

Business Update Call

Company Participants

- Dave Arnold, Senior Director of Communications
- Elon R. Musk, Chief Executive Officer

Other Participants

- Alexander George, Analyst, Popular Mechanics
- Andrew Hawkins, Analyst, The Verge
- Ben Sullins, Analyst, Teslanomics
- Christian Prenzler, Analyst, Teslarati
- Chuck Tannert, Analyst, Forbes
- Domenick Yoney, Analyst, InsideEV
- Eric Evarts, Analyst, Green Car Reports
- Gary Gastelu, Analyst, Fox News
- Hope King, Analyst, Cheddar
- Kirsten Korosec, Analyst, TechCrunch
- Larry Magid, Analyst, CBS
- Matt DeBord, Analyst, Business Insider
- Michael Coren, Analyst, Quartz
- Mike Liedtke, Analyst, Associated Press
- Olivia Rudgard, Analyst, The Daily Telegraph
- Paul Fosse, Analyst, CleanTechnica
- Phil LeBeau, Analyst, CNBC
- Sasha Lekach, Analyst, Mashable
- Sean O'Kane, Analyst, The Verge
- Tim Higgins, Analyst, Wall Street Journal
- Tom Randall, Analyst, Bloomberg
- Zach Shahan, Analyst, CleanTechnica

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the Tesla Media Call. At this time, all participants are in a listen-only mode. We will be going into our Q&A session after opening remarks from management. (Operator Instructions) As a reminder, this conference is being recorded.

I would now like to introduce your host for today's call, Mr. Dave Arnold, Senior Director of Communications. Mr. Arnold, you may begin.

Dave Arnold {BIO 20757721 <GO>}

Good afternoon, everyone. Thanks for joining us today. You should have all received a copy of the blog and the links that were just published. If you haven't got those for any reason, just email us at present at tesla.com and we'll send it over to you. Elon is going to start the call with some opening remarks, and then we'll go right into Q&A. Just a reminder, please keep your questions focused on the top of that's been announced today, we are not going to be answering any off topic questions on this call.

Also, this is a press call intended to give you the information you need to write your articles. This is all in the record, but please do not publish the recording or a transcripts of this call. Finally, any statements made today relating to our future business or results are forward-looking statements and actual results could differ materially due to factors mentioned in our most recent Form 10-K filing with the SEC.

With that, I'll turn it over to Elon.

Elon R. Musk {BIO 1954518 <GO>}

Hi, everyone, we're incredibly excited to announce that the \$35,000 Model 3 is available at \$35,000 before any incentives or gas savings with the range and equipment as promised, in fact the interior will be slightly better than originally promised. So, that actually considers to be slightly better than what was originally intended with the -- that the standard interior. So it's -- that will be 220 miles range, have all of the crash safety of all the other cars are safest car in the world, lowest probability injury of any corner of the world, and it will have all the equipment required to upgrade to autopilot or full self-driving. So, you can buy the \$35,000 car and in the future upgrade and add autopilots or full self-driving. It's just a software update. So it has the sort of future proof in that sense. And it's an incredible car.

My twitter profile pic is literally the car, you can buy for \$35,000. You can actually get that, and yes, so this is I think something we've been working for towards at Tesla since we created the company. From the beginning this has been the goal, and it's an incredible car, and at \$35,000, there's still some pretty significant consumer tax credits that can be had. And then of course, the cost of electricity is much less than the cost of gasoline. So, the cost of operation of the car is much less than the gasoline car. And I think we're also confident that, that car insurance will be lower, but that's something that we're working very hard towards. So that when you look at total cost of ownership of a Tesla is actually much less than an equivalent gasoline car at \$35,000.

