
56m 4s

Yeah. I mean, to Elon's point, there's a there's a lot of advantages for regionalization. You know, the most important thing is we're not signed up working capital for six to eight weeks on the ocean. If there's a design change, then everything that's in transit basically has to be scrapped. Secondly, port disruptions, as we saw during COVID, can be very expensive because slight disconnects can shut down production. So then your only option is costly to expedite. It also gives us resilience in supply chain. If one region is down, we can bridge with others. It's more of a setup in the beginning, but it's critical to have when the need arises. Having said that, it's unrealistic to assume a % regionalization across the board for specialized areas such as semiconductors. In such cases, our team works very closely with our partners to ensure we have strategic banks in place, and a disruption doesn't impact production while we step stand up the the regional manufacturing for that particular commodity.

Speaker 7
56m 54s

And, you know, I'll say, like, on the rest of the vehicle, like, the only we're talking about with cells. We're also heavily very integrated and important ingots, you know, internally testing as we recycle those in melt centers, the same thing with plastics, but it doesn't mean we're not exposed. You know, we do have some areas where we use rearized magnets, you know, that and we've been working for years to to find alternate sources and bring those up as well as we have our induction machines. And as we've mentioned in the past, we're working on our ferret numbers, for some time. So, like, as Karin said, you know, with our heavy regionalization percentages, we're definitely, like, the lowest, you know, exposed to this, but we're not completely immune as mentioned in his opening remarks. Great. Similarly related on the battery guide, does Tesla still have a battery supply constraint as noted on the q four call, and does that change tariffs?

Speaker 5
57m 47s

So this is Karin. We've been working very hard to expand battery cell production in The US both with vendors and what Bonnie mentioned earlier with the forty six eighty program. And we're also working on moving the upstream supply chain for battery cells to The United States for several years. And that strategy is really starting to pay off now. As As it stands right now, we're not constrained on battery cell supply for vehicles. The recent tariffs do pose some challenges to Tesla Energy, like our CFO mentioned earlier, but it's something we've been anticipating and we should be able to resolve in a timely fashion. We actually have a plan to find in place and rise again towards it. We also have some other sourcing sources coming online to supplement the shortfall. And then, of course, we have the healthy production that's happening in house. We have we have a slight disconnect of aligning the the right cells with the right path, so that's the little bit of puzzle that we have to solve internally. But as as as far as cells go, there's no shortage.

Speaker 1
58m 45s

Great. Thank you very much. The next question is, did Tesla experience any meaningful changes in order inflow rate in q one relating to all of the rumors of brand damage?

Speaker 9
58m 57s

So in q one, as mentioned earlier, we took the best selling car of the last two years and ramped up all four of our global factories. And in less than eight weeks, we've already gone to the rate of our previous model wise, the factories. So just kudos again to the team for the great job there. And despite the economic strain and negative articles that California in q one, Tesla remained the best selling car, not just EV. And, additionally, we had a record number of test drives globally in q one as well. So interest remains high. And so right now, we continue to see, you know, good, interest still on vehicles.

Speaker 2
59m 39s

Yeah. I I I mean, Tesla's not immune to sort of the the macro demand for cars. You know? So when when there is economic uncertainty, people generally wanna pause on buying doing a major capital purchase like a car. But, you know, as far as absent macro issues, we don't see any reduction in demand.

