

What the Cybertruck's many failures mean for Tesla

Publication Date: 2024-04-20

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Section: Technology

Tags: Tesla, Elon Musk, Electric, hybrid and low-emission cars, Motoring, Ethical and green living, Greenhouse gas emissions, news

Article URL: <https://www.theguardian.com/technology/2024/apr/20/cybertruck-failures-tesla-elon-musk>



Tesla recalled all Cybertrucks Friday after federal safety regulators contacted the company over malfunctions with the vehicle's accelerator pedal. New Cybertruck orders have been reportedly cancelled or stalled. The news follows numerous reports of embarrassing Cybertruck failures. The recall represents a major blow to Tesla, which has weathered a difficult year, seeing poor earnings reports in recent quarters as competing Chinese electric vehicle manufacturers encroach on the electric vehicle market. "This is another black eye for Tesla, which has added to the chaos going on for Musk," said Dan Ives, senior equity analyst at Wedbush Securities. "Cybertruck is the pedestal moment and a recall out of the gates is a bad look." Cybertruck owners reported that their vehicles were at risk of getting stuck driving at full speed due to a loose accelerator pedal. Video showed the pedal itself falling off and the piece beneath wedging itself into the car's interior, which would force the vehicle into maximum acceleration. One driver was able to save himself from a crash by holding down the brake pedal. As of Monday, the US National Highway Traffic Safety Administration (NHTSA) had contacted Tesla regarding the issue, and the company announced the recall Friday. Tesla first became aware of this issue on 31 March, according to the filing. After assessing the problem, Tesla on 12 April decided to issue a voluntary recall of the Cybertrucks, the filing says. The Cybertruck, which has long been a pet project for Elon Musk, the Tesla CEO, began deliveries in late 2023 after years of delay due to production problems and battery-supply constraints. Since then, numerous failures in the vehicle's design and function have ranged from embarrassing to outright dangerous. The trucks – which Musk once claimed would be the "best off-road vehicle" – have been shown getting stuck in sand, snow and dirt, with one towed away by a Ford truck. Some owners have reported their new Cybertrucks have simply stopped running completely. Many have complained the truck's stainless steel exterior rusts easily, and one owner said the windshield broke quickly in a hail storm. Musk himself claimed the car was bulletproof at its unveiling before cracking its window with a steel ball thrown by hand. In response to the reports of rust, Tesla says in its Cybertruck Do It Yourself guide: "Your Cybertruck is not rusting. These spots are surface contamination caused by iron-containing debris that is picked up by your vehicle as you drive." Owners can remove them with isopropyl alcohol, according to the guide. Tesla did not respond to requests for comment regarding these reports, or the recall. In response to request for comment, the US NHTSA shared Tesla's recall filing. Recalls are not uncommon in the auto industry and it is unclear how severe the accelerator pedal issue is, said Thomas Monteiro, senior analyst at Investing.com. But amid the ongoing uncertainty at Tesla, the company had no choice but to take action, he said. "At this point, the company simply cannot risk the potential liability or bad publicity," Monteiro said. Tesla shares fell below \$150 this week, wiping away all gains the company made in the past year. The vehicle manufacturer said Monday that it was cutting 10% of its staff globally, about 14,000 jobs. Musk has also faced criticisms from investors who say he is

stretched too thin after his purchase of social media platform Twitter, which he renamed X, in 2022. Meanwhile, Tesla has asked its shareholders to vote in favor of Musk's \$56bn pay package that was rejected by a judge earlier this year who called it an "unfathomable sum". "Against this backdrop, Musk needs to keep investors convinced that the company's projects are pursuing the right path and that these will lead to margin appreciation over time," he said. "An epic failure on the Cybertruck could very well jeopardize that perception, especially given that the company hasn't really launched any groundbreaking innovations in years now." The speed with which Tesla recalled the vehicles after reports of the faulty pedal may be influenced by its continuing legal battles over injuries caused by its semi-autonomous driving software. The company is facing a number of individual and class-action lawsuits over allegations the technology caused fatal accidents. Brett Schreiber, an attorney who has represented clients affected by the faulty software, said he anticipates another potential wave of litigation from Cybertruck owners. "What we have seen perpetually with Tesla is the ethos of a tech company, wanting to push out product as quickly as possible, wrapped up in an automotive manufacturer, which should be far more intentional and thoughtful in producing vehicles," he said. "This is not an app, this is a multithousand-pound vehicle hurtling down our roadways at high speeds." Tesla is set to report its first-quarter earnings on 23 April, just a few days away, when investors will likely be keen to hear updates on the recall.