So, there's also some things we've been able to do for existing customers that are pretty cool, but Tesla is as much a software company as a hardware company, and we've been able to buy a firmware improvements, improve the range of the long

range rear-wheel drive car from 310 miles to 325 miles, this will effect all customers, including those that all long range cars shipped to-date and new cars, so with existing and new customers will get a 15 mile range increase from 310 to 325. We've also been able to improve the peak power output of all cars by approximately 5%. So you get 5% of peak horsepower improvement across the board, and the Model 3 performance top speed, we've been able to increase to 162 miles an hour, obviously we recommend doing that in a safe environment or on the Autobahn which is safe. So that's an extra 7 miles an hour or an extra 10 kilometers an hour. And yes, it's really an amazing vehicle in fact, that's what I am driving right now as my daily driver is a Model 3 performance. So and yes, Model 3 ranks number one in consumer reports on our satisfaction survey by I think pretty decent margin. And I think, yes, we're just incredibly excited to finally achieve this goal. It's been insanely difficult. A very important point I'd like to say is, well, the Standard Plus, which is for a small amount more you can get basically a whole lot more, like roughly 6% price increase gets you 10% or almost a 10% range increase and out of 6% power increase and mostly way towards the premium interior.

So I think first I'll recommend really getting the Standard Plus, but we have Standard available as well. And another key point is we're moving all sales online. This is extremely I think extremely profound worldwide, the only way to buy a Tesla will be online, and you can buy your car on your phone in about one minute in the US. And we will make it just as easy to, let's say one minute purchase in other parts of the world as well. We will still have stores, but they will be converted to kind of galleries and information centers, so you can go there and learn about Tesla or learn about electric vehicles and buy some Tesla merchandise, but all sales will be online. So if you do go to the store, they'll simply show you how to buy the car online. And then in order to mitigate the need for a test drive, we're extending the return policies that you can -- on the car for a week and drive for up to a 1,000 miles or 1,600 kilometers and return the car for a full refund, if you don't like it. We're extremely confident that you will like it. So, that's why we're willing to essentially allow somebody to use the car for free for a week and return it for a full refund, and we're going to do super easy to get a refunds like one click refund. So, people really should not have any concern about placing an order or thinking that there's no reversibility. We want to actually make it incredibly easy to hand the car back and get a refund, so that's the main thing.

Dave Arnold {BIO 20757721 <GO>}

Great. Should we go to Q&A.

Questions And Answers

Operator

Thank you. (Operator Instructions) Our first question comes from Phil LeBeau with CNBC.

Q - Phil LeBeau

Hi, Elon. Question for you regarding the pricing on the new vehicle, do you guys have, I know you said that with the reservation backlog a while ago, couple of conference calls ago, you guys said, look, we're not going to be discussing that, but the question here is how much demand do you guys believe is out there, relative to the reservation list that was initially there?

A - Elon R. Musk {BIO 1954518 <GO>}

I mean, I don't know what the demand is, we'll see. I will find out. There's obviously would be speculation -- in terms of speculation with really no basis apart from like I feel. I think there's probably demand for over 0.5 million Model 3s a year.

Q - Phil LeBeau

And is that based on anything in particular, is it based on hand raisers, is it based on the reservation list originally, how many people peeled off the list?

A - Elon R. Musk {BIO 1954518 <GO>}

No. The reservation list is just like -- it was like a -- it's foolish to focus on reservation list, that's like saying how many pre-orders did you get for a video game, that doesn't mean anything. So if the video games out, okay, the car's out, what matters is what is the demand, I don't know what the demand is, but if you're asking for my consider judgment is for the demand, as I said it's 0.5 million cars a year.

Q - Phil LeBeau

Thank you.

Operator

Thank you. Our next question comes from Larry Magid with CBS.

Q - Larry Magid {BIO 15888964 <GO>}

Yes. Elon, thanks for taking the call. Couple of questions, you mentioned the range extension on the long range Model 3, what about the mid range Model 3, and also you also mentioned that the company put out a release saying that there would be full autopilot software for \$5,000, full self-driving, is that absolutely full self-driving portal to portal, and the other question is those who paid \$5,000 for...