- Speaker 9**
1h 0m
Correct. And that's where we continue to focus on affordability, and it it's a fun focus there.
- Speaker 1**
1h 0m
Yeah. Fantastic. Thank you, guys. The next question is regarding the Tesla Optimus pilot line. Could you confirm if it is currently operational? If so, what is the current production rate of Optimus bots per week? Additionally, how might the recent tariffs impact the scalability of this production line moving forward?
- Speaker 2**
1h 0m
Don't know. Optimus the the I wanna just wanna emphasize. Optimus is still very much a development program. It's not it's not a, you know, it's not a large volume production. That's why, you know, this this year, you know, we'll make a few that you know, we do expect to make thousands of Optimus robots, but most of that production is gonna be at the end of the year. So the almost everything in Optimus is new. There's there's not, like, an existing supply chain for the motors, gearboxes, electronics, actuators, really anything in the in the almost anything in the Optimus apart from the the AI for Tesla, the Tesla AI computer, which is the same as one in the car. So when you have a new complex manufactured product, it'll move as fast as the slowest and least lucky component in the entire thing. And as a first order approximation, there's, like, ten ten thousand unique things. So so that's why that that's why there's any anyone who tells you they can predict with precision, the production ramp of the truly new product is doesn't know what they're talking about. It is totally impossible. So you go through this, like, series of constraints where it's like this part's limiting factor, now that part's limiting factor, and this part's limiting factor, and then multiply that by a thousand, basically.
- Speaker 2**
1h 2m
And then the the rate of the production ramp is decided by how quickly you can solve each of those problems. You know? Optimus was affected, you know, by the magnet issue from China because the Optimus actuators in the arm do use permanent magnets. Now Tesla as a whole does not need to use permanent magnets, but when something is volume constrained, like like an arm of the robot, then you wanna try to make the motors as small as possible. And then so we did the design in permanent permanent magnets for those motors, and those were affected by the supply chain, you know, by by basically China requiring an export license to send out anywhere with magnets. So we're working through that with China. Hopefully, we'll get a license to use the rare earth magnets. China wants some assurances that these are not used for military purposes, which, obviously, they're not. They're just going into a humanoid robot. So that's not a weapon system. But that that is certainly an example of a a challenge there. But I'm confident we'll overcome these issues, and we'll, by the end of this year, have thousands of populous robots. Great.
- Speaker 1**
1h 3m
Thank you very much. And the last question we already covered earlier, whether Robotex was still on track for this year. So with with that, we can move on to analyst questions. The first question is gonna come from Pierre at New Street. Pierre, please unmute yourself.
- Speaker 8**
1h 4m
Hey, guys. Can you hear me?
- Speaker 2**
1h 4m
Yeah.

- Speaker 8**
1h 4m
- That's great. So I'm super excited to hear robotaxi and Optimus becoming the very tangible feature of Fortesa. But I have actually a question on the on the legacy, not the legacy, but the current, like, auto business. And when I look back at the ramp of model three a few years ago, I really saw it as being the iPhone of cars, a new product completely reinvented, very differentiated experience, vastly superior, impossible to to match for traditional competitors. And for the iPhone, it resulted into the high end of the smartphone market, quadrupling in size and actually Apple taking 60% market share. And so when you look at the model streams and model y today, think they are still, like, really vastly superior to any other cars. And I wonder why they've taken about 15% of their addressable market and not more actually. So another way to put it is what why are there so many people still buying BMWs and Mercedes knowing that the model three and the model y is out there and and available. And I wonder if you've if you're trying to solve that trailer internally, if you understand why, you know, what are these auto buyers who are not buying buying a model three or model y missing?
- Speaker 8**
1h 5m
- And and if you have ideas of things you could do to address that, maybe there is enormous value left on the table there. Yep. That's what I'm wondering these days.
- Speaker 2**
1h 5m
- Yeah. I the the the the reality is that in the future, most people are not going to buy cars. So it's it's kind of what you know, one could sort of say, look. If you think one to continue with your your phone metaphor. I mean, you can remember the days of the flip phones when there was, you know, a hundred different flip phone designs. And and I would you know, the the mistake that manufacturers made was to try to make that many different variants of a foot bone, but which was a mistake. They should have made the iPhone. So because obviously everyone's gonna want a smartphone. But in the beginning of of when, you know, the iPhone came out, was like, wow. I can't believe these guys are not reacting as though this this is death. But they didn't they they kept making the variants of smartphones. Nokia Nokia, I think, one point was the most valuable company in the world or close to it, but they kept making flip phones. You know, trying to find another market niche. Maybe somebody wants a phone of a different style, Maybe this different color or whatever it is.
- Speaker 2**
1h 6m
- Nope. They just want a super intelligent phone that can do everything. Just one. So I said this many I said this many years ago. But in the in the future, in in the not too not too distant future, buying a gasoline car that is not autonomous will be like riding a horse while using a flip phone. Some people still do it, but it's rare.
- Speaker 1**
1h 7m
- Great. Thank you. The next question comes from Emmanuel Rosner at Wolfe. Emmanuel, please unmute yourself.
- Speaker 12**
1h 7m
- Great. Thanks for taking my question. So, Elon, the public version of the FSD software still has a decent amount of, I guess, intermittent human interventions that are required. So what's still required for the software on your end to get to a level where it doesn't need to be supervised? And I'm asking that in the context of, obviously, the June launch being in the next couple of months. What still needs to happen?
- Speaker 4**
1h 8m
- And we are working on a number of items too.
- Speaker 2**
1h 8m
- Yeah. Go ahead, Yoshua.

- Speaker 4**
1h 8m
- I mean, we are aware of the interventions that are happening in public bus, and that's why we are hardcore burning it down. And really speaking, some initial launch city helped us focus on, like, solving all the issues that we face here. For example, like, we're just focusing on Austin. We're not, like, solving all the issues that customers in Boston or somewhere else might face. And then here, we just, like, you know, have big list of all the issues, just burn it down, and that's what the team is working on along with other sort of, like, redundancy issues. For example, if one of the computers goes down, right down the customer fleet, it would, like, throw the red hands and ask you to take over, but we don't want that kind of situation. So you're solving both, like, the reliability issues of the autonomy software and also the reliability issues of the system software, like, together for Austin.
- Speaker 2**
1h 9m
- Yeah. It really just we just worked through a long tail of of unusual interventions. So and these are really very rare. Like, as a single intervention every 10,000 miles. I mean, that's a lot of driving you gotta do to even find one case within Athens.
- Speaker 4**
1h 9m
- Yeah. And some interventions that have been due to systematic, like, you know, missing functionality. For example, for handling emergency vehicles correctly, you don't need to consume audio as an input. But then the customer facing versions don't have audio input, but the version that's in that's gonna be in Austin will have audio input and so on.
- Speaker 12**
1h 10m
- Okay. But would you have, like, remote operators, for example?
- Speaker 4**
1h 10m
- I mean, every now and then, if a car gets stuck or something, someone will, like, you know, unblock it. But it's just because we are a bit conservative and our tend towards more safety than even if we get stuck every now and then. We we do have remote support, but it's not gonna be required for safe operation. If anything, it's just required for more availability.
- Speaker 2**
1h 10m
- Anyway, it's it's it's only a couple months away, so you can just save for yourself in couple months in Austin. Great.
- Speaker 1**
1h 10m
- Our next question comes from Edison at Deutsche Bank. Edison, please unmute yourself.
- Speaker 13**
1h 10m
- Hi. Thank you very much for the question. So I wanted to ask about the the Optimus supply chain going forward. You know, you mentioned, you know, very fast ramp up. What do you envision that supply chain looking like? Is it gonna require many more suppliers to be in The US now because of the tariffs? How does one kind of think about what needs to happen there?
- Speaker 2**
1h 11m
- Let's see how things settle out. I don't know yet. Right. I mean, so some things we're doing as we've already talked about, which is that we're we're already taking tremendous steps to localize our supply chain. We're more localized than any other manufacturer, and and we have a lot of things can on a way that to to increase the localization to reduce supply chain risk associated with geopolitical uncertainty. Did you have a follow-up? Yeah.
- Speaker 13**
1h 11m
- Wanted to come back actually to the the robotaxi then. Do do you have a sense on on how how many cars or how how big the scale will be initially and how that might ramp up? I know you're you're targeting, you know, millions of of vehicles in the second half kind of of next year. But initially at launch, how many vehicles would be reasonable? And is it gonna be as simple as if one goes to Austin, let's say, in late June or July, you'd be able to to request?