A - Elon R. Musk {BIO 1954518 <GO>}

Hang on, hang on, just one question at a time here.

Q - Larry Magid {BIO 15888964 <GO>}

EAP [ph], will they get that?

A - Elon R. Musk {BIO 1954518 <GO>}

Hang on. Just one question at a time here. You have one question, pick one.

Q - Larry Magid {BIO 15888964 <GO>}

Well. My first question is what about the mid range, are you extending the range of that?

A - Elon R. Musk {BIO 1954518 <GO>}

No. Next questioner?

Q - Larry Magid {BIO 15888964 <GO>}

Did you get my question?

Operator

Our next question comes from Matt DeBord with Business Insider.

Q - Matt DeBord

Hello, gentlemen. Thanks for the call. Congratulations on the \$35,000 Model 3. I just want to ask a question about the online-only sales model, the only thing, I'm curious about is that going to -- are you anticipating you're going to hit some resistance that the whole US kind of approach from the franchise car dealer world, which is typically sort of a post this kind of thing? Thanks.

A - Elon R. Musk {BIO 1954518 <GO>}

I think this is actually going to online-only is incredibly helpful to us for selling in anywhere in the US, because in many parts of the US we are unable to sell effectively because of franchise laws, whereas if the sales concluded online, we now have -- anyone could buy the car anywhere in the United States immediately. So -- this I think really substantially opens up our ability to sell the cars, and it's 2019, people also want to buy things online.

Q - Matt DeBord

Yes. No. For sure. It's just -- I'm just wondering, do you think there's going to be more intense push back than you've gotten in the past, and ironically you might get more intense push back on this strategy than you would have when you were -- so we're trying to do direct sales on kind of a state by state basis, this is sort of like (multiple speakers).

A - Elon R. Musk {BIO 1954518 <GO>}

Yes. I'm sure the franchise dealers will try to franchise deals will try to persists in some way, but to do this so would be a fundamental restraint of interstate commerce and valid constitution. So good luck with that.

Q - Matt DeBord

Alright. Thanks.

Operator

Thank you. Our next question comes from Zach Shahan with CleanTechnica.

Q - Zach Shahan

Hey, how is it going? I was just first for all -- I'm just curious if you have any estimate on when this version will be available beyond the US?

A - Elon R. Musk {BIO 1954518 <GO>}

Probably available for ordering in probably three to six months, yes, and then of course, it takes time to ship the cars -- takes like a month or two in some cases to transport the cars in California to the new owner in Asia or Europe. So, but something on the order of three months to six months.

Q - Zach Shahan

And can you say anything about what's been -- you said the interiors are bit better than you originally anticipated, I know a lot of people are just shopping off the premium interior features when trying to figure out what the standard interior was, can you speak a little bit more about what's changed or what's (inaudible) from the premium?

A - Elon R. Musk {BIO 1954518 <GO>}

There are more raked [ph] parts -- there is no standard headlamp, more sort of just pressed plastic parts and this interior has more of sort of raked parts that has a better look and feel, and it's like -- dozens of small components essentially and the same is really it's not enough toward making it look worse. I think it still looks really good. I should point out a really big changes that everyone gets the all-glass roof, so previously the Standard -- the Standard did not have -- it had a metal roof instead of the sort of the glass roof, which I think for value changes the feel of the car compared to most other cars.

Q - Zach Shahan

Yes. I was wondering if that would make sense to keep that streamline the manufacturing and it's beautiful look. Last question the reservation...

A - Elon R. Musk {BIO 1954518 <GO>}

Sorry, I don't want to set the precedent of people asking tons of questions. So let's move to the next.

Q - Zach Shahan

Okay. No worries.

A - Elon R. Musk {BIO 1954518 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Sean O'Kane with The Verge.