- Speaker 2**
1h 12m
Yeah. We're we're still debating the exact number to start off on day one, but it's, like, I don't know, maybe 10 or 20 vehicles on day one. And watch it carefully. They scale it up rapidly after that. So, you know, we we wanna make sure that you're paying very close attention the first time this happens. But, yeah, you will. End of end of June or July, just go to Austin and water a Tesla for Watanos Drive.
- Speaker 1**
1h 12m
Great. The next question comes from George at Canaccord.
- Speaker 5**
1h 12m
Hi. Thank you for taking my question. It has to do with FSD pricing. Can we envision when you launch unsupervised FSD that there could be sort of a a multi tiered pricing approach to unsupervised versus supervised similar to what you did with autopilot versus FSD in the past? Thank you.
- Speaker 3**
1h 13m
I mean, this is something which we've been thinking about. I mean, just so you know, for people who have been trying FSD and who've been using FSD, they think given the current pricing is too cheap because for \$99, we're basically getting a personal show.
- Speaker 2**
1h 13m
Yeah. I mean, we we do need to give people more time to to like, they wanna look at like, like, key breakpoint is, can you read your text messages or not? Yes. Can you write a text message or not? Because, obviously, people are doing this, by the way, with autonomous cars all the time. And if you just go go over drive down the highway and you'll see people texting while driving, you know, doing 80 miles an hour.
- Speaker 7**
1h 14m
And putting on makeup on at the same time.
- Speaker 8**
1h 14m
Yeah.
- Speaker 2**
1h 14m
Putting putting on makeup, doing their hair with with them mirror down and texting and driving at 80 miles an hour. This is a common occurrence. So, fuel eating lunch, you know, you name it. Shaving. You know? So anyway but right now, the the car is very insistent that you pay attention to the road. So which reduces the value somewhat because it's it's very rigorous about you paying attention to the road. And we'll gradually lighten up on that with you know, every every few weeks or every month, we'll we'll relax that a little bit, make up so so you can be more and more able to do things you wanna do and and not have the car car to manage your attention. So so that that that value, it'll really be profound when you can basically do whatever you want, including sleep or and and and then that \$99 is gonna seem like the best \$99 you've ever spent in your life.
- Speaker 1**
1h 15m
Great. And, George, do you have a follow-up?
- Speaker 5**
1h 15m
My follow-up is about geographic expansion. Just maybe discuss additional markets. You know, there's been some news around India recently that you could launch, this year and next. Thank you.
- Speaker 3**
1h 15m
So, yeah, I mean, we we've been working on getting into India. India is a very hard market. And especially the current and I don't want to talk just about tariffs, but the current tariff structure within is that any car which we send in is subject to 70% tariff. Also, like, a 30%, you know, luxury tax on it. So, you know, the same car which we're selling is, like, % more expensive than what it is. So that creates a lot of, you know, anxiety. It's like, you know, people feel, okay. They're paying too much for the car. And by the way, we're not getting the money. The local government is getting the money. And that's why we've been very careful trying to figure out when is the right time. We like I said, we are working on it. It's a great it would be a great market to enter because India has a big middle class, which we would want to tap in, and that is the market which we want to be in. But, again, these kind of things create a little bit of tension which we're trying to work around.

- Speaker 1**
1h 16m
- Great. Thank you so much. The next question comes from Adam Jonas at Morgan Stanley. Go ahead, Adam. We we can't hear you, Adam. So, Mindy, we'll put you back in the queue, and we'll move to Colin, Langan from Wells Fargo, while Adam figures out his audio. Colin, please unmute yourself.
- Speaker 6**
1h 17m
- Oh, great. Do you hear me? Yes. Oh, great. You know, you're still sticking with the vision only approach. A lot of autonomous people still have a lot of concerns about, you know, sun glare, fog, dust. Any color on how you anticipate on on getting around those issues? Because my understanding, it kind of blinds the camera when you get glare and stuff.
- Speaker 2**
1h 17m
- Actually, it does not blind the camera. The we use a an approach which is direct photon count. So when you see the the the a processed image, so the image that goes from the the sort of photon counter, so the silicon the silicon photon counter that that that gets goes through a digital sig signal processor or image signal processor, That that's that's normally what happens. And then that that then the image that you see looks all washed out because if it's you point the camera at the sun, it it the post processing of the photon counting washes things out. It it actually adds noise. So part of a breakthrough that we made some time ago was to go with direct photon counting and and bypass the image signal processor. And that and then you can drive pretty much straight at the sun, and you can also see in what appears to be the blackest of night. And and then here in fog, we can see as well as, like, people can. Probably better, but I'd say probably slightly better than people, but than the average person anyway. And yeah.
- Speaker 6**
1h 19m
- So so the camera is able to see when there's direct glare on it. I'm little surprised by that. Okay.
- Speaker 2**
1h 19m
- Yeah.
- Speaker 6**
1h 19m
- Okay. And then just there are obviously media reports the other day that the affordable model was delayed. It doesn't sound like that's correct. Those reports also talked about it being more of a cheaper version of the model y. Any color on what we should expect? Is it a cheaper version of model y, or is it actually gonna be a design change with it?
- Speaker 3**
1h 19m
- So I I think Lars only covered it in answering one of the say.com cautions. The real thing which we are trying to focus on is affordability. And using our existing lines, there's always limitations when you're using existing lines as to how many different form factors can you bring to. So that's the way I would say you should think about it. And I don't know if Lars, anything more to add.
- Speaker 7**
1h 20m
- Yeah. And I think I said this before in other other calls. Like, you know, with with the recent upgrades on the model three and model y platforms, we need some pretty great cars at pretty great prices, and we added a bunch of features and things like that. I think it's easy to consider that, you know, moving forward, Tesla doesn't make bad cars, and we always make, you know, our intent is not to make a car that is any worse than any car we've ever produced in the past. And so, you know, models that come out in next months will will be built on our lines and will resemble, inform, and shape the cars we currently make. And and, you know, the key is that they'll be affordable, and you'll be able to buy one.
- Speaker 1**
1h 20m
- Great. We might have time for one last question. Adam, we'll try your audio again. You wanna try to unmute yourself, Adam? Alright. Unfortunately, it's still not working. Sorry.
- Speaker 2**
1h 21m
- Oh, there there you go. Sorry, guys. Technology.
- Speaker 1**
1h 21m
- Go ahead, Adam.