Q - Sean O'Kane

Hi, Elon. I'm curious about the closing of the stores, is this going to result in layoffs at Tesla and if so, are they tied to the layouts you guys already announced earlier this year?

A - Elon R. Musk {BIO 1954518 <GO>}

We will be closing some stores, and there will be some reduction headcount as a result, there's no question about that. Yes. There's no other way for us to achieve the same as required to provide this car and be financially sustainable. It's -- always there's some other way, but unfortunately it will entail our reduction in force on the retail side. No way around it.

A - Dave Arnold {BIO 20757721 <GO>}

Okay. Next question.

Operator

Thank you. Our next question comes from Hope King with Cheddar.

Q - Hope King

Hi, Elon. Thanks so much and congratulations on this amazing milestone. A lot of people have been waiting for actually the follow-up to Sean's question, any estimates of this, maybe how many people might lose their job as a result of the closure of stores?

A - Elon R. Musk {BIO 1954518 <GO>}

That's not today's topic.

A - Dave Arnold {BIO 20757721 <GO>}

Yes. Next question.

A - Elon R. Musk {BIO 1954518 <GO>}

Next question.

Operator

Thank you. Our next question comes from Olivia Rudgard with The Daily Telegraph.

Q - Olivia Rudgard

Hi, Elon. Thanks for taking this. I just wondered on the price point issue, and do you think this is the cheapest car you ever be selling or do you predict that some future model might go cheaper with this car might be sell for cheaper?

A - Elon R. Musk {BIO 1954518 <GO>}

I think this is the lowest we could possibly sell this car. We need to do a significant redesign and for the new manufacturing system to have a lower cost car. So this is definitely not -- it was a -- it's excruciatingly difficult to make this car for \$35,000, and still be financially sustainable. Hence, the unfortunate need to reduce headcount business note, I wish there were some other way to do it, but we neither, but we're sort of (inaudible) like provide \$35,000 a car and have fewer people or not provide \$35,000 a car. Will there be future models that cost less, yes, but they weren't be soon, there would be at least two to three years, probably closer to three years.

Q - Olivia Rudgard

And what kind of price would you be targeting with this lower price cars?

Not today's topic.

A - Dave Arnold {BIO 20757721 <GO>}

Next question, please.

Q - Olivia Rudgard

Okay. Thank you.

Operator

Thank you. Our next question comes from Tom Randall with Bloomberg.

Q - Tom Randall {BIO 7312874 <GO>}

Hi, Elon. Congrats on reaching this goal. You're pulling a lot of demand levers today, obviously this is going to open the card to a larger addressable market. Does this change your production plans at all compared to what you forecast in your earnings call and your recent tweets like -- has there been a shift in production that allows you to open this in a larger addressable market?

A - Elon R. Musk {BIO 1954518 <GO>}

Well. In the earnings call, if you say, if you look at the range of numbers that we talked about, talked about basically a pretty wide range, because verticals predict the future. We don't have crystal ball. So it's a 350,000 to 500,000 Model 3's, is what I said in the earnings call. And then we expect to make somewhere between 70,000 and 100,000 of S and Xs. So the lower bound would be 350 plus 70, and the upper bound would be 500 plus 100.

Operator

Thank you. Our next question comes from Michael Coren with Quartz.

Q - Michael Coren {BIO 16890674 <GO>}

Thanks. I was wondering what the biggest changes that were made to the car itself beyond reducing the battery size to hit this price point, and what were some of the cost savings that you achieved in the manufacturing or operations?

A - Elon R. Musk {BIO 1954518 <GO>}

I think we don't want to get too much into the weeds here. It's, however, really difficult to reduce the cost of the car. Well, the way I've described it to the company is really getting a cost -- there are 10,000 parts and processes -- 10,000 unique parts and processes in making the car. So each one basically costs about \$3.50 or thereabouts. And in order to make the car and still have enough left over for R&D and overhead and that kind of thing we really need to be more like \$3 on average for the 10,000 parts and processes. That means we need to figure out how to get on average \$0.50 out of those 10,000. And so, I called this A Game of Pennies, it's like a Game of Thrones, but Pennies.

Operator

Thank you. Our next question comes from Ben Sullins with Teslanomics.

Q - Ben Sullins {BIO 17277582 <GO>}

Hey, guys. Thanks so much and congratulations again. One thing that really sparked my interest here was the firmware update and how you're able to add range there, and I think that that's been one of the things we haven't talked a lot about. So, I'm curious, if you see other updates like this possibly an app store or some other way to churn the cars themselves into more of a platform with other services you can add on top of it? Thank you.

A - Elon R. Musk {BIO 1954518 <GO>}

Well. Yes. We do find ways over time. We've done this many times in the past where we're able to improve the efficiency to see if the drive inverter or the motor or we get a bit more comfortable with what -- how much energy you can extract safely from the battery pack without causing it long-term harm, and so that -- as we get more road validation and we're able to find optimizations in this field, but more complex [ph], widening the margins and that's -- and then we just update the car and make it better for free, that's been our philosophy for many years. But we're not planning to make the car a sort of a big platform at this stage. I mean, maybe, if we have like tens of millions of cars on the road at some point, then it would make sense to be a platform, but I think, until you have sort of at least in the tens of millions, it's not realistically a platform, except in the sense that the car has all of what we (inaudible) all of the sensors necessary for full self-driving. And so, those upgrades will occur automatically. And I should perhaps, just levered on sort of, if we broken out the,

what was previously enhanced autopilot into especially basic autopilot and full self-driving. So autopilot or just basically autopilot is the car will accelerate and brake and steer automatically within a lane. And then, the full surprising features are that the car will navigate on autopilot. So it will automatically take from highway on ramp to off ramp and it will switch lanes, change from one highway to another, overtake slow cars and exit the highway. And that's the feature that anyone who ordered enhanced autopilot will get, but is now moved into full self-driving. And unless advanced summon, which also people who have ordered enhanced autopilot will get advanced summon, but people who now order advanced summon where the car will find you anywhere in the parking lot. That has been move to now been moved to full self-driving. So this was some features that we need to finish obviously in full self-driving, we need the car to be able to recognize traffic lights and stop signs and do turns and navigation on side streets, but that's the main thing that needs to be finished in order for the car to take you from your house to your work with no intervention required. Now, first of course, this will need to be supervised by the drivers -- because it will take us billions of miles to get to the safety level where driver observation is no longer required. And then we will need to convince regulators of this. So, there are some steps along the way, but in terms of being feature complete for full self-driving, as I've said before, we are highly confident, I really quite uncertain that we'll be featured complete with full self-driving this year. But I -- as a risk of delivering the point, we feature complete full self-driving, but you still need to, the driver will still need to pay attention, because the reliability level will take longer to address, and then even after we feel we addressed the reliability, we need regulators to agree that that is -- that driver attention is no longer necessary.

Operator

Thank you. Our next question comes from Alexander George with Popular Mechanics.

Q - Alexander George {BIO 20296610 <GO>}

Hi. Thank you. Can you repeat that detail about the top speed increase and how you achieve that?

A - Elon R. Musk {BIO 1954518 <GO>}

The top speed increase is essentially we'd electronically limited the Model 3 performance to 155 miles in an hours, so it's -- that was not a physical limit, but electronic limit. The -- after a lot of testing, we now feel we can increase that limit to by 10 kilometers in an hour or 7 miles in an hour. And that just ends up being RPM increase in the motors. So, that the two motors just spin faster. And I think they're going somewhere in order of 19,000 RPM.

Operator

Thank you. Our next question comes from Mike Liedtke with Associated Press.

Q - Mike Liedtke {BIO 16629369 <GO>}

Hi. Thanks for taking my question. Elon, so with all those cost cutting, can you tell us whether you expect to make money here in the first quarter potentially to continue to make money?