- Speaker 14**
1h 21m
- Yeah. Hi. Yeah. In the February 28 Joe Rogan interview, Elon, you advocated for a ramp in tariffs, to give people time to adjust. Otherwise, will quote, you said the system would break, and bad things would happen. So are things breaking yet? And if the announced as if the tariffs as announced remain in place, when would things start breaking?
- Speaker 2**
1h 21m
- Well, at at the risk of stating the obvious, I'm not I'm not I mean, I'm I'm one of many advisers to the president. I am not the president. So and but I I you know, made my opinion clear to the president and that you know, and and other people made their opinion clear to the president. He is the he listened he talks to many people, and he makes his decision. And, you know, I'm hopeful that the president will observe whether my predictions are more accurate than the predictions of others and perhaps weigh my advice differently in the future. We shall see. But, you know, I I I'm I'm an advocate of, you know, predictable tariff structures and and generally, I'm an advocate for, you know, pretrade and and lower tariffs. But now one does need to take a look at where you know, if if if a if some country is doing something predatory with tariffs or is providing extreme support for if governor is providing extreme financial support for a particular industry, then you you have to do something to counteract that. So but I I think that that's on a case by case basis strategically.
- Speaker 2**
1h 22m
- But, you know, the president is the elected representative of the people and his fully within his rights to do what he would like to do.
- Speaker 14**
1h 23m
- So Elon. I I I respect that. Just as just as a a follow-up, and thanks again. Between between China and The United States, who in your opinion is further ahead on the development of physical AI, specifically on humanoids, and and also drones? I'd be interested. And and is it even close and kinda how I I yeah. I seriously.
- Speaker 2**
1h 23m
- Don't I think you know the answer for drones. I mean Yeah. You know, a friend of mine, Naval, made this put you know, posted on x. I reposted it. But I think a prophetic statement, which is any country that cannot manufacture its own drones is doomed to be the vassal state of any country that can. And we can't America cannot currently manufacture its own drones. But that's again, unfortunately. So China, I believe, manufactures about 70 of all drones. And if you look at the total supply chain, China is almost a hundred almost a % of drones are have a supply chain dependency on China. So China is in a very strong position. And, you know, here in America, and we we need to shift more of our people and resources to manufacturing because this this is and I have a lot of respect for China because I think China is amazing, actually. But The United The United States should not have such a severe dependency on China for drones and and be unable to make them unless China gives us the parts, which is currently the situation. You know, with respect to humanoid robots, I don't think there's any company in any country that can match Tesla.
- Speaker 2**
1h 25m
- Tesla and SpaceX are number one. So and then now I'm a little concerned that and on the leaderboard, ranks two through 10 will be Chinese companies. But I'm confident that rank one will be Tesla.
- Speaker 1**
1h 25m
- Great. Well, I think that's unfortunately all the time we have for today. We appreciate all your questions and look forward to talking to you next quarter. Thank you very much, and goodbye.