A - Elon R. Musk {BIO 1954518 <GO>}

Given that there is just a lot happening in Q1. And we're taking a lot of sort of a lot of one-time charges and there's a lot of challenges getting cars to China and Europe. We do not expect to be profitable in Q1, but we do think that profitability in Q2 is likely.

Operator

Thank you. Our next question is from Kirsten Korosec with TechCrunch.

Q - Kirsten Korosec

Hi, Elon. Thanks for taking my question. I'd a question about the full self-driving capability. Two parts; one, is it a problem that you're calling this full self-driving capability when you're still going to require the driver to take control or be paying attention. And then I was wondering if you could talk a little bit about what's coming maybe later this year, which is this -- looks like some of these capabilities rolling out to being in an urban city streets unlike highway?

A - Elon R. Musk {BIO 1954518 <GO>}

Yes. I think we're very clear with the -- when you buy the car what is meant by full self-driving, it means its feature complete, but feature complete requiring a supervision, and then as we get more -- we really need billions of miles if not maybe 10 billion sort of miles or -- on that order collectively from the fleet than (inaudible) in our opinion probably at that point supervision is not required, but that will still be up to regulators to agree. So we're just very clear like there's really three steps that's giving feature complete full self-driving, but requiring supervision, feature complete but not requiring supervision, and feature complete not requiring supervision and regulators agree.

Operator

Thank you. Our next question comes from Domenick Yoney with InsideEVs.

Q - Domenick Yoney

Hi, there. This seems like hugely disruptive. So do you expect to open more service centers and will that increase jobs like to handle demand and deliver customers directly to deliver cars directly to customers?

A - Elon R. Musk {BIO 1954518 <GO>}

Oh yes, that's a good point. We will actually be significantly increasing headcount in service technicians and service is directly reporting to me at this point, but I really have as my top priority this year is making service amazing at Tesla.

Operator

Thank you. Our next question comes from Sasha Lekach with Mashable.

Q - Sasha Lekach

Hi. It's Sasha from Mashable, but hi. Thanks for taking my question. I was wondering...

A - Elon R. Musk {BIO 1954518 <GO>}

No. Just kidding. Sorry.

Q - Sasha Lekach

Okay. I was wondering what the significance was of Elon Tusk as your Twitter name in relation with this Model 3 announcement, or if there was a connection?

A - Elon R. Musk {BIO 1954518 <GO>}

No. I was playing the fool on Twitter.

Operator

Thank you. Our next question comes from Paul Fosse with CleanTechnica.

Q - Paul Fosse

Hi. I think this is going to hugely increase demand -- and is there -- if you get a big backlog of orders will the first day line waiters, will they still get priority on delivery -- or is it just how fast you can order your car?

A - Elon R. Musk {BIO 1954518 <GO>}

So that's a good point, I should have clarified it. We're first making sure that anyone who placed a reservation early absolutely has priority, so any early reservation holders will absolutely get priority as they should for the \$35,000 Model 3 for sure.

Operator

Thank you. Our next question comes from Tim Higgins with the Wall Street Journal.

Q - Tim Higgins {BIO 19677745 <GO>}

Hi. Thanks for having me -- my question. Can you talk a little bit about your strategy to moving to online-only and shutting stores, was this a hard decision or is this something that you had been thinking about doing a long term for a while?

A - Elon R. Musk {BIO 1954518 <GO>}

It is a hard decision, but I think it's the right decision for the future, and I think ultimately this will be a very strong competitive strength of Tesla, because we do not have franchise dealers. So I think this is -- this will be a fundamental long-term competitive advantage of Tesla that maybe only a startup -- only a startup could replicate, but no one who has sold franchises could replicate. I think this was an extremely important strategic decision and definitely the right one.

Operator

Thank you. Our next question comes from Andrew Hawkins with The Verge.

Q - Andrew Hawkins {BIO 15739509 <GO>}

Yes. Hi. I have a question about the autopilot decision. In October you said that you would stop offering full self-driving. Now it's back. Can you explain what's changed in that period of time?

A - Elon R. Musk {BIO 1954518 <GO>}

I think we're closer to releasing full self-driving features. So we're just weren't close enough I thought at that time, and it was creating too much confusion, but now really with the release on navigate an autopilot for highways, which is already released in the US and parts of Europe and will soon go worldwide and with the imminent release of advance summon and in the fact that I'm driving right now the development version of autopilot, and it works extremely well in terms of recognizing traffic lights and stop signs and is now starting to make turns effectively in complex urban environments. So, I'm confident enough at this point to say -- to sell full self-driving. And yes, I think it's looking really good like the features I'm talking about I'm driving in development mode right now.

Operator

Thank you. Our next question comes from Christian Prenzler with Teslarati.

Q - Christian Prenzler

Hi, Elon. Thanks for taking the call. My question is surrounding kind of how these new lower option low cost cars kind of will fit into the production queue and now you'll kind of fit that in with all the international orders and high priced orders as well?

A - Elon R. Musk {BIO 1954518 <GO>}

Yes. I mean, there's going to be a blend of vehicles in production. It's a mixture of high price and low priced -- I mean I can't -- it's really getting into the weeds to talking about exact percentages here, but there will obviously be a mixture of trims that are made. Something that I should -- I forget to mention, we're also reducing the Model S and Model X prices and transitioning to online-only. It effectively reduces our costs by about 5% maybe 6%, and so we've applied that to S&X as well as to Model 3. So the S&X is also more affordable.

Operator

Thank you. Our next question comes from Chuck Tannert with Forbes.

Q - Chuck Tannert

Good afternoon. What is that Tesla's profit margin on each and every \$35,000 Model 3 sold?

A - Elon R. Musk {BIO 1954518 <GO>}

Yes. We're not going to answer questions like that. Next question?

A - Dave Arnold {BIO 20757721 <GO>}

Next question?

Operator

Thank you. Our next question comes from Eric Evarts with Green Car Reports.

Q - Eric Evarts

Hi. I was just wondering if somebody wanted to order a short range base Model 3 this evening. How long you'd expect that it would take at this point for them to get it?

A - Elon R. Musk {BIO 1954518 <GO>}

Well. The priority is for longtime reservation holders, so we first need to assess how many of the long-term reservation holders want \$35,000 car. So, it really depends on that and obviously this news has been embargoed until now, so we first need to assess how many of the reservation holders wish to buy that car. They will get priority and then it will be new orders. But I should say that it is very likely that someone who orders will get the car in the US by the end of June, let's say -- before the next tax credit cliff.

Operator

Thank you. And our final question comes from Gary Gastelu with Fox News.

Q - Gary Gastelu

Elon, are the battery packs significantly reduced with cells or is this more of a software restriction and then also the autopilot and self-driving hardware, is this the final version or might these require an update down the road?

A - Elon R. Musk {BIO 1954518 <GO>}

The Standard range pack has significantly fewer cells, the long range pack has on the order of 50% more cells as the range suggests. The -- it's not just a software

restriction otherwise our materials cost would be too high. Sorry, what was the other question?

A - Dave Arnold {BIO 20757721 <GO>}

Autopilot.

A - Elon R. Musk {BIO 1954518 <GO>}

The only upgrade that's sort of happening kind of in real time is the hardware three autopilot computer, but this is like this is essentially invisible to the user, so yes, the features that require the hardware three autopilot.

Operator

And that was our final question.

A - Elon R. Musk {BIO 1954518 <GO>}

Alright. Thank you. Thanks, everyone.

A - Dave Arnold {BIO 20757721 <GO>}

Thank you.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This concludes the program. You may all disconnect, and have a wonderful day.

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